

**DEPARTMENT OF MANAGEMENT
SERVICES**

**CONTRACT MONITORING AND FOLLOW-UP ON
SELECTED PRIOR AUDIT FINDINGS**

Operational Audit

July 2006 through February 2008



SECRETARY OF DEPARTMENT OF MANAGEMENT SERVICES

The Department is created pursuant to Section 20.22, Florida Statutes. The head of the Department is the Secretary, who is appointed by the Governor and subject to confirmation by the Senate. Secretaries who served during the audit period are shown below.

Secretary	Dates of Service
Tom Lewis, Jr.	March 8, 2005, to January 2, 2007
Linda H. South	From January 3, 2007

The audit team leader was Clint C. Boutwell, CPA, and the audit was supervised by Nancy C. Tucker, CPA. Please address inquiries regarding this report to Nancy C. Tucker, CPA, Audit Manager, by e-mail at nancytucker@aud.state.fl.us or by telephone at (850) 487-4370.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

DEPARTMENT OF MANAGEMENT SERVICES

Contract Monitoring and Follow-Up Selected Prior Audit Findings

SUMMARY

This operational audit of the Department of Management Services (Department) for the period July 2006 through February 2008, and selected actions through August 7, 2008, focused on Department controls regarding contract monitoring processes and included a follow-up on selected prior audit findings. Our audit disclosed the following deficiencies:

Contract Management

CONTRACT LISTING

Finding No. 1: The Department did not have a mechanism in place that could readily produce a reliable listing of Department contracts.

DEPARTMENTAL PURCHASING POLICIES AND PROCEDURES

Finding No. 2: Certain aspects of contract management could be improved through enhancements to *Departmental Purchasing Policies and Procedures*.

CONTRACT MANAGER TRAINING

Finding No. 3: Department contract managers generally did not participate in contract management training.

MONITORING CONTRACT MANAGERS

Finding No. 4: Contrary to established Department procedures, the contract administrator did not review contract manager files.

Access Controls

FLAIR ACCESS CONTROLS

Finding No. 5: The Department did not timely remove Florida Accounting Information Resource Subsystem (FLAIR) access for terminated employees.

State Agency MyFloridaMarketPlace Utilization Survey Update

The level of State agencies' utilization of MFMP functionalities has not improved significantly since our prior audit.

BACKGROUND

The Department serves as the administrative arm of State government. As such, the Department is responsible for:

- Consolidating the State's purchasing power for buying commodities and services and establishing rules and guidelines to ensure a fair, competitive procurement process;
- Serving as the central entity for the construction, operation, maintenance, and security of State-owned facilities;
- Providing telecommunication services to State and local governments to improve efficiency and delivery of services to Florida citizens;
- Administering the Statewide government employee retirement system and monitoring the actuarial soundness of local government retirement systems;

- Developing rules and guidelines to ensure that human resource issues, including employee recruitment, promotion, and discipline are fairly and uniformly addressed and implemented; and
- Developing and administering a high-quality, competitive portfolio of employee benefits, including group health insurance, to allow the State to attract and retain a competent workforce.

FINDINGS AND RECOMMENDATIONS

Contract Management

In support of the internal operations of the Department, the Department has entered into numerous contracts with providers of commodities and services. Examples include contracts under which services such as telecommunications, information technology, human resource management, facility development and management, and State group health insurance are provided to the Department and the State. The Department's Departmental Purchasing Section was responsible for management of these contracts. As enumerated in the findings below, several deficiencies existed related to Departmental Purchasing's contract management function.

Finding No. 1: Contract Listing

On February 6, 2008, we requested from Departmental Purchasing staff a list of contracts that were active during the period July 2006 through February 2008 to include information basic to a contract management system, such as the contract numbers, start and expiration dates, vendor name, and amount. Subsequent discussion with staff disclosed that Departmental Purchasing did not have a contract management system, database, or other mechanism in place that could readily provide a reliable listing of Department contract information. According to staff, not all contracts were procured through the State's procurement system, MyFloridaMarketPlace, nor were the contracts recorded in the FLAIR Contracts and Grants Subsystem. Thus, these systems could not be utilized to generate a comprehensive listing of contract information. As a result, Departmental Purchasing staff manually compiled and provided the requested contract information on May 28, 2008, at the end of our field work. The listing identified 33 contract managers for the Department's 130 contracts.

