

**OFFICE OF EARLY LEARNING AND
SELECTED EARLY LEARNING
COALITIONS**

Early Learning Programs and
Related Delivery Systems



Sherrill F. Norman, CPA
Auditor General

Office of Early Learning and Selected Early Learning Coalitions

Effective July 1, 2013, Chapter 2013-252, Laws of Florida, established the Office of Early Learning (OEL) within the Department of Education, Office of Independent Education and Parental Choice (Office). The Executive Director of the OEL is to be appointed by the Commissioner of Education, subject to approval by the State Board of Education, and, pursuant to Section 1001.213, Florida Statutes, is to administer the School Readiness and Voluntary Prekindergarten Education Programs at the State level. The Office is to be fully accountable to the Commissioner of Education. However, the Office independently exercises all powers, duties, and functions prescribed by law and is not to be construed as part of the K-20 education system. The following individuals served as Commissioner and Executive Director during the period of our audit:

Commissioner of Education

Pam Stewart	From September 17, 2013
Pam Stewart, Interim	August 2, 2013, through September 16, 2013
Tony Bennett	Through August 1, 2013

OEL Executive Director

Rodney MacKinnon	From July 1, 2015
Rodney MacKinnon, Interim	December 1, 2014, through June 30, 2015
Shan Goff	Through November 30, 2014

In addition to the OEL, we performed audit procedures with respect to 5 of the State's 30 early learning coalitions (coalitions). Those coalitions, and the coalition executive directors who served during the period of our audit, were:

Coalition Executive Directors

Broward County	Charles Hood
Flagler and Volusia Counties	D.J. Lebo
North Florida	Dawn Bell
Pasco and Hernando Counties	James Farrelly
Santa Rosa County	Melissa Stuckey

The team leader was Millicent Burns, CPA, and the audit was supervised by Christi Alexander, CPA.

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OFFICE OF EARLY LEARNING AND SELECTED EARLY LEARNING COALITIONS

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OFFICE OF EARLY LEARNING AND SELECTED EARLY LEARNING COALITIONS

Early Learning Programs and Related Delivery Systems

SUMMARY

This operational audit of the Office of Early Learning (OEL) and selected early learning coalitions focused on the administration and oversight of the School Readiness and Voluntary Prekindergarten Education (VPK) Programs and early learning coalition program delivery and operations. This audit also included a follow-up on applicable findings included in our report No. 2013-087.

We performed audit procedures at the OEL and at 5 of the State's 30 early learning coalitions which are responsible for ensuring access to early learning programs in all 67 Florida counties. The 5 early learning coalitions selected for audit field work were: Broward County, Flagler and Volusia Counties, North Florida, Pasco and Hernando Counties, and Santa Rosa County. Our audit disclosed the following:

OFFICE OF EARLY LEARNING

Finding 1: OEL Enhanced Field System (EFS) data analysis and monitoring processes need improvement to ensure that the School Readiness Program data used as the basis for provider reimbursements and State and Federal reporting is accurate. In addition, our EFS data analyses disclosed instances in which excess reimbursements were made.

Finding 2: Information technology (IT) controls for the EFS, the Single Point of Entry (SPE), and the Unified Wait List (UWL) need enhancement.

Finding 3: Certain security controls for the EFS and the UWL related to user authentication need improvement to ensure the continued confidentiality, integrity, and availability of EFS and UWL client data and related IT resources.

Finding 4: The OEL did not always appropriately document the School Readiness Program curricula review and approval process or ensure that all individuals responsible for reviewing and approving curricula satisfied established requirements.

EARLY LEARNING COALITIONS

Finding 5: Some coalitions did not always properly conduct or document School Readiness Program eligibility and parent copayment determinations.

Finding 6: Coalition records did not always evidence that the coalitions had verified that School Readiness Program providers maintained the insurance coverages required by State law.

Finding 7: Some coalition payments to School Readiness Program providers were not supported by appropriate documentation or made in the correct amounts.

Finding 8: Coalition records did not always evidence that the coalitions had verified that private VPK Program providers maintained the insurance coverages required by State law.

Finding 9: Some coalition payments to VPK Program providers were not supported by appropriate documentation.

Finding 10: One coalition did not always ensure that purchases were appropriately approved in accordance with established policies and procedures.

Finding 11: Some coalition tangible personal property controls need enhancement.

Finding 12: Coalition records did not always demonstrate that, prior to hire, an applicant's education had been verified and determined to meet the educational requirements applicable to the position.

Finding 13: Some coalition IT controls related to contractor background screenings and user access privileges need enhancement.

Finding 14: One coalition did not ensure that proper IT security controls were in place.

BACKGROUND

State law¹ specifies that the Office of Early Learning (OEL) is responsible for administering the State's primary early education programs, the School Readiness and Voluntary Prekindergarten Education (VPK) Programs, which are described in the following paragraphs. The State's 30 early learning coalitions are responsible for delivering program services at the local level.

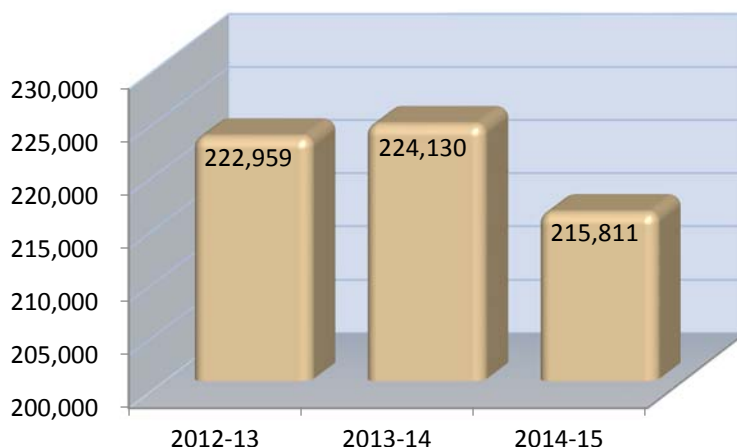
School Readiness Program

The School Readiness Program was designed to prepare children for school while enabling parents to be financially self-sufficient. The School Readiness Program provides subsidies for early childhood education and child care services to targeted populations based on need, serving children from birth to the age of 13. Pursuant to State law,² these targeted populations include children from families where a parent is receiving temporary cash assistance and is subject to Federal work requirements; children who are at-risk of abuse, neglect, abandonment, or exploitation; children from economically disadvantaged families; and children with special needs or a disability. Chart 1 shows the number of children served by the School Readiness Program during the 2012-13, 2013-14, and 2014-15 fiscal years.

¹ Section 1001.213, Florida Statutes.

² Section 1002.87(1)(a) through (i), Florida Statutes.

Chart 1
Number of Children Served by the School Readiness Program
By Fiscal Year



Source: OEL Fact Book.

Funding for the School Readiness Program is provided by Federal and State sources, including the Federal Child Care and Development Fund (CCDF) Block Grant, the Federal Temporary Assistance for Needy Families (TANF) Program, State general revenue, and other Federal funds. As shown in Table 1, the CCDF Block Grant and TANF Program provided over 70 percent of the School Readiness Program funding during the 2013-14 and 2014-15 fiscal years.

Table 1
School Readiness Program Funding by Fiscal Year

Funding Source	2013-14	2014-15
Federal CCDF Block Grant	\$337,543,907	\$340,543,907
Federal TANF Program	96,612,427	96,612,427
State general revenue	144,869,704	144,869,705
Other Federal funds	489,286	489,286
Totals	<u>\$579,515,324</u>	<u>\$582,515,325</u>

Source: OEL funding data.

The OEL is to distribute School Readiness Program funding to the early learning coalitions in accordance with State law³ and the General Appropriations Act. The coalitions then distribute funds to contracted third-party providers and local child care providers.

Voluntary Prekindergarten Education Program

The State Constitution⁴ requires that every 4-year-old child in the State be provided a prekindergarten learning opportunity in the form of an early childhood development and education program. The program is to be voluntary, high quality, free, and delivered according to professionally accepted standards.

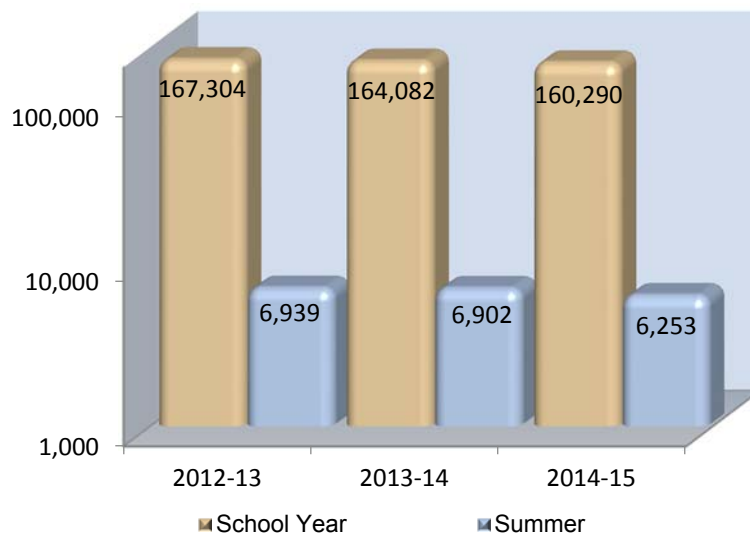
³ Section 1002.89, Florida Statutes.

⁴ Article IX, Section 1(b) and (c) of the State Constitution.

Parents of 4-year olds who elect to participate in the VPK Program may choose either a school-year program or a summer program offered by either a private prekindergarten provider or public school.

Pursuant to State law,⁵ the OEL administers the operational and programmatic requirements of the VPK Program at the State level, including procedures adoption, fiscal management, and oversight of the 30 coalitions and network of local VPK providers. As with the School Readiness Program, coalitions are responsible for implementing the VPK Program at the local level. Local oversight of the VPK Program is divided, with coalitions administering privately provided programs and school districts overseeing public school programs. Chart 2 shows the number of children who were enrolled in VPK school-year and summer programs during the 2012-13, 2013-14, and 2014-15 program years.

Chart 2
VPK Program Enrollments by Program Year



Source: OEL Fact Book.

The VPK Program has historically been funded by State general revenue. Table 2 shows VPK Program funding amounts for the 2013-14 and 2014-15 fiscal years and the base student allocation per full-time equivalent student. The base student allocation amount per full-time equivalent student is the same, regardless of whether the student is enrolled in a program delivered by a public school or private VPK provider. However, as also shown in Table 2, the allocation amount differs based on whether the program delivered is a school-year or a summer VPK Program. Pursuant to State law,⁶ school-year VPK Programs must comprise at least 540 instructional hours while summer VPK Programs must comprise at least 300 instructional hours.

⁵ Section 1002.75(2), Florida Statutes.

⁶ Sections 1002.55(2) and 1002.61(2)(a), Florida Statutes.

Table 2
VPK Program Funding by Fiscal Year

	2013-14	2014-15
Total Funding	<u>\$404,927,801</u>	<u>\$396,065,224</u>
School-Year Program Base Student Allocation	\$2,383	\$2,437
Summer Program Base Student Allocation	\$2,026	\$2,080

Source: General Appropriations Acts.

FINDINGS AND RECOMMENDATIONS

OFFICE OF EARLY LEARNING

Finding 1: Enhanced Field System Data Analysis

State law⁷ requires the OEL to establish a single Statewide information system that each coalition must use for managing the single point of entry, tracking children’s progress, coordinating services among stakeholders, determining eligibility, tracking child attendance, and streamlining administrative processes for providers and coalitions. The OEL established the Enhanced Field System (EFS), Single Point of Entry (SPE),⁸ and Unified Wait List (UWL)⁹ as the single Statewide information system.

The OEL utilized the EFS, a distributed data system used at the State level by the OEL and independently maintained at the local level by each coalition, to assist in managing the State’s early learning programs. EFS data is used as the basis for provider reimbursements and State and Federal reporting. As such, OEL guidance¹⁰ specified that EFS data was to accurately reflect the most current household circumstances presented by an applicant to the coalition.

