

ANDY GARDINER
President of the Senate



STEVE CRISAFULLI
Speaker of the House



Joint Legislative Auditing Committee

Senator Joseph Abruzzo, Chair
Representative Daniel Raulerson, Vice Chair

Meeting Packet
Monday, March 16, 2015
11:30 A.M. to 1:30 P.M.
301 Senate Office Building

AGENDA
JOINT LEGISLATIVE AUDITING COMMITTEE

DATE: Monday, March 16, 2015

TIME: 11:30 a.m. to 1:30 p.m.

PLACE: Room 301, Senate Office Building

MEMBERS:

Senator Joseph Abruzzo, Chair

Representative Daniel D. Raulerson, Vice Chair

Senator Lizbeth Benacquisto

Senator Rob Bradley

Senator Audrey Gibson

Senator Wilton Simpson

Representative Debbie Mayfield

Representative Amanda Murphy

Representative Ray Rodrigues

Representative Cynthia Stafford

Availability of the Secretary of the Department of the Lottery, Cynthia O'Connell, for members' questions regarding the annual audit of the Department

Consideration of a certified petition request for an audit of the City of Archer received, pursuant to s. 11.45(5), F.S., from citizens of the City of Archer

Consideration of a request for an audit of the North Lake County Hospital District received from Representative Metz

Presentation of the Auditor General's audit of the Department of Economic Opportunity – CONNECT



Summary

Report Number: [2015-092](#)

Report Title: [Department of the Lottery – Financial Audit](#)

Release Date: [01/28/2015](#)

Summary of Report on Financial Statements

Our audit disclosed that the basic financial statements prepared by the Department of Lottery (Lottery) present fairly, in all material respects, the net position of the Lottery as of June 30, 2014, and 2013, and the changes in the financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Summary of Report on Internal Control and Compliance

In our opinion, Lottery management maintained, in all material respects, effective internal control over financial reporting.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States; however, we noted certain additional matters as summarized below.

Additional Matters

INFORMATION TECHNOLOGY CONTROLS

Finding No. 1: During our audit, we identified the need for enhancements to the Lottery's information technology (IT) control practices. Specific details of these issues are not disclosed in this report to avoid the possibility of compromising Lottery information. However, the appropriate Lottery personnel have been notified of these issues.

MINORITY RETAILER PARTICIPATION

Finding No. 2: Section 24.113, Florida Statutes, requires that 15 percent of the Lottery's retailers be minority business enterprises, as defined in Section 288.703(3), Florida Statutes; however, no more than 35 percent of such retailers shall be owned by the same type of minority person, as defined by Section 288.703(4), Florida Statutes. Our audit disclosed that as of July 1, 2014, retailers comprising one minority type totaled 66 percent of the total number of minority retailers. A similar finding has been included in prior reports.

Audit Objectives and Scope

Our audit objectives were to determine whether the Lottery had:

- Presented the Lottery's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements;

- Complied with the various provisions of laws, rules, regulations, and contracts that are material to the financial statements; and
- Taken corrective actions for findings included in our report No. 2014-095.

The scope of this audit included an examination of the Lottery's basic financial statements as of and for the fiscal years ended June 30, 2014, and 2013, and an examination of the effectiveness of the Lottery's internal control over financial reporting. With respect to internal control over financial reporting, our examination included obtaining an understanding of the internal control over financial reporting, testing and evaluating the design and operating effectiveness of the internal control, and performing such other procedures as we considered necessary in the circumstances. We also examined various transactions to determine whether they were executed, both in manner and in substance, in accordance with governing provisions of laws, rules, regulations, and contracts.

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent Lottery records in connection with the application of procedures required by auditing standards generally accepted in the United States of America, and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States

Management's response is included in the audit report as Exhibit A.

The Florida Legislature



Office of Program Policy Analysis and Government Accountability

Lottery Transfers Continue to Increase; Options Remain to Enhance Transfers and Improve Efficiency

Report No. 15-03, January 2015

Lottery transfers to the Educational Enhancement Trust Fund increased by \$71 million in Fiscal Year 2013-14 to \$1.495 billion. To increase sales during 2014, the Lottery continued to launch new products and enhance product distribution.

Several additional game and product distribution options are available to increase transfers to education. However, some of these options could represent expanded gambling.

The Lottery's operating expense rate continues to meet legislative performance standards and is the third lowest in the nation.

The Lottery could

- continue its efforts to expand the retailer network;
- continue its efforts to improve its data analysis and reporting capabilities for identifying and investigating potential ticket theft or brokering by retailers, as well as increase the number of retailer locations with player scanners; and
- develop a schedule to regularly assess its overall advertising return to the Educational Enhancement Trust Fund.

STAFF ANALYSIS
(Revised)

Date: March 11, 2015

Subject: Certified Petition Requesting an Audit of the City of Archer by the Auditor General

Analyst Coordinator

White DW

DuBose KD

I. Summary:

The Honorable Pam Carpenter, Supervisor of Elections for Alachua County, Florida, notified the Joint Legislative Auditing Committee (Committee) of a certified petition requesting an audit of the City of Archer (City), Florida, by the Auditor General. Pursuant to Section 11.45(5), Florida Statutes, 20 percent of the 696 registered electors in the City's last general election (139.2 electors) were required to sign the petition in order for the Committee to direct the audit. Ms. Carpenter verified that 146 registered electors signed the petition, which surpasses the amount required by Florida law. Consequently, the Committee is required by law to direct the Auditor General to conduct an audit of the City.

II. Present Situation:

Current Law

Joint Rule 4.5(2) provides that the Legislative Auditing Committee may receive requests for audits and reviews from legislators and any audit request, petition for audit, or other matter for investigation directed or referred to it pursuant to general law. The Committee may make any appropriate disposition of such requests or referrals and shall, within a reasonable time, report to the requesting party the disposition of any audit request.

Joint Rule 4.5(1) provides that the Legislative Auditing Committee may direct the Auditor General or the Office of Program Policy Analysis and Government Accountability (OPPAGA) to conduct an audit, review, or examination of any entity or record described in Section 11.45(2) or (3), Florida Statutes.

Section 11.45(3)(a), Florida Statutes, provides that the Auditor General may, pursuant to his or her own authority, or at the discretion of the Legislative Auditing Committee, conduct audits or other engagements as determined appropriate by the Auditor General of the accounts and records of any governmental entity created or established by law.

Section 11.45(5)(a), Florida Statutes, provides that the Legislative Auditing Committee shall direct the Auditor General to make an audit of any municipality whenever petitioned to do so by at least 20 percent of the registered electors in the last general election of that municipality pursuant to this subsection. The supervisor of elections of the county in which the municipality is located shall certify whether or not the petition contains the signatures of at least 20 percent of the registered electors of the municipality. After the completion of the audit, the Auditor General shall determine whether the municipality has the fiscal resources necessary to pay the cost of the audit. The municipality shall pay the cost of the audit within 90 days after the Auditor General's determination that the municipality has the available resources. If the municipality fails to pay the cost of the audit, the Department of Revenue shall, upon certification of

the Auditor General, withhold from that portion of the distribution pursuant to Section 212.20(6)(d)5., Florida Statutes, which is distributable to such municipality, a sum sufficient to pay the cost of the audit and shall deposit that sum into the General Revenue Fund of the state.

Section 11.45(2)(j), Florida Statutes, provides, in part, that the Auditor General shall conduct a follow-up to his or her audit report on a local governmental entity no later than 18 months after the release of the report to determine the local governmental entity's progress in addressing the findings and recommendations contained in the report.

Background

City of Archer, Florida (City): The City was incorporated as a municipality in 1850.¹ Chapter 13906, Laws of Florida (1929), abolished the then present City and established a new City and charter, which was subsequently approved by voter referendum. The City is located in Alachua County, operates under a Commission-Manager form of government, and is governed by five elected commissioners. Section Seven of the City's Charter provides that the mayor shall be selected annually by members of the City Commission from their number with due regard to his or her experience in government, ability, and qualifications. The City provides citizens with the following services: general government, public works, recreation, water, and solid waste.² Public safety services (police, fire, and emergency medical) are provided by the Alachua County Sheriff's Office and the Alachua County Fire Rescue.³ The City's 2014 estimated population was 1,137.⁴

Certified Petition Request for an Audit of the City of Archer, Florida

Citizens of the City of Archer, Florida, have successfully completed the petition process set forth in Section 11.45(5), Florida Statutes, for an audit by the Auditor General. The statement at the top of the petition from the citizens of the City of Archer read: "We, the undersigned, pursuant to Section 11.45(5), Florida Statutes, hereby petition to have the Legislative Auditing Committee direct the Auditor General to conduct an audit of the City of Archer, FL. The cost of the audit is the responsibility of the City if the Auditor General determines that the City has the fiscal resources necessary to pay the cost of the audit. The audit should include a review of all accounts (water & general fund), supporting documentation, to include policy and operational procedures in addition to all the code violations and zoning changes."

The group of citizens that organized the petition drive provided a list of concerns to the Committee related to the City's operations, which included:⁵

- **Payroll and Personnel Issues:** Time sheets are not concise and show violations of the City's Personnel Policy, specifically persons in management getting overtime. There are also concerns relating to the use of and payment for sick leave.
- **Credit Card Expenditures:** There are questionable charges on credit cards such as local dining, hotel rooms, technical charges, car rentals (the city has a city vehicle for these purposes), online charges, and more. Also, charges include thousands of dollars' worth of computer hardware

¹ *The Florida League of Cities Municipal Directory* - page for the City of Archer.

² City of Archer's website [<http://www.cityofarcher.com>]

³ City of Archer's website [<http://www.cityofarcher.com/Public-Safety.html>]

⁴ Florida Estimates of Population 2014 (April 1, 2014); Bureau of Economic and Business Research; College of Liberal Arts and Sciences; University of Florida.

⁵ Letter dated March 1, 2015, from the Concerned Citizens of Archer (attached)

and software, expensive laptops and IT billing, yet City staff cannot provide a profit and loss statement and daily routine tasks, or send citizens information via email.

- **Fuel Charges:** There is an excessive amount of charges for gas, almost three times more than what was used five years ago; however, there has been no increase in mowing over that time period. City employees are signing for gas on Sundays and holidays, and time sheets do not verify that they are working. Also, there is a lack of mileage records.
- **Water Billing:** (1) Eleven years' worth of water bills and related records have been lost, destroyed, or stolen, with no explanations; (2) "Mistakes" on water bills resulting in overcharges for usage over the past four years, as well as some water service disconnections and resultant law suits; and (3) Although \$87,000 was spent on new water meters, only a portion of them have been installed, and many have lids that don't fit.
- **Budgetary Controls:** (1) The City budget was not available for public access prior to the Public Hearing in the fall of 2014; (2) The City was \$130,000 over budget last year; and (3) the 2011-12 and 2012-13 fiscal years' budgets were not prepared at the required level of detail and did not consider the effect of available fund balances from prior fiscal years, contrary to law.
- **Sewer System:** (1) Giving incorrect information to other governmental agencies concerning the City to obtain funding for the sewer system; (2) Although the City has not created a Sewer Utility or conducted a Water Rate Study, there is an application for a Florida DEP State Revolving Fund Loan from the Small Community Wastewater Facilities Grant Program; (3) The loan request amounts have gone from \$7 million to \$14 million, yet there is a lack of historical data that the City can pay for it; and (4) The City has purchased a 74-acre tract of land outside the City limits with state funds, yet according to the City Manager the City has no plans for the sewer system.
- **Lack of Competitive Bids:** The City continuously has work done without bid proposals or advertising. One example is \$8,600 work done on Archer Lane which was claimed to be an emergency so school buses could utilize the road; however, it was discovered that the school buses do not use that road. (Jordon Glenn School).
- **Public Records Availability:** (1) Eleven years' worth of water bills and related records have been lost, destroyed, or stolen, with no explanations (as mentioned in "Water Billings" above); (2) Evidence of employee files being removed/destroyed/denied, if they contained negative comments about the employee; (3) Excessive charges for public records requests; and (4) At least two lawsuits against the City for public record violations have been settled in the last three years.
- **Miscellaneous Concerns:** (1) Use of Petty Cash Funds; (2) Neglected Infrastructure; and (3) Favoritism in code enforcement and changes in City ordinances to either favor or hinder certain citizens.

In addition, a review of news articles related to the City and conversations with a concerned citizen disclosed that there are various issues relating to over-billing for water usage and procedures for the timely resolution of incorrect water bills. Several of the news articles mention increases in water bills due to incorrect water meter readings and calculations for water use.

Some of the above-noted concerns are policy issues rather than audit issues and may be outside of the scope of what an audit would normally address (i.e., ordinance changes and city code issues).

Financial-Related Information of the City

In accordance with Section 218.39, Florida Statutes, the City has obtained annual financial audits of its accounts and records by an independent certified public accountant (CPA) and has timely submitted the audit reports to the Auditor General's Office as required. Pursuant to Section 218.39(7), Florida Statutes, these audits are required to be conducted in accordance with rules of the Auditor General promulgated pursuant to Section 11.45, Florida Statutes. The Auditor General has issued *Rules of the Auditor General, Chapter 10.550 - Local Governmental Entity Audits* and has adopted the auditing standards set forth in the publication entitled *Government Auditing Standards (2011 Revision)* as standards for auditing local governmental entities pursuant to Florida law.

The City's audit report for the 2013-14 fiscal year has not yet been received by the Auditor General's Office; it is required to be submitted no later than June 30, 2015. Excerpts from the City's annual audited financial statements for the fiscal years ended September 30, 2013, and September 30, 2012, are shown in the following table:

	<u>FY 2012-13</u>	<u>FY 2011-12</u>
<u>General Fund</u>		
Total Revenue	\$ 584,791	\$ 618,831
Total Expenditures	<u>571,510</u>	<u>545,212</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,281	73,619
Other Financing Sources (Uses)	<u>49,779</u>	<u>9,300</u>
Net Change in Fund Balance	63,060	82,919
Fund Balance, Beginning	<u>247,971</u>	<u>165,052</u>
Fund Balance, Ending	<u>\$ 311,031</u>	<u>\$ 247,971</u>

	<u>FY 2012-13</u>	<u>FY 2011-12</u>
<u>Water Fund</u>		
Total Operating Revenue	\$ 174,141	\$ 217,196
Total Operating Expenditures	<u>206,980</u>	<u>166,008</u>
Operating Gain (Loss)	(32,839)	51,188
Total Nonoperating Revenues (Expenses)	<u>1,454</u>	<u>1,641</u>
Gain (Loss) Before Operating Transfers	(31,385)	52,829
Operating Transfers Out	<u>(42,500)</u>	<u>0</u>
Net Gain (Loss)	(73,885)	<u>52,829</u>
Net Position, Beginning of Year	<u>1,276,913</u>	<u>1,224,084</u>
Net Position, End of Year	<u>\$ 1,203,028</u>	<u>\$ 1,276,913</u>

- The City did not meet any of the conditions of financial emergency as defined within Section 218.503, Florida Statutes, for the fiscal years ended September 30, 2013 and 2012.⁶
- The audit findings in the FY 2012-13 annual financial audit report are listed below. (Note: The first finding is considered by the auditors to be a significant deficiency as defined by *Government Auditing Standards*, issued by the Comptroller General of the United States):⁷
 - Financial Statement Preparation (Finding #2013-1): The City does not have staff with the accounting knowledge and experience to prepare the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles (GAAP). The City's response acknowledged the disclosure of this required finding and stated that, at this time, they do not believe it would be a justifiable expense to employ someone with such knowledge/experience and will continue to monitor the situation in the future.
 - Employee Leave Records (#2012-1 – Management Letter): This finding was a prior year finding that had not been corrected and related to improvements needed in recording and maintaining accurate employee leave records. The auditors recommended that the City review employee leave balances at least quarterly for accuracy and compliance with the City's leave policy.
 - Payroll Transactions (#2013-1 – Management Letter): This finding related to cash advances made to employees; the City did not have a policy in place authorizing such advances. The auditors recommended that, unless a policy is developed in compliance with Florida law, no such advances should be made to City employees.

Other Considerations

The Auditor General will conduct an operational audit and take steps to avoid duplicating the work efforts of the City's auditors performing the financial audit. The primary focus of a financial audit is to examine the financial statements in order to provide reasonable assurance about whether they are fairly presented in all material respects. The focus of an operational audit is to evaluate management's performance in establishing and maintaining internal controls and administering assigned responsibilities in accordance with laws, rules, regulations, contracts, grant agreements, and other guidelines. Also, in accordance with Section 11.45 (2)(j), Florida Statutes, the Auditor General will be required to conduct an 18-month follow-up audit to determine the City's progress in addressing the findings and recommendations contained within the previous audit.

The Auditor General has no enforcement authority. If fraud is suspected, the Auditor General may be required by professional standards to report it to those charged with the City's governance and also to appropriate law enforcement authorities. Audit reports released by the Auditor General are routinely filed with law enforcement authorities. Implementation of corrective action to address any audit findings is the responsibility of the City's board and management, as well as the citizens living in the City. Alternately, any audit findings that are not corrected after three successive audits are required to be reported to the Committee by the Auditor General, and a process is provided in Section 218.39(8), Florida Statutes, for the Committee's involvement. First, the City Commission may be required to provide a written statement explaining why corrective action has not been taken and to provide details of any corrective action that is anticipated. If the statement is not determined to be sufficient, the

⁶ *Management Letter* - City's annual financial audit reports for the fiscal years ended September 30, 2013 and 2012.

