

Rick Scott
GOVERNOR



Jesse Panuccio
EXECUTIVE DIRECTOR

May 13, 2014

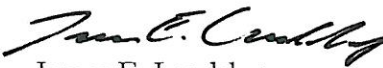
Jesse Panuccio, Executive Director
Department of Economic Opportunity
107 East Madison Street
Tallahassee, Florida 32399

Dear Director Panuccio:

As required by section 20.055(5)(h), Florida Statutes, we have prepared the attached status of corrective actions, as of May 13, 2014, taken by the Department of Economic Opportunity for findings and recommendations contained in Auditor General Audit Report No. 2014-041, *Department of Economic Opportunity, Selected Administrative Processes and Prior Audit Follow-up, Operational Audit*, issued on November 13, 2013.

In accordance with section 20.055(5)(h), Florida Statutes, I am copying the Joint Legislative Auditing Committee. If you have any questions, please call me at (850) 245-7141.

Sincerely,


James E. Landsberg
Inspector General

JEL/tc

Enclosure

cc: Joint Legislative Auditing Committee

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Florida Department of Economic Opportunity (DEO)
Auditor General's Audit of Selected Administrative Processes and
Prior Audit Follow-Up – Operational Audit
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Finding No. 1: Florida Single Audit Act

Improvements are needed in the Department's administration of its responsibilities under the Florida Single Audit Act.

Auditor Recommendation: Department management should establish and implement comprehensive policies and procedures to promote compliance with the FSAA and to provide for effective oversight of State projects and SFA. Such policies and procedures should address documentation requirements and include a process for ensuring that required FRPs are timely received and properly reviewed and that any instances of recipient noncompliance or other noted deficiencies are timely followed up on and resolved.

The Department Response: We concur with all the issues detailed in Finding No. 1. The Department's management will establish and implement comprehensive policies and procedures to promote compliance with the FSAA and to provide for effective oversight of State projects and SFA. The Department has developed and approved a contract/grant agreement template, which contains the FSAA standard contract language. In addition, contract/grant managers have been informed that any modification of the template must be reviewed by Legal prior to implementation.

Currently, the Department is drafting a provision for contract grant agreements requiring recipients to submit an annual certification. The annual certification form allows the recipients to either certify they did not expend \$500,000 or more of state financial assistance during its fiscal year, or that they did expend \$500,000 or more of state financial assistance during its fiscal year and will comply with the applicable state single or program-specific audit requirements by timely submitting the required audit documentation. A certification form will be provided as an attachment to these agreements. The Department anticipates completion of the annual certification form by December 31, 2013 and annually thereafter.

6-Month Status: The Department has included a provision in recipient contract/grant agreements requiring the recipients to submit an annual certification. The certification form is provided as an attachment to these agreements. The certification form was made available for use on November 22, 2013. This finding is considered fully corrected.

Finding No. 2: Collection of Social Security Numbers

Department controls should be enhanced to ensure compliance with statutorily required social security number collection activity reviews and notifications to individuals specifying the need for and use of social security numbers.

Auditor Recommendation: Department management should ensure that individuals are properly notified of the Department's purpose for collecting their SSN. In addition, Department management should enhance policies and procedures to ensure that a review of the Department's SSN collection activities is performed as required by State law.

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The Department Response: The Department is updating its policy addressing the collection of social security numbers to include program areas added or removed during the Department's creation in October 2011. The Department expects to implement this new policy by March 1, 2014. During this interim period, the Department will continue to follow all laws governing the collection of social security numbers.

6-Month Status: The policy has been revised and is in the final stages of review. Following the completion of this review, the policy will be executed and implemented immediately. The Department anticipates that the policy will be fully implemented by June 1, 2014. This finding is considered partially corrected.

Finding No. 3: Smartphone and Cellular Telephone Usage

Department policies and procedures did not discourage personal use of State-owned smartphones and cellular telephones and should be enhanced to address text, data, picture, and video usage and to require that users attend security awareness training.