Effective contract management requires that entity management has accurate and timely information on all contracts to which the entity is a party. The contract administrator and contract managers must be able to systematically accumulate financial and performance data for all contracts and efficiently extract such data as necessary for management reporting and monitoring purposes. A contract management system, database, or other mechanism that can be used to track the financial and performance data of all Department contracts is crucial to the Department's ability to gain and maintain control over the contract process.

Recommendation: To provide current and relevant information to Department decision makers, Departmental Purchasing should establish a contract management system, database, or other mechanism to track financial and performance data for all Department contracts.

Finding No. 2: Departmental Purchasing Policies and Procedures

State law¹ provides that each agency shall designate at least one employee who shall serve as a contract administrator responsible for maintaining a contract file and financial information on all contractual services contracts and who shall serve as a liaison with the contract managers and the Department. State law² also provides that for each contractual

¹ Section 287.057(16), Florida Statutes.

² Section 287.057(15), Florida Statutes.

services contract, the agency shall designate an employee to function as contract manager who shall be responsible for enforcing performance of the contract terms and conditions and serve as a liaison with the contractor. The law further requires that the agency implement procedures to ensure that contractual services have been rendered in accordance with contract terms prior to processing an invoice for payment.

Our inquiries disclosed that the Department's contract administrator was an employee within Departmental Purchasing, and contract managers were generally assigned from the applicable program areas. Thus, contract management was decentralized throughout the Department. Paramount to maintaining control and accountability over a decentralized function is the establishment of a standardized process or structure and written policies and procedures that guide employees through that process or structure.

The Department had established written policies and procedures for the procurement of and contracting for commodities and services. Our review of the *Departmental Purchasing Policies and Procedures*, last updated in April 2006, disclosed that, although it addressed contract management and monitoring activities in general, the procedures therein could be enhanced to ensure more consistent and effective performance on the part of the contract administrator and contract managers. For example, the *Departmental Purchasing Policies and Procedures* did not adequately address:

- Clear and comprehensive delineation of the roles and responsibilities of the contract administrator and contract manager;
- Requirements for developing a risk-based contract monitoring plan to include a brief summary of planned monitoring activities;
- Guidance for documenting interactions with the contractor;
- Direction for handling disputes with the contractor;
- Guidance for structuring and documenting on-site monitoring visits and other monitoring procedures, including the development of checklists or reports to document, as appropriate, on-site monitoring visits, the evaluation of contract deliverables, and the assessment of compliance with other contract terms, such as those related to reporting, performance measures, and audits; and,
- Requirements for contract managers to provide the contract administrator with the results of all monitoring efforts, including descriptions of the deficiencies noted and related corrective action plans.

Recommendation: Department management should review and revise the *Departmental Purchasing Policies and Procedures* to ensure that all aspects of contract management are clearly addressed.

Finding No. 3: Contract Manager Training

As previously noted, Department contract management was decentralized. Contract managers were generally program area specialists rather than contract management experts. However, when services are contracted out, the duties of the program area specialists must evolve from performing services to managing vendors. Training in contract management increases the likelihood that individuals designated as contract managers will have the appropriate background knowledge to be able to monitor contracts effectively.

We noted that the Division of State Purchasing, which resides within the Department, provides training and certification programs for Florida public purchasing professionals. The goal of the certification programs is to develop and certify purchasing professionals who possess the knowledge, skills, and ability to effectively design, solicit, negotiate, award, and manage government contracts in Florida.

Although such training is offered through the Department, contract managers assigned to Department contracts were not required to and generally did not participate in these training opportunities. Our review of documentation

provided by the Department for 16 contract managers disclosed that 11 of the managers had received little or no training in contract management. The failure to sufficiently train contract managers increases the risk that contractor performance issues may not be timely detected and corrected.

Recommendation: The Department should ensure that all staff assigned contract management responsibilities receive appropriate training in the various aspects of contract management.

Finding No. 4: Monitoring Contract Managers

Departmental Purchasing Policies and Procedures required that reviews of contract manager files be conducted on a routine basis by the contract administrator to ensure that necessary documentation was being properly maintained. However, our inquiries of Departmental Purchasing staff and contract managers disclosed that during the audit period, the former contract administrator did not conduct any required reviews of contract manager files as prescribed by the *Departmental Purchasing Policies and Procedures*. Although our review of four selected contract manager files disclosed evidence of monitoring activities, without the required contract administrator review, management had reduced assurance that Department contracts were being adequately monitored.

