



State Board of Education

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Commissioner of Education

September 30, 2018

Eric Miller
Chief Inspector General
Office of the Chief Inspector General
The Capitol
Tallahassee, Florida 32399-0001

Dear Eric:

In accordance with Section 20.055(5)(h), Florida Statutes, attached is the six month status of corrective actions taken in response to Auditor General Report # 2018-189, State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards.

If you have any concerns regarding this status report, please contact Mike Blackburn by phone at 245-9418 or by email at mike.blackburn@fldoe.org.

Sincerely,

Pam Stewart
Commissioner

Attachment

cc: Mike Blackburn, Inspector General
Martha Asbury, Assistant Deputy Commissioner, Finance, and Operations
Joint Legislative Auditing Committee

Inspector General Mike Blackburn

**Department of Education
Office of Inspector General – Internal Audit
Six-Month Status Report on: State of Florida Compliance and Internal Controls Over Financial
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Program Title: Title I Grants to Local Educational Agencies

Finding 2017-018: The FDOE did not follow Federal regulations for adjusting the United States Department of Education (USED) determined Title I, Part A, Local Educational Agency (LEA) allocations to account for LEAs not on the Census list or redetermine LEA eligibility.

Recommendation: We recommend that the FDOE take actions to ensure that Federal requirements are followed when calculating the Title I, Part A, LEA allocations.

Response as of March 26, 2018: The Florida Department of Education (FDOE) is reviewing the auditor's methodology and calculations. FDOE will consult with the United States Department of Education (USED) and commit to resolve any discrepancies between federal regulation, USED guidance and FDOE's processes in determining Title I, Part A, allocations.

Response as of September 30, 2018: After seeking additional technical assistance from the U.S. Department of Education (ED), FLDOE has submitted its revised Title I allocation processes to ED. FLDOE staff are working closely with ED staff to identify any necessary changes to the revised procedures.

Anticipated Completion Date & Contact: October 30, 2018; Martha K. Asbury and Miki Presley

Finding 2017-019: The FDOE did not conduct sufficient subrecipient monitoring of Local Educational Agencies (LEAs) based on the results of the program-specific risk assessment.

Recommendation: We recommend that the FDOE take actions to ensure that sufficient and appropriate monitoring of subrecipients is conducted.

Response as of March 26, 2018: During the 2016-2017 Fiscal Year, the FDOE used its discretion to continue to focus efforts on technical assistance and transitioning to requirements under the Every Student Succeeds Act. The FDOE continues to employ a process that utilizes multiple forms of monitoring district performance and risk by reviewing applications, expenditure reports, and complaints as well as conducting onsite, desktop and self-monitoring activities. Although there were no onsite activities implemented during 2016-17 because of the focus on technical assistance and transition to new requirements, FDOE is confident that its process meets the requirements outlined in 2 CFR 200.331 (d) when monitoring subrecipients.

Going forward for the 2017-18 and 2018-19 school years, FDOE will continue to evaluate and revise its monitoring procedures for the Title I, Part A, program to ensure that appropriate monitoring of the ESSA requirements is conducted using a variety of strategies including self-monitoring, desk-top, and onsite monitoring in addition to on-going strategies such as reviewing applications and expenditure reports.

Response as of September 30, 2018: FDOE continues to refine its monitoring processes and procedures to ensure that appropriate monitoring of the ESSA requirements takes place. FDOE is addressing this

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finding by implementing additional risk assessment procedures and establishing an LEA monitoring schedule consistent with the results of the risk assessment.

Anticipated Completion Date & Contact: October 30, 2018; Martha K. Asbury and Miki Presley

Program Title: Various

Finding 2017-020: The FDOE did not notify a new charter school local educational agency (LEA) of the authority to consolidate Federal, State, and local funds in schoolwide programs.

Recommendation: We recommend that the FDOE take appropriate actions to ensure that new LEAs are notified of their authority to consolidate Federal, State, and local funds in schoolwide programs.

Response as of March 26, 2018: Although individual program offices that manage Federal programs provide information to LEAs of the ability to consolidate federal funds during the grant application process, FDOE acknowledges, as a result of an oversight, the new LEA for the 2016-17 fiscal year was not informed of this ability in accordance with the Elementary and Secondary Education Act Section 1111(c). Once this oversight was brought to our attention, the Assistant Deputy Commissioner of Finance and Operations informed the LEA of these provisions on January 10, 2018.

