

**DEPARTMENT OF
MANAGEMENT SERVICES**

Selected Administrative Activities
and Prior Audit Follow-Up



Sherrill F. Norman, CPA
Auditor General

Secretary of the Department of Management Services

The Department of Management Services is established by Section 20.22, Florida Statutes. The head of the Department is the Secretary who is appointed by Governor and subject to confirmation by the Senate. During the period of our audit, the following individuals served as Secretary:

Jonathan Satter from February 5, 2019^a

Erin Rock through January 8, 2019

^a Position was vacant January 9, 2019, through February 4, 2019.

The team leader was David Cain, 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 MANAGEMENT SERVICES

Selected Administrative Activities and Prior Audit Follow-Up

SUMMARY

This operational audit of the Department of Management Services (Department) focused on selected administrative activities and included a follow-up on applicable findings noted in our report Nos. 2019-098 and 2017-214. Our audit disclosed the following:

Finding 1: Department controls for the administration of the requirements of the Florida Single Audit Act need improvement.

Finding 2: Department security administrators did not always receive periodic background screenings in accordance with Department policies and procedures.

Finding 3: Department controls over employee access to the Florida Accounting Information Resource Subsystem need improvement to reduce the risk of unauthorized disclosure, modification, or destruction of Department data.

Finding 4: Department controls continue to need enhancement to ensure that contract managers document that they are independent of, and have no conflicts of interest related to, the contracts they are responsible for managing.

Finding 5: As similarly noted in our report No. 2017-214, the Department did not always timely cancel purchasing cards upon a cardholder's separation from Department employment.

Finding 6: Department practices for monitoring facility operations and maintenance activities continue to need enhancement.

BACKGROUND

The Department of Management Services (Department) serves as the business arm of State Government and, as such, is responsible for managing various workforce- and business-related functions including real estate, procurement, human resources, State group insurance, retirement, telecommunications, private prisons, and fleet management. For the 2019-20 fiscal year, the Legislature appropriated approximately \$706 million to the Department and authorized 1,288.50 positions.¹

FINDINGS AND RECOMMENDATIONS

Finding 1: Florida Single Audit Act

State Financial Assistance (SFA) is financial assistance provided from State resources to non-State entities to carry out a State project and is to be administered in accordance with the requirements of the

¹ Chapter 2019-115, Laws of Florida.

Florida Single Audit Act (FSAA),² Department of Financial Services (DFS) rules,³ and Rules of the Auditor General.⁴ The purpose of the FSAA, among other things, is to establish uniform State audit requirements for non-State entities receiving SFA; promote sound management of SFA; and ensure that State agencies monitor, use, and follow-up on audits of SFA.

The FSAA requires each non-State entity that expends \$750,000 or more of SFA in any fiscal year to obtain a State single audit or a project specific audit conducted by an independent auditor. Upon completion of the audit, an SFA recipient is to provide the State awarding agency and the Auditor General a copy of the entity's Financial Reporting Package (FRP)⁵ within 45 days after delivery of the FRP to the recipient, but no later than 9 months after the end of the recipient's fiscal year. Among other things, the FRP is to address the recipient's compliance with State project requirements, any deficiencies in internal controls, and the amount of SFA expended by the recipient in conducting the State project. In addition, the FSAA specifies that State awarding agencies are to review each recipient's FRP to determine whether timely and appropriate corrective action had been taken with respect to any audit findings and recommendations.

According to Department records, the Department provided to 29 non-State entities (counties) SFA totaling \$4.3 million during the period July 2017 through June 2018. As part of our audit, we evaluated the Department's administration of the requirements of the FSAA, including examining records related to the Department's 2017-18 fiscal year awards. Our audit procedures found that the Department had not established policies and procedures for administering the requirements of the FSAA, such as procedures for identifying non-State entities required to submit FRPs or for tracking the receipt and review of the FRPs. Although Department management indicated that staff relied on applicable statutes, rules, and Florida Certified Contract Manager training as guidance, the absence of policies and procedures contributed to the issues noted on audit. Specifically, we noted that:

- Contrary to DFS procedures,⁶ the Department recorded \$359,070 of the \$4.3 million in SFA expenditures to an incorrect expenditure code due to employee error.
- 14 of the counties that received SFA totaling \$2,258,186 from the Department for the 2017-18 fiscal year did not provide the FRPs to the Department. In response to our audit inquiry, Department management indicated that in December 2019 they obtained and reviewed copies of the FRPs from the Auditor General's Web site, approximately 6 months after the FRPs were due to the Department.

