

FLORIDA DEPARTMENT OF EDUCATION



August 1, 2013

Dr. Tony Bennett
Commissioner of Education

Shan Goff, Executive Director
Office of Early Learning
250 Marriott Drive
Tallahassee, Florida 32399

Dear Ms. Goff:

As required by Section 20.055(5)(h), Florida Statutes, we have prepared the attached status of corrective actions, as of August 1, 2013, taken by the Office of Early Learning for findings and recommendations contained in Auditor General Audit Report No. 2013-087, *Office of Early Learning and Select Early Learning Coalitions, Follow-Up on Prior Audit Findings*, issued on February 1, 2013.

In accordance with Section 20.055(5)(h), Florida Statutes, I am also copying the Joint Legislative Auditing Committee. If you have any questions, please call me at (850) 717-8554.

Sincerely,

Rodney MacKinnon
Inspector General

Enclosure

cc: Joint Legislative Auditing Committee

SHAN GOFF

EXECUTIVE DIRECTOR, OFFICE OF EARLY LEARNING

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FINDING NO. 1: The OEL did not conduct data matches between School Readiness Program information and Reemployment Assistance (RA) payment data. Our comparison of Program information and RA payment data identified individuals who potentially were improperly receiving Program benefits under a work-dependent eligibility category while also collecting RA benefits.

Auditor Recommendation: We again recommend that the OEL routinely conduct data matches between School Readiness Program information and RA payment data in order to ensure the proper payment of School Readiness Program benefits under work-dependent eligibility categories.

Office of Early Learning Response: OEL will continue its efforts to ensure the proper payment of School Readiness (SR) program benefits under work-dependent eligibility categories. As noted in the finding, on July 3, 2012, OEL executed a data sharing agreement with the Department of Economic Opportunity (DEO) and the Department of Revenue (DOR) to provide OEL employer and wage information, as well as RA payment data (also referred to as the Unemployment Tax portion of the Unemployment Compensation (UC) Program), for use in the detection, investigation and prevention of potential improper payments in the School Readiness (SR) Program.

As of January 14, 2013, the first OEL data match between the SR Program information and RA Payment/UC Program data was completed. OEL's procedures for these data, for use in the detection, investigation, and prevention of potential improper payments, include the following:

- Append the matched data to include other SR data necessary for the investigation of potential improper payments (e.g., SR payments made);
- Determine eligibility or ineligibility for SR Program (see below);
- Determine whether each case is complete and legally sufficient for submission to the Department of Financial Services (DFS);
- Submit to DFS for investigation for fraud, if warranted (including improper/overpayment of funds; see below); and
- Track to resolution.

As indicated above, it is critical to determine whether individuals found in the match data set and thereby collecting funds from both the SR Program and RA Payment/UC Program:

- Are eligible to receive these funds for a period of time that fell within an allowable SR Program "break in employment," (see Rule 6M-4.210, Florida Administrative Code (FAC));
- Are eligible to receive these funds while receiving part-time earnings (see State of Florida, Department of Economic Opportunity, *Florida's Reemployment Assistance Program*);
- Are eligible to receive these funds, as they are participating in allowable educational activities (see Rule 60M-4.100(5) and (22));

- Have misreported their income but are still eligible for both programs at a reduced rate;
or
- Are ineligible to receive these funds.

In cases where it is determined that income was misreported, appropriate actions will be taken to collect the required parent co-payment, as required by Rule 6M-4.400, FAC.

The data match between the SR Program and the RA Payment/UC Program will occur on a monthly basis with a required quarterly review conducted by the ELC and OEL staff. OEL will take the necessary steps to ensure the proper payment of SR Program benefits under work-dependent eligibility categories.

OEL also has a data sharing agreement with the Department of Revenue (DOR) to provide OEL with employer and wages information. As of January 18, 2013, the first match has been completed. Staff from both agencies is reviewing technical issues in order to identify the most cost effective way to process the matched data sets. Upon refinement of the data matching rules, OEL will provide the employer and wages information to the respective early learning coalition for use in verification periodic redetermination of client eligibility.

In summary, OEL will continue to improve its efforts to ensure the proper payment of SR Program benefits under work-dependent eligibility categories. These efforts will be further enhanced with the implementation of the Early learning Information System.

Six-Month Status: After an internal audit of the fraud referral data, it was verified there were 634 cases from the original Unemployment Insurance match that were determined to be intentional program violations and referred to the Department of Financial Services' Division of Public Assistance Fraud (DPAF). Of these, 437 (69 percent) were screened out due to insufficient evidence, 143 (22 percent) are still under investigation, and 54 (9 percent) have been referred to the local state attorney's office. Of the cases referred to the state attorneys' offices, four have resulted in restitution orders, totaling \$15,670.81.