To ensure all LEAs are made aware of all applicable rights and responsibilities under the Elementary and Secondary Education Act and each individual federal program, FDOE will develop and institute an LEA Onboarding Check List. The checklist will be used to confirm FDOE has complied with its duties and obligations under federal codes and regulations.

Response as of September 30, 2018: The required notification was sent to the new charter school LEAs on January 10, 2018. FLDOE has developed an LEA Onboarding Checklist to ensure all new LEAs are aware of their rights and responsibilities under the ESEA. The checklist is currently under review.

Anticipated Completion Date & Contact: October 30, 2018; Martha K. Asbury and Miki Presley

Program Title: Migrant Education – State Grant Program (MEP)

Finding 2017-021: The FDOE did not evaluate each Local Educational Agency's (LEA's) risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward based on current data. Additionally, the FDOE did not conduct sufficient subrecipient monitoring of the LEAs.

Recommendation: We recommend that the FDOE follow established procedures and ensure that a risk assessment is appropriately and timely completed and sufficient and appropriate monitoring of subrecipients is conducted.

Response as of March 26, 2018: In 2016-17 all of the Title I, Part C, program staff were completely new to the program. Additionally, 2016-17 was a transition year for implementation of the Every Student

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Succeeds Act (ESSA), therefore the risk assessment process used was informal and relied heavily on the risk assessment conducted for the Title I, Part A, program. The standard risk assessment procedure includes both a review of pertinent data as well as a provision that the FDOE use other parameters (such as the date of the most recent onsite monitoring visit) to determine which specific monitoring strategies will be applied to selected districts. While the department did not conduct a formal needs assessment or onsite visits during 2016-17, all districts were monitored via desk-top or self-monitoring along with ongoing strategies such as reviews of applications and expenditure reports. For those districts that were not desk-top reviewed, FDOE has copies of the signed certifications indicating that the district completed the self-monitoring.

Going forward for the 2017-18 and 2018-19 school years, FDOE will continue to evaluate and revise its monitoring procedures for the Title I, Part C, program to ensure that appropriate risk assessment and monitoring of the ESSA requirements is conducted using a variety of strategies including self-monitoring, desk-top, and onsite monitoring in addition to on-going strategies such as reviewing applications and expenditure reports.

Response as of September 30, 2018: [FDOE continues to refine its monitoring processes and procedures to ensure that appropriate monitoring of the ESSA requirements takes place. FDOE is addressing this finding by implementing additional risk assessment procedures and establishing an LEA monitoring schedule consistent with the results of the risk assessment.](#)

Anticipated Completion Date & Contact: [October 30, 2018; Martha K. Asbury and Miki Presley](#)

Program Title: Federal Family Education Loans

Finding 2017-022: Federal regulations (34 CFR 682.409) require the FDOE, Office of Student Financial Assistance (OSFA), to subrogate (assign) to the USED all loans on which the USED has paid reinsurance and which meet loan assignment requirements. Additionally, the USED Secretary may direct OSFA to assign to the USED certain categories of defaulted loans held by OSFA. OSFA uses the Federal Family Education Loan Program (FFELP) System to generate the forecast reports that identify the loans meeting the mandatory assignment criteria.

In our information technology (IT) operational audit report titled Federal Family Education Loan Program System, dated March 2018, we disclosed material weaknesses related to selected IT controls applicable to the FFELP System. Specifically, in Finding 3, we disclosed that the FDOE did not provide documentation demonstrating that interface processing errors related to the Subrogation-SAIG Portal interface were timely investigated and corrected. Additionally, in Finding 4, we disclosed that the FDOE did not provide sufficient documentation to demonstrate that OSFA's subrogation process complied with USED mandatory assignment criteria; subrogation transaction processing errors were timely identified, logged, and resolved; and OSFA had adequate audit and monitoring capabilities to process subrogation and override transactions. Details of the findings and recommendations are included in the

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IT operational audit report. As a result of the deficiencies disclosed in the findings, the FDOE could not demonstrate compliance with Federal requirements related to the assignment of defaulted loans to the USED.

Response as of March 26, 2018: The Department has responded to this finding in the referenced IT operational audit.

Response as of September 30, 2018: FDOE has updated its procedures to ensure and document that FFELP System data errors are timely and accurately worked. OSFA and the Division of Technology and Innovation (DTI) have instituted changes to track the iterative steps to determine final subrogation. Iterative files will be kept on file to demonstrate compliance with assignment criteria.

Anticipated Completion Date & Contact: Complete; Martha K. Asbury and Miki Presley

Finding 2017-023: The FDOE did not always maintain current and accurate loan status records.