Contract administrator reviews of contract manager files are part of management oversight, which is critical to the effective operation of internal controls. Inadequate oversight, coupled with the deficiencies noted above concerning the *Departmental Purchasing Policies and Procedures* and the training of contract managers, could delay or prevent the identification of deficiencies in contractor performance.

Recommendation: The Department should take steps to ensure that contract administrator reviews of all contract manager files are periodically conducted and documented.

Access Controls

Finding No. 5: FLAIR Access Controls

To reduce the risks associated with unauthorized access and protect the integrity of Department accounting records, FLAIR access control custodians should ensure that access privileges for terminated employees are removed timely. Within the Department, the Bureau of Financial Management Services maintains the FLAIR Access Control File, which is used to control Department employee access to various FLAIR components. As previously disclosed in audit report No. 2007-071, the Department had not established procedures that effectively ensured that FLAIR access for terminated employees was timely removed.

As part of our current audit, we examined FLAIR access records for employees who terminated employment with the Department. We identified 10 instances in which a terminated employee’s FLAIR access was not timely removed. FLAIR access for these 10 terminated employees remained active from 11 to 117 days after termination.

In our previous audit, the Department responded that a separation checklist would be implemented by March 5, 2007, and additional training for management would be provided. In response to our inquiries, Department staff stated that the checklist was implemented on August 7, 2008.

Recommendation: To reduce the risks associated with unauthorized access and to protect the integrity of Department accounting records, we recommend that the Department ensure that effective procedures governing the timely cancellation of employee FLAIR access upon employee termination be implemented.

State Agency MyFloridaMarketPlace Utilization Survey Update

MyFloridaMarketPlace (MFMP) is a Web-based electronic procurement system for State agencies that is maintained and operated by Accenture, LLP, under contract with the Department. MFMP is designed to enable State agencies to procure commodities and contractual services online and electronically communicate information on purchasing activities to FLAIR.

State agencies are required by law³ to participate in the online procurement system and to procure commodities and contractual services from MFMP-registered vendors unless granted a specific exemption pursuant to Department Rule.⁴

In audit report No. 2007-076, the results of our survey conducted at 14 State agencies disclosed that few agencies were fully utilizing all the functional capabilities available in MFMP as of April 30, 2006. Agencies provided various reasons for not using certain MFMP functions and some relied on workaround processes or alternate systems in lieu of MFMP functionality. We recommended that the Department undertake sufficient measures to address various performance issues and to communicate and work with State agencies to promote user awareness and expertise regarding MFMP functionality.

In response to inquiries made during our current audit, Department staff provided documentation of MFMP system enhancements, including a software upgrade in April 2007, and MFMP training and benchmarking activities.

During our current audit we also conducted a follow-up survey of 13 of the 14 State agencies surveyed in our previous audit. As shown in **Exhibit A**, notwithstanding Department efforts to increase agency use of MFMP, the results of our current survey indicated that, as of April 30, 2008, the level of agency utilization of MFMP functions had not significantly improved. Department staff also provided their survey results of State agency utilization of MFMP functions as of November 2007. Results of the Department's survey were similar to those shown by our current survey.

A summary of our survey results was provided to the Office of Program Policy Analysis and Government Accountability (OPPAGA). Chapter 2008-152, Laws of Florida, requires OPPAGA to conduct, or contract for the conduct of, an independent study of MFMP. The study is to include, but not be limited to, an examination of the system's cost effectiveness, efficiency, staffing needs, maintenance requirements, functionality, security, and ability to meet the State's business needs. The study is also to include alternative solutions for service delivery, with a timeline for implementation. The study and its recommendations are to be provided to the Executive Office of the Governor, the chair of the Senate Fiscal Policy and Calendar Committee, and the chair of the House Policy and Budget Council no later than February 1, 2009.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the Department had taken corrective actions for the applicable findings in our report Nos. 2007-071 and 2007-076.

³ Section 287.057(23), Florida Statutes.

