



FLORIDA DEPARTMENT of

management SERVICES


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Rick Scott, Governor

Craig J. Nichols, Agency Secretary

MEMORANDUM

DATE: October 31, 2013
TO: Craig Nichols, Secretary
FROM:  Walter Sachs, Inspector General
SUBJECT: Six-Month Follow-up to Auditor General Report No. 2013-090

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In accordance with Chapter 20.055, Florida Statutes, the following is our explanation of the six-month status of findings and recommendations included in the AG published Report No. 2013-090, ***Department of Management Services Audit of Lease Management, Cost Allocations, and Prior Audit Follow-up (Operational Audit)***. Our response addresses the findings and recommendations in the same order as they appear in the report.

Six-Month Status Report

LEASE MANAGEMENT

Finding No. 1: Lease Management Rules

Contrary to State law, the Department had not adopted rules providing guidance for several leasing processes, such as, for example, the processes relating to State agency reporting.

Recommendation:

To ensure State agencies and other parties are provided with authoritative lease management direction, we recommend that the Department adopt rules to incorporate provisions required by State law.

Response:

Concur: The Department will amend its Annual Regulatory Plan and work to adopt rules to address the issues discussed in this finding within the next 12 months. The issue related to the authority to adopt rules for lease-purchase of an office building is no longer relevant as the statutory authority (subsection 255.25001(2), Florida Statutes) was repealed in the 2012 legislative session.

Current Status of Recommendation

The department amended its Annual Regulatory Plan on May 15, 2013, to include appropriate rulemaking. Notification of the amended plan has been sent to the Office of Fiscal Accountability and Regulatory Reform (OFARR).

*Office of Inspector General Position:
We recommend the finding be closed.*

Finding No. 2: Policies and Procedures

The Department had not updated its *Leasing Manual and Guidelines (Manual)* since 2006. In addition, the *Manual* contained several errors.

Recommendation:

We recommend that the Department update its *Manual* to provide current and correct information.

Response:

Concur: The Department will update its *Manual*, concurrent with statutory and administrative code revisions, no later than December 31, 2013.

Current Status of Recommendation

Management expects to have revisions to the *Manual* completed by December 31, 2013.

*Office of Inspector General Position:
We recommend the finding remains open.*

Finding No. 3: Leasing Reports

Reports issued by the Department did not provide or adequately address all the information required by law.

Recommendation:

We recommend the Department work to ensure all required statutory report elements are included within the Master Leasing Report (MLR) and Strategic Leasing Plan (SLP).

Response:

Strategic Leasing Plan (SLP):

Concur: The Department will work to more clearly identify a forecast for agency space usage within the SLP for future reporting cycles. For the 2013 reporting cycle, the Department will use the better, more granular data provided in 2012 to benchmark agency space needs and fluctuations. The Department will continue to benchmark data for several years, improving the required forecast for report users.

Master Leasing Report (MLR):

- Concur: The Department addressed this requirement in its 2012 MLR and will continue to do so in future reports.
- Concur: Without the full FL-SOLARIS inventory, which includes agency-reported occupancy costs, the Department has been fully reliant on agency partners and the state's tenant brokers to determine occupancy costs. The Department will continue to utilize the data provided by the tenant brokers to document trends in occupancy costs by market. For the 2013 reporting cycle, the Department will use the better, more granular data provided in 2012 to benchmark agency need fluctuations to better provide a forecast for agency space needs and better determine changes to occupancy costs for inclusion in the MLR. The Department will continue to benchmark data for several years, improving the required forecast for report users.
- Concur: A cost benefit analysis for acquisition and construction opportunities is performed as needed throughout the year. With declining positions and continued space consolidation efforts, the Department did not identify a need for the acquisition or construction of additional space; however, the Department will more clearly communicate its response in future reports. The Department is currently working with a tenant broker to develop strategic recommendations for the disposition, acquisition, or building of new state-owned facilities. This analysis will provide informed, data-driven recommendations that the Department will clearly communicate in future reports.

Current Status of Recommendation

The Strategy & Planning Team has finalized the 2013 Master Leasing Report/Strategic Leasing Plan (combined this year). A review was conducted of the AG report to ensure the findings are appropriately addressed within the report/plan. This was completed on October 1, 2013.

*Office of Inspector General Position:
We recommend the finding be closed.*

Finding No. 4: Florida Facilities Pool Lease Revenue

Florida Facilities Pool (FFP) lease payments were not always timely received, and the Department had not established procedures to reasonably ensure the collection of late lease payments.

Recommendation:

We recommend the Department establish written procedures ensuring agency and Department compliance with bond covenant terms relating to the payment of lease charges.