⁷ Pages 52-54 of the City's annual financial audit report for the fiscal year ended September 30, 2013.

Committee may request the Chair of the City Commission to appear before the Committee. Ultimately, if it is determined that there is no justifiable reason for not taking corrective action, the Committee may direct the Department of Revenue and the Department of Financial Services to withhold selected state revenues from the City that it would ordinarily be entitled to receive.

III. Effect of Proposed Request and Committee Staff Recommendation

The law requires the Committee to direct the Auditor General to perform an audit of the City when petitioned to do so by at least 20 percent of the electors of the City. Since the City is required to have an annual financial audit in accordance with Section 218.39(1)(b), Florida Statutes, the audit should be an operational audit as defined in Section 11.45(1)(g), Florida Statutes, and the scope should include the following areas:

- compliance with the City's payroll and personnel policies, specifically those relating to overtime and sick leave (use of and payment for);
- use of credit cards in accordance with City policies, applicable state laws, and good business practices, and testing of documentation for such expenditures as deemed appropriate;
- review of controls related to fuel charges and testing of documentation for such expenditures as deemed appropriate;
- review of the City's budgetary controls, including compliance with applicable state laws, and testing as deemed appropriate;
- review of controls over utility billings;
- review of the City's long-term plans for sewer system enhancements; and
- compliance with state law and City policies relating to the use of competitive bids, and testing as deemed appropriate.

Pursuant to the authority provided in Section 11.45(3), Florida Statutes, the Auditor General shall finalize the scope of the audit during the course of the audit, providing that the audit-related concerns of the citizens are considered. In addition, the Auditor General should be allowed to set the timing of the audit as audit resources are available, consistent with his work plan and so as not to jeopardize the timely completion of statutorily mandated assignments.

IV. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The City of Archer is responsible for the cost of the audit. After the audit is completed, the Auditor General is required to determine whether the City has the financial resources available to pay for the audit. If the Auditor General determines that the City does have the resources, he will forward the cost of the audit to the City for payment. The City is required to pay the cost of the audit within 90 days. If the City fails to pay for the audit within that time, the Auditor General is required to notify the Department of Revenue. The Department of Revenue is then required to withhold from that portion of the distribution pursuant to Section 212.20(6)(d)5., Florida Statutes, which is distributable to such municipality, a sum sufficient to pay the cost of the audit and shall deposit that sum into the General Revenue Fund of the state.

V. Related Issues:

None.

This staff analysis does not reflect the intent or official position of the requestor.
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From: Pam Carpenter <Pwc@alachuacounty.us>
Sent: Friday, November 21, 2014 4:55 PM
To: White, Deborah
Cc: Imcostello@bellsouth.net
Subject: City of Archer Audit Petition Verification
Attachments: Archer Audit Sig. Verification.doc

Ms. White,

The number of registered voters as of the last General Election for the City of Archer was 696. The required 20% would be 139.2. I have verified 146 signatures as meeting the criteria under FS 11.45 (5).

Please see attached letter to Laurie Costello. If you require additional information from me, please let me know.

Pam Carpenter

Pam Carpenter
Alachua County Supervisor of Elections
VoteAlachua.com
(352) 374-5252
pwc@alachuacounty.us
111 SE 1st Avenue
Gainesville, FL 32601-6819

E-mail Correspondence: Under Florida Law, e-mail addresses are public records. If you do not want your e-mail address released in response to a public records request, do not send electronic mail to this entity. Instead, contact our office by phone or in writing.



PAM CARPENTER
Supervisor

SUPERVISOR OF ELECTIONS

Historic Star Garage Building, North Entrance
111 SE 1st Ave
Gainesville, Florida 32601-6819

Telephone: (352) 374-5252
Fax: (352) 374-5264

Memorandum

Date: November 21, 2014
To: Laurie Costello
From: Pam Carpenter, Alachua County Supervisor of Elections
Re: Archer Audit Signature Verification

This is to inform you that I have received your audit petition and have verified 146 signatures meeting the requirements of the law pursuant to FS 11.45(5).

If you require a list of those who were verified, please let me know.

If you have any questions, or need additional information, please contact me.

Thank you.

PUBLIC PETITION

We, the undersigned, pursuant to Section 11.45(5), Florida Statutes, hereby petition to have the Legislative Auditing Committee direct the Auditor General to conduct an audit of the City of Archer, FL. The cost of the audit is the responsibility of the City if the Auditor General determines that the City has the fiscal resources necessary to pay the cost of the audit. The audit should include a review of all accounts (water & general fund), supporting documentation, to include policy and operational procedures in addition to all the code violations and zoning changes.

11.45 Definitions; duties; authorities; reports; rules.—

(5) PETITION FOR AN AUDIT BY THE AUDITOR GENERAL.—

(a) The Legislative Auditing Committee shall direct the Auditor General to make an audit of any municipality whenever petitioned to do so by at least 20 percent of the registered electors in the last general election of that municipality pursuant to this subsection. The supervisor of elections of the county in which the municipality is located shall certify whether or not the petition contains the signatures of at least 20 percent of the registered electors of the municipality. After the completion of the audit, the Auditor General shall determine whether the municipality has the fiscal resources necessary to pay the cost of the audit. The municipality shall pay the cost of the audit within 90 days after the Auditor General's determination that the municipality has the available resources. If the municipality fails to pay the cost of the audit, the Department of Revenue shall, upon certification of the Auditor General, withhold from that portion of the distribution pursuant to s. 212.20(6)(d)5. which is distributable to such municipality, a sum sufficient to pay the cost of the audit and shall deposit that sum into the General Revenue Fund of the state.

(b) At least one registered elector in the most recent general election must file a letter of intent with the municipal clerk prior to any petition of the electors of that municipality for the purpose of an audit. Each petition must be submitted to the supervisor of elections and contain, at a minimum:

1. The elector's printed name;
2. The signature of the elector;
3. The elector's residence address;
4. The elector's date of birth; and
5. The date signed.

All petitions must be submitted for verification within 1 calendar year after the audit petition origination by the municipal electors.

Chairman and Distinguished Members,

In compliance with your request for a clearer understanding of what needs to be focused on in the City of Archer audit, we have compiled the following concerns. The audit should be focused on the past four years in which Al Grieshaber was/is manager, John Mayberry was/is assistant manager. The City Commission consisted of Frank Ogborn, Doug Jones, Marjorie Zander, Gabe Green, and Fletcher Hope.

The following are our concerns and should be considered for review:

- 1. TIME SHEETS:** Time sheets are not concise, and show violations of the City of Archer Personnel Policy, specifically persons in management getting overtime. They show time on the clock, while there is evidence the person was in another state. They show sick time taken, yet being paid for sick time at the end of the year. Over time is added incorrectly, and it appears at times against policy. We have documents to support these allegations.
- 2. CREDIT CARDS/ EXCESSIVE SPENDING:** There are questionable charges on credit cards such as local dining, hotel rooms, technical charges, car rentals (the city has a city vehicle for these purposes), online charges, and more. Please investigate the thousands of dollars' worth of computer hardware and software, expensive laptops and IT billing. The city cannot provide a profit and loss statement and daily routine tasks, nor can they send citizens information via email. The city was capable of doing business in the past without all the high tech equipment and services. Is there another business being conducted in City Hall? AT&T made a comment to one citizen that the city is paying for some very high tech service.
- 3. FUEL CHARGES:** The City has used an excessive amount of gas, almost three times more than what was used five years ago, and we aren't mowing any more than what we did then. Employees are signing for gas on Sundays and holidays, and time sheets do not verify them being on the clock. We also don't see any mileage records.
- 4. WATER BILLS:** 11 years' worth of records have been lost, destroyed, or stolen, with no explanations. Countless citizens have been overcharged over the past four years. Three or more of these "mistakes" resulted in water being turned off, residents being forced to go before the codes board, and law suits brought against the City. The city has over charged their own community center by almost two thousand dollars. The City spent \$87,000.00 on new meters, with only part of them being installed, and many of those having lids that don't fit. A three night documentary on this problem, along with legal documentation, and meter cards show this is an ongoing problem and was not timely in correcting.
- 5. CODES:** The Assistant City manager also serves as the Code Enforcement Officer and appears to have used this position to the advantage of family and friends. Ordinances being changed that would impact the Mayor and be costly to an outspoken constituent, liens being forgiven by the Code's Officer that should have gone through the Codes Board and Commission, for a family member, but the same lien being forced on the original purchaser. Code violations as a result of city mistakes that resulted in citizen's going without water for months (up to a year), and the city being forced by legal action to reimburse the citizens. A questionable land swap between the city and a Codes Board member which was never advertised.
- 6. EXCESSIVE COPY CHARGES:** Several years ago the commission voted to hire a lobbyist and it was not on the agenda, it was voted on under managers' report and citizens could not ask questions. Later when we requested the emails that went back and forth the charge was going to be \$672. A group of citizens started a Facebook page and showed credit card statements that came from City Hall. Within a couple of days, the cost for those copies doubled.
- 7. BUDGET:** The City failed to provide a city budget prior to the Public Hearing. (Fall 2014) The City went 130k over budget last year and have not started saving toward the repayment of a \$700,000 [\$733,289 plus \$3,537 interest and \$14,666 loan service fee] with the first payment being due April 15, 2017. It is not even budgeted to save. The City's 2011-12 and 2012-13 fiscal years' budgets were not prepared at the required level of detail and did not consider the effect of available fund balances from prior fiscal years, contrary to law.
- 8. SEWER:** The City has researched the feasibility of a sewer system for many years, and are still attempting to find the funding for it. We are wondering how the city of Archer is getting away with giving incorrect information to other governmental agencies concerning our city to obtain monies for the sewer system. We hope you can investigate this because we don't want to be stuck down the road paying monies back because of falsifying records. The City of Archer has

not created a Sewer Utility or conducted a Water Rate Study, yet has an application for an FL DEP State Revolving Fund Loan from the Small Community Wastewater Facilities Grant Program. Over 4 years, amendments have not been made regarding population decline and the true number of septic tank systems. (470, not 550) The loan request amounts have gone from \$7 million to \$14 million yet the City lacks historical data they can pay for it. The City has purchased 74 acre tract of land which is outside the city limits with state funds, yet according to the City Manager we have no plans for the sewer system.

9. **PUBLIC RECORDS:** There is evidence of employee files being removed/destroyed/denied, if they contained negative comments about the employee. Water bills that can't be located when customer asks for them. At least two lawsuits against the city for public record violations were settled in the last three years. Eleven years' worth of records are gone.
10. **CODE OF ORDINANCES:** The city continuously has work done without bid proposals or advertising. One example is they had \$8600 work done on Archer Lane and they claim it was emergency so school buses could utilize it. We found out that the buses do not use that road. (Jordon Glenn School)
11. **ZONING CHANGE:** There was a zoning change done 2 years ago for 100 Plus acres. The process is questionable for proper notification and they hid county, state and regional reports from the board and citizens and refused to have a workshop. Was the proper procedure done?
12. **PETTY CASH:** We want to make sure our petty cash funds are adequately safeguarded. Reimbursements from petty cash are questionable. Example-manager and assistant manager being reimbursed every month for stamps from petty cash.
13. **NEGLECTED INFRASTRUCTURE:** The street/road budget has been cut in half, yet travel expenses have tripled. The city adopted a mile long county dirt road that they cannot maintain and other city roads are in disrepair. The city does not repair water leaks in a timely fashion. A recent "boil water notice" has been issued several times for many days at a time. Water lines need replacement all over town (many water leaks). A citizen reported that unlicensed employees were working on the water lines. We have deferred maintenance all over the city that will increase future costs.

What we have provided here is a sampling of the things that are going on in our city that we know about. We have documentation to provide that proves the allegations we have made are true.

We believe this audit will uncover more violations that we don't know about and ask that you begin this audit as quickly as possible to correct these problems. We realize that we are asking for a comprehensive audit and that it could be costly, but not as costly to our small city as losing everything we have strived to build.

Thank you for your time and consideration in this matter.

Concerned Citizens of Archer

From: bjaw618@hotmail.com [bjaw618@hotmail.com]
Sent: Sunday, March 08, 2015 2:07 PM
To: SIMPSON.WILTON.WEB
Subject: Other (flsenate.gov)

Preferred Response By: No Response Needed

Joan White
bjaw618@hotmail.com
Archer, FL 32618
This zip code is in Districts 5 and 7

Receive updates via email: No

Comment or Question:

Senator Simpson,

I am writing in regards to the request for an audit on the City of Archer. I understand and appreciate the concern of costs associated with this audit, and the burden it could place on either the tax payers of the city or the state. I understand the need to be more specific in the scope of what needs to be investigated. This is not an email of criticism, but more to try and get you to understand the need for this audit, and to show you that it was not done on a whim or to retaliate against a sitting City Commission.

I served as an Archer City Commissioner for eight years, after that I served for 12 years as a member of our Codes Board. I love this little city, and feel I owe it a great debt. It's my home, and has been for over 50 years. Most people will tell you that I would never do anything that would cause negativity on our city. It was after a great deal of research and asking questions that I signed this petition and asked others to sign it also. We didn't do it lightly, and we didn't do it ignorantly. We did it for the future of our home.

After serving as many years as I have, I know when things just don't seem right. I know our Charter well enough to know that it was being circumvented for projects to be implemented. I know how codes work, and I saw how that was being manipulated. I know how City Hall and how open government works, and I knew that law suits to gain public information was inexcusable. Closing the doors to City Hall for a day to attend a seminar on "How to Deal with Difficult People" seemed a little excessive, when all we hear is "it's a vocal few that like to create problems". These things caused me to delve a little deeper, and that's when I saw the problems that this audit will investigate.

Recently I saw a quote by Eric Hoffer on the Assistant City Manager's Facebook page that I honestly think sums up this administration, "Those in absolute power can not only prophesy and make their prophesies come true, but they can lie and make their lies come true". There have been too many lies, too much deception, and too much shade tree politics, in our small town. It's time to see how deep this goes.

Senator Bradley said it best when he spoke of Hampton, "we should all be outraged". We live in Florida, a state with one of most transparent forms of government there is. There should be no hesitation in granting this audit. Not only because it is law, but because we do live in Florida and we want to protect and preserve our open government. Anything that jeopardizes that should outrage all of us.

Thank you for your time and consideration in this.
Joan A. White

Audit Request:
North Lake County
Hospital District

There are no meeting materials for this agenda item.



Department of Economic Opportunity

CONNECT

Information Technology
Operational Audit
Report No. 2015-107
February 2015

CONNECT is the new system used by the Department in administering the State's Reemployment Assistance Program (formerly called Unemployment Compensation Program).

The CONNECT audit was performed in support of other Auditor General annual audit requirements as noted below and in response to legislative interest as to the status of the new system.

- **Statewide Financial Statement Audit** – The Reemployment Assistance Fund is a major fund in the State of Florida's financial statements.
- **Statewide Federal Awards Audit** – The Reemployment Assistance Program (Unemployment Insurance) is a major Federal program included in our audit of Federal Awards.

CONNECT is a fully integrated Web-based claims management system that includes all reemployment assistance program functions including claims, wage determination, adjudication, appeals, benefit payment control, and program integrity.

- On October 15, 2013, the Department implemented CONNECT. CONNECT replaced the Department's previous Unemployment Compensation (UC) System.
- The Department has previously informed the Legislature that the CONNECT implementation did not go as hoped for by the Department and that many technical issues were identified upon initial implementation.
- The Department also indicated that it had taken steps to implement compensating processes outside of the regular application system processing to ensure that claimants were paid in a timely manner while issues were worked out.

Audit Objectives

- To determine the effectiveness of IT controls in achieving management's control objectives related to compliance with controlling laws, administrative rules, and other guidelines; the confidentiality, integrity, availability, relevance, and reliability of data; and the safeguarding of IT resources.
- To determine whether Department management had corrected, or was in the process of correcting, audit findings disclosed in audit report No. 2013-107 that were within the scope of the audit.

Audit Scope

- Selected application input, processing, and output controls and related operational processes were evaluated applicable to CONNECT during the period July 2013 through June 2014 and selected Department actions through February 3, 2015.
- Selected general IT controls applicable to CONNECT were evaluated applicable to systems development, implementation, and modification and logical access to programs and data.

Audit Results

Our audit disclosed nine areas in which improvements were needed in CONNECT application input, processing, and output controls as well as application-level general controls and operational processes.

Finding No. 1

CONNECT Application Design Documentation

The Department had not maintained high-level business process flows for the CONNECT application since 2010 to reflect the current state of the overall CONNECT design.

Finding Nos. 2 through 9

CONNECT Input Controls

Improvements were needed for selected input controls over social security numbers and other personally identifiable information in CONNECT and CONNECT edits, input forms, document reviews, verification controls, and review of manual overrides.

Finding Nos. 10 through 13

CONNECT Processing Controls

Improvements were needed for selected CONNECT processing controls applicable to the monitoring of claim activity, timely automated claim notices, automated generation of claim issues, and system usability.

Finding Nos. 14 through 16

CONNECT Output Controls

Improvements were needed for selected CONNECT output controls applicable to reports and interfaces, online screens and reports, and reconciliation controls.

Finding Nos. 17 through 19

CONNECT Data Integrity Controls

Improvements were needed for selected automated and manual controls related to incorrect overpayments and charges, date and count calculations, and data fixes used to correct issues with CONNECT data caused by such control deficiencies.