Established policies and procedures that promote compliance with the FSAA and provide for proper State project oversight help ensure that SFA will be properly administered in compliance with the FSAA and applicable rules. Further, correctly recording SFA expenditures and timely receiving and reviewing required FRPs promotes the identification of entities subject to the FSAA and the timely follow up and resolution of recipient noncompliance or control deficiencies noted on audit.

² Section 215.97, Florida Statutes.

³ DFS Rules, Chapter 69I-5, Florida Administrative Code.

⁴ Chapter 10.550 and 10.650, Rules of the Auditor General.

⁵ An FRP includes the recipient's financial statements, Schedule of Expenditures of State Financial Assistance, auditor's report, management letter, auditee's written responses or corrective action plan, and correspondence on follow-up on prior corrective actions taken.

⁶ DFS *Florida Single Audit Act Checklist for Nonstate Organizations – Recipient/Subrecipient vs. Vendor Determination*.

Recommendation: We recommend that Department management establish policies and procedures for administering the requirements of the FSAA, including policies and procedures for identifying non-State entities required to submit an FRP, tracking the receipt and review of FRPs, and determining whether timely and appropriate corrective action was taken for applicable audit findings and recommendations. We also recommend that Department management strengthen controls to ensure that SFA is appropriately recorded in Department records.

Finding 2: Background Screenings

State law⁷ and Department policies and procedures⁸ require all employees in positions of special trust, responsibility, or sensitive location undergo a level 2 background screening⁹ as a condition of employment and continued employment. Additionally, Agency for State Technology (AST)¹⁰ rules¹¹ required State agencies to perform background checks on all individuals hired as information technology (IT) workers with access to information processing facilities, or who had system, database, developer, network, or other administrative capabilities for systems, applications, or servers with risk categorization of moderate-impact or higher. Accordingly, Department policies and procedures specified that all IT positions were positions of special trust and employees in such positions were subject to rescreening at least every 5 years.

We examined Department records for the 13 Department security administrators responsible for the administration and maintenance of selected Department IT systems during the period July 2018 through February 2020 to determine whether the employees had been subject to required level 2 background screenings. Our examination disclosed that, while the 13 security administrators received level 2 background screenings at hire, more than 5 years had elapsed since 3 of the employees had received a rescreening.

In response to our audit inquiry, Department management indicated that security administrators are subject to level 2 background screenings at the time of hire and when promoted to a supervisory position. Notwithstanding, while Department policies and procedures required a background screening for all employees promoted into a supervisory role, the policies and procedures also required all employees in positions of special trust, including security administrators, to be rescreened at least every 5 years.

Periodic background screenings for individuals employed in positions of special trust provide Department management greater assurance that only those individuals with appropriate backgrounds are employed and granted access to Department IT systems.

⁷ Section 110.1127(2)(a), Florida Statutes.

⁸ Department Administrative Policy No. HR-05-107, *Criminal Background Screenings*.

⁹ As defined in Section 435.04, Florida Statutes, level 2 background screenings are to include, but need not be limited to, fingerprinting for Statewide criminal history records checks through the Department of Law Enforcement, national criminal history records checks through the Federal Bureau of Investigation, and may include local criminal history records checks through local law enforcement agencies.

¹⁰ Effective July 1, 2019, Chapter 119-118, Laws of Florida, created the Division of State Technology (DST) within the Department and transferred the existing powers, duties, functions, personnel, records, property, and funds of the AST to the DST. Effective July 1, 2020, the DST was abolished, and the Florida Digital Service was established in its place.

¹¹ AST Rule 74.2.002(1)(f)9., Florida Administrative Code. Effective July 1, 2019, AST Rules, Chapter 74-2, Florida Administrative Code, were transferred to Department Rules, Chapter 60GG-2, Florida Administrative Code. Department Rule 60GG-2.002(1)(f)9., Florida Administrative Code, includes similar requirements.

Recommendation: We recommend that Department management ensure that all employees in positions of special trust receive periodic level 2 background screenings in accordance with Department policies and procedures.

Finding 3: FLAIR Access Controls

AST rules¹² required State agencies to review access privileges periodically based on system categorization or assessed risk, ensure that users are granted access to agency IT resources based on the principles of least privilege and a need to know determination, and ensure that IT access privileges are removed when access to an IT resource is no longer required. Effective access controls also include measures that restrict user access privileges to data and IT resources to only those functions that promote an appropriate separation of duties and are necessary for the user's assigned job duties.