As indicated in our original response, OEL has implemented monthly data matches. To date, seven months' worth of data between the SR Program and the RA Payment program has been matched and the last two months of data are currently being processed. For the first five months, there were 2,840 matches. Of these matches, 1,110 were determined to be intentional program violations and referred to DPAF. Of these, 848 (76 percent) have been screened out due to insufficient evidence, 258 (23 percent) are still under investigation, and 4 (<1 percent) have been referred to the local state attorney's office. There have been no restitution orders as of yet.

Combining the two data matches, a small proportion of these cases have been determined to have sufficient evidence to be referred to the state attorneys' offices; 4.3 percent of cases with a final disposition, compared to approximately 35 percent for fraud referrals arising from anti-fraud efforts that are unrelated to the data matching process. Additionally, non-data match fraud referrals have decreased due to the emphasis on data match cases and staffing constraints at the coalition level. Investigative costs paid to DPAF by OEL have increased approximately 41 percent.

To address this low success rate, as well as ensure that investigative costs and coalition and OEL staff time are prioritized appropriately, the data match process has been revised. For the last two months matched and going forward, only matches involving a program loss of greater than \$250.00 will be referred DPAF. Program losses less than \$250.00 will continue to be pursued administratively, but at the coalition level. This change should result in a greater return on the cost of investigations and a wider range of anti-fraud efforts.

FINDING NO. 2: The formula utilized for allocating School Readiness Program funds among the coalitions for the 2012-13 fiscal year did not appear to fully comply with the statutory framework or be consistent with legislative intent. Additionally, the formula incorporated a factor that did not clearly relate to the purpose of the Program and statutory requirement of equity for each county, did not utilize the most current data available, and contained an error which resulted in an under-allocation to the Hillsborough County Coalition.

Auditor Recommendation: We recommend that the State continue efforts to utilize a School Readiness Program funding formula that fully conforms to the requirements of State law.

Office of Early Learning Response: OEL will continue its efforts to utilize an SR Program allocation formula that fully conforms to the requirements of State law. On December 21, 2012, OEL submitted its revised funding formula for 2012-13 that mirrored the allocation that was implemented in July 2012. As directed in Governor Scott's December 7, 2012, letter to the Association of Early Learning Coalitions, and the December 11, 2012, Press Release, a task force will be convened to redefine the funding formula that fully conforms to the requirements of State law. The first meeting is planned for February.

Six-Month Status: The 2013 Legislature allocated school readiness funds to the coalitions in the General Appropriations Act. In addition, the Legislature passed and the Governor signed HB 7165 which repealed section 411.01(9)(c), Florida Statutes, which required the Office of Early Learning to establish a formula and submit it to the Governor, Senate and House no later than January 1 of each year. As directed by the Governor and referenced above, the Funding Model Working Group has been established and held their first meeting in Tallahassee on July 26. Subsequent meetings are planned for September 18 and November 21.

FINDING NO. 3: The Early Learning Information System (ELIS) project will incur costs totaling an estimated \$3.4 million that may have been avoidable.

Auditor Recommendation: We recommend that the OEL explore all options to minimize costs and further delays associated with the statewide implementation of ELIS.

Office of Early Learning Response: OEL will continue to assess and manage the scheduling risks associated with such a large-scale information technology project to minimize the impact and costs resulting from future delays. Staffing levels of the Project Management Office (PMO) and the Independent Verification and Validation (IV&V) partners will be maintained through June 2013 to assist in the management and monitoring of the System Integrator (SI) phase. These monitoring functions support OEL's ability to make financially prudent decisions related

to ELIS' schedule, scope and resources and are reported in great detail to OEL management and legislative staff on a weekly basis. Additionally, the ELIS contract includes a clause for collecting liquidated damages and the OEL will enforce this clause as appropriate.

Six-Month Status: In early February, the Hewett Packard (HP) ELIS team revealed that they were experiencing numerous challenges and would engage a partner to assist. On February 28, after the conclusion of these activities, OEL was notified that there was a need for an "architecture reset" and that the ELIS solution had not been properly sized. It was also communicated that as a result of these issues, the timeframe to complete ELIS would slip further to March 2014.

