

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2020-017
August 2019

**DEPARTMENT OF
ECONOMIC OPPORTUNITY**

Selected Administrative Activities



Sherrill F. Norman, CPA
Auditor General

Executive Director of the Department of Economic Opportunity

The Department of Economic Opportunity is established by Section 20.60, Florida Statutes. The head of the Department is the Executive Director who is appointed by the Governor and subject to confirmation by the Senate. During the period of our audit, the following individuals served as Executive Director:

Ken Lawson	From January 9, 2019
Theresa "Cissy" Proctor	Through January 8, 2019

The team leader was Lynley B. Trent, CPA, and the audit was supervised by Christi Alexander, CPA.

Please address inquiries regarding this report to Christi Alexander, CPA, Audit Manager, by e-mail at christialexander@aud.state.fl.us or by telephone at (850) 412-2786.

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DEPARTMENT OF ECONOMIC OPPORTUNITY

Selected Administrative Activities

SUMMARY

This operational audit of the Department of Economic Opportunity (Department) focused on selected Department administrative activities and included a follow-up on the findings noted in our report No. 2017-003. Our audit disclosed the following:

Finding 1: The Department did not always timely deactivate Florida Accounting Information Resource Subsystem user access privileges upon an employee's separation from Department employment. Additionally, Department practices did not appropriately reduce the risk that unauthorized access may occur.

Finding 2: The Department did not comply with the requirements of State law regarding public deposits.

BACKGROUND

State law¹ specifies that the Department of Economic Opportunity (Department) is to assist the Governor in working with the Legislature, State agencies, business leaders, and economic development professionals to formulate and implement coherent and consistent policies and strategies designed to promote economic opportunities for all Floridians. To execute these responsibilities, the Department is organized into five divisions: the Division of Strategic Business Development, the Division of Community Development, the Division of Workforce Services, the Division of Finance and Administration, and the Division of Information Technology.² For the 2018-19 fiscal year, the Legislature appropriated approximately \$1.1 billion to the Department and authorized 1,475 positions.³

FINDINGS AND RECOMMENDATIONS

Finding 1: FLAIR Access Controls

The Department utilizes the Florida Accounting Information Resource Subsystem (FLAIR) to authorize payment of Department obligations and to record and report financial transactions. Controls over employee access to FLAIR are necessary to help prevent and detect any improper or unauthorized use of FLAIR access privileges and should include the prompt deactivation of FLAIR access when employees separate from Department employment.

As part of our audit, we evaluated whether FLAIR access privileges were timely deactivated upon a user's separation from Department employment. Our examination of People First⁴ and FLAIR access records for the 17 FLAIR accounts associated with the 13 employees who separated from Department

¹ Section 20.60(4), Florida Statutes.

² Section 20.60(3), Florida Statutes.

³ Chapter 2018-9, Laws of Florida.

⁴ People First is the State's human resource information system.

employment during the period July 2017 through February 2019 disclosed that 7 of the FLAIR accounts associated with 6 of the employees remained active 4 to 35 business days (an average of 18 business days) after the employees' separation dates.

In response to our audit inquiry, Department management indicated that it was the Department's practice to deactivate Finance and Accounting staff FLAIR accounts with transaction capabilities impacting account balances within 2 business days and all other staff accounts with non-transaction capabilities within 30 business days. Notwithstanding Department management's response, the prompt deactivation of FLAIR access privileges upon an employee's separation from Department employment is necessary to reduce the risk of unauthorized disclosure, modification, or destruction of Department data. Further, the Department's practice of allowing 30 business days to deactivate non-transaction access privileges, such as those granted to 5 of the 6 employees to the FLAIR Statewide vendor file containing confidential information such as social security and employer identification numbers, does not appropriately minimize the risk of misuse of the access privileges.

Recommendation: We recommend that Department management strengthen controls to ensure that FLAIR access privileges are deactivated immediately upon an employee's separation from Department employment.