Auditor Recommendation: Department management should enhance the policies and procedures to discourage the personal use of smartphones and cellular telephones and to provide guidance on messaging, data, picture, and video usage. The Department should also provide security awareness training to all employees assigned a smartphone or cellular telephone and that documentation of personal usage and the corresponding reimbursements clearly demonstrate the accuracy of the reimbursements.

The Department Response: The Department is in the process of revising Policy 4.04-Communications Equipment Policy, which are the policies and procedures related to the purchase, use and security of state issued and personal mobile devices including, smartphones, cellular telephones, PDA's and tablets. The revised policy will discourage the personal use of state-owned mobile devices. The policy will also include guidance on messaging, data, picture, and video usage. The policy revision will establish a process for further identifying personal charges on the monthly billing. Instead of only highlighting personal charges, an additional identifier will be used to aid in the audit of billings. The Department plans to implement the revised policy by December 31, 2013.

Effective September 27, 2013, the Department revised Policy 5.10, Mobile Device Management. This policy addresses security and network access for mobile devices and addresses the need for Department-wide training for state mobile device usage. The General Services, Information Technology and Human Resources training team staff will develop a training and communications plan covering the requirements related to Department issued smartphones and cellular devices.

6-Month Status: Policy 4.04 - Communications Equipment Policy has been revised as of April 1, 2014. The revised policy discourages the personal use of state-owned mobile devices. The policy also includes guidance on messaging, data, picture, and video usage, and establishes a process for further identifying personal charges on the monthly billing. Instead of only highlighting personal charges, an additional identifier is part of the process and will aid in the audit of billings. The communication about the revised policy will be sent out to employees and wireless device users by May 31, 2014. This finding is considered partially corrected.

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Finding No. 4: Tangible Personal Property Controls

Department tangible personal property records did not always include accurate information regarding the condition of property items. Additionally, Department policies and procedures did not always reflect current operating practices and State requirements, and the Department did not always ensure that missing property items were timely reported and investigated.

Auditor Recommendation: Department management should enhance Department tangible personal property policies and procedures to accurately reflect State requirements and Department processes and to better ensure the accuracy of Department FLAIR property records. Management should also ensure that applicable parties are timely notified of property items identified as missing during the physical inventory process so that a timely investigation can be conducted and appropriate corrective actions can be taken.

The Department Response: The Department takes Property Management seriously and will put in place necessary improvements to safeguard department property, to accurately reflect property data within the FLAIR property system, and to accurately and timely notify applicable parties as required.

- We have updated the Department property file to reflect accurate condition coding. Processes are now in place to capture correct condition coding within the Department's FLAIR property system, in accordance with the official FLAIR property manual.
- The Department is revising the Property Management policy to accurately reflect Department processes, applicable rules, titles, and references. The Department plans to deploy the revised policy by December 31, 2013.

Currently, notifications of all missing items are being forwarded to the Inspector General and to the Information Security Manager as required. This process change will be reflected in the revised policy. Property Custodian Delegates have the responsibility of determining the confidential nature of the missing items and will be provided reminders regarding their responsibilities.

6-Month Status: The Department updated the property file to reflect accurate condition coding. Processes are now in place to capture correct condition coding within the Department's FLAIR property system, in accordance with the official FLAIR property manual. The Department is revising the Property Management policy to accurately reflect Department processes, applicable rules, titles, and references. The Department anticipates that the policy will be fully implemented by May 31, 2014. The updated policy requires notifications of all missing items be forwarded to the Inspector General and to the Information Security Manager. Property Custodian Delegates have the responsibility of determining the confidential nature of the missing items and are provided reminders regarding their responsibilities. This finding is considered partially corrected.

Finding No. 5: Property Insurance

The Department did not maintain documentation supporting the accuracy of the insured values of its buildings and their contents.

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Auditor Recommendation: Department management ensure that documentation supporting the determination of insured values be retained to demonstrate the accuracy of the amounts reported to the Division of Risk Management and used to determine the Department's premium assessments.