⁴ DMS Rule 60A-1.030(2), Florida Administrative Code.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit focused on internal controls over contract monitoring activities and included a follow-up on selected prior audit findings included in audit report Nos. 2007-071 and 2007-076. The overall objectives of the audit were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the relevance and reliability of records and reports; and the safeguarding of assets.
- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the relevance and reliability of records and reports; and the safeguarding of assets.
- To determine whether management had corrected, or was in the process of correcting, all applicable deficiencies disclosed in selected prior audit report (Nos. 2007-071 and 2007-076).
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

Our audit included examinations of various records and transactions (as well as events and conditions) occurring during the period July 2006 through February 2008, and selected actions through August 7, 2008. In conducting our audit, we:

- Interviewed staff, reviewed *Departmental Purchasing Policies and Procedures*, and examined contract files and other Department records to determine whether a framework was in place for effective contract management. In evaluating the Department's contract management framework, we considered whether there was evidence that processes existed to ensure that management could track financial and performance data for all Department contracts, Department personnel responsible for contract monitoring and administration received adequate training, and all contracts received administrative and programmatic monitoring.
- Tested four Department contracts and examined associated documents and records to determine whether adequate documentation was retained to evidence effective contract monitoring activities, specifically: verification of the timely delivery of acceptable deliverables, timely communication of any deficiencies, and objective determination of contractors' performance.
- Evaluated Department actions taken to correct deficiencies disclosed in prior audit report No. 2007-071, and selected deficiencies disclosed in audit report No. 2007-076. Specifically, we:
 - Evaluated management initiatives to encourage adherence to Department travel policies and procedures and to enhance travel preaudit processes.
 - Performed analytical procedures related to transfers between budget entities and categories to determine whether transfers were within the limits established by law.
 - Reviewed quarterly agency prompt payment compliance reports to determine whether Department payments for goods and services were timely processed.

- Reviewed actions taken by the Department to ensure that timesheets were timely approved by supervisors and that salary increases exceeding 5 percent were appropriately documented.
 - Evaluated the motor vehicle auction process and reviewed documentation for two auctions held during the audit period to determine whether revised procedures provided assurance that independent verifications of auction proceeds were conducted.
 - Inquired as to the extent of Department utilization of MyFloridaMarketPlace (MFMP). We combined the responses with the responses to surveys conducted at 12 other State agencies regarding the utilization of MFMP functionality to determine whether utilization of MFMP functionality had changed from that disclosed in audit report No. 2007-076.
 - Interviewed staff and reviewed documentation to determine whether MFMP user accounts were periodically reviewed for appropriateness; inappropriate user access accounts were deleted; procedures for key MFMP processes had been developed; and procedures ensured that MFMP was appropriately updated for invoices paid directly in FLAIR.
- Performed various other audit procedures as necessary to accomplish the objectives of the audit.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a biennial basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA
Auditor General

MANAGEMENT’S RESPONSE

In a response letter dated November 18, 2008, the Secretary of the Department concurred with our audit findings and recommendations. The Secretary’s response is included as Exhibit B.

**EXHIBIT A
STATE AGENCY MFMP UTILIZATION SURVEYS
2006 AND 2008**

Below are summarizations of MFMP survey responses obtained during our operational audits at various State agencies in 2006 and 2008. Refer to audit report No. 2007-076 for a more detailed explanation of the 2006 survey results.

MFMP Utilized to:	2006 Survey Responses					2008 Survey Responses				
	Yes	Y/W	No	N/A	DNR	Yes	Y/W	No	N/A	DNR
<i>Create Requisitions</i>	86%	7%	0%	0%	7%	85%	15%	0%	0%	0%
<i>Establish Encumbrances for Direct (Purchase) Orders</i>	71%	21%	7%	0%	0%	77%	8%	15%	0%	0%
<i>Authorize Payments on Direct (Purchase) Orders</i>	71%	29%	0%	0%	0%	85%	0%	15%	0%	0%
<i>Initiate Master Agreements (Contracts)</i>	43%	0%	50%	0%	7%	23%	0%	77%	0%	0%
<i>Establish Encumbrances for Master Agreements (Contracts)</i>	7%	7%	79%	7%	0%	15%	8%	77%	0%	0%
<i>Authorize Payments on Master Agreements (Contracts)</i>	29%	7%	57%	7%	0%	15%	8%	77%	0%	0%
<i>Initiate Contracts and Authorize Payments</i>	29%	0%	64%	7%	0%	23%	0%	69%	0%	8%
<i>For Procurements Initiated in MFMP, Manage Encumbrances (through MFMP-generated reports)</i>	21%	14%	64%	0%	0%	31%	8%	61%	0%	0%
<i>For Procurements Initiated in MFMP, Assist with Year-End Reporting of:</i>										
<i>Encumbrances</i>	36%	0%	64%	0%	0%	38%	8%	54%	0%	0%
<i>Accounts Payable</i>	29%	0%	71%	0%	0%	38%	0%	62%	0%	0%
<i>Certified Forwards</i>	29%	0%	71%	0%	0%	38%	0%	62%	0%	0%
<i>Search for and Select Vendors</i>	86%	0%	14%	0%	0%	85%	0%	15%	0%	0%
<i>Store and Retrieve Procurement Documents</i>	79%	14%	7%	0%	0%	69%	15%	16%	0%	0%
<i>Report Spending for Developing Budget Requests</i>	7%	0%	93%	0%	0%	8%	0%	85%	0%	7%