To better ensure accountability in the provision of School Readiness and VPK Program services, it is important that the OEL analyze EFS data to identify potential data entry errors or noncompliance and ensure that coalitions conduct appropriate follow up to correct errors and remedy noncompliance. In response to our audit inquiry, OEL management provided a list of 22 data quality edit reports¹¹ produced by the OEL that were to be shared with coalitions for their review and follow-up. OEL management further indicated that coalition review and follow up on the edit reports had been monitored by the OEL on a rotational basis; however, at the beginning of the 2013-14 fiscal year, the OEL limited its monitoring activities to 4 of the 22 edit reports.

⁷ Section 1002.82(2)(n), Florida Statutes.

⁸ The SPE is a Web-based system that parents and guardians use to apply for School Readiness and VPK Program services.

⁹ The UWL is a Web-based system that coalitions and their contracted designees use to retrieve, review, and manage applications submitted by the public through the SPE.

¹⁰ Office of Early Learning *School Readiness Standard Eligibility Review Program Guide* and *Voluntary Prekindergarten Standard Eligibility Review Program Guide*.

¹¹ Data quality edit reports are to identify items in the EFS that may indicate data entry errors or noncompliance in eligibility files.

As part of our audit, we analyzed EFS data for the period July 2013 through December 2014 and identified potential over-reimbursements to School Readiness Program providers. Specifically, our analyses disclosed:

- 91 School Readiness Program payments where the client received services from more than one coalition during an overlapping period of service. Subsequent to our audit inquiry, the applicable coalitions made payment adjustments totaling \$18,749.
- 2,139 child records where EFS data indicated that more than one School Readiness Program provider received a payment for the child during an overlapping period of service. We provided to the OEL for further investigation 52 of the 2,139 child records, involving 540 School Readiness Program payments, and in response to our audit inquiry, the coalitions made 42 payment adjustments totaling \$3,566.

Absent appropriate data analysis and monitoring processes, the OEL cannot ensure the accuracy of the data used as the basis for provider reimbursements and State and Federal reporting. In addition, the ability of the OEL to proactively detect potential errors and improprieties is limited.

Recommendation: To improve the accuracy of EFS data and detect potential errors and improprieties, we recommend that OEL management ensure that appropriate data analyses are conducted. We also recommend that OEL management ensure that the coalitions' review and follow up on any matters identified by data analyses be subject to comprehensive monitoring.

Finding 2: Information Technology Controls

Effective January 1, 2014, the OEL entered into a 2-year contract with Hewlett-Packard (HP) that was not to exceed \$1 million to provide, among other things, maintenance and technical support for the EFS. The OEL was responsible for maintaining the SPE and the UWL, including making necessary program modifications. As noted in Finding 1, the OEL utilized the EFS, the SPE, and the UWL to manage various aspects of the School Readiness and VPK Programs.

Our audit included procedures to evaluate the design and effectiveness of selected information technology (IT) controls for these systems. IT controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. However, our audit procedures disclosed that the OEL needed to enhance selected IT controls for the EFS, the SPE, and the UWL. Specifically:

- *Program Modifications.* Effective change management controls are intended to ensure that only authorized and properly functioning changes to programs are implemented. Such controls should provide for the appropriate separation of duties and ensure that program changes are properly authorized, tested, approved, and tracked. Once the OEL approved program change orders, HP was responsible for making program modifications to the EFS and the OEL was responsible for SPE and UWL program modifications. As part of our audit, we requested documentation for all program modifications to the EFS, the SPE, and the UWL during the period July 2013 through December 2014. While the OEL provided release notes for EFS modifications made by HP and a typed list of SPE and UWL modifications made by the OEL, OEL management indicated that they had not established a process for authorizing, testing, approving, and tracking program modifications to these systems. Consequently, no system-generated record of program modifications could be provided.
- *Access Controls.* Effective access controls include provisions to timely deactivate employee access privileges when employment terminations occur. In addition, periodic reviews of user access privileges help ensure that only authorized users have access and that the access

privileges granted to each user remain appropriate. As part of our audit, we reviewed EFS and UWL access controls and found that when a user's access to the EFS or the UWL was deactivated, no record of the deactivation was maintained. As a result, OEL management could not demonstrate that user access privileges to the EFS for nine OEL employees and to the UWL for three OEL employees had been timely deactivated upon the employees' separation from OEL employment. Additionally, our examination of EFS and UWL access controls disclosed that the OEL had not performed periodic reviews of the appropriateness of OEL user access privileges to the EFS and UWL.

Maintaining a record of the date user access privileges are deactivated would better demonstrate that EFS and UWL user access privileges were timely deactivated upon an employee's separation from OEL employment. Additionally, periodic reviews of the appropriateness of EFS and UWL access privileges would better ensure that any inappropriate access privileges, should they exist, will be timely detected and deactivated.

Recommendation: We recommend that OEL management establish change management controls that document the appropriate authorization, testing, approval, and tracking of program modifications to the EFS, the SPE, and the UWL. In addition, we recommend that OEL management perform periodic reviews of the appropriateness of EFS and UWL user access privileges and ensure that the timely deactivation of EFS and UWL access privileges upon an employee's separation from OEL employment is appropriately documented.

Finding 3: EFS and UWL Security Controls

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain security controls for the EFS and the UWL related to user authentication that need improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising EFS and UWL client data and related IT resources. However, we have notified appropriate OEL management of the specific issues. Without adequate security controls, the risk is increased that the confidentiality, integrity, and availability of EFS and UWL client data and related IT resources may be compromised.

Recommendation: We recommend that OEL management strengthen security controls for the EFS and the UWL related to user authentication to ensure the continued confidentiality, integrity, and availability of EFS and UWL client data and related IT resources.

Finding 4: School Readiness Curriculum Review

State law¹² requires the OEL to establish a process for reviewing and approving a provider's curriculum¹³ that meets School Readiness Program performance standards. Pursuant to State law, the OEL developed curriculum specifications that aligned with the *Florida Early Learning and Developmental Standards: Birth to Five*. These specifications outlined the criteria that School Readiness Program curricula were expected to meet.

¹² Section 1002.82(2)(l), Florida Statutes.

¹³ OEL policies and procedures defined curriculum as a set of written materials that: addressed the use of materials, scheduling, arranging the environment and interaction between children and adults either separately or in combination; included more than activity suggestions and more than theory and pedagogy; and was aligned with the standards approved for use in School Readiness classrooms (*Florida Early Learning and Developmental Standards: Birth to Five*).

Consistent with State law, the OEL established policies and procedures¹⁴ for reviewing and approving School Readiness Program provider curricula. The policies and procedures required the OEL to establish a School Readiness Curriculum Approval Committee (Committee) composed of early learning coalition executive directors or their designee(s), School Readiness education program directors and instructors, representatives of public schools and institutes of higher education, and representatives from the OEL who met minimum education and experience requirements. Although not specified by OEL policies and procedures, OEL management indicated that, from the pool of potential Committee members, three Committee members were responsible for reviewing each provider curriculum.

Each Committee member was required to complete a Committee Member Application; *Florida Early Learning and Developmental Standards: Birth to Five* training; School Readiness Curriculum Approval Process training; and a Committee Member Agreement stating that the member had no interest, and while a member of the Committee, would assume no interest, in any publishing or manufacturing organization which produced or sold instructional materials. Committee members were required to evaluate all materials and documents submitted as part of a comprehensive curriculum using a Curriculum Evaluation Form. The results of the Committee members' reviews were to be compiled and the OEL was to identify curricula for final State-approval from the list of suitable, usable, and desirable comprehensive curriculum titles reviewed by the Committee. A list of all curricula approved by the OEL for use by School Readiness providers was to be placed on the OEL Web site.

As part of our audit, we examined the OEL's process for reviewing and approving 62 School Readiness Program curricula in May 2014 and noted that:

- For 19 curricula reviewed and recommended for disapproval by the Committee, OEL management performed a secondary review and revised the initial Committee members' evaluations from disapproval to approval. In response to our audit inquiry, OEL management was unable to provide documentation to support the reason for the reviews, how the reviews were conducted, or the basis for the decisions made. OEL management indicated that the two members of OEL management who performed the secondary review were no longer with the OEL; however, OEL management believed that the secondary reviews were performed as a quality assurance measure.
- For 4 of the 62 curricula, the OEL was unable to provide documentation evidencing that 2 of the 3 reviewers completed a Committee Member Application.
- For 29 of the 62 curricula, the OEL was unable to provide documentation demonstrating that 11 of the 13 reviewers completed *Florida Early Learning and Developmental Standards: Birth to Five* training or that 8 of the 13 reviewers completed School Readiness Curriculum Approval Process training.

Documentation evidencing the reason for performing secondary reviews of School Readiness Program curricula, how such reviews are conducted, and the basis for final decisions made by the OEL would provide greater transparency and confidence in the manner in which curricula are reviewed and approved or disapproved. In addition, completion of all Committee requirements, including training, would provide greater assurance that only curricula aligned to School Readiness Program performance standards are approved.

¹⁴ *Florida School Readiness Program: Policies and Procedures for Curriculum Approval 2014-2015.*

Recommendation: We recommend that OEL management ensure that the review and approval process for all School Readiness Program curricula is appropriately documented and that all Committee members satisfy established requirements.

EARLY LEARNING COALITIONS

Early learning coalitions are responsible for implementing School Readiness and VPK Program services at the local level. As also illustrated in *EXHIBIT A* to this report, as part of our audit, we conducted on-site audit field work at 5 of the State's 30 early learning coalitions:

- Early Learning Coalition of Broward County.
- Early Learning Coalition of Flagler and Volusia Counties.
- Early Learning Coalition of North Florida (Clay, Nassau, Baker, Bradford, Putnam, and St. Johns Counties).
- Early Learning Coalition of Pasco and Hernando Counties.
- Early Learning Coalition of Santa Rosa County.

During our audit field work, we performed various audit procedures to determine whether the coalitions were operating and administering the School Readiness and VPK programs in compliance with applicable laws, rules, regulations, and other guidelines. These audit procedures included, but were not limited to, interviews with coalition executive directors and staff, examination of selected coalition documents and policies and procedures, tests of coalition transactions, tests of client and provider eligibility files, and various analytical procedures.

Finding 5: School Readiness Eligibility Determinations

State law¹⁵ requires coalitions to properly maintain eligibility and enrollment records. To demonstrate that eligibility criteria have been evaluated by the coalition and met, among other things, documentation of the child's age and, when applicable, family income and family unit size, is required.

As part of our audit, we examined 125 eligibility files for children who participated in the School Readiness Program during the period July 2013 through December 2014. As shown in Table 3, our audit tests disclosed instances at four of the five coalitions in which documentation of family income and family unit size was insufficient or incorrect, earned and unearned family income was not correctly calculated, and parent copayments were incorrectly calculated.

¹⁵ Section 1002.84(9), Florida Statutes.

Table 3
School Readiness Program Eligibility File Deficiencies

Coalition	Number of Files Tested	Number of Files with Deficiencies ^a	Type of Deficiency Noted			
			Family Income Documentation Insufficient	Income Calculation Errors	Family Unit Size Incorrect	Parent Copayment Calculations Incorrect
Broward	25	10	2	7	3	4
Flagler and Volusia	25	3	-	3	-	1
North Florida	25	1	-	1	-	-
Pasco and Hernando	25	1	-	1	-	-
Totals	<u>100</u>	<u>15</u>	<u>2</u>	<u>12</u>	<u>3</u>	<u>5</u>

^a Some files contained more than one deficiency.

Source: Audit procedure results.

Specifically, we noted deficiencies in the following areas:

- **Income Documentation and Calculations** - To be approved for School Readiness Program services, families must meet certain income eligibility requirements, unless qualification for services is without regard to income (such as in the case of referrals for at-risk children).¹⁶ State law¹⁷ defines family income as the total gross income, whether earned or unearned, derived from any source by all family or household members who are 18 years of age or older who are residing together in the same dwelling unit. School Readiness Program rules¹⁸ specify that for every financially assisted Program applicant, a coalition is to complete a *School Readiness Income Worksheet for Eligibility and Parent Copayments* to determine eligibility and establish the applicable parent copayment. Those rules also specify that for all applicants, other than those who are self-employed, each source of income is to be supported by appropriate documentation, such as pay stubs, signed statements from employers, and award letters.