Finding No. 20

CONNECT User Documentation

The ability for employers to file appeals through CONNECT for nonmonetary determinations that do not address charges was not functional.

Finding Nos. 21 through 23

CONNECT Logging, Monitoring, and Review

Improvements were needed for selected logging, monitoring, and review controls related to the verification of manually entered data, the completeness and accuracy of transaction logs, and the independence of the Reemployment Assistance Program claim quality review function.

Finding Nos. 24 through 29

CONNECT Security Controls

Improvements were needed for selected CONNECT security controls related to access control procedures, the periodic review of access privileges, the appropriateness and timely deactivation of access privileges, claim issue and workflow assignments, and other security controls related to user authentication and logging.

Finding Nos. 30 and 31

CONNECT System Development and Configuration Controls

Improvements were needed for selected controls related to program and configuration changes and data conversion reconciliations.

Questions?

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DEPARTMENT OF ECONOMIC OPPORTUNITY

CONNECT

Information Technology Operational Audit



EXECUTIVE DIRECTOR OF THE DEPARTMENT OF ECONOMIC OPPORTUNITY

Pursuant to Section 20.60, Florida Statutes, the head of the Department of Economic Opportunity is the Executive Director, who is appointed by the Governor and subject to confirmation by the Senate. Jesse Panuccio served as the Executive Director during the period of our audit.

The audit team leader was Arthur Wahl, CPA, CISA, and the audit was supervised by Chris Gohlke, CPA, CISA. Please address inquiries regarding this report to Arthur Hart, CPA, Audit Manager, by e-mail at arthart@aud.state.fl.us or by telephone at (850) 412-2923.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

DEPARTMENT OF ECONOMIC OPPORTUNITY

CONNECT

SUMMARY

The Department of Economic Opportunity (Department) is responsible for administering the State's Reemployment Assistance (RA) Program. On October 15, 2013, the Department implemented CONNECT. CONNECT replaced the previous Unemployment Compensation (UC) System that was composed of several interacting subsystems, including the UC Claims and Benefits Subsystem, Appeals, and the Benefit Overpayment Screening System. In developing CONNECT, the Department's stated intent was to use new technology and re-engineered processes for faster production, higher quality work products (to reduce costs), and improvement in services to claimants and employers.

Our Information Technology (IT) operational audit focused on evaluating selected application input, processing and output controls applicable to CONNECT. The audit included selected general IT controls over systems development, implementation, and modification and logical access to programs and data. We also determined the status of corrective actions regarding prior audit findings disclosed in our report No. 2013-107 that were applicable to the scope of this audit.

Our audit disclosed areas in which improvements in CONNECT application input, processing, and output controls as well as application-level general controls and operational processes were needed. The results of our audit are summarized below:

CONNECT APPLICATION DESIGN DOCUMENTATION

Application design documentation provides the basis for validating that the design of the application meets management's requirements and that the control objectives applicable to the application controls of the system ensure the confidentiality, availability, and integrity of data. Continued maintenance of application design documentation helps ensure that changes to the original application design continue to align with management's requirements and control objectives to ensure the confidentiality, availability, and integrity of data. Our audit disclosed that the Department had not maintained high-level business process flows for the CONNECT application since 2010 to reflect the current state of the overall CONNECT design. (Finding No. 1)

CONNECT INPUT CONTROLS

Information systems can introduce inherent risk factors not present in manual processes and systems. Our audit disclosed control deficiencies related to selected input controls of social security numbers and other personal identifiable information (PII) in CONNECT and CONNECT edits, input forms, document reviews, verification controls, and review of manual overrides. (Finding Nos. 2 through 9)

CONNECT PROCESSING CONTROLS

As stated above, information systems can introduce inherent risk factors not present in manual processes and systems. Information systems may automatically initiate transactions or perform processing functions for which evidence of these processing functions (and any related controls) may or may not be visible. Our audit disclosed control deficiencies related to selected CONNECT processing controls applicable to the monitoring of claim activity, timely automated claim notices, automated generation of claim issues, and system usability. (Findings Nos. 10 through 13)

CONNECT OUTPUT CONTROLS

Like input and processing controls, output controls are used to reasonably ensure that transaction data is complete, accurate, and valid. Formal procedures should be established for data processing to help ensure that data is processed completely and accurately, that data retains its validity during processing, and output data is appropriately reconciled to the input and processed data. Our audit disclosed control deficiencies related to selected CONNECT output controls applicable to reports and interfaces, online screens and reports, and reconciliation controls. (Findings Nos. 14 through 16)

CONNECT DATA INTEGRITY CONTROLS

Application controls can be automated or manual. Most business processes will have a combination of automated and manual controls that balance resource requirements and risk mitigation. Combinations of these controls help to ensure the integrity of data in the system. Our audit disclosed selected automated and manual control deficiencies related to incorrect overpayments and charges, date and count calculations, and data fixes used to correct issues with CONNECT data caused by such control deficiencies. (Finding Nos. 17 through 19)

CONNECT USER DOCUMENTATION

The Department's user documentation, *Employer Guide to CONNECT (Guide)*, states that employers can access information about filed claims and communicate with Department staff through CONNECT. Additionally, the *Guide* states that employers can use CONNECT to file an appeal, protest benefit charges, and view and send correspondence. Our audit disclosed that the ability for employers to file appeals through CONNECT for nonmonetary determinations that do not address charges was not functional. (Finding No. 20)

CONNECT LOGGING, MONITORING, AND REVIEW

Control procedures should be in place for the logging, monitoring, and review activities to ensure that data entered and processed by an application system is accurate, valid, complete, and authorized. Additionally, controls should be in place to ensure that the logging, monitoring, and review of data are performed independently. Our audit disclosed control deficiencies applicable to selected logging, monitoring, and review controls related to the verification of manually entered data, the completeness and accuracy of transaction logs, and the independence of the RA Program claim quality review function. (Finding Nos. 21 through 23)

CONNECT SECURITY CONTROLS

Effective application security management provides a foundation for entity management to obtain reasonable assurance that the application is effectively secured. Our audit disclosed control deficiencies applicable to selected CONNECT security controls related to access control procedures, the periodic review of access privileges, the appropriateness and timely deactivation of access privileges, claim issue and workflow assignments, and other security controls related to user authentication and logging. (Finding Nos. 24 through 29)

CONNECT SYSTEM DEVELOPMENT AND CONFIGURATION CONTROLS

Effective program change controls are intended to ensure that all program modifications are properly authorized, tested, and approved for implementation. Our audit disclosed control deficiencies applicable to selected controls related to program and configuration changes and data conversion reconciliations. (Finding Nos. 30 and 31)

BACKGROUND

CONNECT is a fully integrated Web-based claims management system that includes all reemployment assistance (RA) Program functions: initial and continued claims, wage determination, adjudication, appeals, benefit payment control, and program integrity. Claimants, employers, and third parties can access information about filed claims and communicate with Department staff through CONNECT. CONNECT is accessed by six types of users: claimants, employers, Department staff, Third-Party Representatives (TPRs), Third-Party Administrators (TPAs), and other State and Federal agencies. CONNECT interfaces with various State and Federal systems as needed to process and report data applicable to the RA Program. Approximately 500,000 claims existed in CONNECT from February 24, 2014, through June 30, 2014.

As of November 30, 2014, the Department reported that costs for the CONNECT project totaled \$77.9 million as shown in the table below.

Category	Costs
Expenses	\$ 10,518,041.61
Independent Verification and Validation	2,241,279.68
Legal	114,627.25
Operating Capital Outlay	385,677.73
Other Personal Services	1,714,279.78
Project and Operational Support	4,813,267.41
Project Management and Support Contracts	15,275,948.61
Project Management Office	1,925,800.00
Southwood Shared Resource Center	298,710.42
System Integrator (SI) Services	40,634,270.58
Total	\$ 77,921,903.07

The Department contracted with Deloitte Consulting Limited Liability Partnership (Deloitte) to perform system integrator (SI) services to develop CONNECT. Deloitte was paid \$40.6 million through November 30, 2014, with total contract payments expected to reach \$47 million by the end of the contract. Also, as part of the implementation of CONNECT, the Department paid Ernst & Young, LLP, \$2.1 million, to perform the Independent Verification and Validation (IV & V) for CONNECT.

On January 15, 2014, the Department’s Executive Director appeared before the Legislature’s Appropriations Subcommittee on Transportation, Tourism, and Economic Development and reported that the implementation of CONNECT had not gone as hoped for by the Department. The Executive Director stated that there were more than 100 technical issues identified upon initial implementation. He further indicated that some of the issues were resolved subsequent to implementation, while other issues surfaced. To meet the technical challenges of CONNECT and to ensure that claimants were paid in a timely manner while system issues were worked out, the Executive Director indicated that the Department took steps to implement compensating processes outside of the regular application system processing, including the following:

- An additional consulting group, Capgemini Government Solutions, LLC (Capgemini), was engaged to help resolve the outstanding issues and assess the state of CONNECT.
- The Department added positions (RA Program staff increased from 970 to approximately 1,200 positions). Additionally, agents were added to call centers and claim adjudicators were added.
- The Department increased hours of operation and implemented a 7-day work week.
- The Department established a process to work around the system to push claim adjudications through (manual overrides).
- The oldest technical issues were resolved first, when possible.
- Claimants were notified through automated telephone calls when the specific issue that prevented their claim from being processed had been resolved.

In addition to the steps and compensating processes noted above to ensure timely benefit payments, the Department indicated that it took further steps to ensure the completeness, accuracy, and validity of data such as claims and benefit payments by creating data fixes to correct data issues in the application. Data fixes are corrections or changes to data made through program scripts outside of the normal application processing of CONNECT. From the initial implementation of CONNECT on October 15, 2013, through June 30, 2014, there were 10,878 completed data fixes for data corrections or changes to CONNECT data. A single data fix may have included corrections or changes to

one data record or multiple data records. A record or records may have included one or many types of data such as claims, claim issues, claimants, employers, or benefit payments.

RA Program Process

Individuals who file for RA Program (unemployment) benefits with the State of Florida are referred to as claimants. Employers for whom the claimants previously worked are referred to as employers. Generally, claimants can file an automated claim for RA as a first-time claimant if they have not filed for RA before or as a repeat claimant if they have filed for RA previously. When filing a claim, the claimant is guided by CONNECT through an automated series of questions, messages, screens, and forms to enter required information in the system to complete the claim application. In addition, CONNECT is designed to verify the identity of claimants as part of the completion of a claim application. Once a claim application has been completed in CONNECT, notices of claims (claim notices) are distributed by the system to employers.

Depending on the nature of a claim and the data entered by the claimant, CONNECT may generate one or more claim issues. *Claim issue* is a term used by the Department to denote something that will need to be reviewed or resolved before a claimant is considered eligible to receive benefit payments. This review or resolution of the issue is referred to as adjudication.

As claim issues are automatically or manually created in CONNECT, the issues can be auto-adjudicated based on the predefined functionality of CONNECT or can be required to be reviewed by adjudicators to determine if the claim issues have been resolved and if the claimant's application may be approved to receive benefit payments. If a claim is not auto-adjudicated, Department adjudicators or other staff are required to review the claim issues and determine if a claim may be approved or rejected. If the claim is approved, a monetary determination is made and a notice is distributed to the claimant and applicable employers and the claim is processed for payment. If the claim is rejected, a nonmonetary determination is made and a notice is distributed to the claimant and the claim is not processed for payment. The claimant or employer may request an appeal with the Department regarding both monetary and nonmonetary determinations.

Throughout the RA process, there are a variety of activities that are required by law in order for claimants to timely receive RA benefit payments. These activities include the timely notifications from the Department to claimants and employers that claims applicable to them are being processed in CONNECT and the timely receipt of fact-finding documents from claimants and employers requested by the Department. Various dates in CONNECT are important in the determination of compliance with law and the timely payment of benefits. For example, the postmark date, if mailed through the U.S. Postal Service is considered the file date for an appeal, the received date is used to determine if requested documents are timely received, the distributed date is used to determine system-determined due dates, and claim issue beginning and ending dates are used to determine the period of time a claimant may not be eligible to receive benefits.

Our audit focused on evaluating selected CONNECT application input, processing, and output controls as well as application-level general controls and operational processes applicable to the RA processes as described above and identifying deficiencies in controls that needed improvement. In performing our audit work and analysis, we determined, in some instances, that the Department had logged a technical issue related to the control deficiency noted by our audit. Once a technical issue was logged, the Department referred to it as a defect.

The RA Program is included within the scope of our Statewide audit of Federal awards administered by the State of Florida and the results of that audit, for the fiscal year ended June 30, 2014, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

CONNECT Application Design Documentation

Finding No. 1: Application Design Documentation

Agency for Enterprise Information Technology (AEIT)¹ Rule 71A-1.015(1), Florida Administrative Code, states that an agency shall ensure information technology resources are correctly maintained to ensure continued confidentiality, availability, and integrity. Application design documentation provides the basis for validating that the design of the application meets management's requirements and that control objectives applicable to the application controls of the system ensure the confidentiality, availability, and integrity of data. High-level design documentation includes business process flows that reflect a complete and accurate representation of the future state of all business processes aligned with management's requirements. Detailed-level design documentation represents business process activities and work flows in association with the high-level business process flows. As an application design evolves and changes, continued maintenance of application design documentation helps ensure that changes to the original application design continue to align with management's requirements and control objectives to ensure the confidentiality, availability, and integrity of data.

Upon audit inquiry, we determined that, although the Department had developed and maintained detailed activity design documentation, the Department had not maintained the high-level business process flows for the CONNECT application since 2010 to reflect the current state of the overall CONNECT design. Without current and appropriate CONNECT design documentation, the risk is increased that CONNECT may not function as intended by management and that appropriate controls may not be in place to ensure the confidentiality, availability, and integrity of CONNECT data.

Recommendation: The Department should maintain current application design documentation for CONNECT to help ensure the confidentiality, availability, and integrity of CONNECT data.

Follow-Up to Management's Response:

Management's response states that CONNECT uses a different method to maintain current application design and process flow documentation. Management's response further states that every "Use Case" created for design has a workflow diagram for the process and that Use Cases, workflows, and design documents are updated on a continuous basis when CONNECT changes are completed. Although the Department's method may be effective for maintaining documentation at a detailed level (Use Case level), it is not effective for maintaining a clear understanding of how the individual detail design Use Cases of CONNECT flow together and interrelate from an overall, high-level perspective and how the Use Cases as a whole meets management's overall requirements and strategic direction for CONNECT.

¹ Chapter 2014-221, Laws of Florida, effective July 1, 2014, created the Agency for State Technology (AST) within the Department of Management Services and authorized a type two transfer of all records; property; pending issues and existing contracts; administrative authority; administrative rules in Chapters 71A-1 and 71A-2, Florida Administrative Code, in effect as of November 15, 2010; trust funds; and unexpended balances of appropriations, allocations, and other funds of the AEIT to the AST.

CONNECT Input Controls

Finding No. 2: Use of Social Security Numbers

Section 119.071(5)(a)2.a., (I) and (II), Florida Statutes, states that an agency may not collect an individual's social security number (SSN) unless the agency has stated in writing the purpose for its collection and unless it is imperative for the performance of that agency's duties and responsibilities as prescribed by law. Section 119.071(5)(a)2.b., Florida Statutes, provides that, an agency shall identify in writing the specific Federal or State law governing the collection, use, or release of SSNs for each purpose for which the agency collects the SSN, including any authorized exceptions that apply to such collection, use, or release and that each agency shall ensure that the collection, use, or release of SSNs complies with the specific applicable Federal or State law. Additionally, Section 119.071(5)(a)3., Florida Statutes, provides that SSNs collected by an agency may not be used by that agency for any purpose other than the purpose provided in the written statement.

To log on to CONNECT, users are required to have and use a user identification code (user ID). We determined that SSNs were being used as user IDs for CONNECT. Although the Department had developed a written *Privacy Act Statement* that disclosed the purpose for the collection of SSNs in CONNECT, such as identity verification for eligibility to receive payments and reporting benefits to the Internal Revenue Service, the *Privacy Act Statement* did not disclose purposes for using the SSN as a user ID in order to log on to CONNECT. In addition, the Department had not established the imperative need to use SSNs as user IDs for CONNECT. The use of SSNs as user IDs is contrary to State law and increases the risk of improper disclosure of SSNs.

Recommendation: In the absence of establishing an imperative need for the use of SSNs, the Department should comply with State law by establishing another identifier for user IDs to be used in CONNECT rather than SSNs.

Finding No. 3: Personally Identifiable Information

Information technology (IT) controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain Department IT controls applicable to CONNECT and related to the confidentiality of personally identifiable information that were deficient. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising data and IT resources. However, we have notified appropriate Department management of the specific issues. Without adequate IT controls related to the confidentiality of personally identifiable information, the risk is increased that the confidentiality, integrity, and availability of CONNECT data and IT resources may be compromised.

Recommendation: The Department should establish IT controls to ensure the confidentiality, integrity, and availability of CONNECT data and IT resources.