During March 2013, OEL requested HP to develop a realistic plan to complete a release of ELIS by December 2013 that would enable replacement of the legacy Enhanced Field System (EFS) and deliver over 90 percent of targeted system benefits. In late March 2013, HP provided a high level schedule, a high level scope to be included in the initial release of ELIS and architecture review results with recommendations to resolve open issues. OEL was requested to approve the proposed scope reductions and additional expenditures in hardware and software. The PMO and the IV&V participated in these discussions and concluded that the plan presented was not realistic and did not provide sufficient detail to support decision making.

On April 4, 2013, OEL requested that HP submit a plan for review to deliver the full scope of ELIS. HP responded with a plan to deliver the full scope of ELIS by June 2016 with additional costs. During May, OEL engaged HP in negotiations to either meet existing contractual obligations or terminate the contract. In late May 2013, OEL informed HP of its intent to terminate the contract with a desire to reach an amicable agreement for both parties.

On July 11, 2013, a Settlement Agreement was executed between OEL and HP that included the following provisions:

On July 11, 2013, a Settlement Agreement was executed between OEL and HP that included the following provisions:

- The HP would pay the State of Florida \$7,000,000.
- The ownership rights for all hardware procured to date would be transferred to OEL, if ownership had not already been transferred
- OEL would have a royalty free license to use and modify all source code developed by HP necessary for ELIS.
- HP would provide a reduced rate for sole cost of the maintenance and support of the legacy data system (EFS) for a two-year period.

In summary, OEL continued to assess and manage the risks associated with this project and concluded, with support from the PMO and IV&V, that reaching a settlement with HP was in the best interest of the state. OEL is currently reviewing all options and developing a comprehensive plan to develop an early learning information system.

FINDING NO. 4: The OEL's fiscal guidance for coalition tangible personal property did not always reflect current operational practices.

Auditor Recommendation: To better ensure accountability over coalition tangible personal property, we recommend that the OEL update Fiscal Guidance 240.02 to reflect current operational practices.

Office of Early Learning Response: OEL will continue to take steps to ensure accountability over coalition tangible personal property. OEL's Fiscal Guidance 240.02 was revised in October 2012, and detailed training on the revised guidance was provided to OEL and coalition staff via webinar. Fiscal Guidance 240.02 was formally reissued on December 11, 2012.

Six-Month Status: As stated in the initial response, Fiscal Guidance was updated and released; corrective action is complete.

FINDING NO. 5: While progress had been made to address deficiencies related to the establishment of statewide outcome measures and a Statewide Quality Rating and Improvement System (QRIS) for the School Readiness Program, further efforts are necessary.

Auditor Recommendation: We recommend that the OEL, in collaboration with the coalitions, continue efforts to establish and implement statewide outcome measures and a Statewide QRIS for the School Readiness Program.

Office of Early Learning Response: OEL, in collaboration with the coalitions, will continue its efforts to establish and implement statewide outcome measures and QRIS for the SR program.

School Readiness Outcome Measures: Classroom Assessment – As noted in the finding, beginning in 2012, a statewide voluntary program for classroom assessment, the Classroom Assessment and Scoring System (CLASS), was initiated. To date, 11 coalitions are participating. OEL will review the results of this initiative at the conclusion of this pilot program.

School Readiness Outcome Measures: Uniform Child Screening – Rule 6M-4.720, FAC – Screening of Children in the School Readiness Program, was adopted on November 15, 2012. As required by Rule 6-M-4.072(2), FAC, by July 1, 2013, all coalitions will coordinate with parents or providers to complete the initial screening for each child, no later than 45 days after enrollment. Efforts also continue to develop the necessary interface between the current system, used to report screening results, and ELIS so that these data can be reported and aggregated at the state level.

School Readiness Outcome Measures: Child Assessment – On February 17, 2012, a workshop was held on Proposed Rule 6M-4.703, FAC – Assessment of Children in the School Readiness Program, to solicit input and recommendations. OEL is continuing to review the status of the instruments used by the coalitions to determine the appropriate next steps to ensure that data is available and aggregated at the state level to assess program effectiveness.

Statewide Quality Rating and Improvement Systems – As noted in the finding, OEL continues to make progress towards the development of a Statewide Quality Rating and Improvement System. All related activities are currently under review to ensure that such a system is implemented.

Six-Month Status: OEL is continuing its efforts to “[e]stablish a unified approach to the state’s efforts to coordinate a comprehensive early learning program” (section 1002.82(2)(f), Florida Statutes) which includes the provision of technical assistance and guidance on rating and improvement systems. (It is important to note that OEL’s statutory responsibilities in the area of statewide outcome measures and QRIS was revised by the 2013 Legislature. OEL’s current responsibilities are detailed, in part, in section 1002.82, Florida Statutes.)