The Department utilizes the Florida Accounting Information Resource Subsystem (FLAIR) to authorize the payment of Department obligations and to record and report financial transactions. Controls over employee access to FLAIR are necessary to help prevent and detect improper or unauthorized use of FLAIR access.

As part of our audit, we evaluated Department FLAIR user access privilege controls and noted that:

- Employees performing financial management functions had been granted update capabilities to incompatible functions in FLAIR. Specifically, our examination of 18 FLAIR user accounts assigned to 10 Department employees as of February 29, 2020, found that:
 - 8 user accounts had update capabilities to both the disbursement and vendor client functions.
 - 1 user account had update capabilities to both the disbursement and cash receipts functions.
 - 1 user account had update capabilities to both cash receipts and accounts payable functions.
 - 8 user accounts had update capabilities to both accounts receivable and accounts payable functions.
 - 4 user accounts had update capabilities to both fixed assets accounting and fixed assets custodial functions.

According to Department management, cross-training and limited staffing necessitated that employees serve as backup for other employees, but that incompatible update access privileges were only temporarily granted when needed and modified to inquiry only when the tasks were completed. However, our examination of Department records found that incompatible update access privileges granted to employees as early as June 2016 remained active as of February 2020. Subsequent to our audit inquiries in March 2020 and November 2020, Department management modified the incompatible FLAIR update access privileges to inquiry only.

- FLAIR user access privileges were not always timely removed upon a user's separation from Department employment. Specifically, our examination of FLAIR access records for ten FLAIR user accounts associated with eight employees who separated from Department employment during the period July 2018 through February 2020 disclosed that the ten user accounts remained active 2 to 37 business days (an average of 12 business days) after the employees' separation dates. In response to our audit inquiry, Department management provided various explanations

¹² AST Rule 74.2.003(1)(a) and (1)(d)3., Florida Administrative Code. Department Rule 60GG-2.003(1), Florida Administrative Code, includes similar requirements.

for the untimely removal of FLAIR access privileges, including staff oversight and internal process deficiencies.

The effective separation of incompatible financial management duties and prompt removal of FLAIR user access privileges upon an employee's separation from Department employment reduces the risk of unauthorized disclosure, modification, or destruction of Department data.

Recommendation: We recommend that Department management restrict user access privileges to FLAIR to promote an appropriate separation of duties and require that, where incompatible access privileges are necessary, compensating controls are established and documented. Department management should also ensure that FLAIR access privileges are removed immediately upon an employee's separation from Department employment.

Finding 4: Conflict of Interest Statements

The Legislature has declared that it is essential to the proper conduct and operation of government that public officials be independent and impartial and that no officer or employee of a State agency have any interest, financial or otherwise, direct or indirect; engage in any business transaction or professional activity; or incur any obligation of any nature which is in substantial conflict with the proper discharge of their duties in the public interest.¹³ State law¹⁴ further specifies that no public officer or employee is to have or hold any employment or contractual relationship with any business entity or any agency which is subject to the regulation of, or is doing business with, the agency of which he or she is an officer or employee.

In our report No. 2019-098 (Finding 3), we noted that Department controls needed enhancement to ensure that contract managers document that they are independent of, and have no conflicts of interest related to, the contracts they are responsible for managing. We also noted that, while Department policies and procedures¹⁵ required managers of contracts for commodities and contractual services procured pursuant to Chapter 287, Florida Statutes, to complete conflict of interest statements for each contract managed, the policies and procedures did not require managers of construction service contracts procured pursuant to Chapter 255, Florida Statutes, to complete conflict of interest statements. As part of our follow-up audit procedures, we reviewed Department policies and procedures and examined Department records for 32 contracts, totaling \$161,505,311,¹⁶ executed and managed by the Department during the period July 2019 through January 2020. Our audit procedures disclosed that, while the Department had established a conflict of interest form for managers of construction services contracts to complete prior to contract execution, the Department had not updated policies and procedures to reflect the establishment of the form or to require that all personnel responsible for managing construction services contracts complete the form. Additionally, we noted that, due to employee oversight, conflict of interest statements were not completed for 3 construction services contracts totaling \$60,157 and a \$200,000 contractual services contract.

¹³ Section 112.311, Florida Statutes.

¹⁴ Section 112.313(7)(a), Florida Statutes.

¹⁵ Department Administrative Policy No. Purchasing 101, *Departmental Purchasing Policies and Procedures*.

¹⁶ The 32 selected contracts included 9 contractual services contracts totaling \$158,049,203, 9 professional services contracts totaling \$2,114,842, and 14 construction services contracts totaling \$1,341,266.

