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9-22-23

FLORIDA DEPARTMENT *of* STATE

RON DESANTIS
Governor

CORD BYRD
Secretary of State

September 22, 2023

Mr. Cord Byrd
Secretary of State
Florida Department of State
500 South Bronough Street
Tallahassee, Florida 32399

Re: Auditor General Report No. 2023-183
Florida Department of State Operational Audit – Administrative of the Florida Single Audit Act and Selected Administrative Activities

Dear Secretary,

In accordance with Section 20.055(6)(h), Florida Statutes, we are providing an assessment of the corrective actions taken in response to the findings and recommendations included in the **Florida Auditor General's Report No. 2023-183**, dated April 2023.

Please let me know if you would like additional information regarding management's response.

Sincerely,

A handwritten signature in blue ink, appearing to read "David Ulewicz".

David Ulewicz
Inspector General

cc: Melinda M. Miguel, Chief Inspector General
Jennifer Kennedy, Assistant Secretary of State/Chief of Staff
Sherrill F. Norman, Florida Auditor General
Joint Legislative Audit Committee

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Office of the Inspector General**

Finding 1 – Records Retention

The State of Florida *General Records Schedule GS1-SL for State and Local Government Agencies* (General Records Schedule) specifies that financial transaction records, including vouchers for documenting specific financial transactions of the Department, are to be retained for 5 fiscal years after the transaction is completed. As part of our audit, we evaluated the effectiveness of Department controls over the payment of SFA recipient invoices and found that Department controls for retaining financial transaction records in accordance with the General Records Schedule need improvement. Specifically, of the 40 vouchers requested for audit related to SFA recipient invoice payments made during the period July 2020 through January 2022 and totaling approximately \$3.5 million, the Department was unable to provide 6 vouchers for invoice payments totaling approximately \$1.2 million. According to Department management, Department personnel did not return paper copies of the vouchers to the appropriate voucher file folder after utilizing the vouchers for various reference and research efforts and the Department had not established a system to track vouchers. Subsequent to our audit inquiry, Department management indicated that the Department had implemented a sign-out sheet to track vouchers, including the name and location of the employee using the vouchers. Absent the retention of financial transaction records in accordance with the General Records Schedule, the Department’s ability to demonstrate the appropriateness of SFA recipient invoice payments is diminished.

Recommendation: We recommend that Department management continue to enhance controls to ensure that all financial transaction records are maintained in accordance with the General Records Schedule.

Management Response: The Division of Administrative Services, Bureau of Planning, Budget & Financial Services has implemented a voucher sign out sheet in order to keep a record of all vouchers leaving the official file. This was implemented in June of 2022. The Department is also currently evaluating how this process could be modernized by seeking a digital solution for record retention.

Summary of Corrective Actions Taken: The Bureau of Planning, Budget and Financial Services has successfully implemented the voucher sign out sheet, allowing tracking of all vouchers being used by all employees. The sign out sheet is located in the location of all hardcopy vouchers.

Status: Closed

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Finding 2 – Grants System Access Privilege Controls

Department of Management Services (DMS) rules require State agencies to periodically review user access privileges for appropriateness and ensure that IT access privileges are removed when access to an IT resource is no longer required. Periodic reviews of user access privileges and prompt action to remove access privileges when no longer necessary help ensure that only authorized users have access and that the assigned access privileges remain appropriate.

According to Department management, upon an employee's separation from Department employment, the employee's supervisor was to complete an *Access Control Form* identifying any employee IT access privileges that needed removal. Once the *Access Control Form* was completed, a help desk ticket was generated notifying Bureau of Departmental Information Systems (BDIS) personnel of employee separations, along with the IT access privileges needing removal. As part of our audit, we inquired of Department management and personnel, examined relevant Department records, and evaluated Grants System user access privilege controls and found that Grants System user access privilege controls need enhancement. Specifically:

- According to Department management, Department policies and procedures did not require, and consequently Department management did not conduct, periodic reviews of the appropriateness of Grants System user access privileges.
- Grants System user access removal dates were not retained and, as a result, Department management could not demonstrate whether Grants System user access privileges were timely removed upon a user's separation from Department employment. Accordingly, we compared records of Department Grants System active users as of September 30, 2022, to People First records as of May 8, 2022, to determine whether active Grants System users as of September 30, 2022, had separated from Department employment but remained active Grants System users. Our comparison found that 29 Department employees who had separated from Department employment prior to May 8, 2022, remained active Grants System users as of September 30, 2022, although 91 to 1,585 days (an average of 839 days) had elapsed since the employees' separation from Department employment.

In response to our audit inquiry, Department management indicated that the process for communicating employee separations to BDIS personnel could have contributed to the delays in removing user access privileges, as the supervisor may not have been aware of all systems to which the separating employee had access. Subsequent to our audit inquiry, Department management indicated that, as of October 11, 2022, Grants System user access privileges had been removed for the 29 employees.