At the **Broward County Coalition**, our audit tests disclosed that 2 of the 25 child eligibility files examined did not include sufficient documentation to support reported family income in accordance with Program rules. In addition, at the **Broward, Flagler and Volusia, North Florida, and Pasco and Hernando** coalitions, our audit tests found instances in which earned and unearned family income was not correctly calculated. In response to our audit inquiries, coalition management indicated that staff errors generally contributed to the types of discrepancies noted.

- **Family Unit Size and Calculation of Parent Copayment Amounts** - State law¹⁹ and School Readiness Program rules²⁰ specify that each family that receives School Readiness Program services are to be assessed a parent copayment based on family size, the hours of care needed, and the family's gross annual income, according to the coalition's OEL-approved sliding fee scale. Our audit tests at the **Broward County Coalition** disclosed that for 3 of the 25 child eligibility files examined, the family unit size was incorrect, resulting in corresponding parent copayment calculation errors. In another instance, as a result of an income calculation error, a parent copayment was understated by \$2 per day (\$45 in total) for the applicable reimbursement period. At the **Flagler and Volusia Counties Coalition**, our audit tests found that for 1 of the 25 child

¹⁶ Section 1002.87(1)(b) and (e), Florida Statutes.

¹⁷ Section 1002.81(8), Florida Statutes.

¹⁸ Department of Education Rule 6M-4.208, Florida Administrative Code.

¹⁹ Section 1002.84(8), Florida Statutes.

²⁰ Department of Education Rule 6M-4.400, Florida Administrative Code.

eligibility files examined, a parent copayment was incorrectly assessed as a result of a family income calculation error.

In response to our audit inquiries, coalition management indicated that staff documentation and calculation errors largely contributed to the deficiencies noted.

Absent appropriate documentation and accurate calculations, the coalitions cannot demonstrate that the correct amounts of School Readiness Program funds were utilized to provide services. In addition, errors in calculating parent copayment rates may result in parents contributing more to child care services than specified by State law and School Readiness Program rules or, alternatively, may result in less money being made available for School Readiness Program services.

Recommendation: We recommend that coalition management take steps to ensure that School Readiness Program eligibility determinations are supported by appropriate documentation and properly conducted in accordance with State law and School Readiness Program rules.

Finding 6: Required School Readiness Provider Coverages

State law²¹ specifies that, to be eligible to deliver School Readiness Program services, all providers that are not informal providers are to maintain general liability insurance and provide the coalition with written evidence of the coverage, including coverage for transportation of children, if applicable. Such providers must obtain and retain an insurance policy that provides a minimum of \$100,000 of coverage per occurrence and a minimum of \$300,000 general aggregate coverage. The general liability insurance coverage must remain in full force and effect for the entire period of the provider's contract with the coalition. State law²² also requires all School Readiness Program providers to obtain and maintain any required workers' compensation insurance and any required reemployment assistance or unemployment compensation coverage as specified by State law.²³

To assess whether coalitions ensured that School Readiness Program providers obtained the general liability, workers' compensation, and reemployment assistance coverages required by State law, we examined coalition files for 119 providers (25 each at the **Broward, Flagler and Volusia, North Florida, and Pasco and Hernando** coalitions and 19 at the **Santa Rosa County Coalition**) which delivered services during the period July 2013 through December 2014. Our audit procedures found that:

- At the **Broward County Coalition**, 3 of the 25 providers' general liability insurance coverage had lapsed for periods ranging from 4 to 7 days (an average of 5 days). The amount reimbursed to these providers during the periods of lapsed coverage totaled \$1,638. In response to our audit inquiry, Coalition management recouped the reimbursements made to the providers during the periods of lapsed coverage.
- At the **Flagler and Volusia Counties Coalition**, 2 of the 18 applicable providers' files did not include evidence of required transportation coverage and the transportation coverage for another provider had expired on January 29, 2014. In response to our audit inquiry, Coalition management indicated that the Coalition had requested the providers to submit evidence of the required coverages; however, no evidence had been provided. We also noted that general liability insurance coverage for another provider had lapsed for 80 days, during which the Coalition

²¹ Section 1002.88(1)(l), Florida Statutes.

²² Section 1002.88(1)(n), Florida Statutes.

²³ Chapters 440 and 443, Florida Statutes.

reimbursed the provider \$3,014. In response to our audit inquiry, Coalition management indicated that payments continued to be made to the provider due to a delay in identifying the expiration of the general liability insurance policy.

- As shown in Table 4, coalition files for 66 of the 99 applicable School Readiness Program providers did not include documentation demonstrating that the coalitions had verified that the providers maintained the required workers' compensation insurance, and the coalition files for all 110 applicable providers did not include evidence that the coalitions had verified that the providers maintained the required reemployment assistance coverage.

In response to our audit inquiries, Coalition management indicated that, while providers are required to maintain these coverages (unless exempted by law), the coalitions did not require providers to submit evidence of the coverages for review and did not perform any additional procedures to ensure that providers obtained and maintained the required coverages.

Table 4
School Readiness Provider Workers' Compensation and Reemployment Assistance Coverage Deficiencies

Coalition	No Evidence of Verification of Workers' Compensation Insurance	No Evidence of Verification of Reemployment Assistance Coverage
Broward	17	25
Flagler and Volusia	25	25
North Florida	-	16
Pasco and Hernando	23	25
Santa Rosa	1	19
Totals	<u>66</u>	<u>110</u>

Source: Coalition School Readiness Program provider files.

Absent documentation to support the required insurance coverages, coalitions cannot adequately demonstrate that providers are eligible to deliver School Readiness Program services.

Recommendation: We recommend that coalition management verify and document that School Readiness Program providers obtain and maintain required insurance coverages.

Finding 7: School Readiness Provider Payments

School Readiness Program rules²⁴ specify that, based on a child's attendance, care level, and unit of care, providers are to receive reimbursement payments from early learning coalitions. Those rules require each provider to maintain daily attendance documentation in the form of either paper sign-in and sign-out logs or an electronic attendance-tracking system. In addition, to receive payment from a coalition, providers are to certify the monthly attendance of a child enrolled in the provider's School Readiness Program. Providers are permitted reimbursement for up to 12 recognized holidays, as approved by the coalition, and may also be reimbursed for no more than three absences per child, per calendar month, except in the event of extraordinary circumstances.

²⁴ Department of Education Rule 6M-4.500, Florida Administrative Code.

As part of our audit, we examined documentation for 125 School Readiness provider payments, totaling \$41,944, made during the period July 2013 through December 2014. As shown in Table 5, our tests disclosed various deficiencies at three of the five coalitions at which we performed audit field work.

Table 5
School Readiness Program Provider Payment Deficiencies

Coalition	Number of Payments Tested	Dollar Amount of Payments Tested	Number of Payments with Deficiencies ^a	Type of Deficiency Noted		
				Inadequate Sign-In and Sign-Out Records	Child Attendance or Holidays Not Correctly Documented	Number of Days Paid Did Not Agree With Attendance Records
Flagler and Volusia	25	\$ 8,454	7	7	-	-
North Florida	25	7,461	12	12	6	-
Pasco and Hernando	25	7,457	6	3	2	3
Totals	<u>75</u>	<u>\$ 23,372</u>	<u>25</u>	<u>22</u>	<u>8</u>	<u>3</u>

^a We noted more than one deficiency for some payments.

Source: Audit procedures results.

Specifically, we noted:

- At the **Flagler and Volusia Counties Coalition**, 7 payments, totaling \$2,510, that were not fully supported by adequate sign-in and sign-out records. Subsequent to our audit inquiry, the Coalition recovered overpayments, totaling \$466, related to the 5 payments that required adjustment.
- At the **North Florida Coalition**, 12 payments, totaling \$3,366, that were not fully supported by adequate sign-in and sign-out records, including 2 payments to providers for which the sign-in and sign-out records were not available. In response to our audit inquiry, Coalition management indicated that one provider was sent a notification regarding the requirement to maintain sign-in and sign-out records and in the second instance, the provider had closed and no records could be obtained. In addition, for 6 of the 12 payments, totaling \$1,696, we found that child absences or holidays were not correctly documented. Subsequent to our audit inquiry, the Coalition took actions to recover overpayments totaling \$673 related to the 3 payments that required adjustment.
- At the **Pasco and Hernando Counties Coalition**, 6 payments, totaling \$2,219, that were not fully supported by adequate sign-in and sign-out records, for which attendance or holidays were not correctly documented, or the number of days reimbursed did not agree with attendance documentation. In response to our audit inquiry, Coalition management indicated that for 4 of the payments, the provider attendance record errors were subsequently addressed through technical assistance. For another payment, Coalition management indicated that sign-in and sign-out records could not be provided because the provider had closed. For the sixth payment, the provider was inappropriately reimbursed for a holiday. Subsequent to our audit inquiry, the Coalition took actions to recover overpayments totaling \$378 related to the 2 payments that required adjustment.

Absent appropriate documentation and effective School Readiness Program provider payment processes, the risk is increased that providers may be incorrectly reimbursed for services.

Recommendation: We recommend that coalition management ensure that School Readiness Program provider payments are made in accordance with applicable rules and are supported by accurate and complete attendance documentation.

Finding 8: Required VPK Provider Coverages

State law²⁵ requires that, to be eligible to deliver VPK Program services, a private VPK provider must maintain general liability insurance and provide the coalition with written evidence of the coverage, including coverage for transportation of children, if applicable. A provider must obtain and retain an insurance policy that provides a minimum of \$100,000 of coverage per occurrence and a minimum of \$300,000 general aggregate coverage. The general liability insurance coverage must remain in full force and in effect for the entire period of the provider's contract with the coalition. State law²⁶ also requires private VPK Program providers to obtain and maintain any required workers' compensation insurance and any required reemployment assistance or unemployment compensation coverage as specified by State law.²⁷

To assess whether coalitions ensured that private VPK Program providers obtained the general liability, workers' compensation, and reemployment assistance coverages required by State law, we examined coalition files for 106 providers²⁸ which delivered services during the period July 2013 through December 2014. Our audit tests found that coalition files generally included sufficient evidence of required general liability and transportation insurance coverages. However, as shown in Table 6, coalition files for 25 of the 86 applicable VPK Program providers did not include documentation demonstrating that the coalitions had verified that the providers maintained the required workers' compensation insurance and the files for 102 applicable providers did not include evidence that the coalitions had verified that the providers maintained the required reemployment assistance coverage.

Table 6
VPK Provider Workers' Compensation
and Reemployment Assistance Coverage Deficiencies

Coalition	No Evidence of Verification of Workers' Compensation Insurance	No Evidence of Verification of Reemployment Assistance Coverage
Broward	10	24
Flagler and Volusia	3	17
North Florida	-	16
Pasco and Hernando	12	22
Santa Rosa	-	23
Totals	<u>25</u>	<u>102</u>

Source: Coalition VPK provider files.

In response to our audit inquiries, Coalition management responded that, while providers are required to maintain these coverages (unless exempted by law), the Coalitions did not require providers to submit evidence of these items for review and did not perform any additional steps to ensure that provider

²⁵ Section 1002.55(3)(j), Florida Statutes.

²⁶ Section 1002.55(3)(k), Florida Statutes.

²⁷ Chapters 440 and 443, Florida Statutes.

²⁸ The 106 providers included 24 providers at the Broward County Coalition, 17 providers at the Flagler and Volusia Counties Coalition, 20 providers at the North Florida Coalition, 22 providers at the Pasco and Hernando Counties Coalition, and 23 providers at the Santa Rosa County Coalition.

coverages remained in effect during the duration of the contracts with the coalitions. Documentation to support the required insurance coverages would better demonstrate that providers are eligible to deliver VPK Program services.

Recommendation: We recommend that coalition management verify and document that private VPK Program providers obtain and maintain required insurance coverages.

Finding 9: VPK Provider Payments

Coalitions are to pay VPK providers in accordance with VPK Program rules.²⁹ Those rules specify that VPK providers are to maintain daily attendance documentation to serve as the basis for provider payments. At a minimum, attendance documentation must demonstrate the use of a sign-in and sign-out process approved by the coalition to validate the attendance data. In addition, each month, parents must verify the child's attendance for the previous month on an OEL-designated form. Specifically:

- A child's parent must verify the child's attendance on the *Child Attendance and Parental Choice Certificate Short Form (Short Form)* if the VPK provider records the child's daily attendance using either a paper sign-in or sign-out log or an electronic attendance tracking system.
- A child's parent must verify the child's attendance on the *Child Attendance and Parental Choice Certificate Long Form (Long Form)* if the VPK provider records the child's daily attendance using a method other than a paper sign-in or sign-out log or electronic attendance tracking system.