Finding 2: Public Deposits

State law⁵ requires all public deposits to be made in a qualified public depository (QPD)⁶ unless exempted by law. State law⁷ specifies that all public deposits are considered secured and protected from loss when public depositors (e.g., the Department) comply with the requirements of Chapter 280, Florida Statutes.

Pursuant to State law,⁸ public depositors are to identify each public deposit account at the time an account is opened by completing a *Public Deposit Identification and Acknowledgement Form* (Form) prescribed by the State's Chief Financial Officer (CFO). A properly executed Form identifies each public deposit account and documents the QPD's acknowledgment that the account is a public deposit account and that collateralization of the account must be provided. State law⁹ also requires public depositors to confirm annually that public deposit information as of September 30 has been provided by each QPD and agrees with public depositor records, as well as submit an annual report to the CFO by November 30th. The annual report is to include, among other things, public deposit information and verification that confirmation of public deposit information with each QPD has been completed.

As part of our audit, we examined the Department's 2017 annual report submitted to the CFO and related records and noted that, while Department management indicated in the annual report that the Department had confirmed the public deposit information for the two accounts open as of September 30, 2017, for the applicable QPD, Department management stated in response to our audit inquiry that the

⁵ Section 280.03(1)(b), Florida Statutes.

⁶ A QPD means any bank, savings bank, or savings association that meets the requirements of Chapter 280, Florida Statutes, and has been designated by the State's Chief Financial Officer as a QPD.

⁷ Section 280.03(1)(a) and 280.18(1), Florida Statutes.

⁸ Section 280.17(2), Florida Statutes.

⁹ Section 280.17(5) and (6), Florida Statutes.

confirmations had not been performed. According to Department management, the Department did not have a procedure to conduct the required confirmations.

Absent compliance with the requirements of State law regarding each public deposit account, the protection from loss provided in State law to the Department may not be as effective to that public deposit account.

Recommendation: We recommend that Department management establish procedures to ensure compliance with the public deposits requirements established in State law.

PRIOR AUDIT FOLLOW-UP

The Department had taken corrective actions for the findings included in our report No. 2017-003.

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 2019 through June 2019 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 Department of Economic Opportunity (Department) focused on selected Department administrative activities. 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 other 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 identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

Our audit also included steps to determine whether management had corrected, or was in the process of correcting, all deficiencies noted in our report No. 2017-003.

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:

- Reviewed applicable laws, rules, Department policies and procedures, and other guidelines, and interviewed Department personnel to obtain an understanding of Department financial management and other administrative activity controls.
- Evaluated Department actions to correct the findings noted in our report No. 2017-003. Specifically, we:
 - Compared Department fiscal and programmatic monitoring tools for the State's local workforce development boards (LWDBs) to the Department's standard LWDB grant agreement and Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Office of Management and Budget Compliance Supplement requirements to determine whether Department monitoring tools incorporated evaluation criteria for all grant agreement and Federal program requirements.
 - From the population of 22 programmatic monitoring reviews completed with a final monitoring report during the period July 2017 through February 2019, examined Department records for 5 selected reviews to determine whether the total number of participant cases reviewed by Department staff agreed with the total number of cases selected for review and whether the monitoring report reflected all monitoring tool criteria exceptions.
 - From the population of 22 fiscal monitoring reviews completed with a final monitoring report during the period July 2017 through February 2019, examined Department records for 5 selected reviews to determine whether Department staff provided responses to all monitoring tool evaluation criteria.
 - From the population of 291 State financial assistance grant agreements, totaling \$288.6 million, executed by the Department during the period July 2017 through

January 2019, examined 15 selected grant agreements, totaling \$15.2 million, to determine whether the agreements included the information required by the Florida Single Audit Act.