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Periodic reviews of Grants System user access privileges would provide Department management greater assurance that access privileges are authorized and remain appropriate. Additionally, retaining information related to the removal of Grants System user accounts and the prompt removal of Grants System user access privileges upon an employee's separation from Department employment or when access privileges are no longer required would demonstrate that only authorized users have access and reduce the risk that the access privileges may be misused by the former employee or others.

Recommendation: We recommend that Department management enhance policies and procedures to provide for periodic reviews of the appropriateness of Grants System user access privileges, ensure that information related to removed Grants System user accounts is retained, and promptly remove Grants System user access privileges upon a user's separation from Department employment or when access privileges are no longer required.

Management Response: The Bureau of Departmental Information Systems will enhance the system's current auditing methodology by consolidating logging information. The Bureau of Departmental Information Systems, in conjunction with the Grants liaison group will target release of these enhancements by 11/1/2023.

Summary of Corrective Actions Taken: The Bureau of Departmental Information Systems has convened business analysts and system architects to identify solutions that will assign user access privileges and roles for internal and external users. The system architects and application developers are designing modules that will document account creation, modification, and deletion with a target completion date of 3/1/2024.

Status: Open

Finding 3 – Grants System Security Controls – User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain security controls related to Grants System user authentication need improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising Department data and related IT resources. However, we have notified appropriate Department management of the one finding in the area needing improvement.

Without appropriate security controls related to Grants System user authentication, the risk is increased that the confidentiality, integrity, and availability of Department data and related IT resources may be compromised.

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Recommendation: We recommend that Department management improve certain security controls related to Grants System user authentication to ensure the confidentiality, integrity, and availability of Department data and related IT resources.

Management Response: Since three major user groups exist for the application, there is not a single solution that may be implemented to cover all needs. To meet the recommendations offered by the Auditor General’s Confidential Finding Memo, enhancements will be implemented over the next 12 months and will likely be released in separate stages during that time period.

Summary of Corrective Actions Taken: The Bureau of Departmental Information Systems has convened business analysts and system architects to identify solutions that will implement security controls to protect Grants System data. User access privileges and roles have been implemented for external users based on the applicant organization. Internal user access and controls are assigned through the Department’s Active Directory and Group Policy systems and are implemented with multi-factor authentication. The next Grant System release will provide multi-factor authentication for external users with a target completion date of 3/1/2024.

Status: Open

Finding 4 – Motor Vehicle Usage Logs

State law and DMS rules provide that State-owned motor vehicles are to be used effectively, efficiently, and only for official State business. To ensure the proper management and control of Department motor vehicles in accordance with State law and DMS rules, the Department maintained monthly vehicle usage logs (usage logs) that contained daily vehicle usage information such as to and from locations, the official travel purpose, and ending mileage. As of June 2022, the Department maintained 21 Department-owned motor vehicles that were available for assignment and use by Department personnel and 17 of the vehicles were used during the period July 2020 through January 2022.

We examined 10 monthly usage logs related to 10 of the 17 Department motor vehicles used during the period July 2020 through January 2022 and noted that Department usage logs were not always complete. Specifically, 5 of the 10 monthly usage logs for motor vehicles with recorded mileage ranging from 46 to 479 miles did not include location or official travel purpose information, and another usage log did not include location, official travel purpose, or mileage information. According to Department management, 4 of the motor vehicles were used almost exclusively for specific purposes, such as State records or mail deliveries and pickups, and the logs for the other 2 vehicles were not completed correctly due to staff error.

Maintaining complete motor vehicle usage logs would better demonstrate that Department-owned motor vehicles are used efficiently, effectively, and only for authorized purposes.

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Recommendation: We recommend that Department management enhance controls to ensure that complete information is recorded in motor vehicle usage logs.

Management Response: The Division of Administrative Services has updated the role and responsibility of the Property Administrator for vehicles, as well implemented new procedures which include a monthly reconciliation of all vehicle expenses correlated to each vehicle credit card. This process allows the General Services staff, in coordination with Division Vehicle Liaisons, to monitor vehicle logs for completeness upon submission of documentation.

Summary of Corrective Actions Taken: The Government Operations Consultant I position, is now responsible for reconciling all use and maintenance of state vehicles, now creates a detailed Vehicle Expense Transaction Report in Excel. This position verifies all receipts are turned in and cross references them with the monthly logs. This position also verifies the monthly logs are filled out correctly and turned in promptly. He crosschecks the reporting in both Wex (fuel cards) and Fleetwave (DMS vehicle reporting portal).

Status: Closed

Finding 5 – Contract Manager Training

State law requires that, for each contractual services contract, the Department designate an employee to function as contract manager who is responsible for enforcing performance of the contract terms and conditions and serving as a liaison with the contractor. State law also specifies that each contract manager responsible for contracts in excess of \$35,000 must, at a minimum, complete training conducted by the Chief Financial Officer (CFO) for accountability in contracts and grant management.