Finding No. 4: Application Input Edits

Effective input controls include application edits that are used to reasonably ensure that data is valid and recorded in the proper format and ensure data accuracy. Our review indicated that improvements to CONNECT edit controls were needed. Specifically:

- The postmark and received dates of documents submitted to the Department via U.S. Postal Service (mail) or fax were being automatically updated to the current date whenever a document was assigned, reassigned, or indexed. This practice could potentially cause problems with respect to requests for appeals. For example, if a written request for an appeal is submitted through the mail, the postmark date will be considered the date of filing. Sections 443.151(3)(b) and (c), Florida Statutes, states that monetary and nonmonetary determination notices delivered to claimants or employers may be appealed within 20 days after mailing or delivery of the determination notices. If a request for appeal is not filed within the statutorily mandated 20 days, it may be treated as untimely and will not be considered for further consideration by the Department.
- There were no edits in place in CONNECT to ensure that the postmark date preceded the received date for documents submitted to the Department via mail. These dates are key dates when determining claimants' or employers' compliance with predetermined due dates of either automated or manual notifications or requests for documentation (fact-finding documents). Controls should be in place to ensure that postmark dates and received dates are properly sequenced in CONNECT to ensure the accurate processing of claims and benefit payments.
- There were no edits in place in CONNECT to ensure that the dates related to claim issues and employment dates were appropriate and accurate. In some instances, we noted that claim issue dates were converted from the previous UC system using the employment beginning and ending dates of a claimant instead of the actual claim issue beginning and ending dates. Controls should be in place in CONNECT to ensure that the dates are reasonable and valid.
- Zip code fields and telephone number fields were not prevented from accepting invalid data. For example, these fields could consist of all nines. As stated in our description of the RA Program process in the *Background* section of this report, the Department is required to notify claimants and employers as various events happen on a claim or request further documentation. To ensure timely responses to notifications and requests for documentation, edit controls should be in place to ensure that claimant zip code and telephone number data are reasonable to ensure that correspondence with claimants and employers is timely.
- The *U.S. Department of Labor (DOL) Employment and Training (ET) Handbook 301* states that all attempts made to obtain information from any claimant, employer, or third party must be documented. Documentation must include the date, time, and name of the individuals who answered telephone calls, a copy of all correspondence written in the course of the investigation, and anything else that would establish the action taken. To help ensure compliance with this requirement, mandatory notes fields were designed in CONNECT to require Department staff to enter textual notes related to various events in CONNECT. For example, when Department staff changed the status of a claim issue from *pending* (the issue is open for working on by the staff) to *void* (the issue is canceled and not required to be worked on by staff), Department staff changing the status was required by CONNECT to enter the reason for voiding the issue in the notes field. However, these mandatory notes fields did not have minimum data-entry edit requirements and could be bypassed by entering a space in the fields and, therefore, circumventing the design requirement of CONNECT.

Without the appropriate edits in place, the risk is increased that the accuracy of claimant identification data, claims, benefit payments, and employer chargeability and the Department's compliance with the *U.S. DOL ET Handbook 301* may be compromised and that benefit payments and employer charges may be based on incorrect information. Similar findings were noted in prior audits of the RA Program, most recently our report No. 2013-107.

Recommendation: The Department should improve controls related to application input edits to ensure the accuracy of CONNECT data and to ensure compliance with *U.S. DOL ET Handbook 301*.

Finding No. 5: Inadequate Edits - Duplicate Claims and Claim Issues

Application input completeness controls provide reasonable assurance that all data is input into the system, accepted for processing, and processed once and only once. Effective input controls (edits) ensure that input data is validated

and edited to provide reasonable assurance that erroneous data is detected before processing and that duplicate data is rejected by the system.

Although the Department had implemented some CONNECT input edits to prevent duplicate claims and claim issues from being entered through manual and automated means, our audit disclosed that the edits did not always prevent duplicate claims and claim issues from being entered or created in CONNECT. For example, through our review, we determined that CONNECT allowed both a claimant to manually enter a claim in CONNECT and Department staff to enter the same claim for the same claimant on the claimant's behalf. The Department logged a defect ticket on June 24, 2014, to correct this claim issue. Another example that we discovered through our audit was that a previously determined separation employment issue was duplicated in CONNECT and incorrectly redetermined, resulting in a claimant being erroneously charged an overpayment for a prior claim.

Without application input edits to prevent duplicate claims and claim issues in the system, the risk is increased that the validity of data may be compromised. In response to our audit inquiry, Department management indicated that the ability to enter duplicate claims as noted above had been corrected on August 9, 2014.

Recommendation: The Department should continue its efforts to ensure that controls are in place to prevent duplicate claims and claim issues from being entered or created and processed in CONNECT.

Finding No. 6: Input Forms and Messages

Application input controls help ensure that data is valid and recorded in the proper format. Error handling procedures during data entry should reasonably ensure that errors and irregularities are detected, reported, and corrected in a timely manner and that data is complete, accurate, and valid. Error messages generated during data entry should provide timely and useful information to ensure the accuracy and validity of data.

As part of the implementation of CONNECT, the Department implemented standardized input forms and error messages that were designed to guide the claimant through the claim application process without having to contact the Department directly for assistance. For example, depending on how the claimant may have answered a set of initial questions in CONNECT, the claimant would have been taken to a particular input form based on the responses to the questions. If the claimant had answered the same initial questions in a different way, the claimant would have been taken to another particular input form. Error messages were built into CONNECT to help the claimant with the process. During our audit, we noted the following control deficiencies related to input forms and messages:

- Pursuant to Section 443.151(8)(a), Florida Statutes, the Department shall provide printed bilingual instructional and educational materials in the appropriate language in those counties in which 5 percent or more of the households in the county are classified as a single-language minority. Department analysis indicated that 15 counties or regions within the State were designated as meeting the 5-percent requirement for the Spanish and Creole languages. During our audit, we noted that some standardized input forms were deficient or were not being appropriately created or displayed. For example, while the claims application can be initiated in three languages (English, Spanish, and Creole), the related standardized input forms or corresponding standardized documents, including fact-finding documents, that claimants were directed to were in English only. Having input forms and documents contrary to provisions in Section 443.151(8)(a), Florida Statutes, increases the risk of untimely claims-related documentation and the possibility of incorrect payments or the denial of benefit payments.
- Standardized input documents designed for claimant reporting requirements for employability development plan issues were not being created. The noncreation of standardized input documents may not allow claimants to meet required timelines for submitting documentation to the Department and increases the risk that Department determination decisions may be issued based on incorrect information.

- In some instances, error messages used to guide the claimants through CONNECT did not correspond correctly to the encountered error. For example, when a claimant failed to answer the question “Did you work for this employer?,” the error message displayed was “You previously indicated you had Military Service, is this correct?.” Erroneous error messages increase the risk that claimants may not enter accurate and complete data into CONNECT and in turn increases the risk that Department determination decisions may be issued based on incorrect information.

Without the appropriate use of input forms and error messages, the risk is increased that data may not be complete, accurate, and valid and that data such as claims applications may not be processed in a timely manner. In response to our audit inquiry, Department management indicated that defects had been logged for issues related to standard input forms and error messages and that the defects were either in the process of being resolved or had been resolved.

Recommendation: The Department should continue its efforts to ensure that standardized input forms and documents and error messages are appropriate and valid.

Finding No. 7: Timely Review and Processing of Unidentified Received Documents

Effective processing and reconciliation controls include procedures to identify and review incomplete transactions and to investigate and take appropriate action to correct any omissions of data in a timely manner. As part of the claimant application process, claimants, employers, and third parties may be requested to submit certain RA Program benefit documents or other information electronically to the Department for review, including fact-finding documents. Predetermined due dates are determined by CONNECT or Department staff based on the type of document to be submitted. When documents are received by the Department, the documents should be identified and linked to the appropriate claimant, claim, or issue in CONNECT. If a claimant, employer, or third party fails to respond timely to a request for information, a determination decision may be issued based on available information even if subsequent adverse documents are received. When documents received by the Department are not able to be identified as applicable to a certain claimant, claim, or issue, the documents are placed in a workflow queue for unidentified documents for further investigation by Department staff.

Our review of documents in all workflow queues as of June 30, 2014, disclosed that 179,224 of the 408,256 documents (44 percent) were in the unidentified workflow queue. Through our audit, we determined that Department procedures for addressing the unidentified documents workflow queue were not adequate to ensure that unidentified documents were being investigated, identified, and linked to the appropriate claimant, claim, or issue in CONNECT in a timely manner. For example, our review disclosed that documents uploaded from the Department’s Central Intake mail and fax processes were not being reconciled to provide reasonable assurance that all received documents were being timely and accurately linked to the appropriate claimant, claim, or issue in CONNECT or assigned to an unidentified workflow queue. Additionally, a review performed by the Department during our audit period indicated that some received documents were not being timely and accurately linked to the appropriate claimant, claim, or issue as intended or assigned to an unidentified workflow queue.

The lack of adequate procedures to address unidentified received documents in a timely manner increases the risk that determination decisions may be issued based on incorrect data causing benefit payments and employer charges to not be processed properly.

Recommendation: The Department should improve processing and reconciliation controls to ensure the complete and timely review and processing of data.

Finding No. 8: Claimant Identity Verification

Application input controls are intended to ensure that data input into the application is valid. Effective input controls include checks to ensure that the validity and authenticity of information is accomplished as close to the point of origin as possible.

As part of the Department's implementation of CONNECT, a Federal Social Security Administration (SSA) interface was established to match claimant identity information in CONNECT with Federal SSA identity data to help with the detection of fraud or potential fraud and to verify and authenticate the identity of the claimant for further processing in CONNECT. CONNECT claimant identity data that was verified against SSA identity data included, but was not limited to, the claimant's SSN, birth date, surname, surname and birth date combination, and surname and first name combination. The SSA interface was designed to prohibit the authentication of claimants failing the SSA interface verification and automatically creates a claim issue for review by Department staff.

Our audit disclosed that the SSA interface authenticated claimants who had actually failed the verification process noted above. Thus, their claims were able to be processed and benefit payments made in CONNECT even though the potential for fraud existed. Through our review of production defect tickets, we determined that a defect ticket for this issue was created on May 27, 2014, and the solution implemented on August 9, 2014.

Although we were not able to determine the number of claimants authenticated by the SSA interface who should have actually failed the interface, we determined that the number of potentially fraudulent claims identified through the Department's Fraud Intelligence Rating Rules Engine (FIRRE), which identifies potentially fraudulent claims after the claims have been filed and sometimes after benefits were paid, was 20,536 for the period March 1, 2014, through June 30, 2014.

Recommendation: The Department should continue to strengthen claimant identity verification and authentication controls to ensure the validity and authenticity of CONNECT claimant identity information.

Finding No. 9: Manual Overrides

Effective input controls include procedures to monitor, in a timely manner, manual overrides applied to transactions to ensure the validity of data. If a claimant fails the claimant identity verification process in CONNECT, claims for benefit payments cannot be processed in CONNECT without a manual override of the claimant identity verification failure. Manual overrides should only be performed by Department staff once appropriate evidence to verify the claimant's identity has been received.

During our audit period, we determined that the Department did not have procedures in place to monitor manual overrides related to claimant identity verification and that overrides had been made without or before appropriate evidence to verify a claimant's identity was obtained.

Without appropriate procedures to monitor manual overrides, the risk is increased that the validity of data may be compromised because of inappropriate or incorrect overrides not being detected in a timely manner.

Recommendation: The Department should establish monitoring procedures to ensure that manual overrides of claimant identity verification failures are appropriate, correct, and documented.

CONNECT Processing Controls

Finding No. 10: Inadequate Monitoring of Claim Activities

Effective application processing controls include an adequate monitoring capability. Monitoring procedures should be in place to ensure data is accurately and timely processed. In CONNECT, after a claimant submits a benefit claim application, there may be associated claim issues automatically created by the system that need to be addressed by Department staff. Regardless of the type or origin of the issue, all relevant issues should be resolved before a claimant is considered eligible to receive claim benefits.

Depending on the claim issue, the CONNECT workflow will systematically assign issues to adjudicators or other staff. According to the system design, there were instances where individual nonmonetary claim issues were assigned to multiple adjudicators or other staff based on the type of issue. Although adjudicators or other staff were assigned the responsibility and accountability to investigate and resolve the claim issues, there was no one assigned the responsibility and accountability to ensure all relevant claim issues were timely created and resolved to ensure timely processing of the claim and benefits.

Without adequate monitoring procedures for claim activities, the risk is increased that benefit claims and payment data may not be processed in a timely manner and that determination decisions may be issued based on incorrect data.

Recommendation: The Department should establish procedures to monitor the status of all claim issues to ensure timely resolution and processing of benefit claims and payments and to ensure that determination decisions are issued based on correct data.

Finding No. 11: Timely Claim Notices

Effective application processing controls provide that procedures should be in place to identify and review the incomplete execution of transactions and that analyses and appropriate action should be taken to correct any incomplete execution of transactions. Additionally, monitoring procedures should be in place to ensure data is accurately and timely processed.

Sections 443.151(2) and (3), Florida Statutes, provide that the Department must notify claimants and employers regarding monetary and nonmonetary determinations of eligibility. In addition, the Department shall promptly provide a notice of claim to the claimant's most recent employing unit and all employers whose employment records are liable for benefits under the monetary determination. The employer must respond to the notice of claim within 20 days after the mailing date of the notice, or in lieu of mailing, within 20 days after delivery of the notice. If a contributing employer or its agent fails to timely or adequately respond to the notice of claim or request for information, the employer's account may not be relieved of benefit charges. Furthermore, pursuant to Section 443.151(5), Florida Statutes, each employer who is liable for reimbursements in lieu of contributions for payment of the benefits must be notified, at the address on file with the Department or its tax collection service provider, of the initial determination of the claim and must be given 10 days to respond. A contributing employer who responds within the allotted time limit may not be charged for benefits paid under an erroneous determination if the decision is ultimately reversed. Written notices of determinations should be furnished to claimants and should include sufficient information to enable the claimant to understand the determination; the reason for the determination; and the claimant's rights to protest, request reconsideration, or appeal.

Our review disclosed that CONNECT processes and Department monitoring procedures needed improvement to ensure that data was processed completely and accurately. For example, we determined that, during the period October 15, 2013, through March 31, 2014, over 60,000 employer notices were not distributed. However, although we confirmed with Department staff that claimant notices were also not distributed, we were unable to determine the number of nondistributed claimant notices. Monitoring and review procedures were not in place to readily identify the nondistribution of notices. As a result, claims were processed and paid by CONNECT without employers and claimants having the opportunity to respond to the notices. Additionally, we noted that the Department was distributing claimant notices that did not always include all statutorily required information such as the reason for denial of benefits.

The lack of appropriate Department monitoring procedures related to the claims application process increased the risk that incomplete data may have been processed, determination decisions may have been issued based on incorrect data, and inaccurate payments may have been made without being detected in a timely manner.

Recommendation: The Department should address CONNECT processing defects and improve monitoring procedures to ensure that notices are timely distributed and that data is processed accurately and completely.

Finding No. 12: Claim Issues Not Being Generated

Application data should be validated to provide reasonable assurance that erroneous data is prevented or detected before processing. Additionally, procedures should be in place to identify and correct any errors that occur during data entry and data processing. Error handling procedures should reasonably ensure that errors and irregularities are detected, reported, and corrected in a timely manner.

CONNECT is designed to automatically generate issues for a claim based on predefined parameters in the system. The issues may then be included in an automated workflow that routes the issues to the appropriate Department staff to resolve the issues. Depending on the type of issue, eligibility determination and benefit payments may be delayed until the issue is resolved.

Our audit disclosed that some CONNECT claim issues were not being system created and timely processed as designed. Because of the myriad of scenarios for which automated claim issues could potentially be generated, we were not able to determine the total number of scenarios for which automated claim issues were not being properly generated. However, as an example, when a claimant files a claim, employer separation and benefit issues should be system created and adjudicated. We noted instances in which this was not occurring. Without the system operating as designed, the risk is increased that the completeness, accuracy, and validity of data may be compromised; determination decisions may be issued based on incorrect data; and incorrect benefit payments and charges may be processed.

Recommendation: The Department should strengthen error handling procedures to ensure that the system operates as designed.

Finding No. 13: Technical System Errors

Data processing controls include procedures that ensure that data is processed completely and accurately and that data retains its validity during processing. Effective application functionality controls are designed to process input data

with minimal manual intervention. CONNECT was designed to allow Department users to efficiently perform their job functions through the automated functionality of CONNECT. However, during our audit, we determined that, in some cases, the users were unable to complete their job functions in CONNECT because of CONNECT technical errors. For example, we noted that 17 users within one of the Department’s adjudication sections experienced 79 technical errors on August 18, 2014. These technical errors prevented the users from processing data further for the particular claim for which they were working. Examples of technical errors are described below:

- When attempting to update information in CONNECT to indicate that timely written response documentation had been received from employers, CONNECT would display a technical error message to the user. Unless the timely written response was noted as being received through processes outside of CONNECT processes, determination decisions may be issued based on incorrect data (i.e., documentation being untimely received).
- When attempting to change the subtype category on an issue, CONNECT displayed a technical error message and prevented the user from entering the correct determination for an issue. Unless the correct determination was changed through processes outside of CONNECT processes, incorrect determination decisions could be issued affecting benefit payments and charges.
- When attempting to view nonmonetary issues for claims, CONNECT would display a technical error message to the user. Users were required to work with nonmonetary issues in ways other than the application screens designed for that purpose that circumvented the efficiencies intended by the designed screens.