VPK Program rules³⁰ require coalitions to supply VPK providers with a monthly roster (Enrollment/Attendance Certification) that lists each child enrolled in the provider's or school's VPK Program and includes blank spaces for the provider or school to certify a child's attendance for the calendar month. A provider or school must certify and submit the monthly Enrollment/Attendance Certification to receive payment from a coalition.

As part of our audit, we examined documentation for 125 VPK provider payments, totaling \$31,155, made during the period July 2013 through December 2014. As shown in Table 7, our audit tests disclosed that at three of the five coalitions at which we performed audit field work, payments were not always adequately supported by the attendance documentation required by VPK Program rules.

²⁹ Department of Education Rules, Chapter 6M-8, Florida Administrative Code.

³⁰ Department of Education Rule 6M-8.305(3), Florida Administrative Code.

**Table 7
VPK Program Provider Payment Deficiencies**

Coalition	Number of Payments Tested	Dollar Amount of Payments Tested	Number of Payments with Deficiencies ^a	Type of Deficiency Noted			
				Enrollment/ Attendance Certification Incorrect or Not Available	Short Form or Long Form Not Properly Completed or Available	Attendance Certification Did Not Reconcile to Sign-in Sheet, Sign-out Sheet, and/or Short or Long Form	Records Not Supported By Sign-in Sheet, Sign-out Sheet, or Enrollment/ Attendance Certification
Flagler and Volusia	25	\$ 6,156	16	-	16	16	-
North Florida	25	6,525	6	1	1	4	6
Santa Rosa	25	6,239	2	-	-	-	2
Totals	75	\$18,920	24	1	17	20	8

^a We noted more than one deficiency for some payments.

Source: Audit procedures results.

Specifically, we noted:

- At the **Flagler and Volusia Counties Coalition**, 12 payments that were not supported by a completed *Short Form* and 4 payments that were not supported by a properly completed *Short Form*. In response to our audit inquiry, Coalition management indicated that providers did not always adhere to applicable requirements for completing *Short Forms* and, consequently, the Coalition would provide technical assistance to the providers regarding completing and maintaining the *Short Form*.
- At the **North Florida Coalition**, 1 payment that was not supported by a completed Enrollment/Attendance Certification and another payment that was not supported by a completed *Short Form*. We also found 3 payments where the Enrollment/Attendance Certification did not match the completed *Short Form* or *Long Form* and another payment where the Enrollment/Attendance Certification did not match the sign-in/sign-out sheet. Subsequent to our audit inquiry, the Coalition took actions to recover overpayments totaling \$196.
- At the **Santa Rosa County Coalition**, 2 payments that were not supported by sign-in and sign-out records that agreed with Enrollment/Attendance Certifications used as the basis for payment. For the applicable deficiency, we noted a \$13 potential overpayment.

Absent appropriate documentation and sufficient care taken during the VPK provider payment process, the risk is increased that providers will not be correctly reimbursed.

Recommendation: We recommend that coalition management ensure that VPK Program provider payments are made in accordance with applicable rules.

Finding 10: Coalition Procurement Processes

Pursuant to State law,³¹ effective July 1, 2013, coalitions were to comply with Federal procurement requirements and specified State procurement requirements. Accordingly, coalition grant agreements required coalitions to procure commodities and contractual services (except for School Readiness and

³¹ Section 1002.84(12), Florida Statutes.

VPK direct services) in accordance with the provisions of State law,³² and, as applicable, Office of Management and Budget (OMB) Circulars.³³

Good procurement practices should include controls such as adequate separation of duties, appropriate procurement authorizations, and documentation of procurement decisions. To determine whether coalitions had established and implemented policies and procedures to promote good procurement practices and compliance with applicable laws and other guidelines, we examined documentation for 116 purchases,³⁴ totaling \$502,132, made during the period July 2013 through December 2014. We noted that each of the coalitions had established and implemented its own procurement policies and procedures and generally abided by good procurement practices; however, our audit procedures also disclosed at the **Pasco and Hernando Counties Coalition**, four purchases, totaling \$5,015, that were made prior to the approval of the related purchase orders. In response to our audit inquiry, Coalition management indicated that a new purchase order and payment approval process had been implemented to prevent future purchases prior to purchase order approval.

Good procurement practices that include effectively implemented controls to ensure that purchases are appropriately authorized decreases the risk of uneconomical purchases and errors.

Recommendation: We recommend that Coalition management ensure that purchases are appropriately approved in accordance with established policies and procedures.

Finding 11: Coalition Tangible Personal Property Controls

Pursuant to the provisions of coalition grant agreements and OEL guidance,³⁵ coalitions are to perform an annual inventory of all grant-purchased property that is required to be subject to a physical inventory under either Federal regulations or State law (generally items with a value or cost of \$1,000 or more). Further, coalitions are required to maintain a master property inventory list of all grant-purchased property, reconcile the results of the annual physical inventory to the master property list, and provide the master property list to the OEL no later than October 1 of each year.

OEL guidance also provides that adequate records of property must be maintained, and that each property record entered at the time of the purchase transaction must include, among other things, each property item's identification number, physical location, name of the custodian responsible for the item, method of acquisition, date the item was last physically inventoried and the condition of the item at that date, and if disposed of, the information required by Department of Financial Services (DFS) rules.³⁶

Our examination of coalition tangible personal property records disclosed that improvements were needed in accountability for tangible personal property. Specifically, we noted that:

- The master property inventory list for the **Pasco and Hernando Counties Coalition** as of June 30, 2014, included 148 items with acquisition costs totaling \$343,377. Our examination

³² Sections 215.971, 287.057, and 287.058, Florida Statutes.

³³ OMB Circular Nos. A-110, A-122, or A-133.

³⁴ The 116 selected purchases consisted of 26 at the Broward County Coalition, 25 at each of the Flagler and Volusia Counties, North Florida, and Santa Rosa County Coalitions, and 15 at the Pasco and Hernando Counties Coalition.

³⁵ Office of Early Learning Program Guidance 240.02, *Tangible Personal Property*.

³⁶ DFS Rule 69I-73.005, Florida Administrative Code.

found that, for all property items, the Coalition had not recorded the date the item was last subject to physical inventory or the condition of the item at that date. Consequently, although the Coalition indicated that a physical inventory had been conducted in July 2014, no documentation was available to support the inventory results or that the results of the physical inventory had been reconciled to the master property inventory list. In response to our audit inquiry, Coalition management indicated that the Coalition was working with the OEL regarding full implementation of OEL tangible personal property guidance.

- The **Flagler and Volusia Counties Coalition** did not maintain documentation demonstrating that the results of the 2014 annual physical inventory had been reconciled to the Coalition's master property inventory list. As of July 2014 the inventory list included 65 items with acquisition costs totaling \$191,304. In response to our audit inquiry, Coalition management indicated that a complete annual physical inventory had been performed; however, the Coalition had not maintained documentation to support the reconciliation results.

In addition, our examination of Coalition property disposition records disclosed that, while the records included a description of the items disposed of and the date of disposition, the records did not include the authority for disposition; the manner of disposition; the identity of the employee(s) witnessing the disposition; and for the items disposed of, a notation identifying related transactions, in accordance with DFS rules. In response to our audit inquiry, Coalition management provided a revised copy of the Coalition's policies and procedures that had been updated to include all OEL and DFS property disposition requirements.

Absent effective controls to ensure that property records include all required information, documented annual physical inventories are performed, inventory results are reconciled to the property records, and property disposal records include all required information, the coalitions' ability to maintain accountability over property is reduced. In addition, the OEL has limited assurance as to the accuracy and completeness of property records provided by the coalitions.

Recommendation: We recommend the coalition management ensure that all applicable tangible personal property items are properly recorded in the property records, annual physical inventories are adequately documented and the results reconciled to master property lists, and property disposal records are maintained in accordance with DFS rules.

Finding 12: Coalition Personnel Education Requirements

The effectiveness of early learning services delivered at the local level by coalitions is dependent, in part, on the employment of individuals who meet the minimum requirements for the positions they occupy. Effective employment practices include the adoption of position descriptions that specify minimum education and experience requirements to ensure employees have the necessary skills to adequately perform the required duties. Coalition grant agreements for the 2013-14 and 2014-15 fiscal years also required coalitions to maintain on file, for all coalition personnel, documentation verifying the highest level of education claimed, if required for the position.

Our examination of 43 coalition personnel files³⁷ disclosed that the coalitions did not always ensure, prior to hire, that employees satisfied the minimum educational requirements for their positions. Specifically, we noted that:

³⁷ The 43 selected coalition personnel files included 9 personnel files at the Broward County Coalition, 10 personnel files at the Flagler and Volusia Counties Coalition, 2 personnel files at the North Florida Coalition, 14 personnel files at the Pasco and Hernando Counties Coalition, and 8 personnel files at the Santa Rosa County Coalition.

- At the **Flagler and Volusia Counties Coalition**, for the 10 personnel files examined, the Coalition did not obtain, prior to hire, documentation demonstrating that the employees met the educational requirements for their positions. In response to our audit inquiry, Coalition management indicated that, while Coalition processes provided for an applicant's résumé to be used to conduct employment reference checks, educational background information was not verified.
- At the **Pasco and Hernando Counties Coalition**, the Coalition did not obtain, prior to hire, documentation demonstrating that 7 of 14 employees met the educational requirements for their positions. In response to our audit inquiry, Coalition management indicated that educational requirements had been previously verified on a random basis; however, Coalition procedures had been updated to require verification of educational requirements for all new hires.
- At the **Santa Rosa County Coalition**, the Coalition did not obtain, prior to hire, documentation demonstrating that 3 of 8 employees met the educational requirements for their positions. In response to our audit inquiry, Coalition management indicated that all applicants are required to certify that all information provided is true and accurate as part of the employment application.

Obtaining documentation to support that, prior to hire, each employee satisfied minimum educational requirements for their position, would provide greater assurance that the coalition employees charged with administering School Readiness and VPK Program services possess the qualifications necessary to satisfactorily perform their assigned duties and responsibilities.

Recommendation: We recommend that coalition management ensure that, prior to hire, an applicant for employment meets the educational requirements applicable to the position. When other qualifications and experience are considered acceptable in lieu of educational requirements, coalitions should adequately document this consideration in the personnel file as justification for waiving the educational requirements.

Finding 13: Coalition Information Technology Controls

State law³⁸ requires coalitions to establish proper information technology (IT) security controls, including, but not limited to, periodically reviewing the appropriateness of access privileges assigned to users of systems, monitoring system hardware performance and capacity-related issues, and ensuring that appropriate backup procedures and disaster recovery plans are in place. In addition, effective IT security controls include the timely deactivation of user access privileges once the privileges are no longer required and ensuring that personnel with access to confidential information within IT systems have been subject to appropriate background screenings.

As part of our audit, we reviewed selected IT security controls at each of the five coalitions for the EFS, the UWL, and other local applications used by the coalitions to process accounting transactions. Our audit procedures disclosed that:

- Grant agreements during the 2013-14 fiscal year between the OEL and the coalitions specified that for any subrecipient, contractor, or subcontractor retained by a coalition and granted access to confidential information, a coalition was to ensure that all employees assigned to work under the terms of the agreement received a level 1 background screening as specified by State law.³⁹ At the **Broward County Coalition**, we noted that in January 2013 the Coalition procured an

³⁸ Section 1002.84(13), Florida Statutes.

³⁹ As defined in Section 435.03, Florida Statutes, a level 1 screening includes, but need not be limited to, employment history checks and Statewide criminal correspondence checks through the Department of Law Enforcement, a check of the Dru Sjodin National Sex Offender Public Web site, and may include local criminal records checks through local law enforcement agencies.

IT support contractor and granted the contractor access to its server and applications, including the EFS, without obtaining the required level 1 background screenings. The EFS contains confidential information, including the names and social security numbers of parents and children enrolled in the School Readiness and VPK Programs. In response to our audit inquiry, Coalition management indicated that, although the contractor conducted criminal background checks on all of its employees, the Coalition had not requested or obtained evidence of level 1 screenings for any of the contractor's personnel.