State Agencies Surveyed:
Department of Children and Family Services
Department of Corrections
Department of Education
Department of Financial Services
Department of Health
Department of Highway Safety and Motor Vehicles
Department of Law Enforcement
Department of Management Services
Department of Revenue
Department of State
Department of Transportation
Department of Veterans' Affairs
Executive Office of the Governor**
Fish and Wildlife Conservation Commission

Legend:
Y Agency used MFMP to accomplish this task.
Y/W Agency used work-arounds with MFMP to accomplish this task.
N Agency did not use MFMP to accomplish this task.
N/A Agency did not perform this task with any regularity.
DNR Agency did not provide response for this task.

** Not included in 2008 Survey.

EXHIBIT B
MANAGEMENT'S RESPONSE



Governor Charlie Crist

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Secretary Linda H. South

November 18, 2008

Mr. David W. Martin, CPA
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Pursuant to Section 11.45(4)(d), Florida Statutes, this is our response to your report of the *Department of Management Services and Related Entities, Contract Monitoring and Follow-Up on Selected Prior Audit Findings*.

We would like to thank the Auditor General for its audit of the department's contract management process. However, we would like to note that our staff has been working on departmental contracting issues for some time. Specifically:

- Our Inspector General previously issued Internal Audit Report Number 2004-01 that contained the same findings and recommendations made in your current report.
- Subsequent to the Inspector General's audit report, the department contracted with KPMG to review the contract management process. KPMG issued a report in September 2007 which identified numerous best practices the department should follow. The best practices paralleled the recommendations contained in the Inspector General's audit report.
- As a result of the Inspector General's audit report and KPMG review, department management designated contract management as a department priority for both calendar years 2007 and 2008.
- Only weeks prior to the Auditor General's announcement of its Operational Audit, the entire departmental purchasing staff was replaced.
- All of the above information was shared with the Auditor General staff during their preliminary review prior to the entrance conference for the subject audit.

We serve those who serve Florida.

EXHIBIT B
MANAGEMENT'S RESPONSE (CONTINUED)

Mr. David W. Martin, CPA
November 18, 2008
Page 2

Our response corresponds with the order of your tentative and preliminary findings and recommendations contained in the draft report.

If further information is needed concerning our response, please contact Steve Rumph, Inspector General, at 488-5285.

Sincerely,



Linda H. South
Secretary

Attachment

cc: Ken Granger, Deputy Secretary
Debra Forbess, Director of Administration
Charles Covington, Director of State Purchasing

**EXHIBIT B
MANAGEMENT’S RESPONSE (CONTINUED)**

Mr. David W. Martin, CPA
November 18, 2008
Attachment Page 1

**Department of Management Services’ Response
To the Auditor Generals’ Operational Audit of
The Department of Management Services and Related Entities,
Contract Monitoring and Follow-Up on Selected Prior Audit Findings**

Contract Management

Finding No. 1: Contract Listing

The Department did not have a mechanism in place that could readily produce a reliable list of Department contracts.

Recommendation:

To provide current and relevant information to Department decision makers, Departmental Purchasing should establish a contract management system, database, or other mechanism to track financial and performance data for all Department contracts.

Response:

CONCUR: The department is working to improve its contract management and administration processes to ensure better monitoring of performance of contract terms and conditions. Further, as to both contract administration and management, the department is establishing standardized practices and developing tools (forms and flow charts) that will ensure contract files and financial information relating to all contracts are properly maintained. All tools and processes are expected to be in place by March 2009. Until that time, the department will continue to maintain and update its electronic contract listing spreadsheet.

Finding No. 2: Departmental Purchasing Policies and Procedures

Certain aspects of contract management could be improved through enhancements to *Departmental Purchasing Policies and Procedures*.