After encountering a technical error, the user needed to log out of CONNECT and log on again before continuing other work. Technical errors preventing users from completing their job functions through functionality in the system increases the risk that the integrity of data may be compromised and that data processed in the system may not be accurate and complete. In response to our audit inquiry, Department management indicated that defects have been logged for the issues noted above and that some defects have been resolved.

Recommendation: The Department should continue its efforts to correct technical system errors in CONNECT to ensure the completeness, accuracy, and integrity of data.

CONNECT Output Controls

Finding No. 14: Reports and Interfaces

Effective output controls ensure that output generation and distribution are aligned with the reporting strategy. Management procedures reasonably ensure that content and availability of output and data are consistent with end-users’ needs, sensitivity, laws, rules, and regulations. Effective interface controls consist of those controls over the timely, accurate, and complete processing of information between applications and other feeder and receiving systems on an on-going basis.

Section 443.151(6), Florida Statutes, provides that any person who receives benefit payments for which she or he is not entitled (overpayments) is liable for repaying those benefits to the Department. CONNECT was designed to function with reports and interface programs to assist with the collection of overpayments in an automated manner. Examples of the reports and interface programs include the Statute of Limitations (SOL) report, data exchanges with collection agencies, and the United States (U.S.) Department of Treasury’s Treasury Offset Program (TOP), pursuant to Title 31, Section 285.6, Code of Federal Regulations.

Through our audit, we determined that the SOL report and the interface programs related to data exchanges with collection agencies were not functional. Additionally, the Department was unable to use the U.S. Department of

Treasury's TOP interface as of February 7, 2014, because of defects in CONNECT. We additionally noted that various reports and data exchanges required to support the U.S. DOL requirements were either not in production or contained data integrity issues. For example, the ETA-227 report was not in production and the U.S. DOL indicated concerns with the integrity of a CONNECT Benefits Timeliness and Quality data exchange. In response to our audit inquiries, Department management indicated that, because of issues with the validity of CONNECT data, the reports and interfaces noted above are currently not being used.

The lack of functioning reports and interfaces for the collection of overpayments increases the risk that the Department may not comply with Federal and State laws, rules, and regulations.

Recommendation: The Department should continue its efforts to resolve defects with reports and interface programs used to assist in the collection of overpayments.

Finding No. 15: Online Screens and Reports

Like input and processing controls, transaction data output controls are used to reasonably ensure that transaction data is complete, accurate, and valid. Output can be in hard-copy form or as information available for online viewing. In CONNECT, online screens and reports are used to perform functions related to eligibility determinations, claims application issues resolution, and benefit payment determinations as well as other related management and staff analyses. During our audit, we determined that certain key CONNECT online screens and reports used by Department staff to manage benefit claims provided incomplete and inaccurate information. Examples of these online screens and reports include, but are not limited to, the following:

- The Issue Summary screen used to display all information related to a claimant sometimes inappropriately displayed data from two different claimants. For example, the screen displayed issues and employers in the Issues section of the screen that were not issues and employers of the claimant being queried and displayed in the Claimant Information section of the screen.
- The Issue Summary screen sometimes inappropriately displayed the incorrect monetary (benefit payment) information for a claim queried for a claimant. For example, although a 2014 claim was queried for a claimant, benefit payment information was displayed for a separate 2012 claim. Additionally, there was no information with the 2012 benefits payment data displayed to readily indicate that it actually pertained to a 2012 claim.
- The Adjudicator History screen used to display all claimants and issues worked by an adjudicator inappropriately displayed claimants and issues as having been worked by the adjudicator when claimants and issues had not been assigned to or worked by that adjudicator.
- The online Manual Payments Detail Report used to display manual payments made to claimants did not display some manual payment information even though manual payment data existed in CONNECT.
- The Payment Summary and Payment Information screens did not accurately display payment information including payment identification (ID), payment date, and total payment amount. In some cases, the screens displayed the total payment amount as \$0 even though payments existed in CONNECT for the designated time period and the payment status indicated that a payment was processed.

Without accurate and complete data being displayed through online screens and reports, the risk is increased that erroneous or inappropriate updates and changes may occur and not be detected in a timely manner.

Recommendation: The Department should continue its efforts to resolve defects with online screens and reports to help ensure the accuracy and completeness of data.

Finding No. 16: Reconciliation Controls

Effective IT controls include procedures that reasonably ensure that interfaces are processed accurately, completely, and timely. Reconciliation controls help ensure that interfaced data is reconciled between the source and target applications to ensure that data transfers or exchanges are complete and accurate.

Our review of 12 key data exchanges (interfaces) disclosed that 5 of the interfaces were not being reconciled. The 5 interfaces included the RA Vendor Interface SRI file, the DEO0233 CONNECT Fraud SRI file, the DEO 0234 CONNECT Fraud SRI file, the DOR Incoming Wage file, and DOR New Hire Cross Match file. In addition, the Quarterly Benefits Charging file used to support the exchange of employer, wage, and employer chargeability information interfaced to DOR. Employers are ultimately billed through DOR’s System for Unified Taxation (SUNTAX) as a result of the data received from the Quarterly Benefits Charging file. Our additional review of the file indicated that it included some inaccurate employer chargeability information resulting in inaccurate charges for some employers.

The lack of reconciliation procedures increases the risk that incomplete or inaccurate data may be exchanged with or by CONNECT and not detected in a timely manner.

Recommendation: The Department should ensure that all data interfaced to CONNECT and from other systems is reconciled.

CONNECT Data Integrity Controls

Finding No. 17: Incorrect Overpayments and Charges

Data processing controls include procedures that ensure that data is processed completely and accurately and that data retains its validity during processing. Automated application controls help ensure consistent treatment of data and that data processing adheres to management’s intention and requirements on a consistent basis. However, because information systems process groups of identical transactions consistently, any inaccuracies arising from erroneous computer programming or design will occur consistently in similar transactions.

Our audit disclosed deficiencies in the automated controls and processing of data in CONNECT causing inaccurate and erroneous overpayments and charges to exist in CONNECT. Specifically:

- Section 443.151(3)(e)1., Florida Statutes, provides that the Department may reconsider a determination if it finds an error or if new evidence or information pertinent to the determination is discovered after a prior determination or redetermination. Additionally, a redetermination may not be made more than one year after the last day of the benefit year. CONNECT includes automated processes that reprocess claims (retroprocessing) based on redeterminations that may be made on issues associated with the reprocessed claims. However, we determined that deficiencies existed in CONNECT that allowed claims to be erroneously readjudicated and reprocessed and erroneous payments or charges to be created for a claimant. Additionally, because of a deficiency in automated controls, CONNECT allowed originally adjudicated claims with a status of eligible (eligible for payment) to be readjudicated as ineligible and the claimant erroneously charged for overpayments. Additionally, CONNECT allowed originally adjudicated claims with a status of ineligible (ineligible for benefit payments) to be readjudicated and released for payment when the claimant filed a new additional claim. For example:
 - In one instance, the claimant was wrongfully charged for overpayments in the amount of \$16,897.

- The retroprocess was erroneously reprocessing claims greater than one year after the last day of the benefit year. For example, CONNECT erroneously processed data and sent notices to claimants for weeks that occurred from May 31, 2009, to the date of the notice, July 23, 2014.
 - A claim filed in 2013 was determined to be ineligible for benefit payments by the Department. However, when the same claimant created a new claim in 2014, the 2013 claim was automatically readjudicated and released for payment resulting in all payments being automatically made for the 2013 claim.
- Claimants Incorrectly Charged Because of Chargeability Redeterminations for Employers - We determined that, when an adjudicator entered an employer chargeability redetermination, the claimant was being incorrectly charged for overpayments. For example, if the employer was initially noted to not be charged and then a redetermination is made to charge the employer, CONNECT incorrectly readjudicated the claim as being ineligible and then automatically incorrectly charged the claimant for overpayment in the amount of the benefit payments already appropriately made to the claimant.
 - Overpayments Because of RA Appeals Commission - In some cases, appealed issues are remanded for readjudication or a new appeals hearing. Our audit disclosed cases where, instead of waiting for the results of the readjudication, CONNECT automated processes incorrectly reprocessed previously paid claim benefits as disqualified resulting in the claimant being charged for overpayments.
 - Employer Charges in Excess of Maximum Benefit Amount – Our audit disclosed instances in which employers were billed over the allowed maximum potential charge amount.
 - Overpayments Because of Weekly RA Benefits - Some known incorrect CONNECT data, such as incorrect claimant weekly earnings, could not be corrected until after the payment of the incorrect RA Program weekly benefits.

The lack of consistent automated controls that support management's intentions and designs increases the risk that incorrect and erroneous data may be created in CONNECT and not be detected in a timely manner resulting in employers being incorrectly charged, claimants not getting the benefits they are due, or the State overpaying RA Program benefits.

Recommendation: The Department should establish data processing controls to prevent inaccurate and erroneous overpayments and charges from being generated by CONNECT.

Finding No. 18: Date and Count Calculations

Data processing controls include procedures that ensure that data is processed completely and accurately and that data retains its validity during processing. Due to the automated nature of CONNECT, various dates and counts in CONNECT are automatically calculated. These dates and counts are used in various processes including benefit eligibility determination, employer chargeability, and benefit payments. During our audit, we noted CONNECT was not always calculating dates and counts accurately as described below:

- Fact Finding Document Due Dates - As part of the adjudication process, the Department may request additional documentation from claimants and employers (fact finding documents). Depending on the type of issue and documentation needed, Sections 443.151(3)(a), (5)(a), and (5)(b), Florida Statutes, and Department procedures define time periods for which fact finding documents are to be due to the Department. CONNECT was designed to calculate due dates based on various parameters in CONNECT to promote compliance with Florida Statutes and Department procedures. However, our audit disclosed instances when CONNECT did not accurately calculate due dates. For example, for one document that should have been due within 7 days of the documentation request before being given a status of untimely response, the system incorrectly calculated the due date to be over 30 days after the documentation request. Also, we noted instances in which CONNECT fact finding document count was not accurate.

- Notice of Determination – Our audit disclosed that an employer had been erroneously sent a notice of determination for a claimant that had not been the employer’s employee. Another notice of determination was subsequently sent to the correct employer; however, the issue distributed date for the notice was not updated to the date the correct notice was sent. Although the notice was distributed on June 23, 2014, the date distributed on the claim issue was May 16, 2014. The May 16, 2014, date represents the date the issue was first modified in relation to the incorrect employer.
- Modified Claim Issues – Our audit disclosed that CONNECT automated processes sometimes erroneously modified claim issues resulting in incorrect claim issue modification dates, times, and names being populated on claim issues.

Without accurate dates and counts, the risk is increased that data integrity may be compromised and that determination decisions may be issued based on incorrect data.

Recommendation: The Department should ensure that CONNECT-calculated document request dates and counts are accurate and remain valid.

Follow-Up to Management’s Response:

Management’s response indicates that the referenced claim that was distributed on May 16, 2014, was related to a Wage Post Audit and does not appear to match the issue included in this finding for the referenced CID (Claimant Identifier). Management’s response also states that, if we provide additional information, the Department will research this issue further. Our standard operating procedures require us to communicate the details of the conditions of identified deficiencies in controls during our field work, in working conferences following field work, through confirmation memorandums (if determined necessary), and through formal exit conferences before delivering our preliminary and tentative findings. These procedures were performed to confirm our understanding of the conditions and to address any questions, concerns, or other requests from auditee personnel.

Finding No. 19: Data Fixes

Effective application controls should ensure that the functionality of the system is designed to process data with minimal manual intervention. Appropriate and effective controls should be in place to promote data integrity and to eliminate the need to bypass the designed input and processing controls by making data corrections and modifications outside of the application to ensure the integrity of data.

During our audit, we noted that 10,878 data fixes were made during the period October 15, 2013, through June 30, 2014, using program scripts that updated the CONNECT database directly without going through the input and process controls of the CONNECT application to help ensure the integrity of CONNECT data. A data fix could include one or multiple records depending on the type of correction or change needed. Although these data fixes were reviewed and approved by appropriate Department staff, the updates to the data were not subject to the same edits as data being entered and updated through the CONNECT application. Additionally, although the data fixes were logged in online history audit trails, the fixes were not logged in the same manner as they would have been had the data been updated or modified through the regular CONNECT application processes.

Through our audit inquiry, we determined that the data fixes were the result of errors in the CONNECT application in which Department users were unable to update the data through the regular CONNECT application processes. In response to our further inquiry, Department management indicated that defect tickets have been logged for errors and have either been resolved or are in the process of being resolved. The data fixes were used as a temporary process to

help ensure the completeness, accuracy, and validity of data in CONNECT while errors in the CONNECT application were being resolved.

While we commend the Department for taking steps to ensure that data is complete, accurate, and valid, performing updates and modifications to data outside the regular application controls of CONNECT increases the risk that controls designed to ensure the integrity of data will be circumvented and as a result the integrity of the data will be compromised.

Recommendation: The Department should improve the functionality of CONNECT to reduce the need to perform updates and modifications (data fixes) outside the regular application controls.

CONNECT User Documentation

Finding No. 20: User Documentation

The Department’s user documentation, *Employer Guide to CONNECT (Guide)*, states that employers can access information about filed claims and communicate with Department staff through CONNECT. Additionally, the *Guide* states that employers can use CONNECT to file an appeal, protest benefit charges, and view and send correspondence.

Our review of system functionality and inquiry with Department staff disclosed that the ability for employers to file appeals through CONNECT for nonmonetary determinations that do not address charges was not functional. As a work around, employers are required to mail to the Department or send paper appeals by facsimile (fax) in order for Department staff to file the appeal on behalf of the employer. In response to our audit inquiry, Department staff indicated a defect ticket was logged on May 12, 2014, to address this issue.

The lack of system functionality as designed and documented in user documentation (*Guide*) increases the risk of inaccurate or incomplete data and may compromise the integrity of data.

Recommendation: The Department should ensure that the functionality of CONNECT operates as designed and as reflected in the user documentation (*Guide*).

CONNECT Logging, Monitoring, and Review

Finding No. 21: Monitoring, Review, and Approval Activities

Control procedures should be in place for the monitoring, review, and approval activities that ensures that data entered and processed by an application system is accurate, valid, complete, and authorized. Additionally, controls should be in place to ensure that the monitoring, review, and approval of data is performed independently.

Our audit disclosed instances in which manually entered data, such as claimant wages and earnings, were not being independently verified. Although we identified instances in which it was appropriate for Department staff to manually enter or revise CONNECT data, the Department did not have appropriate monitoring, review, and approval procedures to ensure manually entered data was accurate, valid, complete, and authorized. Specifically, our review disclosed that manually entered data was not subject to management review unless the data was selected as part of other claim review processes, such as the weekly in-house quality review or other required quality review processes.

The Department performed weekly quality reviews on less than 3 percent of the claim cases processed during a given week.

The lack of appropriate monitoring, review, and approval procedures increases the risk that erroneous or irregular changes could be made to data and not be detected in a timely manner and benefit payments and charges made based on incorrect data.

Recommendation: The Department should establish and implement appropriate monitoring, review, and approval procedures to ensure the accuracy, validity, and completeness of data.

Finding No. 22: Data Processing Exceptions and Errors

Effective IT controls ensure that controls are in place to ensure that data processing exceptions and errors are timely identified, logged, monitored, and resolved. During our audit, we determined that the Department had implemented logging that recorded some system transactions and issues. Also, CONNECT claim logs were available on claimant profile screens. Users were able to view the logs based on the claimant, claim, or other search criteria. However, our review of the logs disclosed that the logs were not always recording complete and accurate information. Specifically:

- In some instances, the logs reflected the incorrect user or process that performed a specific transaction as well as incorrect transaction dates.
- Some relevant transaction changes were not being logged. For example, under certain circumstances, adjudication of claims issues was not being logged.

Application logs not recording accurate and complete information increases the risk that errors and irregularities may occur in CONNECT and not be detected in a timely manner.

Recommendation: The Department should ensure that CONNECT correctly and completely logs all relevant transaction changes.

Finding No. 23: Independence of the RA Program Quality Review Function

Title 20, Section 602.20, Code of Federal Regulations, requires that states perform certain quality control reviews and reporting to determine whether RA Program claims were properly administered to the claimants and whether the claimants were properly paid or denied RA Program benefits. The accuracy of monetary determinations and the proper detection and resolution of eligibility issues are assessed by detailed investigations of the relevant RA Program benefit claim and claim issue data, including claim issue adjudication processes. Additionally, the Code of Federal Regulations also requires that the organizational location and job functions of the quality control unit should be independent of the units whose work is being reviewed in order to maintain the objectivity and minimize organizational conflicts of interest.

Our review of the RA Program claim quality control processes disclosed that the quality review function was within the same organizational unit as the RA Program functions. Without independence from the RA Program functions, the independence of the quality control function may be improperly influenced and this placement is not in compliance with applicable Federal regulations.

Recommendation: The Department should review and implement appropriate action to ensure compliance with applicable Federal regulations regarding the independence of the RA Program quality control function.

CONNECT Security Controls

Finding No. 24: Access Control Procedures

Policies and procedures provide the framework and guidelines for maintaining proper operation and access control by encouraging the limitation of logical access on a need-to-know basis and reasonably assess the exposure to the identified concerns.