- The **Pasco and Hernando Counties Coalition's** IT procedures did not include guidelines for requesting, approving, assigning, or deactivating user access privileges to the EFS, or address the periodic monitoring of EFS user access privileges. We also noted that, while the Coalition's EFS security administrator access role had been provided to one Coalition employee, a position description defining the employee's job responsibilities as the security administrator could not be provided for our review.

As part of our audit, we also reviewed Coalition records to identify employees with user access privileges to the EFS who had separated from employment during the period July 2013 through December 2014. Our audit procedures disclosed that one employee retained user access privileges to the EFS for 52 business days after the employee separated from Coalition employment.

Absent adequate background screenings, position descriptions, and controls over the assignment and deactivation of IT user access privileges, the risk of inappropriate access to data and IT resources and unauthorized disclosure, modification, or destruction of coalition data and IT resources is increased.

Recommendation: To minimize the risk of compromising coalition data and IT resources, we recommend that coalition management ensure that appropriate background screenings are performed for all staff and contractors with access to confidential data in accordance with coalition grant agreements and State law. Additionally, we recommend that coalition management ensure that sufficient IT policies and procedures are established related to user access and other critical IT activities. Coalition management should also ensure that all IT access privileges are deactivated immediately upon a user's separation from coalition employment.

Finding 14: Coalition IT Security Controls

Security controls are intended to protect the confidentiality, integrity and availability of data and IT resources. Our audit procedures disclosed certain **Santa Rosa County Coalition** IT security policies and procedures that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising Coalition data and related IT resources. However, we have notified the appropriate Coalition management of the specific issues. Without adequate IT security policies and procedures, the risk is increased that the confidentiality, integrity, and availability of Coalition data and IT resources may be compromised.

Recommendation: We recommend that Coalition management enhance IT security policies and procedures to ensure the continued confidentiality, integrity, and availability of Coalition data and related IT resources.

PRIOR AUDIT FOLLOW-UP

The OEL had taken corrective actions for the applicable findings included in our report No. 2013-087 that related to the OEL. The coalition findings included in our report No. 2013-087 (finding Nos. 6 through 9)

related to coalitions other than the Broward County, Flagler and Volusia Counties, North Florida, Pasco and Hernando Counties, and Santa Rosa County early learning coalitions included in this audit.

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 from February 2015 through September 2015 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 of the Office of Early Learning and selected early learning coalitions focused on the administration and oversight of the School Readiness and Voluntary Prekindergarten Education (VPK) Programs and early learning coalition program delivery and operations. The overall objectives of the audit were:

- To evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and guidelines.
- To examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- To determine whether management had corrected, or was in the process of correcting, all applicable deficiencies disclosed in our report No. 2013-087.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls, instances of noncompliance with applicable governing laws, rules, or contracts, and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests,

analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature, does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

In conducting our audit we performed various audit procedures at the OEL and 5 of the State's 30 early learning coalitions. Specifically, for the OEL we:

- Obtained an understanding of the School Readiness and Voluntary Prekindergarten Education (VPK) Programs, applicable legal framework, and OEL roles and responsibilities, through interviews with management and staff as well as review of laws, rules, grant agreements, and policies and procedures.
- Evaluated OEL actions to correct applicable findings noted in our report No. 2013-087. Specifically, we:
 - Examined OEL records to determine whether the OEL had routinely conducted data matches between School Readiness Program information and Reemployment Assistance payment data during the period July 2013 through December 2014 to ensure the proper payment of School Readiness Program benefits under work-dependent eligibility categories.
 - Examined documentation for the discontinued Early Learning Information System (ELIS) project to determine whether the OEL had taken appropriate actions to minimize or address ELIS project costs and delays.
 - Examined OEL tangible personal property fiscal guidance to determine whether the guidance had been updated to reflect current operational practices.
 - Examined OEL records for the period July 2013 through December 2014 to assess the sufficiency of OEL and coalition efforts to establish and implement Statewide outcome measures and a Statewide Quality Rating and Improvement System for the School Readiness Program.
- Analyzed OEL expenditure data for the 2012-13 and 2013-14 fiscal years to identify and evaluate any large or unusual trends or transactions and, for any noted, requested, obtained, and evaluated management's explanations.
- Obtained an understanding of the roles and responsibilities of the OEL's Office of Inspector General, its process for reporting fraud, program abuse, and mismanagement, as well as the OEL's fraud referral and recovery process, through interviews of staff and review of relevant policies and procedures and documentation.
- Evaluated, through a review of relevant documentation, whether the OEL had established internal controls that provided reasonable assurance of the prevention and detection of fraud, program abuse, and mismanagement.

- Examined OEL fraud referral data for the 2013-14 fiscal year to determine whether the OEL had taken sufficient and appropriate actions to investigate the allegations of fraud or otherwise appropriately forwarded the allegations to other entities for further investigation.
- Reviewed rule adoption and other documentation to determine whether the OEL had established sufficient criteria for coalition anti-fraud plans and an appropriate process for coalitions to apply in suspending or terminating providers whom the coalitions believe have committed fraud.
- Examined ten anti-fraud plans submitted by the coalitions to the OEL during the 2013-14 fiscal year to determine whether the plans complied with statutory requirements.
- Determined, through an examination of applicable documentation, whether the OEL had adopted a uniform chart of accounts for budgeting and financial reporting purposes that provided standardized definitions for expenditures and reporting.
- Reviewed for completeness and timeliness of submission, ten coalition annual reports for the 2013-14 fiscal year that were due to the OEL by October 1, 2014.
- Examined the OEL's 2013-14 fiscal year annual report and other documentation to determine whether the OEL published on its Web site a report of its activities for the 2013-14 fiscal year in accordance with State law.
- Examined the OEL's 2013-14 fiscal year annual report to determine whether the OEL collected and reported data on coalition delivery of early learning programs in accordance with State law.
- Examined the *Florida Early Learning and Developmental Standards: Birth to Five* to determine whether the OEL had developed and adopted standards and benchmarks addressing the age-appropriate progress of children in the development of School Readiness skills in accordance with State law.
- Examined selected documentation to determine whether the OEL had selected assessments that were valid, reliable, and developmentally appropriate for use as a pre-assessment and post-assessment for the age ranges specified in coalition plans.
- Examined selected documentation to determine whether the OEL had taken sufficient and timely action to establish the rules and guidance necessary to implement a standard, Statewide curricula review and approval process for the School Readiness Program.
- Examined the OEL's process, including available documentation, for reviewing and approving 62 School Readiness Program curricula in May 2014 to determine whether the review and approval process for all curricula was appropriately documented and that all School Readiness Curriculum Approval Committee members satisfied established requirements.
- Reviewed applicable rules, monitoring tools, and coalition plans to determine whether OEL oversight (including programmatic and fiscal monitoring) and coalition guidance was appropriate, effective, and in accordance with applicable laws, rules, and other guidelines.
- Evaluated the OEL's programmatic monitoring process by reviewing OEL monitoring procedures and determined whether the OEL had finalized all monitoring tools prior to the start of the 2013-14 fiscal year review cycle that complied with applicable School Readiness and VPK Program laws and rules.
- Evaluated the OEL's programmatic monitoring process by interviewing OEL staff and reviewing OEL monitoring procedures and determined whether OEL had developed a monitoring plan that would allow for all coalitions to be timely subjected to programmatic monitoring.
- Examined documentation for ten programmatic monitoring visits performed by the OEL for the 2013-14 fiscal year to determine the timeliness and completeness of various OEL monitoring activities.

- Evaluated the OEL's fiscal monitoring process by reviewing OEL monitoring procedures and determined whether the OEL had finalized all monitoring tools prior to the start of the 2013-14 fiscal year review cycle.
- Reviewed the 2013-14 and 2014-15 fiscal monitoring contracts between the OEL and Harvey, Covington & Thomas of South Florida, LLC (HCT). Obtained an understanding of the roles and responsibilities of the OEL and HCT and evaluated OEL's actions to monitor HCT's compliance with contract provisions.
- Examined documentation for ten fiscal monitoring visits performed by HCT for the 2013-14 fiscal year to determine the timeliness and completeness of various monitoring activities.
- Examined documentation related to ten coalition School Readiness Plan amendments submitted to the OEL during the 2013-14 fiscal year to evaluate the adequacy of OEL School Readiness Plan amendment reviews.
- Determined through inquiry of OEL management and review of documentation whether, during the 2013-14 fiscal year, the OEL had noted any coalitions that did not timely submit School Readiness Plan amendments to the OEL for approval.
- Interviewed OEL management and reviewed documentation to determine whether the OEL had adopted, or was in process of adopting, rules prescribing the standardized format and required content of School Readiness Program Plans in accordance with State law.
- Examined market rate schedule documentation to determine whether the OEL had established effective procedures for the biennial calculation of the average market rate and for the adoption of the market rate schedule in accordance with State law.
- Examined the OEL's 2013 Market Rate Report to determine whether the OEL adopted a market rate schedule that included county-by-county rates and differentiated by type of child care services in accordance with State law.
- Obtained an understanding of selected OEL information technology (IT) controls for the Enhanced Field System (EFS), the Unified Wait List (UWL), and the Single Point of Entry (SPE), assessed the risks of those controls, evaluated whether selected general IT controls were in place, and tested the effectiveness of the controls.
- Analyzed EFS data for the period July 2013 through December 2014 to identify School Readiness and VPK Program payments made for which a unique child identifier was not recorded.
- Performed analytical procedures to identify and investigate the appropriateness of School Readiness and VPK Program payments made during the period July 2013 through December 2014 on behalf of children included in death records compiled from Department of Health, Bureau of Vital Statistics data.
- Analyzed OEL Fact Book data to assess the prevalence of school-age child enrollments in the School Readiness Program during the period July 2011 through December 2014 and determined whether school-age enrollments appeared consistent over the selected time frame.
- Analyzed EFS data for the months of February 2014, April 2014, and October 2014 to identify potential School Readiness and VPK Program payment records in which the number of reimbursed days exceeded the potential number of reimbursable days for a provider in a month.
- Analyzed EFS data for the period July 2013 through December 2014 to identify School Readiness Program payment records where the family income levels exceeded those allowed for Program participation. Requested and obtained explanations for a sample of the records noted and further evaluated the relationship between School Readiness reimbursement amounts and family income levels.

- Analyzed EFS data for the period July 2013 through December 2014 to identify records with reported family sizes that did not appear reasonable and requested and obtained explanations for a sample of the records noted.
- Analyzed EFS data for the period July 2013 through December 2014 to identify participants who received School Readiness child care subsidies under a work-dependent eligibility category while also receiving reemployment assistance benefits.
- Analyzed EFS data for the period July 2013 through December 2014 to identify participants whose billing periods overlapped more than one coalition and requested and obtained explanations for a sample of the records noted.
- Analyzed EFS data for the period July 2013 through December 2014 to identify participants whose billing periods overlapped more than provider and requested and obtained explanations for a sample of the records noted.

For the five coalitions at which we conducted on-site audit field work:

- Obtained an understanding of the roles and responsibilities of the coalitions through interviews of management and staff and reviews of relevant documentation.
- Obtained an understanding of selected coalition IT controls for the EFS, the UWL, and local accounting applications, assessed the risks of those controls, evaluated whether selected general IT controls were in place, and tested the effectiveness of the controls.
- Examined coalition board composition documentation for the period July 2013 through December 2014 to determine whether coalition boards were properly established in accordance with State law.
- Examined documentation related to 20 coalition board meetings held during the period July 2013 through December 2014 to evaluate whether the meetings were properly noticed and conducted in accordance with State law.
- Examined documentation for 25 coalition non-State, non-Federal revenue transactions, totaling \$3,042,241, made during the period July 2013 through December 2014 to determine whether the revenues were properly and timely collected, recorded, and deposited in accordance with established policies and procedures.
- Analyzed coalition financial data for the 2013-14 fiscal year to determine whether total coalition administrative costs did not exceed more than five percent of the State, Federal, and local matching funds provided to the coalition for the purpose of implementing the School Readiness Program.
- Analyzed coalition financial data for the 2013-14 fiscal year to determine whether combined administrative, quality activity, and nondirect service costs did not exceed more than 22 percent of the State, Federal, and local matching funds provided to the coalition for the purpose of implementing the School Readiness Program.
- Examined 47 coalition personnel files (10 at the Broward County Coalition, 10 at the Flagler and Volusia Counties Coalition, 4 at the North Florida Coalition, 15 and the Pasco and Hernando Counties Coalition, and 8 at the Santa Rosa County Coalition) to determine whether applicable education and position background screening requirements had been satisfied.
- Examined documentation for 47 coalition salary payments, totaling \$109,299, made during the period July 2013 through December 2014 to determine whether the payments were properly calculated and made in authorized amounts.
- Examined two coalition employment contracts to identify any unusual or excessive benefits.

