

Office of Inspector General

Department of Education

ANNUAL REPORT



Fiscal Year 2007-2008

Table of Contents

Introduction.....	4
Mission Statement.....	4
Responsibilities.....	4
A Risk Based Program	5
Organization and Staff	6
Major Activities and Functions	7
Internal Audit	7
Investigations	8
Accomplishments.....	9
Summary of Activities	10
Internal Audits.....	10
Management Advisory Services	12
Response Coordination and Follow-Up	14
Investigations	14
Annual Work Plan	16
Long Range Audit Plan.....	18
OIG Contact Information	19

Section 20.055, Florida Statutes, establishes the Office of Inspector General within each state agency to provide a central point for coordination of, and responsibility for activities that promote accountability, integrity, and efficiency in government.

This Annual Report is presented to the Commissioner to comply with statutory requirements and to provide departmental staff and interested parties with information on the Office of Inspector General's progress in accomplishing its mission as defined by Florida law.

FLORIDA DEPARTMENT OF EDUCATION



Dr. Eric J. Smith
Commissioner of Education



STATE BOARD OF EDUCATION

T. WILLARD FAIR, *Chairman*

Members

DR. AKSHAY DESAI

ROBERTO MARTÍNEZ

PHOEBE RAULERSON

KATHLEEN SHANAHAN

LINDA K. TAYLOR

September 30, 2008

Dr. Eric J. Smith
Commissioner of Education
325 West Gaines Street, Suite 1514
Tallahassee, Florida 32399-0400

Dear Commissioner Smith:

I am pleased to submit for your approval our Annual Report on the activities of the Office of Inspector General for the fiscal year ending June 30, 2008, as required by Section 20.055, Florida Statutes.

The Annual Work Plan section of the report includes planned projects for the current fiscal year plus a long-term plan for future audit areas. Our Work Plan is based on a risk assessment, which I believe, represents the best use of resources available to the Office of Inspector General. The risk assessment is based on surveys and meetings with key Department managers, other risk evaluation techniques, and the professional judgment of the audit and investigations staff and myself. The activities outlined in our Work Plan address major operations of the Department and optimize the use of our resources.

We look forward to working with you and our fellow Department of Education employees in meeting the challenges and opportunities that face the Department. We believe our Work Plan for Fiscal Year 2008-09 will contribute to the Department's efforts to achieve its goals and objectives. Thank you for your continued support.

Respectfully submitted,

A handwritten signature in blue ink that reads "Ed W. Jordan".

Ed W. Jordan,
Inspector General

Introduction

Mission Statement



The Office of Inspector General's (OIG) mission is to assist in the accomplishment of the Department's overall mission to increase student proficiency; and achieve its goals of highest student achievement, seamless articulation and maximum access, skilled workforce and economic development, and quality efficient services. The OIG assists the Department in accomplishing its mission by providing independent reviews, assessments, and investigations of activities and programs.

The OIG's responsibilities include:

- Conducting audits, management reviews, and investigations including employment screening and background investigations;
- Recommending corrective action concerning fraud, abuse, and deficiencies in agency controls and reporting on progress made in implementing corrective action;
- Advising in the development of performance measures, standards, and policy and procedures for Department of Education (DOE) programs; and
- Coordinating engagements, and reviewing actions taken by the Department in response to recommendations made by: the Office of the Auditor General, the Office of Program Policy Analysis and Government Accountability, the Florida Department of Financial Services, the U.S. Department of Education, and other external agencies during the course of their audits or reviews.

Department Responsibilities Are Critical to the State's Educational Structure

The purpose of the Department of Education is to ensure that Florida has a state system of schools, courses, classes, institutions, and services that can adequately meet the educational needs of Florida's citizens.

Components of Florida's public education system include public schools, community colleges, and state universities. The Department provides leadership, technical assistance, and support to the local educational entities and institutions comprising Florida's public education system. The Department oversees public educational offerings in the state including K-12 education (elementary, middle, and high schools), charter schools, school facilities, community colleges, and workforce education.

In addition, the Department oversees the Divisions of Blind Services and Vocational Rehabilitation, and the Office of Student Financial Assistance. The Florida Board of Governors provides statewide oversight of the state's public universities. The State Board of Education establishes education goals, objectives, and in coordination with the Commissioner of Education, oversees the implementation and enforcement of education policies established by the Legislature.

