




Rick Scott, Governor

Craig J. Nichols, Agency Secretary

MEMORANDUM

DATE: February 12, 2014
TO: Craig Nichols, Secretary
FROM:  Walter Sachs, Inspector General
SUBJECT: Twelve-Month Follow-up to Auditor General Report No. 2013-090

In accordance with Section 20.055, Florida Statutes, the following is our explanation of the twelve-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 (DMS Operational Audit)**. Our response addresses the findings and recommendations in the same order as they appear in the report.

Twelve-Month Status Report

LEASE MANAGEMENT

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

An outline of a manual has been completed, but due to the complexity of the subject matter a final draft will not be ready until December 2014.

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

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

A high level process has been developed and late payments have been significantly reduced. A formal plan will be released with the Leasing Manual and Guidelines. Official publishing of the high level process will occur by June 30, 2014.

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 Program area is substantially complete with the process of validating leased space and floor plans. The process of addressing the nominal leases is underway and should be completed by December 31, 2014; however it will not be implemented until July 1, 2015.

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

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

App Approver, and the associated user manual, was successfully deployed in 2010. As of November 2013, the App Approver application has been retired due to numerous issues. The time and resources used to attend to the known problems have outweighed the benefit. We feel the goal of tracking FACT user access can be managed using other IT tools. Our alternative to App Approver is to have the business unit submit all user access requests through the CRM help desk. All user access will continue to be managed by IT staff in the back-end Oracle database. Through database queries, IT can provide the business units a monthly report of current user/roles for review.

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. Management confirms that these are being followed.

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

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. 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 \$125,000 at June 30, 2014. This amount has increased from the amount of \$15,000 due to vacancies in the Administrative Trust Fund. In addition, this amount is subject to increase due to appropriation revisions 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.*