- Examined documentation for 97 coalition travel transactions, totaling \$18,371, made during the period July 2013 through December 2014 to determine whether the expenditures were necessary and reasonable to conduct coalition business, incurred in compliance with applicable laws and rules, and properly supported and authorized.
- Examined selected coalition records and procedures to determine the extent to which the coalitions had implemented adequate procedures and records for the proper acquisition, control, use, and disposition of tangible personal property procured with State and Federal funds.
- Examined selected coalition records to determine whether coalitions reconciled the results of the last physical inventory of tangible personal property to the property records, investigated any differences, and posted applicable corrections to the property records.
- Examined selected coalition records to determine whether coalitions maintained an adequate master property list of all grant-purchased property that included all criteria required by State law and OEL guidance.
- Examined coalition records related to four tangible personal property acquisitions, totaling \$27,795, made during the period July 2013 through December 2014 to determine whether the acquisitions were timely and properly recorded in coalition property records.
- Examined 34 third-party provider contracts (15 at the Broward County Coalition, 2 at the Pasco and Hernando Counties Coalition, 4 at the North Florida Coalition, 5 at the Santa Rosa County Coalition, and 8 at the Flagler and Volusia Counties Coalition) that were active during the period July 2013 through December 2014 to determine whether the coalitions used standard contract language; the terms of the contracts were complete and appropriate; the contracts were not prohibited by governing laws, rules, or other guidelines; the contracts were properly authorized; and the goods or services procured were necessary and reasonable for the conduct of coalition operations.
- Examined 25 coalition third-party provider contract payments (5 at each coalition), totaling \$135,484 and made during the period July 2013 through December 2014, to determine whether the payments were only for goods and services in accordance with contract terms and conditions.
- Examined documentation for 116 coalition purchases (26 at the Broward County Coalition, 25 at the Flagler and Volusia Counties, North Florida, and Santa Rosa County Coalitions, and 15 at the Pasco and Hernando Counties Coalition), totaling \$502,132 and made during the period July 2013 through December 2014, to determine whether the purchases were adequately documented, properly authorized, representative of good business practices, and in compliance with applicable laws, rules, and other guidelines.
- Evaluated coalition School Readiness and VPK Program provider monitoring tools and schedules for the 2013-14 fiscal year for adequacy.
- Examined coalition documentation to determine if the coalitions had established an annual provider or subrecipient monitoring plan for the 2013-14 fiscal year documenting the planned monitoring procedures for all provider agreements for the School Readiness and VPK Programs.
- Examined coalition School Readiness Program waiting lists for the period July 2013 through December 2014 to determine whether the waiting lists were compiled in accordance with applicable statutory requirements and whether client eligibility was assessed prior to placing children on the waiting list.
- Examined 125 School Readiness Program client files (25 at each coalition) and assessed whether the coalitions or its contracted service providers properly determined and documented client eligibility prior to enrollment and properly enrolled clients in the School Readiness Program.

- Examined 125 VPK Program client files (25 at each coalition) and assessed whether the coalitions or its contracted service providers properly determined and documented client eligibility prior to enrollment and whether clients were properly enrolled in the VPK Program.
- Examined 119 School Readiness Program provider files (25 at the Broward, Pasco and Hernando, North Florida, and Flagler and Volusia Counties Coalitions and 19 at the Santa Rosa County Coalition) to determine whether the coalitions or their contracted service providers properly ensured providers were eligible to participate in the Program prior to the enrollment of children.
- Determined whether the coalitions or their contracted service providers documented that the staff of the School Readiness Program providers selected for testing had been subjected to applicable background screenings and that the provider maintained the appropriate levels of insurance coverages required by State law.
- Examined 124 VPK Program provider files (106 private providers and 18 public providers) to determine whether the coalitions or their contracted service providers properly determined that providers were eligible to participate in the VPK Program prior to the enrollment of children.
- Determined whether the coalitions or their contracted service providers documented that the instructional staff of the VPK Program providers selected for testing met the minimum professional requirements outlined in State law, had been subjected to applicable background screenings, and maintained the appropriate levels of insurance coverages required by State law.
- Examined the OEL-approved payment schedule and rates in use by the coalitions for the period July 2013 through December 2014 to determine whether the coalitions were utilizing the most recent OEL-approved payment schedule for School Readiness Program payments in accordance with the requirements of State law.
- Examined documentation for 125 School Readiness Program provider payments (25 at each coalition), totaling \$41,944 and made during the period July 2013 through December 2014, to determine whether the payments were made in the appropriate amounts and were supported by adequate documentation.
- Examined documentation for 125 VPK Program provider payments (25 at each coalition), totaling \$31,155 and made during the period July 2013 through December 2014, to determine whether the payments were made in the appropriate amounts and were supported by adequate documentation.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's responses are included in this report under the heading **MANAGEMENT'S RESPONSES**.

AUTHORITY

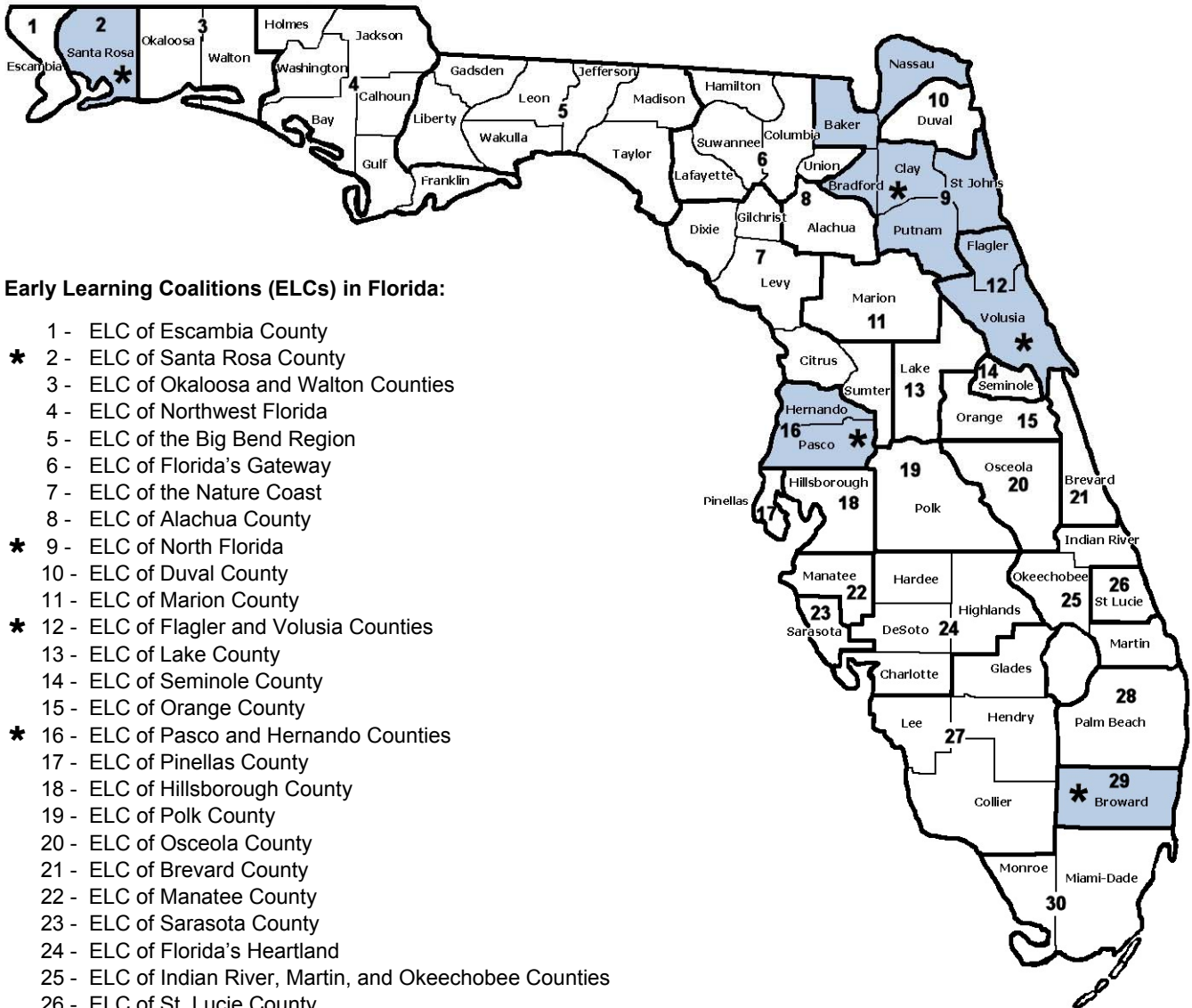
Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



Sherrill F. Norman, CPA
Auditor General

EXHIBIT A

EARLY LEARNING COALITIONS MAP



Early Learning Coalitions (ELCs) in Florida:

- 1 - ELC of Escambia County
- * 2 - ELC of Santa Rosa County
- 3 - ELC of Okaloosa and Walton Counties
- 4 - ELC of Northwest Florida
- 5 - ELC of the Big Bend Region
- 6 - ELC of Florida's Gateway
- 7 - ELC of the Nature Coast
- 8 - ELC of Alachua County
- * 9 - ELC of North Florida
- 10 - ELC of Duval County
- 11 - ELC of Marion County
- * 12 - ELC of Flagler and Volusia Counties
- 13 - ELC of Lake County
- 14 - ELC of Seminole County
- 15 - ELC of Orange County
- * 16 - ELC of Pasco and Hernando Counties
- 17 - ELC of Pinellas County
- 18 - ELC of Hillsborough County
- 19 - ELC of Polk County
- 20 - ELC of Osceola County
- 21 - ELC of Brevard County
- 22 - ELC of Manatee County
- 23 - ELC of Sarasota County
- 24 - ELC of Florida's Heartland
- 25 - ELC of Indian River, Martin, and Okeechobee Counties
- 26 - ELC of St. Lucie County
- 27 - ELC of Southwest Florida
- 28 - ELC of Palm Beach County
- * 29 - ELC of Broward County
- 30 - ELC of Miami-Dade/Monroe

* Denotes a coalition at which we conducted on-site audit field work.

MANAGEMENT'S RESPONSES

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April 27, 2016

Ms. Sherrill F. Norman
Auditor General
111 West Madison Street
Tallahassee, Florida 32399-1450

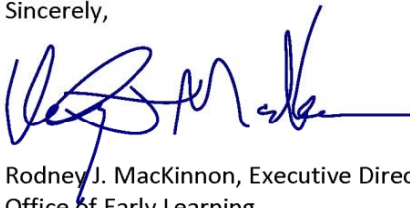
Dear Ms. Norman:

Pursuant to Section 11.45(4)(d), Florida Statutes, the enclosed response is provided for the preliminary and tentative audit findings for inclusion in the Auditor General's operational audit of the Office of Early Learning services' and related delivery systems.

Thank you for providing us the opportunity to respond to your preliminary findings. The Office of Early Learning and the early learning coalitions have worked together to provide you with a joint response. We have included letters from each coalition involved in the audit and have identified the contributor within each response.

If you have any questions concerning this response, please contact Stephanie L. Gehres, deputy director of operations and programs, at (850)717-8598.

Sincerely,



Rodney J. MacKinnon, Executive Director
Office of Early Learning

RODNEY J. MACKINNON
EXECUTIVE DIRECTOR, OFFICE OF EARLY LEARNING

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Finding No. 1: Enhanced Field System Data Analysis

OEL Enhanced Field System (EFS) data analysis and monitoring processes need improvement to ensure that the School Readiness Program data used as the basis for provider reimbursements and State and Federal reporting are accurate. In addition, our EFS data analyses disclosed instances in which excess reimbursements were made.