Public Schools - provide education for kindergarten, elementary and secondary school children. Public schools also provide special classes such as adult education, and certificate programs. In addition, developmental research schools operate in affiliation with state universities and are designed to provide a vehicle for research, demonstration, and evaluation regarding management, teaching, and learning.

Community College System - consists of all educational institutions that are operated by local community college district boards of trustees, predominantly offering courses and programs of general and academic education equivalent to the first two years of course curriculum in the state universities. Community colleges also offer workforce education, including Associate in Science degrees and certificate programs; adult education; and continuing workforce education. Community colleges have been granted authorization from the Legislature to offer bachelor's degrees in certain areas (Sections 1007.33 & 1004.73, F.S.).

A Risk Based Program

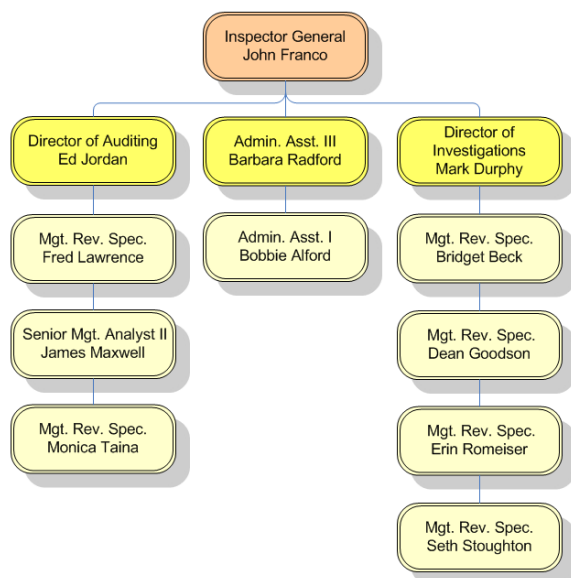
To ensure that we provide adequate coverage of the many departmental activities and adequate support to management, the OIG performs an annual risk assessment of all Department activities. This ensures that the OIG is responsive to management concerns and that those activities judged to have the greatest risks are identified and scheduled for review.



The nature and scope of the Department's mission requires a unique approach by the OIG. While some agency OIG's perform reviews of the same subject matter from year to year, DOE auditors and investigators are constantly engaged in different functional areas from one review to the next. This requires a constant learning and educational process for staff members.

Organization and Staff

To carry out our duties and responsibilities, the OIG is organized into two sections: Internal Audit and Investigations. The OIG has a staff of 12 professional/technical positions. Our organizational structure during the period July-December 2007 was as follows:



John Franco retired December 4, 2007, and Ed Jordan was named Acting Inspector General. Ed continued to function in this position as well as the Director of Auditing position until June 2008 when he was appointed Inspector General.

Technical qualifications of the OIG staff include a variety of disciplines, including auditing, accounting, investigations, and information systems. Several staff members are currently seeking to augment their professional credentials, further enhancing their abilities and the contributions they can make.

OIG Staff Certification

Professional certifications held by the staff shown in the organization chart above include:

- 3 – Certified Inspectors General
- 4 – Certified Internal Auditors
- 6 – Certified Fraud Examiners
- 1 – Certified Information Systems Auditor
- 1 – Certified Government Financial Manager
- 5 – Certified Inspector General Investigators
- 2 – Certified Government Auditing Professionals



Major Activities and Functions

In order to carry out its mission, the OIG performs the following functions:

Internal Audit

The Internal Audit Section conducts independent audits, reviews, and examinations to identify, report, and recommend corrective action for control deficiencies or non-compliance with laws, policies, and procedures. Audits are also performed to evaluate and make recommendations to improve the effectiveness and efficiency of Department programs and functions.

Audits are conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* established by the Institute of Internal Auditors (IIA), Inc. Audit reports are distributed to the Commissioner of Education, Chief Strategy Officer, Office of the Auditor General, Office of Program Policy Analysis and Government Accountability, the Governor's Chief Inspector General, and affected Department managers.

Responsibilities and functions of Internal Audit include:

- Conducting Performance Audits to ensure the effectiveness, efficiency, and economy of the Department's programs. Elements of financial, compliance, and information systems audits are often included within the scope of such audits.
- Conducting Compliance Audits to ensure that the Department's programs are following prescribed statutes and rules.
- Performing Management Reviews to provide services that may involve consulting and advising management on departmental policies and procedures, the development of performance measures, and providing independent reviews of department activities.
- Assessing the reliability and validity of information provided by the Department on Performance Measurement and standards.
- Coordinating Entrance and Exit Conferences for external audits and evaluations of the Department.
- Coordinating Audit Responses and Conducting Follow-ups to findings and recommendations made by external auditors, and other oversight units.