Absent the completion of conflict of interest statements by all employees responsible for managing Department contracts, Department management cannot adequately demonstrate that contract management activities are conducted in an independent and impartial manner.

Recommendation: We recommend that Department management enhance policies and procedures to ensure that all personnel responsible for managing contracts are subject to Department conflict of interest policies and procedures and that all contract managers complete conflict of interest statements evidencing that they are independent of, and have no conflicts of interest related to, the contracts they are responsible for managing.

Finding 5: Purchasing Card Controls

The Department participates in the State's purchasing card program, which allows authorized personnel to charge Department expenses on purchasing cards. As of February 14, 2020, the Department had 319 active purchasing cards and purchasing charges totaled \$3,966,131 during the period July 2018 through January 2020.

As a participant in the State's purchasing card program, the Department is responsible for implementing key controls, including procedures for timely canceling purchasing cards upon a cardholder's separation from Department employment. Department guidelines¹⁷ specified that supervisors were responsible for immediately notifying the Department's Purchasing Card Administrator (PCA) if a purchasing card needed to be canceled for any reason, including the cardholder's separation from Department employment, and that the PCA was to cancel the purchasing card upon notification.

In our report No. 2017-214 (Finding 9), we noted that the Department did not always promptly cancel purchasing cards upon a cardholder's separation from Department employment. As part of our follow-up audit procedures, we compared Department employee separation dates recorded in People First¹⁸ to purchasing card cancellation dates recorded in FLAIR purchasing card records. We identified 64 purchasing cards associated with 62 cardholders who separated from Department employment during the period July 2018 through January 2020 and noted that 5 employee purchasing cards had not been promptly canceled. Specifically, we found that the employees' purchasing cards were canceled 5 to 66 business days (an average of 25 business days) after the employees' separation dates. In response to our audit inquiry, Department management indicated that the delays in canceling the purchasing cards were due to delays in notifying the PCA of the employment separations.

Although our audit tests did not disclose any charges incurred subsequent to the 5 cardholders' separation from Department employment, prompt cancellation of purchasing cards upon a cardholder's separation from Department employment reduces the risk that unauthorized purchases will be made.

Recommendation: We again recommend that Department management strengthen procedures to ensure that purchasing cards are promptly canceled upon a cardholder's separation from Department employment.

¹⁷ Department *Purchasing Card Guidelines*.

¹⁸ People First is the State's Web-based human resource information system.

Finding 6: Facilities Management

The Department is responsible for the daily operations of Department-managed facilities, including the provision of cost-efficient, accessible, clean, and safe work environments.¹⁹ The Department, Division of Real Estate Development and Management, Bureau of Operations and Maintenance (Bureau), oversees Department-managed facilities which, as of October 2019, encompassed the operation and maintenance of 112 Florida Facilities Pool (FFP) properties, including the Capitol Center and the Governor's Mansion and grounds. The primary responsibilities of the Bureau included managing the FFP properties, overseeing energy management and performance contracting, performing electrical repairs and fire and life safety monitoring, providing building control and environmental services, and ensuring compliance with the Americans with Disabilities Act.

In our report No. 2017-214 (Finding 1), we noted that Department practices for monitoring facility operations and maintenance activities needed enhancement. As part of our follow-up audit procedures, we interviewed Bureau management and staff, reviewed Bureau policies and procedures, and evaluated Bureau processes for monitoring facility operations and maintenance activities and for training facility managers and staff. Our audit procedures disclosed that:

- Bureau policies and procedures still did not reflect current FFP property operations, maintenance, and oversight practices. In response to our audit inquiry, Bureau management indicated that they were in the process of creating specific guidelines for each facility location and referencing the guidelines in updated lease agreements.
- The Bureau still had not established a comprehensive and documented process to assess the risks associated with FFP facilities, determine commensurate FFP facility monitoring requirements, or schedule facility site visits by Bureau management based on the assessed risk levels and monitoring requirements. According to Bureau management, in recent years the frequency of site visits had been impacted by travel restrictions, among other factors.
- Documentation, such as standardized checklists, reports of deficiencies, monitoring results, and corrective action implementation, was not always maintained to demonstrate Bureau monitoring and review of facilities preventative maintenance activities. In response to our audit inquiry, Bureau management reiterated that in recent years the frequency of site visits had been impacted by travel restrictions and other contributing factors and monitoring was not always conducted.
- Bureau policies and procedures did not provide staff clear guidance on how to document the completion of work orders, thereby limiting the quality of information available to the Department for monitoring purposes. Specifically, our review of work orders processed through TRIRIGA²⁰ during the period July 2018 through February 2020 disclosed instances where data fields (e.g., task and resolution description fields) were not consistently completed by staff. According to Bureau management, the Bureau focused on key performance indicators that included the timely completion of work orders, but management acknowledged that training and guidance could be enhanced to ensure that staff consistently complete the data fields in TRIRIGA.