Within CONNECT, each department has a predefined set of roles that can be assigned by the Departmental Security Officers (DSOs). Department supervisors rely on the DSOs to assign the appropriate roles to employees. The DSOs use the *Departmental Security Officer Quick Reference Guide (Security Guide)* to instruct them on how to grant user access to the CONNECT roles. However, the *Security Guide* does not address which roles are to be applied to which positions within a specific department or which combinations of roles should not be assigned to one employee to ensure an appropriate separation of duties. In addition, the *Security Guide* did not address how roles external to a department are to be obtained, if needed.

Additionally, we noted that the Department used the *Resource Access Control Facility Agreement (Access Form)* to document CONNECT access privilege authorizations. However, as similarly noted in report No. 2013-107, the *Access Forms* used by the Department were not specific, as employees were assigned multiple roles or roles that did not match their job titles and that were not identified on the *Access Forms*. In addition, *Access Forms* for three employees, documenting that access granted to CONNECT was authorized, did not match the positions held by the employees or were created and signed as a result of our audit inquiry.

Inadequate access control procedures regarding logical access controls of CONNECT role assignments and use increases the risk that the access privileges may not be assigned as intended by management.

Recommendation: The Department should enhance the *Security Guide* to include instructions on what roles are to be applied to what positions within a specific department and what combinations of roles should not be assigned to one employee to ensure an appropriate separation of duties. Additionally, Department *Access Forms* should be improved to adequately document the specific CONNECT access privileges assigned to users. *Access Forms* should be created, signed, and maintained by the Department for all employees granted access to CONNECT.

Finding No. 25: Periodic Review of Access Privileges

Periodic review of access privileges helps ensure that access privileges assigned to users are monitored on a regular basis to ensure access privileges are authorized and remain appropriate. The Department lacked documented procedures related to the periodic review of access privileges. Additionally, as similarly noted in report No. 2013-107, we noted the following deficiencies with respect to the periodic review of access privileges:

- The Department did not have a process in place for the periodic review of users with privileged network access. Additionally, the Department had not documented the risk or reasoning for granting these access privileges for each user with privileged network access and had not developed plans to analyze how users with these privileges could have their duties and associated access assigned in a more restrictive manner.

- The Department did not have the ability to create a list of CONNECT users and their associated access privileges until the CONNECT team deployed the ability to create an ad hoc user list in August 2014. As a result, Department management lacked the tools necessary to perform a periodic review of user access privileges during our audit period.

Without an adequate periodic review of user access privileges, there is an increased risk that inappropriate access to data files and programs may exist that could result in compromised data integrity.

Recommendation: The Department should develop and implement procedures for the periodic review of access privileges, including those users with privileged network access, to help ensure that privileges assigned are authorized and appropriate.

Finding No. 26: Appropriateness of Access Privileges

Effective access controls include measures that limit user access privileges to data and IT resources that promote an appropriate separation of duties and that restrict employees and contractors to only those functions necessary for their assigned job duties. Appropriately restricted access privileges help protect data and IT resources from unauthorized disclosure, modification, or destruction. Additionally, effective access controls include a process for the unique identification and authentication of system users to allow management to affix responsibility for system activity to an individual person. As similarly noted in our report No. 2013-107, our review of logical access privileges for the network and CONNECT application and database disclosed instances where access privileges were granted in excess of what was necessary for the performance of job responsibilities.

Network Administrative Access

We reviewed 105 accounts with network administrative access privileges that included system accounts. System accounts are a special type of account used to perform automated, routine processes. Our review disclosed the following:

- One Division of Information Technology user account and two system accounts had unnecessary network administrative access privileges. As a result of audit inquiry, the user account's unnecessary access was removed on July 9, 2014. Additionally, Department management indicated that the system accounts' unnecessary access would be removed.
- One network administration system account was shared by two employees and used to perform network administration duties. As a result, accountability could not be determined for the shared account.
- One contractor was determined to have nonrequired network administration access privileges as of July 9, 2014. As a result of audit inquiry, Department management indicated that the contractor's nonrequired access privileges would be removed.
- For 19 system accounts, if the account password was known, the account could be used inappropriately by an individual without accountability. While the Department indicated that there were several methods that could be used to restrict an individual from using the system accounts, the Department had not developed plans to evaluate how system accounts could be restricted from being used by individuals.
- For 23 system accounts used by various applications, we determined that they had nonrequired network administrative access privileges. As a result of audit inquiry, the Department indicated that these nonrequired access privileges would be removed.

CONNECT Application Access

Our review of 60 accounts with CONNECT application access privileges disclosed the following:

- Access to CONNECT roles held by four employees or contractors was determined to be not required or inappropriate. Specifically:
 - One RA Program Claims and Benefits Department Contact Center employee had nonrequired access to the Withdraw Regular Claims and Predate Claims with Payments role and the Withdraw Regular Claims and Predate No Payment Claims role.
 - Two IT Operations' employees, providing support services, had update access to CONNECT through the IT role that created a separation of duties issue. In addition, one of the employees had only logged on once and the other had never logged on, indicating the access was not required.
 - One contractor in the Appeals Department had nonrequired access to the Hearings Clerical role. As a result of audit inquiry, Department management indicated the nonrequired access would be removed.
- Our review of access to CONNECT also disclosed that some CONNECT roles were inadequately designed, resulting in excessive CONNECT access privileges. Users were granted roles that allowed them to perform their job duties; however these roles also provided additional nonrequired CONNECT access privileges.

CONNECT Database Access

The CONNECT application uses a generic user ID to authenticate end users to the CONNECT database. This generic user ID should have access privileges that provide access to what the highest-level end user is permitted to access. Our audit disclosed that the CONNECT application generic user ID had inappropriate database administration permissions and was being inappropriately used by the four database administrators to perform database administration functions. In response to audit inquiry, Department staff removed the database administration permissions from the generic user ID on October 3, 2014. Additionally, our audit disclosed that the four database administrators were using this generic user ID, as well as two database accounts, to perform database administration functions instead of using unique accounts for each administrator in order to provide for individual accountability.

Inappropriate and unnecessary access privileges increase the risk of unauthorized disclosure, modification, or destruction of data and IT resources.

Recommendation: The Department should limit account access privileges to data and IT resources to promote an appropriate separation of duties, restrict users to only those functions necessary for their assigned job duties, and provide for individual accountability.

Follow-Up to Management's Response:

Management's response indicates that the audit finding narrative wrongly implies that the Department does not have measures in place to review appropriate access levels for staff and indicates disagreement with specific items within our finding. The point of our finding was that our review of logical access for the network and CONNECT application and database disclosed instances where inappropriate or unnecessary access privileges were granted. In addition, pursuant to our standard operating procedures, we have previously provided Department staff with detailed information obtained from the Department that provided the basis for our finding and related recommendation.

Finding No. 27: Timely Deactivation of Access Privileges

Effective management of IT access privileges includes the timely deactivation of IT access privileges when an employee or contractor is terminated or when the use of an account is no longer necessary. Prompt action is necessary to ensure that the access privileges are not misused by former employees or contractors to compromise data or IT resources. As similarly noted in our report No. 2013-107, our review of logical access privileges for the network

and CONNECT application and database noted instances where access was not deactivated in a timely manner for former or transferred employees and contractors.

Network Administrative Access

Our review of 105 accounts with network administrative access privileges disclosed the following:

- One contractor assigned an account with network administrative access privileges terminated on May 29, 2014. However, the contractor's account was not deactivated until June 10, 2014, or 12 days after the contractor terminated. The Department indicated that the account had been used to successfully log on to the network on June 3, 2014, but the Department could not determine whether the account logon record was created by an individual or an automated system process or if any changes were made during that logon session.
- Three terminated contractors were determined to have nonrequired network administrative access privileges as of July 9, 2014. The timeliness of access deactivation could not be determined as appropriate documentation evidencing termination dates and access deactivation dates were unavailable from the Department. In addition, the Department could not provide documentation to us to determine whether or not the contractor's accounts were used subsequent to termination.

CONNECT Application Access

Our review of 60 accounts with CONNECT application access privileges disclosed the following:

- One employee transferred from Benefit Payment Control to Program Development and Support on May 1, 2014, resulting in the employee no longer needing CONNECT application access. However, the employee's CONNECT account was not deactivated until June 5, 2014, or 35 days after the transfer. Department staff indicated that the delay was because the Benefit Payment Control security officer was not notified of the transfer until June 5, 2014.
- One RA Program Claims and Benefits Department Contact Center employee terminated on October 2, 2013. However, this employee's CONNECT account was not deactivated until August 11, 2014, or 313 days after termination. The account was subsequently used on October 9, 2013; however a Department review of the logs found no changes were made.
- One Workforce Program Support employee was provided an account to temporarily assist the Adjudication Unit. While this account was deactivated on February 18, 2014, it could not be determined whether this account was timely deactivated as no documentation existed indicating when this account was requested to be deactivated.

CONNECT Database Access

Our review of 20 accounts with CONNECT database access privileges disclosed that one contractor had database access privileges that remained active for 12 days after his end date on the project (August 14, 2014). In response to our audit inquiry, Department staff deactivated the former contractor's database account on August 26, 2014. Based on documentation provided by the Department, we determined that the former contractor did not use his database account subsequent to his removal from the project.

Without timely deactivation of accounts of temporary, transferred, or former employees and contractors, the risk is increased that access privileges may be misused by temporary, transferred, or former employees and contractors or others.

Recommendation: The Department should ensure that access privileges of temporary, transferred, or former employees and contractors are deactivated in a timely manner when employment or contractual services are terminated to minimize the risk of compromise to Department data and IT resources.

Follow-Up to Management’s Response:

Management’s response indicates disagreement with specific instances in our finding. We have previously provided Department staff with detailed information obtained from the Department that provided the basis for our finding and related recommendation. However, Department staff has not provided documentation to support the basis for the disagreement.

Finding No. 28: Issue and Workflow Assignments

Effective access controls help provide assurance that authorized users are able to perform only their assigned job duties and prevents users from being able to circumvent edits and other controls built into the application programs.

Claims application issues are automatically assigned to adjudicators based on a distribution hierarchy defined in the system. Adjudicators can then work the issue or designate the issue to be reassigned. Access controls of CONNECT are designed so that, when an issue is reassigned, the issue will go to a Supervisor or other work queue. The Supervisor or automated system processes will determine the adjudicator to be assigned to the issue.

During our audit, we determined that adjudicators were able to circumvent access controls related to the reassignment of issues by voiding issues that were not assigned to them and then reactivating the issue, which effectively reassigned the issue to the adjudicator. In addition, our audit disclosed that all CONNECT users with access privileges to the nonmonetary issue screens could end-date issues as resolved including issues not originally assigned to them.

Circumventing access controls in the system increases the risk that unauthorized or erroneous modifications to CONNECT data may occur and not be timely detected.

Recommendation: The Department should improve CONNECT access controls to limit access privileges to only those privileges required to perform users’ assigned job duties.

Finding No. 29: Other Security Controls – User Authentication, Logging, and Monitoring

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

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

Recommendation: The Department should implement appropriate security controls related to user authentication and logging to ensure the confidentiality, integrity, and availability of Department data and IT resources.

CONNECT System Development and Configuration Controls

Finding No. 30: Application Program and Configuration Changes

Effective program change controls are intended to ensure that all program modifications are properly authorized, tested, and approved for implementation. The effectiveness of ensuring that only approved program changes are

implemented is enhanced when program changes that have been moved into the production environment are reviewed for appropriateness.

The Department had implemented *Project Connect – Phase 3 Operations Procedures* to control application program and configuration changes including the requirements for documentation, authorization, testing, and approval of changes. Application program changes include program code changes to CONNECT application program functionality while configuration changes include the CONNECT infrastructure, such as the database. Our audit disclosed that CONNECT application program and configuration change controls needed improvement. Specifically, our review of 60 application program changes and 41 configuration changes during the period October 15, 2013, through June 30, 2014, disclosed the following:

- For 42 of the 60 application program changes requiring user acceptance testing, documentation of user acceptance testing was not maintained by the Department. Therefore, we were unable to determine that the 42 application program changes were properly tested and approved.
- For 41 configuration changes, we determined the following:
 - For 11 of the 41 configuration changes, change management documentation was not maintained. Therefore, we were unable to determine that the 11 configuration changes were properly documented.
 - For 26 of the 41 configuration changes, documentation of user acceptance testing was not maintained. Therefore, we were unable to determine if the 26 configuration changes were properly tested.
 - For 22 of the 41 configuration changes, documentation of approval was not available. Therefore, we were unable to determine if the 22 configuration changes were properly approved.
 - For 29 of the 41 configuration changes, roll-back plans were not documented.

Additionally, we determined that the Department did not have logging and monitoring processes in place to reasonably ensure that all application program and configuration changes made to production were properly documented, authorized, tested, and approved. The absence of appropriate application program and configuration change controls as noted above increases the risk that program changes may not be implemented in a manner consistent with management's expectations. Furthermore, without a process for verifying that all program changes that occur in the production environment are properly documented, authorized, tested, and approved, the risk is increased that erroneous or unauthorized program changes, should they be moved into the production environment, may not be timely detected by management.

Recommendation: The Department should improve CONNECT application program and configuration change management procedures to ensure that all program and configuration changes moved into production are properly documented, authorized, tested, and approved.

Follow-Up to Management's Response:

Management's response indicates disagreement with a number of the instances included in our finding. Although we have requested, Department staff has not provided detailed documentation to support that the program and configuration changes included in our finding were properly documented, authorized, tested, or approved.

Finding No. 31: Data Conversion Reconciliations

Effective IT controls include the evaluation of the readiness of information systems for implementation and migration into production to determine whether project deliverables, controls, and the organization's requirements are

met. During CONNECT implementation, the Department performed data comparisons and reconciliations between CONNECT data and data converted from the legacy UC System. While Department staff indicated that most of the data was accurately converted, there were instances where data conversion accuracy did not meet predefined accuracy criteria established by the Department. Predefined accuracy criteria represented summarized totals of converted data by various high-level criteria such as the total number of benefit charges by calendar year, the total gross dollar amount of benefit charges by program, and the total dollar amount of withholdings by deduction type. In the area of benefit charges, 95 percent of predefined accuracy criteria was not accurately converted. In the area of payments, 5 percent of predefined accuracy criteria was not accurately converted. The Department indicated that, subsequent to conversion and cutover to CONNECT, inaccuracies in CONNECT data due to conversion activities were addressed on an on-going basis and on a case-by-case basis as claim issues were identified in CONNECT. During our audit, we identified some scenarios where data conversion errors contributed to inaccurate claimant benefit payments and employer benefit charges. Specifically:

- During the conversion process, employer claim issues start and end dates were incorrectly converted using the claimant's employment dates instead of the correct claim issue dates. This resulted in incorrect billings to employers.
- During the conversion process, negative adjustment amounts used in the legacy UC System against claimants' final benefit amounts applicable to a specific claim were converted as positive amounts in CONNECT that resulted in improper overpayments being applied to the claimant. The improper overpayments resulted, in some cases, in deductions from current RA Program benefit claim payments in error.

Without accurate and complete data conversions, the risk is increased that the data integrity of CONNECT data will be compromised.

Recommendation: The Department should address any remaining inaccuracies in data conversion to ensure the integrity of CONNECT data.

PRIOR AUDIT FOLLOW-UP

The DEO had taken corrective actions for three of the seven findings included in our report No. 2013-107. Corrective actions were not taken for three of the seven prior audit findings as described in the findings above. In addition, the parts of one prior audit finding applicable to the scope of this audit were only partially corrected.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this IT operational audit from May 2014 through December 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this IT operational audit were to determine the effectiveness of selected IT controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other

guidelines; the confidentiality, integrity, availability, relevance, and reliability of data; and the safeguarding of IT resources. An additional objective was to determine whether management had corrected, or was in the process of correcting, audit findings disclosed in audit report No. 2013-107 that were within the scope of this audit.

The scope of our audit focused on evaluating selected application input, processing, and output controls applicable to CONNECT during the period July 2013 through June 2014 and selected Department actions through February 3, 2015. The audit included selected general IT controls over systems development, implementation, and modification and logical access to programs and data.

This audit was designed to identify, for the IT systems and controls included within the scope of the audit, deficiencies in management's internal controls and IT controls; instances of noncompliance with applicable governing laws, rules, or contracts; and instances of inefficient or ineffective IT operational policies, procedures, or practices. The focus of this IT operational audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular IT controls, legal compliance matters, and records considered.

As described in more detail below, for the IT systems and controls included within the scope of the audit, the audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the IT systems and controls; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of IT system controls and records. Unless otherwise indicated in this report, these items were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of agency management, staff, and contractors and, as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

In conducting our audit, we:

- Interviewed Department personnel.
- Obtained an understanding of CONNECT including input, processing, and output controls; security software used; and the processes and tools used for application configuration management.
- Observed and evaluated the effectiveness of CONNECT input, processing, and output control procedures that effectively promote the completeness, accuracy, validity, and confidentiality of CONNECT data and IT resources.
- Observed and evaluated the effectiveness of selected CONNECT security and logging policies, procedures, and processes.
- Observed and evaluated the effectiveness of Department access controls in appropriately restricting access to privileged and sensitive infrastructure accounts. Specifically, we evaluated 43 accounts as of July 2, 2014, and 88 different accounts as of July 9, 2014.