The Department Response: The Department has enhanced processes to affirmatively demonstrate insured values for the Department buildings and contents are accurate. Process improvements ensure that supporting documentation is maintained in the internal insurance files. For the FY 2013/14 insurance values, additional reports were compiled and are being maintained to support our calculations.

6-Month Status: On April 1, 2013, the Department further enhanced the process for maintaining property management documentation. Each year, the Department submits updated property insurance information to the Department of Financial Services as required. Through these enhancements, the Department ensures supporting documentation and reports are maintained in our internal insurance files for these insurance coverage calculations. Additionally, on April 1, 2013, the Department updated the Condition Code information in the DEO Property Master File for property management in FLAIR. The condition codes are now an accurate reflection of the appropriate codes. This finding is considered fully corrected.

Finding No. 6: FLAIR User Access Reviews

Department staff did not always conduct accounting system user access reviews in accordance with Department policies and procedures.

Auditor Recommendation: Department management should ensure that FLAIR user access reviews are timely completed in accordance with established policies and procedures.

The Department Response: We concur with the recommendation to ensure FLAIR access reviews are timely completed in accordance with established policies and procedures. Current standards for reviewing system access are annually for non-privileged accounts and semi-annually for privileged accounts. In addition to this standard, an internal procedure within Financial Management was established to conduct bimonthly reviews; this internal step exceeds Department standard. We agree with the importance of reviews to reduce the risk of loss and unauthorized disclosure of Department data. As a clarification, to be able to modify or delete FLAIR data, individuals would need access to the proper software within the Municipal Area Network; therefore, even if an employee retained access privileges, they would be unable to modify or delete data without utilizing the software within the network. Since the audit period, the FLAIR review is being completed in accordance with the Financial Management procedure. In addition, the scheduled bimonthly review is supplemented with a comparison of the FLAIR user list to the People First active employee data as well as termination emails received from the Department's Office of Human Resources.

6-Month Status: The internal Financial Management procedure was established to conduct reviews as needed, with a self-imposed recommendation for bimonthly reviews, which exceeded the Departmental standards (annually for non-privileged accounts and semi-annually for privileged accounts). The FLAIR review is being completed in accordance with the Financial Management procedure. Occasionally, extreme

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workload issues or a holiday schedule have caused a scheduled review to be missed, but the process has never been suspended. It should be noted that the scheduled reviews are in addition to information received on terminations throughout every month via the DEO Employee Actions system, of which FLAIR access is an element. If action is required, the Accounting Systems and Policy staff member addresses it immediately. The only employees who have more than “inquiry” access to FLAIR either work in, or in conjunction with the Finance area. This finding is considered fully corrected.

LABOR MARKET STATISTICS CENTER

Finding No. 7: LMS Center Information Technology Security Controls

As similarly noted in our report No. 2012-070, the Department did not ensure that the effectiveness of information technology security controls relevant to the Labor Market Statistics survey-related systems and processes were tested on a regular basis.

Auditor Recommendation: The Department should continue its efforts to ensure that the effectiveness of relevant LMS Center IT security controls are tested on a regular basis.

The Department Response: The Department has an established, robust information technology security program and architecture under which all Department owned and supported systems operate. These protections include network, application and packet-level protections for all systems within the Department network. Additionally, the Department and its host provider, the Southwood Shared Resource Center (SSRC), have instituted automated vulnerability scanning services, intrusion detection and prevention services and anti-malware solutions for all servers, endpoints and many web applications. The results of these scans and services are used to measure the existence of security controls and the effectiveness of implemented security controls. The Department will continue to ensure all portions of LMS applications to which the Department has control are included in its normal monitoring and inspection program. Furthermore, LMS has appointed an Information System Security Coordinator.

6-Month Status: The Department and SSRC continue to seek ways to improve data security controls. The Office of Inspector General is auditing selected Information Technology (IT) security controls, the results of which will be included in a separate audit report. This finding is considered partially corrected.