Bureau policies and procedures that reflect current FFP property management practices and that provide staff clear guidance for documenting work orders in TRIRIGA are necessary to ensure that facility operations, maintenance, and oversight activities are appropriately and consistently executed in accordance with management's expectations. Additionally, effective management oversight of facility

¹⁹ Sections 255.249 and 272.09, Florida Statutes.

²⁰ TRIRIGA is a Web-based integrated facility management system used to track and manage Department real estate activities.

operations and maintenance activities, including a comprehensive and documented process to assess the risks associated with FFP facilities, determine commensurate FFP facility monitoring requirements, and document monitoring activities and results, helps identify problems as early as possible and demonstrates that corrective actions are timely initiated.

Recommendation: We recommend that Department management continue efforts to update policies and procedures to reflect current FFP property operations, maintenance, and oversight practices and ensure that staff is provided clear guidance for documenting work orders in TRIRIGA. Also, we again recommend that Department management establish a comprehensive and documented process to assess the risks associated with FFP facilities, determine commensurate FFP facility monitoring requirements, and document monitoring activities and results.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the Department had taken corrective actions for the applicable findings included in our report Nos. 2019-098 and 2017-214.

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 January 2020 through September 2020 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 Management Services (Department) focused on selected administrative activities. For those areas, the 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 responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed into 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.
- Determine whether management had corrected, or was in the process of correcting, all applicable deficiencies disclosed in our report Nos. 2019-098 (Findings 3 through 6) and 2017-214 (Findings 1 and 9).
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

In planning and conducting our audit, we assessed whether internal controls were significant to our audit objectives by considering the internal control integrated framework established by the Committee of Sponsoring Organizations (COSO)²¹ and adapted for a government environment within the *Standards for Internal Control in the Federal Government* issued by the United States Government Accountability Office. That framework is illustrated in the following table.

COSO Internal Control Integrated Framework

Internal Control Component	Description	Underlying Principles (To be Applied by the Governor and Department Management)
Control Environment	Standards, processes, and structures that provide the basis for carrying out internal control across the organization. Represents the foundation on which an effective internal control system is built.	<ul style="list-style-type: none"> • Demonstrate commitment to integrity and ethical values. • Exercise oversight responsibility. • Establish structures and reporting lines and assign authorities and responsibilities. • Demonstrate commitment to a competent workforce. • Hold individuals accountable for their responsibilities.
Risk Assessment	Management’s process to consider the impact of possible changes in the internal and external environment and to consider actions to mitigate the impact. The basis for how risks will be managed.	<ul style="list-style-type: none"> • Establish clear objectives to define risk and risk tolerances. • Identify, analyze, and respond to risks. • Consider the potential for fraud. • Identify, analyze, and respond to significant changes that impact the internal control system.
Control Activities	Activities in the form of policies, procedures, and standards that help management mitigate risks. Control activities may be preventive in nature or detective in nature and may be performed at all levels of the organization.	<ul style="list-style-type: none"> • Design control activities to achieve objectives and respond to risks. • Design control activities over technology. • Implement control activities through policies and procedures.
Information and Communication	Information obtained or generated by management to support the internal control system. Communication is the dissemination of important information to help the organization meet requirements and expectations.	<ul style="list-style-type: none"> • Use relevant and quality information. • Communicate necessary information internally to achieve entity objectives. • Communicate necessary information externally to achieve entity objectives.
Monitoring	Periodic or ongoing evaluations to verify that the internal control system is present and functioning properly.	<ul style="list-style-type: none"> • Conduct periodic or ongoing evaluations of the internal control system. • Remediate identified internal control deficiencies on a timely basis.

We determined that the internal control components significant to our audit objectives included control environment, control activities, information and communication, and monitoring. The associated underlying principles significant to our objectives included:

- Management establishment of an organizational structure, assignment of responsibility, and delegation of authority to achieve the Department’s goals and objectives.
- Management commitment to recruit, develop, and retain competent individuals.
- Management evaluation of employee performance and holding individuals accountable for their internal control responsibilities.
- Management design of control activities to achieve the Department’s objectives and respond to risks.