- Observed and evaluated the effectiveness of CONNECT application access controls in appropriately restricting access to CONNECT processes. Specifically, we evaluated 60 user accounts for appropriateness of access as of June 18, 2014.
- Observed and evaluated the effectiveness of database access controls in appropriately restricting access to the CONNECT database. Observed and evaluated the effectiveness of change management processes and controls to ensure that CONNECT program modifications and configuration changes authorized, tested, approved, and subsequently moved into production by an appropriate individual. Specifically, we tested 60 program modifications and 41 configuration changes that were moved into production between October 15, 2013, and June 30, 2014.
- Observed and evaluated the effectiveness of CONNECT data conversion and long-term planning processes.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our IT operational audit.



David W. Martin, CPA
Auditor General

MANAGEMENT'S RESPONSE

In a letter dated February 16, 2015, the Executive Director provided management's response to our preliminary and tentative findings. This letter is included at the end of this report as **EXHIBIT A**.

Follow-Up to Management's Response:

Management's response indicates for several of our findings (Finding Nos. 1, 4, 8, 9) that, although the Department welcomes comments and suggestions on RA Program business processes and practices, the Department does not believe that these should be considered as audit findings with respect to IT CONNECT functionality. In addition, for Finding No. 16, management's response states that the definition and scope of reconciliation controls is unclear, specifically as this term pertains to CONNECT, and for Finding No. 21 that management review of manually entered data is not a finding about CONNECT functionality and is not within the scope of the IT audit of CONNECT.

Notwithstanding management's response to several of our findings as described above, our audit findings and related recommendations have been provided as part of our IT operational audit of CONNECT that included evaluating IT controls as well as related manual controls and procedures and recommending how those controls and procedures may be improved.

EXHIBIT A
MANAGEMENT'S RESPONSE

Rick Scott
GOVERNOR



Jesse Panuccio
EXECUTIVE DIRECTOR

February 16, 2015

Mr. David W. Martin
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

Enclosed is the Department of Economic Opportunity's formal response to the preliminary and tentative findings resulting from the Auditor General's information technology operational audit of CONNECT, the new Reemployment Assistance program.

It is important to note the time period reviewed began shortly after the launch of CONNECT and continued through the most challenging phases of implementation. It is well documented that the launch of CONNECT did not go as planned; the Department identified many defects and has held its contractor accountable for fixing those defects. By the time of the release of the audit findings, CONNECT was a much improved system. Furthermore, throughout the implementation period the Department has engaged in regular communication with the United States Department of Labor to maintain our positive partnership and jointly address the challenges presented.

DEO appreciates the Auditor General's opinions regarding best business practices for information technology systems, but DEO does not believe the communication of such recommendations warrants some of the formal audit findings at issue here. Please rest assured that DEO is constantly seeking to improve our information technology systems, including through consultation with the newly-created Agency for State Technology, which is a valuable source of advice regarding best practices for state information technology systems.

The Department has benefited significantly over the years from the services of the Auditor General, and DEO is confident we can continue to have a beneficial relationship in the future.

Sincerely,

Jesse Panuccio

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EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Florida Department of Economic Opportunity
Reemployment Assistance Information Technology Operational Audit
Response to Preliminary and Tentative Findings

Finding No. 1: Application Design Documentation

Auditor Recommendation: The Department should maintain current application design documentation for CONNECT to help ensure the confidentiality, availability, and integrity of CONNECT data.

Department of Economic Opportunity (DEO) Response: DEO welcomes comments and suggestions on RA Program business processes and practices, but does not believe that these should be considered as audit findings with respect to IT functionality.

Moreover, this finding was based on a workflow document contained in the 2009 feasibility study outlining general RA processes. This 2009 feasibility study workflow document was not intended to be used to update and capture the complete workflow of the CONNECT system. Its use was limited to the feasibility study.

CONNECT uses a different method to maintain current application design and process flow documentation. Every "Use Case" created for design has a workflow diagram for the process. Use cases, workflows, and design documents are updated on a continuous basis when changes are completed for the CONNECT system. This documentation was available for the auditor to review (located in the Functional Design documents on share point during the audit). CONNECT will proceed along the correct path and/or workflow based on responses received from a user (whether staff, claimant, third party representative, or employer).

Finding No. 2: Use of Social Security Numbers

Auditor Recommendation: In the absence of establishing an imperative need for the use of SSNs, the Department should comply with State law by establishing another identifier for user IDs to be used in CONNECT rather than SSNs.

DEO Response: DEO is in compliance with Florida and federal laws applicable to the use of social security numbers (SSNs) in the CONNECT system. DEO does not agree that the use of a claimant's SSN as a user ID is contrary to law.

The SSN is the unique identifier used by states and USDOL in administering RA (UC) programs. Sections 42 USC 1320b-7(a) and (b), and section 443.091(1)(h), Florida Statutes, require the RA Program to condition eligibility for benefits on a claimant's provision of a valid SSN when filing a claim for benefits.

Section 119.071(5)(a), Florida Statutes, provides:

- 2.a. An agency may not collect an individual's social security number unless the agency has stated in writing the purpose for its collection and unless it is:
- (l) Specifically authorized by law to do so; or

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Florida Department of Economic Opportunity
Reemployment Assistance Information Technology Operational Audit
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- (II) Imperative for the performance of that agency's duties and responsibilities as prescribed by law.
- b. An agency shall identify in writing the specific federal or state law governing the collection, use, or release of social security numbers for each purpose for which the agency collects the social security number, including any authorized exceptions that apply to such collection, use, or release. Each agency shall ensure that the collection, use, or release of social security numbers complies with the specific applicable federal or state law.
 - c. Social security numbers collected by an agency may not be used by that agency for any purpose other than the purpose provided in the written statement.
3. An agency collecting an individual's social security number shall provide that individual with a copy of the written statement required in subparagraph 2. The written statement also shall state whether collection of the individual's social security number is authorized or mandatory under federal or state law.
4. Each agency shall review whether its collection of social security numbers is in compliance with subparagraph 2. If the agency determines that collection of a social security number is not in compliance with subparagraph 2., the agency shall immediately discontinue the collection of social security numbers for that purpose.

As cited above, DEO has the statutory authority to collect SSNs for use in CONNECT to process claims. Furthermore, the collection of SSNs is imperative for the performance of DEO's duties and responsibilities. And lastly, DEO has identified in writing for claimants the specific laws governing its collection, use, and release of SSNs.

The P&T finding narrative treats the use of the SSN as the claimant user ID for logging on to CONNECT to RA claim purposes separately from the use of the SSN in CONNECT for claim processing, and on this basis assumes that DEO does not have an imperative need to use the SSN as a claimant user ID, and further finds that the CONNECT Privacy Act Statement does not advise claimants of the use of and the authority for the use of the SSN as a user ID. Because the SSN is used as the unique claimant identifier in claims processing and administration, the use of the SSN as the claimant's user ID for logging on to CONNECT is subsumed within claims processing. The Privacy Act notice provided in the CONNECT system advises claimants that information provided in CONNECT is required to process a claim and that disclosure of SSN is mandatory under federal laws. The claimant user ID for logging on to CONNECT for filing claims and providing eligibility information is for the use specified in the Privacy Act notice, i.e., for processing the claimant's claim.

Two states with similar systems were contacted and confirmed that SSNs are used as claimant IDs for system access. Moreover, from 2001 – 2015, DEO's use of SSNs as a claimant log on ID has not been questioned. Indeed, the issue of compliance with section 119.071(5)(a)2.a., Florida Statutes, has been reviewed previously by the Office of Auditor General with no finding that the

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Florida Department of Economic Opportunity
Reemployment Assistance Information Technology Operational Audit
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use of SSNs in the RA Information System as the unique identifier for claimants was in violation of section 119.071(5)(a)2, Florida Statutes or federal law. Although Auditor General Report No. 2014-041, DEO Selected Administrative Processes and Prior Audit Follow-Up, Operational Audit, contained findings on the collection of SSNs by DEO, the findings (and the specific finding details identifying the program areas) did not involve the RA program. During the operational audit, auditors requested and obtained information on the collection and use of SSNs in the administration of the RA program, the RA Program's compliance with section 119.071(5)(a), Florida Statutes, and the Privacy Act Statement used by the RA Program, including the request for SSNs when applying for benefits through the Legacy system. Information provided on the use of SSNs in the online claims application process was reviewed by the auditors and discussed with program staff during the conduct of the audit.

Despite DEO's specific authority to collect SSNs, and the unquestioned historical practice, DEO is reviewing how an alternative log-on process would affect information security and/or efficiency of claims processing.

Finding No. 3: Personally Identifiable Information

Auditor Recommendation: The Department should establish IT controls to ensure the confidentiality, integrity, and availability of CONNECT data and IT resources.

DEO Response: DEO concurs that any agency that deals with personally identifying information (PII) must have security controls in place to ensure the confidentiality, integrity, and availability of data and IT resources. These are already established at DEO and the agency works continuously to improve them. Although DEO has been unable to replicate the issues that the auditors found during the audit, it has measures in place to test for these issues and will continue to test controls in the future to ensure the confidentiality, integrity, and availability of CONNECT data and IT resources. In fact, DEO has gone above and beyond to ensure that PII is protected with an advanced security team dedicated to detecting and stopping fraud, as well as establishing greater emphasis on rigorous internal staff policies.

Finding No. 4: Application Input Edits

Auditor Recommendation: The Department should improve controls related to application input edits to ensure the accuracy of CONNECT data and to ensure compliance with U.S. DOL ET Handbook 301.

DEO Response: DEO welcomes comments and suggestions on the business practices of the RA Program, but does not believe that these should be considered as audit findings with respect to IT functionality. DEO continuously strives to have effective input controls to ensure the accuracy of CONNECT data and compliance with U.S. DOL ET Handbook 301 and will continue to improve controls. DEO is in compliance with applicable laws and legal requirements.

In response to the examples included in the finding narrative, DEO provides the following:

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Florida Department of Economic Opportunity
Reemployment Assistance Information Technology Operational Audit
Response to Preliminary and Tentative Findings

The CONNECT system is designed to enter the postmark date at the time of indexing and to permit staff to edit the postmark into the system as necessary. DEO will ensure that staff training and controls are in place to ensure that postmark dates and received dates are properly sequenced in CONNECT to provide accurate processing of claims and benefit payments. DEO will explore program changes with respect to editable date fields. Currently, DEO has established business processes to ensure that dates related to claim issues and employment dates are reasonable and valid.

With reference to zip code verification, the tool used by the system, Quick Address Software (QAS), verifies only the street address when an application is completed. This tool does not include a verification of the zip code. While DEO has never had a tool to perform zip code verification and knows of no such federal requirement, DEO will explore the feasibility of adding zip code verification.

Telephone numbers are not required to apply for benefits, to process claims, or to provide official notifications. DEO cannot mandate that correct telephone numbers be provided and cannot require claimants to update telephone numbers. The telephone numbers in CONNECT are voluntarily provided by claimants. When no telephone number is provided, the system enters all nines in the digit fields. Verification of telephone numbers that have been voluntarily provided by some claimants is not required to ensure compliance with U.S. DOL ET Handbook 301.

Staff is trained and instructed to add detailed information in mandatory note fields. CONNECT requires and recognizes that an entry has been made so that users must enter a character in the mandatory fields. As with most systems, CONNECT does not have logic to recognize or analyze information typed into these fields. If proper notes are not being entered or this requirement is being bypassed, it should be discovered in management reviews and corrected as a business process.

Finding No. 5: Inadequate Edits – Duplicate Claims and Claims Issues

Auditor Recommendation: The Department should continue its efforts to ensure that controls are in place to prevent duplicate claims and claim issues from being entered or created and processed in CONNECT.

DEO Response: As has been well documented, the launch of the new RA System did not go as planned. The majority of defects experienced at launch have been corrected and the vendor has been held accountable. Service to claimants and employers remains our top priority and DEO works every day to improve the system and ensure timely and accurate service. The defects identified in this finding were fixed on July 14, 2014, and August 25, 2014. DEO will continue its efforts to ensure that controls are in place to prevent duplicate claims and claim issues from being entered or created and processed in CONNECT.

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Finding No. 6: Input Forms and Messages

Auditor Recommendation: The Department should continue its efforts to ensure that standardized input forms and documents and error messages are appropriate and valid.

DEO Response: As has been well documented, the launch of the new RA information system did not go as planned. The launch defect mentioned in this finding has been corrected and the vendor has been held accountable. Service to claimants and employers remains our top priority and DEO works every day to improve the system and ensure timely and accurate service.

Regarding the translation of documents, DEO currently has ongoing monitoring to ensure that standardized input forms and documents and error messages are appropriate and valid. DEO daily reviews Spanish and Creole screens, documents, and responses. If translation issues are identified, they are prioritized and corrected. Issues discovered usually have consisted of one translated word or phrase that needed correction.

Standardized input documents designed for reporting requirements in Spanish and Creole have been created. When a claimant signs into the system using Creole or Spanish, documents are produced in those languages. The defect identified in the second bullet in the P&T finding narrative related to one specific document involving one question on one Spanish document. This defect did not occur on all claimant input documents. This defect was detected on December 9, 2014 and was fixed February 9, 2015. No other defects have been identified with respect to this issue.

The one specific defect identified in in the third bullet in the P&T finding narrative with respect to an error message was fixed on February 24, 2014. This defect was a Go Live defect that was detected on November 11, 2013 and fixed as of February 24, 2014.

Finding No. 7: Timely Review and Processing Unidentified Received Documents

Auditor Recommendation: The Department should improve processing and reconciliation controls to ensure the complete and timely review and processing of data.

DEO Response: At this time, DEO has worked through the backlog of documents in the Central Intake unit and we now see timely processing of normal daily volume. DEO will continue to improve processing and reconciliation controls to ensure the complete and timely review and processing of data. As evidenced by the levels of service in adjudication and the contact center, which are a significant improvement over those of the Legacy system, DEO has appropriate processing and reconciliation controls in place to ensure complete and timely review and processing of data.

DEO will continue to monitor documents received and entered into the CONNECT system via

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Central Intake. If issues are discovered, they will be prioritized and corrected. As of September 2014, issues regarding documents not being properly linked to the appropriate claimant, claim, or issue have been corrected and there have been no new reports of this issue occurring. Minor defects that caused scanning and indexing issues are scheduled to be fixed during the first quarter of 2015.

Finding No. 8: Claimant Identity Verification

Auditor Recommendation: The Department should continue to strengthen claimant identity verification and authentication controls to ensure the validity and authenticity of CONNECT claimant identify information.

DEO Response: DEO welcomes comments and suggestions on the business practices of the RA Program, but does not believe that these should be considered as audit findings with respect to IT functionality. DEO will continue to strengthen claimant identity verification and authentication controls to ensure validity and authenticity of CONNECT claimant identity information. Public assistance fraud is a nationwide issue. DEO is using cutting edge technology and procedures to proactively address this problem. DEO specifically employs an advanced security team to detect and stop fraud.

The identified issue involving the SSA interface was corrected on August 9, 2014.

Finding No. 9: Manual Overrides

Auditor Recommendation: The Department should establish monitoring procedures to ensure that manual overrides of claimant identity verification failures are appropriate, correct, and documented.

DEO Response: DEO welcomes comments and suggestions on the business practices of the RA Program, but does not believe that these should be considered as audit findings with respect to CONNECT functionality. DEO has established monitoring procedures to ensure that manual overrides of claimant identity verification failures are appropriate, correct, and documented. Manual override is a required step of the authentication process when a user fails to self-authenticate and is subsequently determined to be the actual claimant. DEO has implemented strict and rigorous policies and procedures to track claimant authentication and to monitor manual overrides.

Finding No. 10: Inadequate Monitoring of Claims Activities

Auditor Recommendation: The Department should establish procedures to monitor the status of all claim issues to ensure timely resolution and processing of benefit claims and payments and to ensure that determination decisions are issued based on correct data.

DEO response: As has been well documented, the launch of the new RA System did not go as

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planned. Most of the defects experienced at launch have been corrected and the vendor has been held accountable. Service to claimants and employers remains our top priority and DEO works every day to improve the system and ensure timely and accurate service. All defects identified in this finding were resolved before the fourth quarter of 2014.

DEO has established procedures to monitor the status of claim issues to ensure timely resolution and to ensure that determinations are based on correct data. Timely issue resolution is a part and function of CONNECT design and the hierarchy of issues being assigned via the inbox. As a result, an established procedure is in place in which Adjudication management supplements this design and manages the timely resolution of issues by identifying priority issues using CONNECT reports and by daily manual assignment of issues to ensure timely completion.

Finding No. 11: Timely Claim Notices

Auditor Recommendation: The Department should address CONNECT processing defects and improve monitoring procedures to ensure that notices are timely distributed and that data is processed accurately and completely.

DEO Response: As has been well documented, the launch of the new RA System did not go as planned. Most of the defects experienced at launch have been corrected and the vendor has been held accountable. Service to claimants and employers remains our top priority and DEO works every day to improve the system and ensure timely and accurate service. The defects identified in this finding were fixed on April 30, 2014. DEO has addressed CONNECT processing defects and has monitoring in place to ensure that notices are timely and that data is processed accurately and completely. Notices are being timely distributed and data is being processed accurately and completely.

Finding No. 12: Claims Issues Not Being Generated

Auditor Recommendation: The Department should strengthen error handling procedures to ensure that the system operates as designed.