Response:

Concur: The Department will include procedures for processing FFP rent payments in its revised Leasing Manual no later than July 31, 2013.

Current Status of Recommendation

Management expects to have a revised process completed by November 30, 2013.

*Office of Inspector General Position:
We recommend the finding remains open.*

Finding No. 5: Florida Facilities Pool Lease Rental Rates

Contrary to bond resolution clause, the Department, in some instances, had set and applied rental rates for space in the FFP that were nominal in amount.

Recommendation:

We recommend that the Department establish procedures to ensure that leases for all FFP space are accounted for, all rental income is collected, and that lease agreement data is accurately and completely recorded in Facilities Accountability Communications Tool (FACT).

Response:

Concur: The Department is in the process of updating and re-validating FFP floor plans and associated leases. This evaluation includes updating associated room numbers, furnishings, occupancy, and leasable square footage. The Department will be redrafting leases to ensure the lease conforms to actual space locations, sizes and types and ensure the correct billing amounts. This process is expected to be complete by July 31, 2013.

Current Status of Recommendation

The anticipated completion date has been revised to December 31, 2013; however it will not be implemented until July 1, 2015.

*Office of Inspector General Position:
We recommend the finding remains open.*

Finding No. 6: Tenant-Broker Services – Customer Surveys

Contrary to the requirements of State law and Department contracts, the Department did not conduct tenant-broker customer satisfaction surveys. We also found that the tenant broker contracts with the Department were extended, then renewed, despite not having performed such surveys.

Recommendation:

We recommend that periodic customer satisfaction surveys be conducted of tenant broker services in accordance with State law and Department contracts.

Response:

Concur: The Department has developed a Tenant Broker Evaluation tool that is required for each lease negotiated with the assistance of one of the state's tenant brokers. This form is

used to evaluate each broker's performance and the agency's satisfaction with the action. On July 1, 2012, the Department began requiring this form for all broker negotiated leases.

Current Status of Recommendation

This is complete. Starting July 1, 2013, a copy of the Tenant Broker Evaluation Form used to conduct satisfaction surveys of tenant broker services was included.

*Office of Inspector General Position:
We recommend the finding be closed.*

Finding No. 7: Security Controls – Access Privileges

The Department did not have written procedures for assigning, reviewing, or terminating system access to the Facilities Accountability Communications Tool (FACT) and to the Department's accounts receivable application.

Recommendation:

We recommend that the Department establish written procedures for assigning reviewing, and terminating access to FACT and the accounts receivable application. Additionally, we recommend that the Department limit access privileges to only that needed in the performance of assigned job duties.

Response:

FACT:

Concur: The Department has created an on-line application, called App Approver, to facilitate and automate the process of requesting, approving, and reviewing access rights to FACT Lease Management. Procedures for appropriately using App Approver to request, approve, and review access rights for FACT Lease Management will be established in concert with the effort to develop a FACT User Manual. The Department will develop a formal user manual by July 31, 2013.

Accounts Receivable Application (ORACLE):

Concur: We have developed written procedures for assigning, reviewing and terminating access to Oracle. Only Finance and Accounting employees have access to the Oracle and access is reviewed when the Department's Employee Termination form is generated. When a position becomes vacant within the Bureau, the person's access is revoked. New employees are given access by the system administrator at the request of the Revenue Section Supervisor or the Bureau Chief.

Current Status of Recommendation

FACT:

A meeting was scheduled with the CIO to discuss the FACT application. It was determined that due to the system's age the security control recommendations could not be implemented. The Division has requested additional funding through a Legislative Budget Request (LBR) to replace the current FACT system. With the assistance of the CIO, the division is in the process of developing and issuing an RFQ for the new FACT system.

Accounts Receivable Application (ORACLE):

Finance and Accounting has developed written procedures for assigning, reviewing, and terminating access to the ORACLE accounts receivable application. These procedures were developed and implemented in January 31, 2013.

*Office of Inspector General Position:
We recommend the finding remains open.*

Finding No. 8: Security Controls – Authentication and Audit Logs

Other security controls protecting Department information technology resources needed improvement.

Recommendation:

We recommend that the Department strengthen certain security controls to reduce the risk of Department data and IT resources being compromised.

Response:

Concur: The Auditor General reported specific issues in a separate confidential document. In order to prevent compromising the confidentiality of the document, the divisions have not responded directly to the recommendations but will strengthen security controls noted by July 15, 2013.

Current Status of Recommendation

A meeting was scheduled with the CIO to discuss the FACT application. It was determined that due to the system's age the security control recommendations could not be implemented. The Division has requested additional funding through a Legislative Budget Request (LBR) to replace the current FACT system. With the assistance of the CIO, the division is in the process of developing and issuing an RFQ for the new FACT system.