²¹ The Committee of Sponsoring Organizations (COSO) of the Treadway Commission was established in 1985 to develop guidance in the areas of risk and control which enable good organizational governance and reduction of fraud. Pursuant to their mission, COSO developed a framework for internal control that consists of five components and 17 underlying principles.

- Management design of controls over information technology.
- Management establishment of policies and procedures to implement internal control activities.
- Management use of relevant and quality information to achieve the Department's objectives.
- Management communication of information internally necessary to achieve the Department's objectives.
- Management communication of information externally necessary to achieve the Department's objectives.
- Management activities to monitor the Department's internal control system and evaluate the results.
- Management remediation of identified internal control deficiencies on a timely basis.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in internal controls significant to our audit objectives; 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; identifying and evaluating internal controls significant to our audit objectives; 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:

- Evaluated Department actions to correct Findings 1 and 9 noted in our report No. 2017-214. Specifically, we:
 - Reviewed Bureau of Facilities Management (Bureau) policies and procedures, interviewed Bureau personnel, and examined selected records to determine whether the policies and procedures reflected current Florida Facilities Pool (FFP) property operations, maintenance, and oversight practices.

- Examined selected Bureau records and obtained a listing of all FFP facilities managed by the Bureau during the period July 2018 through January 2020 to determine whether the Bureau had:
 - Compiled a listing of the FFP facilities visited.
 - Established a comprehensive and documented process to assess the risks associated with FFP facilities.
 - Established commensurate FFP facility monitoring requirements.
 - Scheduled facility site visits based on the assessed risk levels and monitoring requirements.
- Examined selected Bureau records to determine whether adequate monitoring for facilities and preventative maintenance activities were performed.
- Obtained an understanding of information technology (IT) controls for TRIRIGA, assessed the risks related to those controls, evaluated whether selected general and application IT controls for TRIRIGA were in place, and tested the effectiveness of the selected controls.
- Requested from Department management a list of work orders from TRIRIGA to determine whether the Department maintained a comprehensive listing of all work orders processed during the period July 2018 through February 2020.
- Reviewed Bureau policies and procedures for training new facility managers and staff on preventative maintenance testing and related documentation requirements and examined selected Bureau records to determine whether the eight facility managers hired during the period July 2018 through January 2020 were trained in accordance with Bureau policies and procedures.
- Reviewed Department purchasing card guidelines and examined Department records for the 62 purchasing cardholders who separated from Department employment during the period July 2018 through January 2020 to determine whether the Department timely canceled the employees' purchasing cards upon the cardholders' separation from Department employment.
- Evaluated Department actions to correct Findings 3 through 6 noted in our report No. 2019-098. Specifically, we:
 - Reviewed applicable laws, rules, and Department policies and procedures, and interviewed Department management to obtain an understanding of Department contract administration practices.
 - Evaluated whether Department contract management policies and procedures:
 - Required managers of contracts procured pursuant to Chapters 255 and 287, Florida Statutes, to complete conflict of interest statements for each contract managed.
 - Required conflict of interest statements for all newly executed contracts.
 - From the population of 103 contracts, totaling \$250,026,660, executed during the period July 2019 through January 2020, examined Department records for 32 selected contracts, totaling \$161,505,311, to determine whether contracts' managers documented that they were independent of, and had no conflict of interest related to, the contracts they were responsible for managing.
 - Examined Department records to determine whether, for the period ended September 30, 2019, the Department disclosed qualified public depository information to the Department of Financial Services, Division of Treasury, in accordance with Section 280.17, Florida Statutes.

- Reviewed applicable laws, rules, and Department policies and procedures to gain an understanding for the requirements for property disposal.
- From the population of 618 tangible personal property items, with acquisition costs totaling \$514,171, disposed of during the period July 2019 through January 2020, examined Department records for 20 selected property items, with acquisition costs totaling \$14,693, to determine whether the property dispositions were properly documented and made in accordance with applicable laws, rules, and Department policies and procedures.
- From the population of 1,702 tangible personal property items, with acquisition costs totaling \$37,501,936, listed as active during the period July 2019 through January 2020, examined Department records for 20 selected property items, with acquisition costs totaling \$244,805, to determine whether the property items were properly recorded 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 during the period July 2019 through January 2020.
- Reviewed applicable laws, rules, and other State guidelines to obtain an understanding of the legal framework governing Department operations.
- Interviewed Department management, examined Department forms, and evaluated Department compliance with applicable statutory requirements for collecting and utilizing individuals' social security numbers.
- Examined Department records for the 13 Department security administrators responsible for the administration and maintenance of selected Department IT systems during the period July 2018 through February 2020 to determine whether the employees had been subject to required level 2 background screenings.
- Observed, documented, and evaluated the effectiveness of selected Department processes and procedures for:
 - Cash and revenue management, purchasing activities, managing FLAIR and other IT system access privileges, settlement agreements, and fixed capital outlay.
 - The administration of the requirements of the Florida Single Audit Act. During the period July 2017 through June 2018, the Department expended \$4.3 million for State Financial Assistance programs.
 - The acquisition and management of real property leases in accordance with State law, Department rules, and other applicable guidelines. As of February 27, 2020, the Department was responsible for 94 real property leases.
- 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 the first name being the most prominent.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