According to the Florida Accountability Contract Tracking System (FACTS), the Department was responsible for 24 contracts, totaling approximately \$19 million, that were active at some point during the period July 2020 through January 2022 and for which statutory contract manager training requirements applied. As part of our audit, we inquired of Department management and examined Department contract manager training records and noted that five contract managers, responsible for 15 of the contracts, each in excess of \$35,000 and totaling approximately \$2.9 million, did not complete the required CFO training for accountability in contracts and grants management. In response to our audit inquiry, Department management indicated that the required training did not have to be completed by four of the contract managers because the contracts managed were for services exempt from the competitive procurement requirements of State law. Additionally, Department management indicated that the required training was not completed by the other contract manager because the contract had a quick turnaround time due to the timing of funding release. Notwithstanding, State law

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does not provide any exceptions to the requirement that managers of contracts in excess of \$35,000 must complete the specified training.

Completion of the required CFO training for accountability in contracts and grant management by all contract managers responsible for contracts in excess of \$35,000 would provide the Department greater assurance that contracts are appropriately managed, and that contract terms and conditions are properly enforced.

Recommendation: We recommend that Department management ensure that all contract managers responsible for contracts in excess of \$35,000 complete the required CFO training for accountability in contracts and grants management in accordance with State law.

Management Response: The Division of Administrative Services, Purchasing Office has updated the Competitive Procurement Request form. This update now includes a location to indicate the anticipated Contract Manager. This will allow the Purchasing Office to verify if the anticipated Contract Manager has completed the required CFO training or currently holds an active FCCM.

Summary of Corrective Actions Taken: With the implementation of the updated Competitive Procurement Request form, the Department's Procurement Manager is able to properly perform the necessary research to ensure that the anticipated Contract Manager currently possesses a Florida Certified Contract Manager Certificate or has successfully completed the CFO training for Accountability in Contracts.

Status: Closed

Finding 6 – Conflict of Interest Attestations

State law requires that, for any procurement in excess of \$35,000 and accomplished without competition, the individuals taking part in the contract evaluation and selection processes attest in writing that they are independent of, and have no conflict of interest in, the entities evaluated and selected. Accordingly, Department policies and procedures required applicable individuals sign an *Attestation of No Conflict* form for all noncompetitively procured contracts.

According to FACTS, the Department executed 11 noncompetitively procured contracts, totaling \$1,764,707, during the period July 2020 through January 2022. As part of our audit, we reviewed Department policies and procedures and examined Department records for 7 of the noncompetitively procured contracts, totaling \$474,707, for legal services and services provided by governmental entities and found that the Department personnel taking part in the contract evaluation and selection processes for the 7 contracts did not attest in writing that they were independent of, and had no conflict of interest in, the entities evaluated and selected.

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According to Department management, because contracts for legal services and services provided by governmental entities are exempt from the competitive solicitation requirements of State law, it was the Department's interpretation that conflict of interest attestations were not applicable. Notwithstanding, State law and Department policies and procedures required conflict of interest attestations be completed for any noncompetitively procured contract in excess of \$35,000, and did not provide exceptions for contracts for legal services and services provided by governmental entities. Although Department management did not interpret State law as applicable to the contracts noted on audit, subsequent to our audit inquiry, Department management obtained the required attestations for three of the seven contracts.

Completed conflict of interest attestations by all Department personnel involved in the evaluation and selection process for noncompetitively procured contracts reduces the appearance of and opportunity for favoritism, provides Department management greater assurance that contracts are impartially awarded, and demonstrates compliance with State law and Department policies and procedures.

Recommendation: We recommend that Department management take steps to ensure that conflict of interest attestations are completed by all Department personnel taking part in the evaluation and selection process for noncompetitively procured contracts in accordance with State law and Department policies and procedures.

Management Response: The Division of Administrative Services, Purchasing Office, is currently drafting new procedures, which would require all contracts, procured both competitive and non-competitive, to be reviewed by the Purchasing Manager. This would allow the Department to ensure the Conflict-of-Interest Attestation form is completed prior to execution of any two-party agreement including legal services.

Summary of Corrective Actions Taken: The Division of Administrative Services, Purchasing Office has provided the Office of General Counsel with a copy of the PUR 7662 Attestation of No Conflict to include with the Request for Attorney General Approval of Private Attorney Services when routing for legal contracts for approval. The General Counsel or designee will sign the PUR 7662 and email to the Purchasing Manager to file in the electronic contract file and master contract file. For governmental entities, the Purchasing Manager will email a copy of the PUR 7662 to the contract manager once the contract is routed to the Purchasing Office for approval. The Purchasing Manager will ensure a copy of the completed PUR 7662 is in the electronic contract file and master contract file.

Status: Closed