Recommendation: To improve the accuracy of EFS data and detect potential errors and improprieties, we recommend that OEL management ensure that appropriate data analyses are conducted. We also recommend that OEL management ensure that the coalitions' review and follow up on any matters identified by data analyses be subject to comprehensive monitoring.

OEL Response: OEL concurs. OEL previously conducted additional technical assistance (TA) reviews of these reports, but discontinued that process. As noted in the finding, OEL has continually reviewed a minimum of four edit reports in the accountability monitoring. Beginning in the fall of fiscal year 2015-16, OEL resumed more comprehensive edit report TA reviews in addition to the edit reports reviewed with accountability monitoring. In total, OEL is reviewing nine additional edit reports for each early learning coalition and RCMA (where applicable). Four of the nine edit reports evaluate dual enrollments for voluntary prekindergarten (VPK) and overlapping payments for school readiness (SR). As of April 18, 2016, OEL has reviewed 12 coalitions and is scheduled to complete reviews of all 30 coalitions and RCMA by September 2016. From these reports, OEL has recouped \$5,322.23 as of April 18, 2016, with \$2,597.30 being VPK and \$2,724.93 being SR. Five coalitions were involved in these payment adjustments.

Finding No. 2: Information Technology Controls

Information technology (IT) controls for the EFS, the Single Point of Entry (SPE), and the Unified Wait List (UWL) need enhancement.

Recommendation: We recommend that OEL management establish change management controls that document the appropriate authorization, testing, approval and tracking of program modifications to the EFS, the SPE and the UWL. In addition, we recommend that OEL management perform periodic reviews of the appropriateness of EFS and UWL user access privileges and ensure that the timely deactivation of EFS and UWL access privileges upon an employee's separation from OEL employment is appropriately documented.

OEL Response: OEL concurs and has initiated a project to replace the EFS and SPE/UWL systems. The modernization project has addressed and initiated a change to the management process, quality

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assurance process and release management process. OEL tracks source code through Microsoft Team Foundation Server based on what functionality has been approved for release. Finally, as a routine part of annual fiscal monitoring tasks applied to all coalitions, OEL will continue to sample internal controls, policies and processes at the local level that deactivate access to systems for outgoing and terminated employees.

Finding No. 3: EFS and UWL Security Controls

Certain security controls for the EFS and the UWL related to user authentication need improvement to ensure the continued confidentiality, integrity and availability of EFS and UWL client data and related IT resources.

Recommendation: We recommend that OEL management strengthen security controls for the EFS and the UWL related to user authentication to ensure the continued confidentiality, integrity and availability of EFS and UWL client data and related IT resources.

OEL Response: OEL concurs and has initiated a project to replace the EFS and SPE/UWL systems. OEL will evaluate the requirements to implement an off-boarding process to ensure timely removal of user access and will communicate that process to the coalitions. Also, with the EFS Modernization Project, OEL will be implementing a stronger user authentication password scheme. Finally, as a routine part of annual fiscal monitoring tasks applied to all coalitions, OEL will continue to sample internal controls, policies and processes at the local level that deactivate access to systems for outgoing and terminated employees.

Finding No. 4: School Readiness Curriculum Review

The OEL did not always appropriately document the School Readiness Program curricula review and approval process or ensure that all individuals responsible for reviewing and approving curricula satisfied established requirements.

Recommendation: We recommend that OEL management ensure that the review and approval process for all School Readiness Program curricula is appropriately documented and that all committee members satisfy established requirements.

OEL Response: OEL concurs and policy development has begun for the next OEL School Readiness curricula review to include clear and thorough procedures for each of the following areas:

1. Tracking and Maintenance of Qualifications: Specific training requirements and verification of credentials will be outlined in detail and will include a verification process prior to the date of review.
2. Quality Assurance: A secondary review process will be outlined to review curricula with discrepancies in scoring (outliers). This procedure will require all secondary review committee members to have sufficient training and qualifications, as well as define consistent protocols for secondary reviews.

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3. Appeals Process: To build further transparency and accountability into the review process, OEL will define an appeals process for any publishers seeking further review or explanation of approval status. This process will also require review committee members to have sufficient training and qualifications prior to participating in the appeals process.

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Finding No. 5: School Readiness Eligibility Determinations

Some coalitions did not always properly conduct or document School Readiness Program eligibility and parent copayment determinations.

Recommendation: We recommend that coalition management take steps to ensure that School Readiness Program eligibility determinations are supported by appropriate documentation and properly conducted in accordance with State law and School Readiness Program rules.

OEL Response: The OEL accountability monitoring reviews include review of eligibility determination procedures and payment validation and will continue to do so. The Accountability Unit also conducts trainings based on areas of risk identified during monitoring reviews.

Broward Response: The Early Learning Coalition of Broward County procured a new contractor to perform eligibility determinations. School Readiness eligibility services under the new contractor were effective Sept. 1, 2015. Eligibility counselors received training in all areas of SR eligibility, including income documentation, income calculation, family size and parent copayment. Ongoing training is occurring. The coalition has provided continuous support during the new contractor's start-up/transition period. Additionally, the coalition is conducting ongoing monitoring to identify and address areas of concern. The issues specified in this report will be reviewed and used for training purposes. Training will be provided to eligibility counselors and management to ensure ongoing compliance.

Flagler and Volusia Response: All eligibility staff receive annual trainings to assist in the proper determination and calculation of each eligibility determination. Group trainings offered in 2015 included income documentation, household composition, income calculations and SSI income calculations. Staff may also receive individual refresher trainings based on errors that are identified during coalition internal file reviews. Errors are identified and recommended trainings are assigned. Future trainings for this year consist of Income Calculations, Part 2, scheduled for September 2016 and the release of Learning Library Refresher Trainings in July 2016. SSI staff training occurs monthly.

As noted in Table 3, two of the three files with an income calculation error did not have parent copayment errors, and the amount of the error on the remaining file was \$20.24 for the audit period.

North Florida Response: The Early Learning Coalition of North Florida concurs with the finding and made an adjustment during the redetermination interview and pre-monitoring review. Supporting

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documentation of the correction was previously submitted. The correction did not change the parent fee or the amount of funds paid out to providers. As corrective action, the coalition will provide additional training to staff to help ensure income calculations are computed correctly.

Pasco and Hernando Response: The early learning coalition agrees with the finding pertinent to the Early Learning Coalition of Pasco and Hernando Counties. The Early Learning Coalition of Pasco and Hernando Counties has created a "SR Eligibility Guide" as part of its coalition plan. (Submitted to OEL in June 2015; updated and resubmitted Nov. 17, 2015.) This guide contains detailed instructions on eligibility guidelines and requirements, and is provided to all eligibility staff. This guide will be updated/amended as needed. The one finding was corrected during the onsite review (week of April 6-10, 2015).

Finding No. 6: Required School Readiness Provider Coverages

Coalition records did not always evidence that the coalitions had verified that School Readiness Program providers maintained the insurance coverages required by State law.

Recommendation: We recommend that coalition management verify and document that School Readiness Program providers obtain and maintain required insurance coverages.

OEL Response:

As stated in the finding this audit covers the period July 2013 through December 2014. The requirement for providers to maintain workers' compensation and reemployment assistance coverage was effective July 1, 2013 in the School Readiness statute. Rulemaking authority was provided to develop a statewide school readiness contract and monitoring tool. The statewide provider contract rule was promulgated February 18, 2015 and the statewide provider contract monitoring tool was promulgated July 1, 2015. OEL's statutory language expressly includes language to provide evidence of general liability insurance prior to contracting but does not state the same for worker's compensation insurance and reemployment assistance coverage. To ensure compliance with statutory and contract requirements, coalitions now monitor providers using the monitoring tool which includes a check of insurance coverage.

Broward Response: Adequate liability coverage is confirmed prior to certifying a school readiness provider's contract. The Provider Portal (implemented July 1, 2015) is used to track expiration dates for certificates of liability insurance. Each month, a report is pulled that identifies providers whose liability coverage has expired. These providers are advised that a current, valid certificate of liability insurance must be uploaded to the Provider Portal within two business days. If a valid certificate is not submitted by the deadline date, the coalition issues a non-compliance notice. The non-compliance notice informs the provider that if the current certificate of liability insurance is not uploaded to the Provider Portal within two additional business days, reimbursement will be withheld until such time as valid insurance

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documentation is provided. Provider services staff will verify whether a lapse in coverage occurred. A provider will not be reimbursed for any period during which valid insurance was not in place.

The coalition concurs with OEL's response related to workers' compensation and reemployment assistance coverage deficiencies.

Flagler and Volusia Response: The coalition concurs with the finding related to transportation coverage. Staff have received additional training on contracting requirements.

The coalition concurs with OEL's response related to workers' compensation and reemployment assistance coverage deficiencies.

North Florida Response:

The coalition concurs with OEL's response related to workers' compensation and reemployment assistance coverage deficiencies.

Pasco and Hernando Response:

The coalition concurs with OEL's response related to workers' compensation and reemployment assistance coverage deficiencies.

Santa Rosa Response: The coalition concurs with OEL's response related to workers' compensation and reemployment assistance coverage deficiencies.

Finding No. 7: School Readiness Provider Payments

Some coalition payments to School Readiness Program providers were not supported by appropriate documentation or made in the correct amounts.

Recommendation: We recommend that coalition management ensure that School Readiness Program provider payments are made in accordance with applicable rules and are supported by accurate and complete attendance documentation.

OEL Response: The OEL accountability monitoring reviews include review of eligibility determination procedures and payment validation and will continue to do so.

Flagler and Volusia Response: As stated in the report, the coalition recovered overpayments identified as a result of the findings. The coalition regularly reviews a random sample of provider sign-in and sign-out records, following up with recovered payments and technical assistance where applicable. Additional training and reviews are implemented for providers identified as high-risk (repeated offenses) in this area.

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North Florida Response: This finding refers to 12 files where child care providers had various discrepancies between the rosters they submitted for payment and the sign-in and sign-out sheets the coalition requested in preparation for this monitoring. Any errors in payments among these 12 files were due to provider error. However, of the 12 files in question, only five of the provider errors resulted in improper payments as noted in the report.

All payments where there are questioned costs have been adjusted. At the time of this audit sample, the coalition monitored providers' attendance through sampling according to coalition policy. The coalition will continue this monitoring in addition to monitoring that Rule 6M-630, FAC, Statewide Provider Contract Monitoring Tool for the School Readiness Program requires. The coalition expects this additional monitoring to minimize provider error going forward.

Pasco and Hernando Response: The coalition agrees with the finding pertinent to the Early Learning Coalition of Pasco and Hernando Counties. In an ongoing effort to process accurate provider payments, post-attendance monitoring has been increased to ensure payments are made in accordance with applicable rules and are supported by accurate and complete documentation. The six findings were corrected during the onsite review (week of April 6-10, 2015).

Finding No. 8: Required VPK Provider Coverages

Coalition records did not always evidence that the coalitions had verified that private VPK Program providers maintained the insurance coverages required by State law.

Recommendation: We recommend that coalition management verify and document that private VPK Program providers obtain and maintain required insurance coverages.

OEL Response:

As stated in the finding this audit covers the period July 2013 through December 2014. The requirement for providers to maintain workers' compensation and reemployment assistance coverage was effective July 1, 2013. The Statewide Voluntary Prekindergarten Provide Contract was revised to incorporate this changes with an effective date of April 9, 2015. OEL's statutory language expressly includes language to provide evidence of general liability insurance prior to contracting but does not state the same for worker's compensation insurance and reemployment assistance coverage. To ensure compliance with statutory and contract requirements, confirmation of these insurance coverages will be confirmed during the monitoring process.

Broward Response: The coalition concurs with OEL's response related to workers' compensation and reemployment assistance coverage deficiencies.

Flagler and Volusia Response: The coalition concurs with OEL's response related to workers' compensation and reemployment assistance coverage deficiencies.

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North Florida Response: The coalition concurs with OEL's response related to workers' compensation and reemployment assistance coverage deficiencies.

Pasco and Hernando Response: The coalition concurs with OEL's response related to workers' compensation and reemployment assistance coverage deficiencies.