- Observed, documented, and evaluated the effectiveness of selected Department processes and procedures for cash management and revenue and cash receipt activities.
- Examined Department records to determine whether, for the periods ended September 30, 2017, and September 30, 2018, the Department complied with the public deposits requirements established in State law and reported qualified public depository information to the Department of Financial Services (DFS) in accordance with Section 280.17, Florida Statutes.
- Interviewed Department management, examined Department forms, and evaluated Department compliance with applicable statutory requirements for collecting and utilizing individuals' social security numbers.
- Analyzed Department property records as of January 31, 2019, to determine whether Department property records included all the information required by DFS rules. As of January 31, 2019, the Department was responsible for property with related acquisition costs totaling \$10,956,794.
- Examined Department records to determine whether the Department performed a physical inventory of property during the 2017-18 fiscal year in accordance with applicable laws, DFS rules, and Department policies and procedures.
- From the population of 1,297 property items, with acquisition costs totaling \$10,635,088, included on the Department's 2017-18 fiscal year physical inventory listing, examined Department records for 117 selected property items, with acquisition costs totaling \$119,007, to determine whether the items had been timely physically inventoried by appropriate personnel and Department property records had been properly updated for the results of the inventory.
- From the population of 163 property items, with acquisition costs totaling \$562,662, disposed of during the period July 2017 through January 2019, examined Department records for 10 selected property items, with acquisition costs totaling \$60,963, to determine whether the Department properly documented the property dispositions and whether the dispositions were made in accordance with applicable laws, rules, and Department policies and procedures.
- Observed, documented, and evaluated the effectiveness of selected Department processes and procedures for the assignment and use of mobile devices. Additionally, we performed inquiries of Department management regarding the Department's administration of employee requests to access Department resources, including OneDrive, Outlook, and SharePoint accounts, using mobile devices, and evaluated the adequacy of Department processes and procedures for securing Department data and related information technology resources accessed via agency owned and personally owned mobile devices.
- Observed, documented, and evaluated the effectiveness of selected Department processes and procedures for the administration of hurricane-related contracting and purchasing activities. During the period July 2017 through February 2019, the Department expended \$27,869,257 related to hurricane activity impacting the Department for eight Governor-declared emergencies. Specifically:
 - Reviewed Florida Accountability Contract Tracking System records for the 61 Department contracts, totaling \$27,775,013, related to the eight Governor-declared emergencies during the period July 2017 through February 2019 to determine whether the contracts appeared reasonable and necessary based on the applicable declared state of emergency.
 - Compared hurricane-related purchasing card charges made during the period July 2017 through February 2019 to DFS Merchant Category Code classification records to determine whether the Department made unallowable purchasing card transactions.

- Compared system access control and People First records for the 13 Department employees with FLAIR access privileges who separated from Department employment during the period July 2017 through February 2019 to determine whether the Department timely deactivated user access privileges to FLAIR upon the users' separation from Department employment.
- 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 response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

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.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with a large initial "S" and "N".

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE

Ron DeSantis
GOVERNOR



Ken Lawson
EXECUTIVE DIRECTOR

August 20, 2019

Ms. Sherrill F. Norman, CPA
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

Enclosed is the Department's response to the preliminary and tentative findings resulting from your audit of the Department of Economic Opportunity, Selected Administrative Activities. We thank you and your staff for the recommendations.

Please contact Jim Landsberg at (850) 245-7141 if you need additional information.

Sincerely,

Ken Lawson

KL/rd

Florida Department of Economic Opportunity | Caldwell Building | 107 E. Madison Street | Tallahassee, FL 32399
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**Florida Department of Economic Opportunity (DEO)
Responses to Preliminary and Tentative Findings
Operational Audit of Selected Administrative Activities**

Finding 1: FLAIR Access Controls

Auditor Recommendation: We recommend that Department management strengthen controls to ensure that FLAIR access privileges are deactivated immediately upon an employee's separation from Department employment.

DEO Response:

The Department is developing a procedure that will include immediate termination of access for all staff with transactional access or access to sensitive data.

Finding 2: Public Deposits

Auditor Recommendation: We recommend that Department management establish procedures to ensure compliance with the public deposits requirements established in State law.

DEO Response:

The Department is developing a procedure that will include all requirements of Ch. 280 regarding public depositories.