Recommendation: We recommend that the FDOE implement procedures to verify a student's loan status with lenders and reconcile the lender data to FDOE records.

Response as of March 26, 2018: With respect to 34 CFR 682.404, Federal reinsurance agreement, the calculation of the reinsurance rate is determined by the amount of losses on defaulted claim payments in the manner described in this citation. The population of tested loans the auditor sampled for the purposes of the audit did not contain any discrepant information on the amounts of the loans-the pertinent information upon which reinsurance agreements are calculated-nor did the auditor find any loan status in default. In fact the auditor's test samples demonstrate the accuracy of OSFA financial data relative to the necessary information for the calculation of the reinsurance rates. What the auditor conceptualizes as inaccurate information, the status of the loans, has no bearing on the manner in which the reinsurance rate is calculated in this particular case. In very narrow circumstances, a loan in a pre-default status could impact the rate, however, such circumstances are rare, and the sampled items contained no such instances. OSFA's system tracks the status and the reason for the loan status. There are 19 reasons for one type of the "Forbearance"/"Deferment" status, all of which are considered 'in repayment'. In all instances of the test sample, the status of the loans (Forbearance or Normal Repayment) in OSFA's system are all considered to be in repayment, which coincides with status of the loans the lenders provided the auditor that indicated that the loans were in "repayment" or "in school deferment". For the purpose of calculating the federal reinsurance rate, and for the purpose of maintaining current, complete, and accurate information, there is no meaningful discrepancy between OSFA's data and the lenders' data. The FDOE will work with the U.S. Department of Education to determine whether any change to the FDOE's process is warranted.

Response as of September 30, 2018: FDOE has communicated with the U.S. Department of Education, Financial Institution Oversight Services regarding this finding. In accordance with FDOE's response as of March 26, 2018, email communications with the Financial Institution Oversight Services, and the Audit

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Closure Letter date June 12, 2018 from the Financial Institution Oversight Services, FDOE has determined no change to FDOE's process is warranted and will continue to maintain its current processes related to the status verification and maintenance of accurate loan records.

Anticipated Completion Date & Contact: Non-applicable; Martha K. Asbury and Miki Presley

Finding 2017-024: Pursuant to Federal regulations (34 CFR 682.414), the FDOE, Office of Student Financial Assistance (OSFA), is responsible for maintaining current, complete, and accurate records of each loan that it holds. The records must be maintained in a system that allows ready identification of each loan's current status, updated at least once every 10 business days. Additionally, OSFA must accurately and timely report detailed loan information to the United States Department of Education (USED) through the National Student Loan Data System (NSLDS), the central database for student financial assistance. OSFA must provide updated data to the NSLDS at least monthly on a schedule established by the USED.

In our information technology (IT) operational audit report titled *Federal Family Education Loan Program System*, dated March 2018, we disclosed material weaknesses related to OSFA's process for reconciling Federal Family Education Loan Program (FFELP) System and NSLDS loan data. Specifically, in Finding 3, we disclosed that OSFA management could not provide documentation to support that FFELP System interface data errors were timely investigated and corrected. Additionally, in Finding 5, we disclosed that OSFA management did not provide documentation to evidence that OSFA staff reconciled FFELP System data to NSLDS loan data or identify FFELP System reports or other output reviewed by OSFA staff. Details of the findings and recommendations are included in the IT operational audit report.

Response as of March 26, 2018: The Department has responded to this finding in the referenced IT operational audit.

Response as of September 30, 2018: FDOE has prepared updated written procedures to ensure and document that FFELP System data errors are timely and accurately worked. Effective July 2017, a monthly listing report was created to monitor and ensure the accuracy and success of subrogated loans reported to NSLDS. To ensure OSFA staff have reconciled FFELP System Data to NSLDS loan data, OSFA created a monthly reconciliation report to monitor and compare NSLDS vs FFELP data for completeness and accuracy.

Anticipated Completion Date & Contact: Complete; Martha K. Asbury and Miki Presley

Finding 2017-025: The NSLDS contains personal and financial information related to an individual's receipt of Federal student loans authorized under Title IV of the Higher Education Act of 1965, as amended, that is confidential and protected by the Privacy Act of 1974, as amended. Each organization using the NSLDS is responsible for monitoring the use of and access to NSLDS data by all the

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organization's users; deactivating a user ID when the person to whom it was assigned is no longer with the organization or otherwise is no longer eligible to have access to the NSLDS; and ensuring that information in or received from the NSLDS is protected from access by or disclosure to unauthorized personnel.