*Office of Inspector General Position:
We recommend the finding remains open.*

Finding No. 9: FACT User Manual

The Department had not developed a FACT user manual.

Recommendation:

We recommend that the Department create and maintain a FACT user manual and establish a periodic review process to ensure that the manual is updated as appropriate to reflect current system operations.

Response:

Concur: The Department will develop a formal user manual and review process for the FACT system by July 31, 2013.

Current Status of Recommendation

This is complete. A copy of the FACT manual has been provided to the Office of Inspector General.

*Office of Inspector General Position:
We recommend the finding be closed.*

Finding No. 10: Cost Allocations

The Department did not have written procedures for its internal cost allocation process.

Recommendation:

We recommend that the Department:

- Establish written policies and procedures that outline the cost allocation and review process and that include provisions requiring reconciliations of total assessed costs to actual costs.
- Determine the fund balance amount needed to maintain sufficient cash flow within the Administrative Trust Fund and incorporate the amount within the written policies and procedures.

Response:

- Non-Concur: While a Cost Methodology Policy was already in place at the time of the audit, we have developed additional procedures and instruction. We do not concur with including provisions requiring reconciliations of total assessed costs to actual costs. Reconciliation is not required in this case because any excess cash in the trust fund is applied to the following year's cost.
- Non-Concur: The projected fund balance requirement at year end is set to \$400,000 for the Administrative Trust Fund. This requirement is incorporated within the procedures; however, this amount is subject to change due to situations beyond our control such as reversions or the receipt of additional money from unexpected revenue sources. Our Accrual Spreadsheet reflects the anticipated ending cash balance for the trust fund.

Additional Comment by the Auditor General:

In its response to this finding, the Department did not agree with our recommendations and cited a procedure or process already in effect. As indicated by the finding, the existing procedure and process have been ineffective in controlling the accumulation of moneys in the Fund, as evidenced by the fiscal year-end balances shown in Table 4. The Department should take action to reasonably ensure that an excess balance is not maintained in the Fund.

Current Status of Recommendation

The administrative assessment is calculated on an annual basis based on the operating budget of the various cost pools within Administration. Any excess cash at end of the fiscal year is used to reduce the assessment for the next fiscal year. The administrative assessment for Fiscal Year 2013-14 has already been calculated. We currently anticipate having an excess cash balance of \$15,000 at June 30, 2014 based on the Accrual Fund Balance Analysis spreadsheet. This amount is subject to increase due to appropriation reversions or the receipt of additional unexpected revenues. Even with the increase, we do not anticipate the cash balance to exceed the \$300,000 fund balance requirement.

Office of Inspector General Position:

We recommend the finding remains open. During the 12 month follow-up an assessment of the balance will be performed.

PRIOR AUDIT FOLLOW-UP

Finding No. 11: FLAIR Access Controls

Improvements were needed to ensure that access to and security over the Florida Accounting Resource Subsystem (FLAIR) was not compromised.

Recommendation:

We recommend that the Department establish written procedures addressing the periodic review of FLAIR access privileges to identify excess and incompatible privileges granted to employees. Additionally, we recommend that the Department perform a routine identification of terminated employees to ensure that FLAIR access privileges are timely removed.

Response:

- Non-Concur: The Department already has written procedures for reviewing FLAIR access privileges. Access control privileges are reviewed on a quarterly basis, and access is terminated when the Employee Termination Form is generated. Additionally, FLAIR access privileges cannot always be determined according to employee position descriptions.
- Concur: In January 2013, Finance and Accounting personnel will start reviewing the employee separation report biweekly to ensure employee access is removed in a timely manner.

Additional Comment by the Auditor General:

The response to this finding indicates that the Department did not concur with our recommendation because it already had written procedures for reviewing FLAIR access privileges. While we agree that the Bureau had adopted a written policy that required Finance and Accounting to review an access control report on a quarterly basis, written procedures to effectively implement the policy had not been established, as evidenced by the significant number of instances in which

inappropriate access privileges were found to exist. The adoption and application of specific procedures would enhance the Department's FLAIR access controls.

Current Status of Recommendation

Finance and Accounting personnel receives the Service Request Form for a Separating Employee as well as the Separated Employees Report to ensure employees' access is removed in a timely manner. Quarterly reviews are conducted of FLAIR access privileges to identify excess and incompatible privileges granted to employees.

Office of Inspector General Position:

We recommend the finding remains open. Testing of the security review will be performed at the 12 month follow-up to determine if access issues have been resolved with these procedures.