Investigations

The Investigations Section works to deter, detect, and investigate crimes or misconduct impacting the Department. The Section receives inquiries or complaints regarding departmental activity from many sources, including: the Whistle-blower's Hotline, the Comptroller's Get Lean Hotline, the Chief Inspector General's Office, an on-line complaint form on the OIG's website, letters, telephone calls, emails, and the Governor's Office.

If suspicion of potential criminal activity is discovered, it is referred to the appropriate law enforcement agency. The OIG coordinates with law enforcement on any criminal investigation while ensuring that issues of an internal nature are addressed.

Investigations staff monitor and track all cases:

- All case findings are reported to the Commissioner and appropriate managers.
- The OIG provides the necessary facts to the Department's Office of Labor Relations, the Office of the General Counsel, and department managers to assist them in taking the appropriate actions.
- Cases involving criminal activity are referred to the appropriate law enforcement agency.



Fraud Awareness Presentations

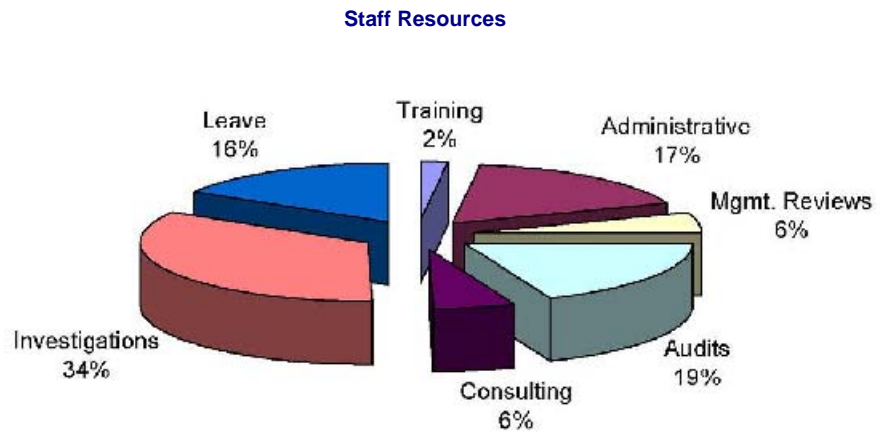
The Investigations Section continued its objective of deterring fraud by delivering six customized fraud awareness presentations to 102 Department employees during the year.

Accomplishments

During Fiscal Year (FY) 2007-2008, the OIG completed projects by functional area as follows:

Functions	Number
Internal Audits	3
Management Advisory Reviews	2
Consulting, Technical Asst.	3
Audit Follow-ups	4
External Audit Coordination	10
Investigations Initiated	40
Complaints Referred	166
Inquires Processed	175
Background Checks	339

To accomplish our goals, personnel resources were utilized as shown in the pie chart:



Summary of Activities

A summary of the major activities of the OIG during FY 2007-2008 follows:

Internal Audits

The Internal Audit Section completed the following three audits. Our reports are available online at:

<http://www.fldoe.org/ig/audit.asp>

Following are highlights of the audits completed during the past year.

Division of Blind Services (DBS) Contracted and Purchased Client Services

Our audit revealed that improvements were needed in DBS contract and purchasing management. Internal controls in some areas were weak or absent allowing contracting and purchasing actions that may have resulted in the Division purchasing unneeded equipment and paying more than fair market value for products and services. Our audit showed that:

- Existing procedures do not have sufficient detail to provide employees clear guidance for core activities performed, a condition that led to many of the other findings noted in the report.
- Revisions to DBS contracts with community rehabilitation providers could improve evaluation of contract performance.
- A formal contract closeout process was not in place to evaluate contractor performance; based on a review of selected FY 2006-2007 provider contracts, most did not serve the minimum number of clients as required.
- Support for contract payments was not always sufficient, unauthorized expenditures were made to contractors for non-client costs, and overpayments occurred for training services provided to clients.
- Contract monitoring was not adequate to ensure required levels of services were received.



Recommendations

Recommendations were made to address audit findings in each principal activity related to contract administration including procurement, award agreements, performance, payments processing, and monitoring. We further recommended written procedures be improved to give DBS employees better guidance when performing key activities.

Grants Administration and Monitoring

This report includes findings relating to administration and monitoring activities of the Division of Workforce Education's Bureau of Grants Administration and Compliance. It also includes findings regarding management controls over grant recipient budgeting and disbursement reporting, involving oversight by the DOE Comptroller Office and the Bureau of Contracts, Grants, and Procurement.