In our information technology (IT) operational audit report titled *Federal Family Education Loan Program System*, dated March 2018, we disclosed material weaknesses related to selected IT controls applicable to the NSLDS. Specifically, in Finding 13, we disclosed that the FDOE, Office of Student Financial Assistance (OSFA), NSLDS access procedures did not include all relevant steps; were not sufficiently detailed; and were not routinely reviewed, updated, approved by management, or provided to OSFA supervisors. In Finding 14, we disclosed that some access privileges to the NSLDS were not timely deactivated when the access was no longer needed. In addition, some NSLDS access tokens were not timely collected and deactivated when access was no longer needed. In Finding 15, we disclosed that periodic reviews of NSLDS user access privileges and monitoring of user access activity need improvement. Details of the findings and recommendations are included in the IT operational audit report.

Response as of March 26, 2018: The Department has responded to this finding in the referenced IT operational audit.

Response as of September 30, 2018: [FDOE has updated its access procedures to demonstrate due diligence in protecting confidential data. To ensure access privileges are timely deactivated OSFA has updated its written procedures to immediately remove access to former employees and current employees, who no longer need access, and retrieve access tokens. Finally, monthly access reviews are being conducted and documented.](#)

Anticipated Completion Date & Contact: [Complete; Martha K. Asbury and Miki Presley](#)

Finding 2017-026: The FDOE, Office of Student Financial Assistance (OSFA), is responsible for providing access to and administering State and Federal grants, scholarships, and loans to students seeking financial assistance for postsecondary study. OSFA is the designated guaranty agency for the State of Florida for all Federal Family Education Loan Program (FFELP) loans with first disbursements prior to July 1, 2010, and OSFA utilizes the FFELP System, a mainframe-based student loan information system located at the Northwest Regional Data Center, to execute its responsibilities.

In our information technology (IT) operational audit report titled *Federal Family Education Loan Program System*, dated March 2018, we disclosed significant deficiencies related to selected IT controls for the FFELP System. Specifically, in Findings 2 through 5, we disclosed significant FFELP System application control deficiencies. In Findings 6 through 11, we disclosed significant security control deficiencies related to FFELP System access control procedures and access privileges. In Finding 12, we disclosed

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FFELP System change management controls and related procedures needed improvement. Details of the findings and recommendations are included in the IT operational audit report.

Response as of March 26, 2018: The Department has responded to this finding in the referenced IT operational audit.

Response as of September 30, 2018: FDOE has updated policies and procedures addressing control deficiencies and updating security procedures designed to improve access controls to the FFELP System. Additionally, FDOE has updated written procedures for "Writing and Submitting a Service Request" & "System Maintenance (MA) Policy" to ensure change management process are appropriately authorized, tested, approved and documented.

Anticipated Completion Date & Contact: Complete; Martha K. Asbury and Miki Presley

Program Title: Rehabilitation Services – Vocational Rehabilitation Grants to States (VR)

Finding 2017-027: The FDOE Division of Vocational Rehabilitation did not always ensure that eligibility determinations were completed within the time frame required by VR Program regulations or within the authorized extension.

Recommendation: We recommend that FDOE management enhance case management system controls to provide VR Program counselors and supervisors automatic notifications of approaching eligibility determination deadlines.

Response as of March 26, 2018: FDOE's Division of Vocational Rehabilitation (VR) has recognized this as an internal priority and has made progress in this area over successive audits periods. VR has already enhanced the system controls in the Rehabilitation Information Management Systems (RIMS) case management structure by changing the timing when counselors and supervisors receive the eligibility determination alert in RIMS from 50 days to 30 days based on the date of the applicant's signature.

In addition, the Division amended its referral and application policy to reflect a separation in referral and application forms. Separation of these documents allows for more accurate timelines to determine the applicant's eligibility. The updated policy addresses application completion during the initial appointment with the counselor. The Division also updated the Field Service Operating Procedure (FSOP) related to "Casework Process 1" Eligibility Determination Extension (EDE). The procedural change outlines required steps to request and document additional eligibility determination extensions. The counselor is required to create a case note that includes the reason for the additional extension, a justification for additional time, the number of days needed (not to exceed 30) and the new eligibility determination extension due date.

Response as of September 30, 2018: FLDOE/VR implemented a revised monthly coaching report for counselors and support staff to address timely case processes with a focus on compliance with federal

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mandates. Current data for FFY 17 indicates a 9.5% increase in eligibility determinations within the required 60 days and a 95.2% compliance rate for the current FFY.

Anticipated Completion Date & Contact: Complete; Martha K. Asbury and Miki Presley