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Ron DeSantis, Governor
Jonathan R. Satter, Secretary

January 19, 2021

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

Dear Ms. Norman:

Pursuant to subsection 11.45(4)(d), Florida Statutes, this is our response to your report, ***DMS Selected Administrative Activities and PAFU - Operational Audit***. Our responses correspond with the findings and recommendations related to the Department of Management Services contained in the preliminary and tentative finding report.

If further information is needed concerning our response, please contact Sarah Beth Hall, Inspector General, at 488-5285.

Sincerely,

Jonathan R. Satter
Secretary

JRS/rha

Enclosure

cc: Tami Fillyaw, Chief of Staff
Patrick Gillespie, Deputy Secretary of Business Operations
David Rathke, Director of Finance and Administration
Tom Berger, Director of Real Estate Management and Development
Sarah Beth Hall, Inspector General

Florida Auditor General
Operational Audit of the DMS, Selected Administrative Activities and Prior Audit Follow-Up
Responses to Preliminary and Tentative Findings

<u>Finding 1</u>	
Florida Single Audit Act	
<u>Finding:</u> Department controls for the administration of the requirements of the Florida Single Audit Act need improvement.	
<u>Recommendation:</u> We recommend that Department management establish policies and procedures for administering the requirements of the FSAA, including policies and procedures for identifying non-State entities required to submit an FRP, tracking the receipt and review of FRPs, and determining whether timely and appropriate corrective action was taken for applicable audit findings and recommendations. We also recommend that Department management strengthen controls to ensure that SFA is appropriately recorded in Department records.	
<u>Management Response (Planned Corrective Action):</u> The Department of Management Services (DMS), Bureau of Financial Management Services is developing a policy and procedure to define the responsibilities within DMS for maintaining compliance with the Department of Financial Services requirements for agreements funded with state financial assistance and the periodic review of contract payments under the FSAA.	
<u>Anticipated Completion Date:</u>	June 30, 2021
<u>Contact Person(s):</u>	Leonor Skoglund, Deputy Chief Financial Management Services
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<u>Finding 2</u> Background Screenings	
<u>Finding:</u> Department security administrators did not always receive periodic background screenings in accordance with Department policies and procedures.	
<u>Recommendation:</u> We recommend that Department management ensure that all employees in positions of special trust receive periodic level 2 background screenings in accordance with Department policies and procedures.	
<u>Management Response (Planned Corrective Action):</u> All DMS employees in a position of special trust will receive periodic level 2 background screenings. The Office of Human Resources will populate and then utilize a report from the PeopleFirst system to identify employees who require rescreening. This solution is currently in development.	
<u>Anticipated Completion Date:</u>	June 30, 2021
<u>Contact Person(s):</u>	Name, Title Edric Sanchez, Director of Human Resources
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Finding 3
FLAIR Access Controls

Finding:

Department controls over employee access to the Florida Accounting Information Resource Subsystem need improvement to reduce the risk of unauthorized disclosure, modification, or destruction of Department data.

Recommendation:

We recommend that Department management restrict user access privileges to FLAIR to promote an appropriate separation of duties and require that, where incompatible access privileges are necessary, compensating controls are established and documented. Department management should also ensure that FLAIR access privileges are removed immediately upon an employee’s separation from Department employment.

Management Response (Planned Corrective Action):

DMS’ Financial Management Service, Quality Control Section (QCS) has reviewed FLAIR access privileges to ensure they are compatible with the user’s position description. QCS is creating internal controls for removing FLAIR access privileges upon an employee’s separation and it is establishing quarterly reviews to verify accesses privileges are compatible with the user’s position description.