Recommendation:

Department management should review and revise the *Departmental Purchasing Policies and Procedures* to ensure that all aspects of contract management are clearly addressed.

Response:

CONCUR: The department is in the process of reviewing and revising its current purchasing policies and procedures. It is anticipated that the complete re-write of the policies and

EXHIBIT B
MANAGEMENT'S RESPONSE (CONTINUED)

Mr. David W. Martin, CPA
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Attachment Page 2

procedures will be completed by March 2009. As part of this process the items listed in the finding will be incorporated into the purchasing policies and procedures.

Finding No. 3: Contract Manager Training

Department contract managers generally did not participate in contract management training.

Recommendation:

The Department should ensure that all staff assigned contract management responsibilities receive appropriate training the various aspects of contract management.

Response:

CONCUR: The department has been working on developing a three part contract management training class for all contract management staff. The training consists of (1) an overview of Chapter 287, Florida Statute, and Rule 60A-1, Florida Administrative Code (2) improving our sourcing abilities, and (3) management of contracts. The training modules will be completely developed by January 2009. In addition, the department is looking at making the training available electronically on the DMS Learning Place.

Finding No. 4: Monitoring Contract Managers

Contrary to established Department procedures, the contract administrator did not review contract manager files.

Recommendation:

The Department should take steps to ensure that contract administrator reviews of all contract manager files are periodically conducted and documented.

Response:

CONCUR: As part of the updated Purchasing Policies and Procedures, the department is adding additional tools (forms and flow charts) that will facilitate contract administrator review of contract files. These should be in place when the policies and procedures are completed in March 2009.

**EXHIBIT B
MANAGEMENT’S RESPONSE (CONTINUED)**

Mr. David W. Martin, CPA
November 18, 2008
Attachment Page 3

Access Controls

Finding No. 5: FLAIR Access Controls

The Department did not timely remove Florida Accounting Information Resource Subsystem (FLAIR) access for terminated employees.

Recommendation:

To reduce the risks associated with unauthorized access and to protect the integrity of Department accounting records, we recommend that the Department ensure that effective procedures governing the timely cancellation of employee FLAIR access upon employee termination be implemented.

Response:

CONCUR: In October 2008, Human Resources implemented an Employee Exit Checklist. This checklist will be routed to Financial Management Services for any employee who has access to FLAIR. This will assist management in ensuring that all terminated employees are deleted from FLAIR in a timely manner.

State Agency MyFloridaMarketPlace Utilization Survey Update

Auditor General Statement:

The level of State agencies’ utilization of MFMP functionalities has not improved significantly since our prior audit.

“During our current audit we also conducted a follow-up survey of 13 of the 14 State agencies surveyed in our previous audit. As shown in APPENDIX A, notwithstanding Department efforts to increase agency use of MFMP, the results of our current survey indicated that, as of April 30, 2008, the level of agency utilization of MFMP functions had not significantly improved. Department staff also provided their survey results of State agency utilization of MFMP functions as of November 2007. Results of the Department’s survey were similar to those shown by our current survey.”

Response:

We believe there has been significant improvement in the level of agency utilization of MFMP functions. First, in the last year, three new agencies have joined MFMP, the Florida School for Deaf and Blind, the Division of Administrative Hearings and the Legislature’s Office of

EXHIBIT B
MANAGEMENT'S RESPONSE (CONTINUED)

Mr. David W. Martin, CPA
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Attachment Page 4

Legislative Services, which does the purchasing for the Senate, the House and OPPAGA as well as other units within the Legislature. Second, there has been a steady and continued increase in the amount of invoicing done through MFMP. Based on the Auditor General's data we have seen the following increases that we believe are significant.

- Authorize payments for DOs --- 14% increase
- For Procurements Initiated in MFMP, Manage Encumbrances – 10% increase
- Certified Forward – 9% increase
- Establish Encumbrances for Master Agreements – 8% increase

Additionally, in the last fiscal year alone invoice dollars have increased 14% and invoice counts increased 12% based on system data.

We do have 100% state agency participation in MFMP with the sole exception of the Department of Agriculture, which is statutorily exempt. We agree that there is not 100% utilization of all MFMP functions but such utilization of all functions is not mandated by Section 287.057(23), Florida Statue and is not a stated MFMP objective. Examples include confidential vendors, confidential purchases, professional services and purchasing card invoices to name a few. Therefore, 100% participation in all MFMP functions was never and will never be an MFMP objective.