In addition to the continuation of the above activities, OEL, on behalf of the State Advisory Council, released two Requests for Proposals (2013-33, *Early Care and Education Needs Assessment*, and 2013-51, *Early Care and Education Pre- and Post-Assessment Analysis and Report*) that will provide information on the pre-and post-assessment instruments used by coalitions and detailed descriptions of the QRIS systems operating in the state. This information, combined with the new statutory authority (section 1008.82(2)(k), Florida Statutes) for OEL to select appropriate assessments for use by the coalitions, will provide helpful information for OEL to continue to fulfill its statutory requirements.

COALITION FINDINGS

FINDING NO. 6: Miami-Dade/Monroe Coalition’s School Readiness Program waiting list did not appear to have been managed in accordance with applicable Federal regulations and OEL Rules.

Auditor Recommendation: We recommend that the Miami-Dade/Monroe Coalition ensure that only eligible children are included on the Coalition’s School Readiness Program waiting list, in conformity with applicable Federal regulations and OEL Rules.

Early Learning Coalition Response: The Early Learning Coalition (ELC) of Miami Dade/Monroe will ensure that only eligible children are included on the Coalition’s School Readiness Program waiting list. This is one of the administrative functions that the ELC will perform “in-house” instead of via a subcontractor. This change will enable the ELC to more closely monitor these data on a daily basis to ensure compliance with applicable Federal regulations and OEL rules. For the next 12 months, Quality Assurance testing will be conducted on an ongoing basis by the ELC and quarterly by the current contracted auditors.

Early Learning Coalition of Miami-Dade/Monroe Six-Month Status: The Early Learning Coalition (ELC) Miami-Dade/ Monroe transitioned the Management of the Waitlist Services from Miami Dade County’s Department of Child Development Services to the Coalition on May 15, 2013, to more closely monitor the management of the waitlist on a daily basis. The ELC’s Quality Assurance staff has periodically conducted monitoring of the waitlist to ensure that only eligible children appear on the list, no children on the list are older than 13 unless they are a special needs child, and no children are on the waitlist longer than six months.

Currently, the ELC is in the planning process with contracted auditors to conduct the 1st quarterly review.

FINDING NO. 7: Some coalitions did not maintain documentation demonstrating that all employees timely received background screenings as a condition of employment and continued employment.

Auditor Recommendation: We again recommend that the coalitions ensure that all employees timely undergo level 2 screenings as a condition of employment and continued employment.

Early Learning Coalition of Hillsborough County Response: The ELC of Hillsborough is currently in full compliance with this requirement. The screenings, noted in this finding, were delayed because the coalition was waiting to receive a VECHS (Volunteer and Employee Criminal History System) number from the State which is required to utilize a recently purchased Live Scan machine to facilitate more timely background screenings.

Early Learning Coalition of Hillsborough County Six-Month Status: The ELC of Hillsborough County continues to be in full compliance with the requirement of all employees receiving background screenings as a condition of employment and continued employment. Timely background screenings for all employees are currently on target. Moreover, the ELC has obtained a VECHS number (ELCHC VECHS # E29040177) from the State and is able to facilitate background screenings in a timely manner with our on-site Live Scan machine.

Early Learning Coalition of Escambia County Response: The ELC of Escambia County has established policies in place to conduct background screening on employees. It should be noted, that the individual mentioned in the original Auditor General report had been screened as a condition of employment, and was immediately process for rescreening in order to meet screening documentation requirements. However, due to administrative issues involving the ELC, the Department of Children and Families (DCF), and L1 (the DCF contract screening company), the results were never received. To ensure that background screenings are conducted in a timely manner, the ELC of Escambia obtained its own VECHS account, and no longer depends on third parties for providing the results of staff background screenings. The individual noted above was rescreened in response to the Auditor General Operation Audit and the results were received and provided to the Auditor General.

Early Learning Coalition of Escambia County Six-Month Status: The ELC of Escambia County has been using the VECHS (Volunteer and Employee Background Checks) system since October 1, 2012. Once the VECHS system was in place and operating reliably the ELC discontinued the use of third parties to provide the results of staff background screenings. Since the initiation of the use of the VECHS system the ELC has successfully conducted five background verifications for new employees. The ELC of Escambia County has policies in place to conduct initial background screenings on all employees prior to employment, and to conduct re-screenings on a periodic basis as required. There have been no exceptions to this policy.