Anticipated Completion Date:

June 30, 2021

Contact Person(s):

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<u>Finding 4</u> Conflict of Interest Statements															
<u>Finding:</u> Department controls continue to need enhancement to ensure that contract managers document that they are independent of, and have no conflicts of interest related to, the contracts they are responsible for managing.															
<u>Recommendation:</u> We recommend that Department management enhance policies and procedures to ensure that all personnel responsible for managing contracts are subject to Department conflict of interest policies and procedures and that all contract managers complete conflict of interest statements evidencing that they are independent of, and have no conflicts of interest related to, the contracts they are responsible for managing.															
<u>Management Response (Planned Corrective Action):</u> <p>The Division of Real Estate Development and Management (REDM) has implemented procedures to ensure the no conflict of interest forms are signed by the contract administrator. We continue to update relevant Departmental policies and procedures to include “No Conflict of Interest” forms for construction service contracts procured pursuant to Chapter 255, Florida Statutes. REDM management will continue educating staff on the requirements for completing the form and reviewing contracts as they route to ensure the forms are completed for each REDM managed contract.</p> <p>The Department will also ensure that Office of General Counsel contracts will be processed and reviewed in accordance with Departmental purchasing procedure.</p>															
<u>Anticipated Completion Date:</u>	REDM – Complete January 2020 Departmental Purchasing - June 30, 2021														
<u>Contact Person(s):</u>	<table style="width: 100%; border: none;"> <tr> <td style="width: 20%; border: none;">Name, Title</td> <td style="border: none;">Donna Vollertsen, (REDM) Chief of Business Support Services</td> </tr> <tr> <td style="border: none;">Phone number</td> <td style="border: none;">(850) 487-1120</td> </tr> <tr> <td style="border: none;">Email address</td> <td style="border: none;">donna.vollerstsen@dms.fl.gov</td> </tr> <tr> <td style="border: none;"> </td> <td style="border: none;"> </td> </tr> <tr> <td style="border: none;"> </td> <td style="border: none;">Brandon Spencer, Departmental Purchasing Director</td> </tr> <tr> <td style="border: none;"> </td> <td style="border: none;">(850) 410-0102</td> </tr> <tr> <td style="border: none;"> </td> <td style="border: none;">Brandon.spencer@dms.fl.gov</td> </tr> </table>	Name, Title	Donna Vollertsen, (REDM) Chief of Business Support Services	Phone number	(850) 487-1120	Email address	donna.vollerstsen@dms.fl.gov				Brandon Spencer, Departmental Purchasing Director		(850) 410-0102		Brandon.spencer@dms.fl.gov
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<u>Finding 5</u> Purchasing Card Controls	
<u>Finding:</u> As similarly noted in our report No. 2017-214, the Department did not always timely cancel purchasing cards upon a cardholder’s separation from Department employment.	
<u>Recommendation:</u> We again recommend that Department management strengthen procedures to ensure that purchasing cards are promptly canceled upon a cardholder’s separation from Department employment.	
<u>Management Response (Planned Corrective Action):</u> DMS now utilizes an automated system to assign and track actions for system access and removal, Pcard termination, and other needed changes when employees leave the agency. The people who maintain these systems or records now receive all notices to terminate access daily. As an additional safeguard the Office of Human Resources will also provide a report to Departmental Purchasing on a weekly basis for Pcard terminations.	
<u>Anticipated Completion Date:</u>	Complete
<u>Contact Person(s):</u>	
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Finding 6

Facilities Management

Finding:

Department practices for monitoring facility operations and maintenance activities continue to need enhancement.

Recommendation:

We recommend that Department management continue efforts to update policies and procedures to reflect current FFP property operations, maintenance, and oversight practices and ensure that staff is provided clear guidance for documenting work orders in TRIRIGA. Also, we again recommend that Department management establish a comprehensive and documented process to assess the risks associated with FFP facilities, determine commensurate FFP facility monitoring requirements, and document monitoring activities and results.

Management Response (Planned Corrective Action):

The new Facilities Manager Playbook was finalized and distributed on 12/09/2020, which contains processes of operations and management practices for Facilities Manager's and maintenance staff for the Florida Facilities Pool (FFP).

All current and new REDM staff are provided TRIRIGA training associated with their role. As system enhancements progress, TRIRIGA desk guides are updated, and additional training is developed to provide instructions and guidance regarding new functionality.

Oversight of the FFP operations continues to be enhanced with new schedules being developed and tracked. All facilities will be scheduled for site visits no less than bi-annually, with the possibility of more frequent visits at those facilities in the Tallahassee and North Florida area locations. Documented notes and site visit inspections will be maintained with Facilities Manager meetings scheduled as needed, are documented and taking place in person or via Teams when travel isn't an available option due to varying circumstances (emergencies, weather, other resource constraints, etc.).

Anticipated Completion Date:

December 2020

Contact Person(s):

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