DEO Response: As has been well documented, the launch of the new RA System did not go as planned. Most of the defects experienced at launch have been corrected and the vendor has been held accountable. Service to claimants and employers remains our top priority and DEO works every day to improve the system and ensure timely and accurate service. The defects identified in this finding were fixed in September 2014 and on December 1, 2014. DEO has taken steps to strengthen error handling procedures to ensure that the system operates as designed. While the initial creation of issues is a CONNECT process that occurs through the system after the claimant has completed the RA application process (if an issue exists), DEO has responded by developing business process tools to monitor and leverage pending issues and to monitor the age of issues that are holding payment so as to ensure timely processing of claims.

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Finding No. 13: Technical System Errors

Auditor Recommendation: The Department should continue its efforts to correct technical system errors in CONNECT to ensure the completeness, accuracy, and integrity of data.

DEO Response: As has been well documented, the launch of the new RA System did not go as planned. Most of the defects experienced at launch have been corrected and the vendor has been held accountable. Service to claimants and employers remains our top priority and DEO works every day to improve the system and ensure timely and accurate service. The system errors identified in this finding were fixed as of January 14, 2015. DEO will continue its efforts to correct technical system errors in CONNECT. All major technical issues have been resolved and remaining minor issues pertaining to language changes on error messages are scheduled to be resolved during the first quarter of 2015.

A process has been implemented to address any future technical issues and to update system language regarding technical issues. If technical errors occur, a process is in place to immediately monitor the performance of the CONNECT system. Once technical issues are identified, fixes are put into the system to assist in overall performance.

Finding No. 14: Reports and Interfaces

Auditor Recommendation: The Department should continue its efforts to resolve defects with reports and interface programs used to assist in the collection of overpayments.

DEO Response: DEO has resolved defects with reports and interface programs used to assist in the collection of overpayments. CONNECT validations have occurred and reports have been submitted to USDOL since June 2014. The ETA 227 report has been submitted; TOP is functioning as designed. The ETA 5159, ETA 538, and ETA 539 reports have been submitted. Population Validations are currently being reviewed for submission purposes.

Finding No. 15: Online Screens and Reports

Auditor Recommendation: The Department should continue its efforts to resolve defects with online screens and reports to help ensure the accuracy and completeness of data.

DEO Response: As has been well documented, the launch of the new RA System did not go as planned. Most of the defects experienced at launch have been corrected and the vendor has been held accountable. Service to claimants and employers remains our top priority and DEO works every day to improve the system and ensure timely and accurate service. The defects identified in this finding were fixed on October 10, 2014, and during December 2014. DEO continues to monitor all performance issues within the system and will continue to resolve defects with online screens and reports if they occur in the future. There have been no staff reported issues or problems concerning inaccuracies in the Manual Payment Detail report.

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However, DEO will continue to review this issue as staff monitor reports for accuracy on a daily basis. If issues are identified, they will be triaged, prioritized, and corrected.

Finding No. 16: Reconciliation Controls

Auditor Recommendation: The Department should ensure that all data interfaced to CONNECT and from other systems is reconciled.

DEO Response: The audit's intended definition and scope of reconciliation controls is unclear, specifically as this term pertains to the CONNECT system. The CONNECT system does employ several processes for validating the integrity of files associated with interfaces (e.g. successful receipt of the files is monitored). Additionally, several interface programs include logic to ensure data validation during batch processing. For example, social security numbers are checked against the Social Security Administration database for accuracy and integrity. Additionally, several files related to interface systems are checked manually for integrity, thus providing a layer of validation. When there are discrepancies in a file once received, the recipient notifies the sender and resolution of discrepancies occurs at that point.

Several change requests have been implemented, and defects corrected, with respect to the Quarterly Benefits Charging file process. Remaining minor defects and change requests associated with these issues are scheduled to be fixed and implemented during the first quarter of 2015. DEO continues to work closely with the Department of Revenue in order to meet the system requirements of both agencies. DEO has submitted charges for the first, second, and third quarters of 2014.

Finding No. 17: Incorrect Overpayments and Charges

Auditor Recommendation: The Department should establish data processing controls to prevent inaccurate and erroneous overpayments and charges from being generated by CONNECT.

DEO Response: As has been well documented, the launch of the new RA System did not go as planned. Most of the defects experienced at launch have been corrected and the vendor has been held accountable. Service to claimants and employers remains our top priority and DEO works every day to improve the system and ensure timely and accurate service. The defects identified in this finding were fixed on September 9, 2014, and during October and December 2014. DEO has taken steps to establish data processing controls to prevent inaccurate and erroneous overpayments and charges from being generated by CONNECT.

A process is in place to continuously review employer charge amounts for billing purposes. When errors are found, accounts are immediately fixed. A data patch is forthcoming for those currently identified.

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Finding No. 18: Date and Count Calculations

Auditor Recommendation: The Department should ensure that CONNECT-calculated document request dates and counts are accurate and remain valid.

DEO Response: As has been well documented, the launch of the new RA System did not go as planned. Most of the defects experienced at launch have been corrected and the vendor has been held accountable. Service to claimants and employers remains our top priority and DEO works every day to improve the system and ensure timely and accurate service. The defects identified in this finding were fixed in September 2014 and on January 10, 2015. DEO will continue to take steps to ensure that CONNECT-calculated document request dates and counts are accurate and remain valid.

In DEO's review of this issue, it was determined that due dates for providing requested information were inaccurately calculated for a limited population of claimants and resulted in giving claimants additional time in which to provide additional information. This issue was resolved as of September 2014.

The referenced claim that was distributed on May 16, 2014, was related to a Wage Post Audit, and does not appear to match the issue included in the preliminary and tentative finding for the referenced CID. If the Auditor General provides additional information, DEO will research this issue based on the additional information.

Finding No. 19: Data Fixes

Auditor Recommendation: The Department should improve the functionality of CONNECT to reduce the need to perform updates and modifications (data fixes) outside the regular application controls.

DEO Response: DEO converted more than 30 billion records from a patchwork of thirty-year-old Legacy systems. Every system launch, especially one of this magnitude, will experience data conversion defects. DEO has worked to correct any and all data conversion issues. The functionality of CONNECT to reduce the need to perform updates and modifications outside regular application controls is improving. DEO continues to make strides in creating front-end processes to assist with the data issues within CONNECT. The need for Support Requests (data fixes) is decreasing daily. As the system continues to mature, the requirement to perform updates and modifications (data fixes) will be significantly reduced.

Finding No. 20: User Documentation

Auditor Recommendation: The Department should ensure that the functionality of CONNECT operates as designed and as reflected in the user documentation (Guide).

DEO Response: DEO will continue efforts to ensure that the functionality of CONNECT operates

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as designed and reflected in the user documentation (Guide). The one issue that is the basis of this P&T finding was fixed on August 1, 2014. Employers are able to file appeals regarding qualifying issues even though chargeability is not addressed on the original determination.

This finding involved one aspect of CONNECT functionality of which, at the time of the audit, DEO was aware, had a defect logged, and a temporary work around in place until the defect was fixed. The audit finding states that DEO staff advised the auditors that the ability of employers to file appeals through CONNECT for nonmonetary determinations not addressing chargeability was not functional and a temporary work around was in place until the defect could be fixed. Auditors were also advised that DEO had taken steps to ensure that the functionality of CONNECT operated as designed as evidenced by the fact that a defect had been logged to address the issue.

Finding No. 21: Monitoring, Review, and Approval Activities

Auditor Recommendation: The Department should establish and implement appropriate monitoring, review, and approval procedures to ensure the accuracy, validity, and completeness of data.

DEO Response: DEO welcomes comments and suggestions on the business practices of the RA Program, but does not believe that these should be considered as audit findings with respect to IT functionality. While DEO managers and supervisors monitor, review, and approve the work of staff with responsibility for entering data into CONNECT, this preliminary and tentative finding on the management review of manually entered data is not a finding about CONNECT functionality and is not within the scope of the IT audit of CONNECT. The finding narrative states, in part, "Specifically, our review disclosed that manually entered data was not subject to management review unless the data was selected as part of other claim review processes, such as the weekly in-house quality review or other required quality review processes." Management review of manually entered data is not a CONNECT function. It is a business process carried out by staff assigned to quality reviews and managers in reviewing work performed by employees. In the finding narrative, the auditor acknowledges that DEO performs weekly in-house quality reviews of claim cases.

Finding No. 22: Data processing Exceptions and Errors

Auditor Recommendation: The Department should ensure that CONNECT correctly and completely logs all relevant transaction changes.

DEO Response: As has been well documented, the launch of the new RA System did not go as planned. Most of the defects experienced at launch have been corrected and the vendor has been held accountable. Service to claimants and employers remains our top priority and DEO works every day to improve the system and ensure timely and accurate service. The majority of the defects identified in this finding were fixed on January 14, 2015, and any remaining issues will be resolved during the first quarter of 2015. DEO will continue efforts to ensure that

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CONNECT correctly and completely logs all relevant transaction changes. Staff continue to monitor any issues pertaining to event logs within the system. As issues are identified, they are triaged and corrected.

Finding No. 23: Independence of the RA program Quality Review Function

Auditor Recommendation: The Department should review and implement appropriate action to ensure compliance with applicable Federal regulations regarding the independence of the RA Program quality control function.

DEO Response: As a result of the notification of this preliminary and tentative finding, DEO reviewed its organizational structure and confirmed with USDOL that the DEO organizational structure in place is in compliance with 20 CFR 602.20. DEO quality control processes are conducted by Benefits Timeliness Quality (BTQ) and Benefit Accuracy Measurement (BAM) units, which report directly to the RA Bureau Chief. This organizational structure is used by DEO, as well as many states, to separate quality control activity from benefit operations while facilitating access to information necessary to perform quality control responsibilities.

This preliminary and tentative finding appears to be based on temporary assignments of some BAM unit staff to Adjudications during the implementation of CONNECT. During the launch of the new system, it was necessary to temporarily reassign staff to better serve claimants. This temporary reassignment to serve claimants does not render DEO out of compliance with applicable federal regulations requiring the independence of RA program quality control units.

Finding No. 24: Access Control Procedures

Auditor Recommendation: The Department should enhance the Security Guide to include instructions on what roles are to be applied to what positions within a specific department and what combinations of roles should not be assigned to one employee to ensure an appropriate separation of duties. Additionally, Department Access Forms should be improved to adequately document the specific CONNECT access privileges assigned to users. Access Forms should be created, signed, and maintained by the Department for all employees granted access to CONNECT.

DEO response: All CONNECT training guides and forms are continuously monitored and updated as necessary. DEO is currently developing a more robust Departmental Security Officer Quick Reference Guide based on new functionality within the system. A new access request form has been created for the Internal Security Unit and access within the system is always closely monitored. Additionally, DEO has recently implemented an enhanced security policy and is currently reviewing all user profiles to ensure appropriate access is granted to perform assigned duties. The adjudication staff profiles have been reviewed and access to the system is limited to those functions needed to perform their job duties.

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Finding No. 25: Periodic Review of Access Privileges

Auditor Recommendation: The Department should develop and implement procedures for the periodic review of access privileges, including those users with privileged network access, to help ensure that privileges assigned are authorized and appropriate.

DEO Response: DEO has procedures in place providing for periodic review of access privileges, including of those users with privileged network access, to help ensure that privileges assigned are authorized and appropriate. All users existing in Legacy were converted into CONNECT and mapped according to their existing job duties. DEO is currently reviewing all user profiles to ensure appropriate access is granted to perform assigned duties. The adjudication staff profiles have been reviewed and access to the system is limited to those functions needed to perform their job duties.

The following are reports that have been implemented to monitor user activity: Change report, 33762 – Daily Accounts Modified report, 33772 – Ad Hoc report for all users, 33790 – Manually paid weeks, and 53635 – Non Mon Pay/non Change Report have all been implemented. 53636 – Forced Override Report and 56909 – Track Inactivity Report are currently in process.

Finding No. 26: Appropriateness of Access Privileges

Auditor Recommendation: The Department should limit account access privileges to data and IT resources to promote an appropriate separation of duties, restrict users to only those functions necessary for their assigned job duties, and provide for individual accountability.

DEO Response: DEO acknowledges the importance of limiting access privileges. The audit's finding narrative wrongly implies that DEO does not have measures in place to review appropriate access levels for staff. However, the DEO Reemployment Assistance (RA) Internal User Guide for Resource Access Control Facility (RACF) Security Officers outlines the responsibility to restrict privileges to individuals who need access in performance of their official duties. In accordance with this and other authoritative rules (e.g. Florida Administrative Code Rule: 71A-2.006 that ensures access privileges) DEO will continue to find ways to ensure appropriateness of access privileges.

Network Administration Access: The elevated privileges for one user have been removed. DEO is in the process of developing plans to ensure procedures are in place that minimize shared use of system accounts and will develop procedures that log such activities. A review is underway to determine appropriate privileges regarding the service accounts.

CONNECT Application Access: During conversion of Legacy data, all existing Legacy users were transferred into CONNECT. Any user with a Legacy ID was converted into CONNECT. Existing

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roles and work duties were mapped in the CONNECT matrix for that required job. The one claims contact center employee referenced in the preliminary and tentative finding was properly mapped based on the Legacy ID. Managers were instructed to review access for users and have access removed for users no longer employed.

A user not previously logging onto the system is not a sole indicator that access should be removed. The two listed examples are both members of IT and have an IT function role within CONNECT. CONNECT application access is needed to perform system health check post deployment activities, monitor/validate system performance, triage, and issue resolution. It should be noted that access for the two employees is read only.

The last example referenced in the narrative findings was a user in the Appeals unit who was listed for certain functions within the Legacy system and therefore transferred into the new system with access appropriate to those functions. The system roles assigned were appropriate and were removed when duties changed for the employee.

CONNECT Database Access: The issue regarding database access was resolved on August 14, 2014. The generic ID is the application user ID and the transactions are logged and can be traced to individuals. DEO is currently limiting and monitoring account access privileges to data and IT resources.

Finding No. 27: Timely Deactivation of Access Privileges

Auditor Recommendation: The Department should ensure that access privileges of temporary, transferred, or former employees and contractors are deactivated in a timely manner when employment or contractual services are terminated to minimize the risk of compromise to Department data and IT resources.

DEO Response: DEO recognizes the importance of timely deactivation of accounts for the purposes of denying access to persons who are no longer affiliated with DEO. The DEO RA Security Manual specifies when accounts should be deactivated such as employee reassignments, terminations, and extended leaves of absence. DEO will continue to develop procedures for account deactivation to ensure data integrity and confidentiality.

Network Administrative Access: The contracted user mentioned above was an IT background administrator and it is a common IT practice with this particular role to delay the disabling of the user account to ensure the account is not being used by any services provided by IT. As for the three additional contracted users, all their access to the Network was disabled the day prior or the day after separating with DEO. It is important to note the three listed contractors did not have access to the CONNECT system, but would need network access for computing purposes and DEO email.

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CONNECT Application Access: The listed employee transferred to another RA program area on May 1, 2014, and was granted appropriate access upon her transfer.

During conversion, all existing Legacy users were transferred into CONNECT. As with many users, the user's access mentioned above existed in Legacy and was therefore transferred into the new system. Managers were instructed to review access for users and have access removed for staff no longer employed.

As for the Workforce Program Support employee example referenced above, the user was granted access to assist with a project. When the employee's duties changed, the access was removed on January 7, 2015.

CONNECT Database Access: In the example referenced above regarding a former contractor's database access, the user's access was removed on August 14, 2014. It is important to note the user never logged into the CONNECT production database. A process is in place to ensure access privileges of temporary, transferred, or former employees, and contractors are deactivated in a timely manner when employment or contractual services are terminated to minimize the risk of compromise to Department data and IT resources.

Finding No. 28: Issue and Workflow Assignments

Auditor Recommendation: The Department should improve CONNECT access controls to limit access privileges to only those privileges required to perform users' assigned job duties.

DEO Response: DEO will continue to fix any defects necessary so that CONNECT access privileges are limited to only those privileges required to perform users' assigned job duties. The minor defect that allowed staff to alter access has been logged and will be fixed during the second quarter of 2015.

Finding No. 29: Other Security Controls – User Authentication, Logging, and Monitoring

Auditor Recommendation: The Department should implement appropriate security controls related to user authentication and logging to ensure the confidentiality, integrity, and availability of Department data and IT resources.

DEO Response: DEO has implemented appropriate security controls related to user authentication and logging to ensure the confidentiality, integrity, and availability of DEO data and IT resources.

Finding No. 30: Application Program and Configuration Changes

Auditor Recommendation: The Department should improve CONNECT application program and configuration change management procedures to ensure that all program and configuration

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changes moved into production are properly documented, authorized, tested, and approved.

DEO Response: DEO does not agree with a significant number of the findings listed in the auditor's narrative. Out of the approximately 82 instances mentioned in the finding narrative, DEO disagrees with 43 as these items did not have proper approvals and testing documentation. DEO will continue to strengthen its tracking, testing, and approval process of defects. In March 2014, controls were implemented for the ALM program regarding tracking and approvals. Going forward, only limited staff have access to change statuses. All tickets are updated with testing results, etc. for tracking purposes. All build items go through an approval process prior to being implemented.

Finding No. 31: Data Conversion Reconciliations

Auditor Recommendation: The Department should address any remaining inaccuracies in data conversion to ensure the integrity of CONNECT data.

DEO Response: DEO converted more than 30 billion records from a patchwork of thirty-year-old Legacy systems. Data migration and conversion are often some of the most complex activities associated with any system development and every system launch, especially one of this magnitude, will experience data conversion defects. DEO has worked to correct data conversion issues and will continue to address any remaining inaccuracies in data conversion.