FINDING NO. 8: Some coalition tangible personal property records did not include for all property items information required by Federal regulations and OEL guidance. Additionally,

some coalition tangible personal property procedures did not include all Federal, State, and OEL requirements.

Auditor Recommendation: We recommend that the coalitions implement controls to ensure that required tangible personal property information is recorded for all applicable items and that coalition policy and procedures address all the Federal, State, and OEL requirements.

Early Learning Coalition of Big Bend Response: The ELC of the Big Bend will implement controls to ensure required tangible personal property information is recorded for all applicable items and that coalition policies and procedures that address all Federal, State and OEL requirements are targeted to be completed, with controls implemented, by June 30, 2013.

Early Learning Coalition of Big Bend Six-Month Status: In November 2012, the ELC of the Big Bend initiated a coalition wide procedure project that included the following components:

- Manager training meeting to review scope of project and manager responsibility.
- Procedure identification by each department.
- Procedure prioritization by manager based on priority definitions provided in initial kick off meeting.
- Procedure documentation and levels of review.

The ELC finance department's procedure list includes a Fixed Asset/Inventory procedure with an assigned level of priority. The initial target date for documenting finance procedures was June 30, 2013. The ELC has moved this date to September 30, 2013, and has shifted the focus to higher priority procedures, including those required to implement the 2013 legislation.

While procedures/controls are not currently documented in this area, the following controls have been implemented by the finance department:

- Physical inventory taken at June 30, 2012, and June 30, 2013.
- The results of the physical inventory at June 30, 2012 and 2013, reconciled to the Master Inventory List maintained by ELC.
- The results of the physical inventory at June 30, 2012, reconciled to the G/L resulting in some adjusting journal entries recorded as of June 30, 2012.
- The results of the physical inventory at June 30, 2013, will be reconciled to the G/L in conjunction with closing the fiscal year and prepping for the audit at June 30, 2013.

Early Learning Coalition of Marion County Response: The ELC of Marion County will continue to implement controls to ensure that the required tangible personal property information is recorded to all applicable items and that coalition policies adhere to the requirements. To address this finding, the Coalition corrected the typographical error in its policy for the completion date for property inventory from October 31st to October 1st. Additionally, the Inventory Form to be completed for submission to OEL has been modified to include the required statement that title to all property rests with the Coalition.

Early Learning Coalition of Marion County Six-Month Status: The ELC of Marion County continues to adhere to all federal, state and OEL requirements and guidelines regarding procedures for recording tangible personal property information timely. After correction of the typographical error in our Fiscal Policy & Procedure manual referencing property inventory submission, the Coalition will ensure that the annual property inventory is submitted to OEL by October 1, 2013. The property inventory form will continue to carry the required statement that title to all property rests with the Coalition.

Early Learning Coalition of Orange County Response: The ELC of Orange County will continue to implement controls to ensure that the Coalition's policies adhere to the requirements and will update its policy to reflect our actual practice of requesting prior approval on selected items, when required by OMB Circular A-122 or OEL, as well as distributing a list of surplus property for other Coalition consideration. Further, the ELC will update our policy to include reporting stolen property to the appropriate law enforcement agency and correct the citation for current state administrative rules relating to surplus/excess property.

Early Learning Coalition of Orange County Six-Month Status: The ELC of Orange County has revised its Property Management Policies and procedures.

Early Learning Coalition of Polk County Response: The ELC of Polk County will continue to implement controls to ensure that the required tangible personal property information is recorded for all applicable items and has implemented the inventory protocol to ensure that tangible property is recorded accurately and follows Coalition, Federal, State and OEL requirements. The Coalition's Master Inventory List is a combination of Coalition and former subcontractor inventory that was acquired. To date, all inventory tags and model numbers have been recorded and verified and the funding source and condition of items have been added to the master inventory list. Any missing acquisition costs have been replaced with the fair market value for the items.

Early Learning Coalition of Polk County Six-Month Status: The ELC of Polk County implemented the corrective action described above.

FINDING NO. 9: Marion County Coalition's information technology security control policies and procedures did not reflect current Coalition practices.

Auditor Recommendation: We recommend that the Marion County Coalition ensure that its IT security control policies and procedures reflect current Coalition practices designed to protect the confidentiality, integrity, and availability of data and IT resources.

Early Learning Coalition of Marion County Six-Month Status: The ELC of Marion County continues to follow the procedures as outlined in our Data Security procedure manual with an effective date of December 14, 2012.