Santa Rosa Response: The coalition concurs with OEL's response related to workers' compensation and reemployment assistance coverage deficiencies.

Finding No. 9: VPK Provider Payments

Some coalition payments to VPK Program providers were not supported by appropriate documentation.

Recommendation: We recommend that coalition management ensure that VPK Program provider payments are made in accordance with applicable rules.

OEL Response: The OEL accountability monitoring reviews include review of VPK Program payment validation, which includes ensuring that payments are supported by appropriate documentation.

Flagler and Volusia Response: The coalition requires Short Forms be completed and available from the provider; however, these forms were not collected at the time of the audit. The coalition has amended processes to include collection of Short Forms during reviews and audits. Training has been provided to staff involved in the review and audit processes.

North Florida Response: Regarding the Enrollment/Attendance Certification incorrect or not available deficiency, Short or Long Form not properly completed or available deficiency, Attendance Certification deficiency, records not supported by sign-in sign-out sheet or Enrollment/Attendance Certification deficiency: the coalition agrees that there were parent/provider errors on several sign-in and sign-out sheets. Sign-in and sign-out sheets are not required to be collected on a monthly basis. At the time of this sample, the coalition monitored attendance documentation by sampling. When the sample of documents was requested, the forms were reviewed and any error regarding completion was addressed by providing technical assistance during pre-monitoring review and adjustments were made. Corrective action in this area will include an increase in monitoring reviews by adding desk reviews of attendance monitoring in addition to the sample of the providers that are monitored onsite. This will ensure that attendance documents are reviewed for 100 percent of the private providers. See Attachment 3 for VPK provider payment adjustments.

The coalition also agrees that there were instances of error in Long Form or Short Form. Technical assistance was given to the provider when the error was noticed during pre-monitoring review. In those instances, any difference in actual payment will be determined by the 80/20 process.

Santa Rosa Response: Reimbursements are processed from the Enrollment Attendance Certification Forms. At a later date, providers are monitored for accuracy of their submissions, which includes submitting the sign-in and sign-out sheets to the coalition (a sample month is reviewed). At the time of

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the review, if an error is identified, the correction is made, technical assistance is provided and a monitoring report is issued to the provider. VPK providers are also required to verify their data once the VPK term has ended to ensure that the days paid and absences recorded by the coalition match the provider records. The coalition will continue to work with providers to reduce errors.

Finding No. 10: Coalition Procurement Processes

One coalition did not always ensure that purchases were appropriately approved in accordance with established policies and procedures.

Recommendation: We recommend that coalition management ensure that purchases are appropriately approved in accordance with established policies and procedures.

OEL Response: OEL provides webinar-based TA to all coalitions a minimum of once per program year on procurement/contract-related topics and is currently working with coalitions to ensure procurement related policies incorporate the uniform grant guidance changes. The target to complete the first phase of required policy updates for all ELCs is June 30, 2016.

Pasco and Hernando Response: The coalition agrees with the finding pertinent to the Early Learning Coalition of Pasco and Hernando Counties. The coalition has implemented a new purchase order and payment approval process to prevent future purchases being completed prior to purchase order approval. The coalition has been granted an OMB extension through July 1, 2016, for additional procurement policy updates.

Finding No. 11: Coalition Tangible Personal Property Controls

Some coalition tangible personal property controls need enhancement.

Recommendation: We recommend coalition management ensure that all applicable tangible personal property items are properly recorded in the property records, annual physical inventories are adequately documented and the results reconciled to master property lists, and property disposal records are maintained in accordance with DFS rules.

OEL Response: OEL provided webinar-based TA to all ELCs in 2013-14 and again in 2014-15. In 2014-15, OEL staff provided specific TA assistance for individual ELCs, as requested. TA included identifying policy gaps. The School Readiness Plan rule became effective in February 2015, and tangible property policy disclosures became a required element. OEL staff identified minimum disclosure standards and used them to evaluate policy for all ELCs. The target to complete required policy updates for all ELCs is June 30, 2016.

Pasco and Hernando Response: The coalition agrees with the finding pertinent to the Early Learning Coalition of Pasco and Hernando Counties. The coalition has updated the Tangible Personal Property Policy as part of its coalition plan. (Submitted to OEL in July 2015; updated and resubmitted in March 2016.) This policy will ensure all tangible personal property items are recorded in the property records,

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adequate documentation of physical inventories and results reconciled to master property lists, and property disposal records are maintained according to rule. All corrections recommended were made to the Tangible Personal Property Policy in July 2015.

Flagler and Volusia Response: As noted in the report, coalition procedures have been updated to include these requirements. Staff has received additional training on maintaining appropriate records to support the work performed.

Finding No. 12: Coalition Personnel Education Requirements

Coalition records did not always demonstrate that, prior to hire, an applicant's education had been verified and determined to meet the educational requirements applicable to the position.

Recommendation: We recommend that coalition management ensure that, prior to hire, an applicant for employment meets the educational requirements applicable to the position. When other qualifications and experience are considered acceptable in lieu of educational requirements, coalitions should adequately document this consideration in the personnel file as justification for waiving the educational requirements.

Flagler and Volusia Response: Processes have been updated and implemented to obtain educational requirement documentation for all newly hired employees.

Pasco and Hernando Response: The coalition agrees with the finding pertinent to the Early Learning Coalition of Pasco and Hernando Counties. The coalition has fully implemented verification of education requirements for all new hires as required. Any discrepancies in education requirements are clearly documented in employee files.

Santa Rosa Response: The coalition agrees that prior to hiring the educational requirements applicable to the position should be substantiated. Effective fiscal year 2012-13, the coalition implemented policy to require evidence of educational requirements; however, the coalition did not go back and request documentation from current employees. The coalition will ensure employee files are appropriately documented for all employees hired.

Finding No. 13: Coalition Information Technology Controls

Some coalition IT controls related to contractor background screenings and user access privileges need enhancement.

Recommendation: To minimize the risk of compromising coalition data and IT resources, we recommend that coalition management ensure that appropriate background screenings are performed for all staff and contractors with access to confidential data in accordance with coalition grant agreements and State law. Additionally, we recommend that coalition management ensure that sufficient IT policies and procedures are established related to user access and other critical IT

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activities. Coalition management should also ensure that all IT access privileges are deactivated immediately upon a user's separation from coalition employment.

OEL Response: The School Readiness Plan rule became effective in February 2015, and IT security policy disclosures became a required element. OEL staff identified minimum disclosure standards and used them to evaluate policy for all ELCs. The target to complete required policy updates for all ELCs is June 30, 2016.

Broward Response: The coalition has obtained a copy of the Level 1 background screening for the IT support contractor that was granted access to the server, including the EFS system. Processes are in place to ensure continued compliance. IT policies and procedures are in place to ensure all required background screenings are performed for all staff and contractors with access to confidential data.

Pasco and Hernando Response: The coalition agrees with the finding pertinent to the Early Learning Coalition of Pasco and Hernando Counties. The coalition has updated its IT Security Policies as part of its coalition plan. (Submitted to OEL in July 2015; updated and resubmitted in March 2016.) This policy includes guidelines for requesting, approving and assigning user access privileges and identifies parties responsible for these tasks. Deactivating EFS user access is included as part of HR procedures.

Finding No. 14: Coalition IT Security Controls

One coalition did not ensure that proper IT security controls were in place.

Recommendation: We recommend that coalition management enhance IT security policies and procedures to ensure the continued confidentiality, integrity, and availability of Coalition data and related IT resources.

OEL Response: The School Readiness Plan rule became effective in February 2015, and IT security policy disclosures became a required element. OEL staff identified minimum disclosure standards and used them to evaluate policy for all ELCs. The target to complete required policy updates for all ELCs is June 30, 2016.

Santa Rosa Response: The coalition concurs that the IT Security Policies and Procedures did not address specific items. The coalition would like to note that all required information security controls were in place at the time of the review and that there were no security breaches or information technology safety issues. The IT Security Policies and Procedures have been updated.



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April 13, 2016

Mrs. Sherrill F. Norman
Auditor General
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mrs. Norman:

Thank you for providing us the opportunity to respond to your preliminary and tentative operational audit findings, which were received on March 28, 2016.

Pursuant to Section 11.45(4)(d), Florida Statutes, the enclosed response is provided for the preliminary and tentative audit findings for inclusion in the Auditor General's operational audit of the Office of Early Learning and Selected Early Learning Coalitions, early learning programs and related delivery systems.

If you have any questions concerning this response, please contact Leticia Strasser, Director of Performance and Quality Improvements, at (954) 377-2198.

Sincerely,

Renee Jaffe

Renee Jaffe
Executive Director
Early Learning Coalition of Broward County, Inc.

Cc: Rodney MacKinnon, Executive Director, Office of Early Learning
Stephanie Gehres, Deputy Director of Operations, Office of Early Learning



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DJ Lebo, Executive Director

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April 19, 2016

Sherrill F. Norman, CPA
Auditor General
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

Pursuant to Section 11.45(4)(d), Florida Statutes, the enclosed response is provided for the preliminary and tentative audit findings in the Auditor General's operational audit of the Office of Early Learning and Selected Early Learning Coalitions.

Thank you for providing us the opportunity to respond to your preliminary findings. The Florida's Office of Early Learning and the Early Learning Coalitions have worked together to provide you with a joint response. We have included letters from each coalition involved in the audit and have identified the contributor within each response.

If you have any questions concerning this response, please contact Stephanie L. Gehres, Deputy Director of Operations, at (850)717-8598.

Sincerely,

DJ Lebo, Executive Director
Early Learning Coalition of Flagler and Volusia

DJ/lb

Encl.

Officers of the Board

Dave Batten, Chair - Heidi Rand, Vice Chair - Christine Sikora, Treasurer - Barry Whitaker, Secretary



2450 Old Moultrie Road, Suite 103
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April 14, 2016

Ms. Sherrill F. Norman, CPA
Auditor General
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman:

Pursuant to Section 11:45(4)(d), Florida Statutes, the enclosed response is provided for the preliminary and tentative audit findings for inclusion in the Auditor General's operational audit of the Office of Early Learning and Selected Early Learning Coalitions.

Thank you for providing us the opportunity to respond to your preliminary findings. The ELC of North Florida along with the other Selected Early Learning Coalitions and the Office of Early Learning have worked together to provide you with a joint response. The ELC of North Florida's responses are identified within the joint response.

If you have any questions concerning the response from the ELC of North Florida, please contact Tajaro Dixon, Grants and Operations Manager at (386) 328-6232 or tdixon@elcnorthflorida.org.

Sincerely,

A handwritten signature in blue ink that reads "Dawn E Bell".

Dawn E. Bell
CEO



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March 31, 2016

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Executive Director

Mrs. Sherrill F. Norman
Auditor General
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mrs. Norman:

Pursuant to Section 11.45(4)(d), Florida Statutes, the enclosed response is provided for the preliminary and tentative audit findings for inclusion in the Auditor General's operational audit of the Office of Early Learning Services' and related delivery systems.

Thank you for providing each Coalition with the opportunity to respond to your preliminary findings. The Office of Early Learning and the Early Learning Coalitions are working together to provide you with a joint response. Since our Coalition was involved in the audit, we have included a response and have identified the contributor within each response.

If you have any questions concerning this response, they and any additional comments may be directed to Stephanie L. Gehres, Deputy Director of Operations for Florida's Office of Early Learning, at (850) 717-8598.

Sincerely,

James J. Farrelly
Executive Director



April 27, 2016

Mrs. Sherrill F. Norman
Auditor General
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mrs. Norman:

Pursuant to Section 11.45(4)(d), Florida Statutes, the enclosed response is provided for the preliminary and tentative audit findings for inclusion in the Auditor General's operational audit of the Office of Early Learning Services and related delivery systems, including the Early Learning Coalition of Santa Rosa County.

Thank you for providing us the opportunity to respond to your preliminary findings. If you have any questions concerning this response, please contact me at 850-983-4502 or 850-983-5313 or you may email me at stuckey@elcsantarosa.org.

Sincerely,

DocuSigned by:


6390EC83D3F3468...

Melissa Stuckey
Executive Director

6460 Justice Avenue
Milton, FL 32570
Phone: 850-983-5313
www.elcsantarosa.org