Specific conditions identified include:

- Compliance monitoring of grant recipients needs improvement.
- Project disbursement reporting is of limited usefulness.
- Budget detail on equipment should be improved.
- Written procedures had not been prepared.
- Grant allocation methodologies were not fully documented in the Florida State Plan.

Recommendations

Recommendations in the report were made to assist management in establishing an effective control environment that will help ensure grants are appropriately administered and effectively monitored.

Florida Inventory of School Houses

The Florida Inventory of School Houses (FISH) is the electronic database created and supported by the Department's Office of Educational Facilities (OEF) to provide record keeping capabilities for all school district facilities. Based on our testing of three school districts, we noted:

- The accuracy of the FISH square footage inventory can not be assured to meet the statutory 95 percent accurate requirements as illustrated by both the significant number and size of the variances.
- Districts are not always complying with the FISH Manual for facilities' inventory.
- The Department's validation procedures warrant improvement.

Recommendations

We recommended that the Office of Educational Facilities:

- Emphasize to the districts the magnitude of errors noted and the funding which may be lost due to inventory inaccuracies.
- Consider seeking legislative assistance for improved statutory enforcement capabilities for OEF to ensure inventory accuracy.
- Amend validation procedures to focus testing more on large spaces, more schools, and areas within schools which are more likely to have significant variances.



Management Advisory Services

The OIG allocates staff time to review issues or matters of concern to Department management. During FY 2007-2008, the Internal Audit Section performed three reviews at the request of Department management.

GED Internal Control Review

General Educational Development (GED) testing is an important step in the educational process for many individuals. This review involved examination of job descriptions and relevant documentation, and evaluated employee duties and GED processes.

The review identified several issues for management consideration. Specific conditions noted were:

- Inadequate segregation of duties in cash handling.
- Pre-1995 records were not adequately safeguarded.
- Fees for services provided do not cover testing materials and staff costs incurred.
- The office could benefit from replacement of the current information system.

Recommendations

We recommended the following:

- Procedural changes to strengthen controls over cash handling.
- Older records should be digitized and saved on a safer medium with a backup copy secured offsite.
- A cost analysis should be performed to determine process costs which can support the need for periodic adjustments to fees charged.
- Suggestions were given for prioritizing future improvements to GED information systems.

Department Rulemaking

Each Department program office is responsible for writing and implementing rules pertaining to their program area, and for undertaking a continuous review process to ensure the rules are a correct statement of the agency's policy and not obsolete, confusing, or unnecessary.

This review identified several issues for management attention. One observation highlighted the need for rulemaking as required by statutes, while others addressed rulemaking activities in response to federal laws and the need for written rulemaking procedures. Specific conditions noted were:

- BEESS (Bureau of Exceptional Education and Student Services) had adopted new rules in response to the IDEA (Individuals with Disabilities Education Act) requirements.
- Rules have not been developed in some areas as required by statutes.
- Several technical assistance papers imposed requirements that are defined as rules but are not authorized by statute or adopted by rule.

- Written rulemaking procedures had not been developed.

Recommendations

We recommended the following:

- Each program office should review the statutes governing their functions to determine compliance with requirements for rules. Rules should be developed as required. A training program should be developed and provided to program staff responsible for drafting, reviewing, or processing rules.
- Technical assistance papers should be reviewed by the Office of General Counsel before being published to ensure consistency with rules and statutes.
- The Office of General Counsel should develop written procedures for key processes they believe should be formally documented.

Quality Assessment Review of the Internal Audit Activity

Florida statutes require that internal audits be conducted in accordance with the International Standards for the Professional Practice of Internal Auditing or, where appropriate, Generally Accepted Government Auditing Standards. This internal self-assessment was performed to comply with these Standards and to determine timeliness of Department responses to external audits and follow-up responses to these audits. Specific conditions noted were:



- The Office of Inspector General did not always meet the established timeframes for responses to external audit reports.
- Working papers did not adequately document all work performed for some audits.
- Project time recording and productivity of Internal Audit activities can be improved.

Recommendations

We recommended the following:

- Suggestions were made to improve the timeliness of responses to external reports.
- Suggestions were made to ensure working papers adequately document that audits are conducted according to the Standards.
- The Director of Auditing should ensure that timesheet summaries properly reflect the hours recorded on the auditors' project timesheets. The audit staff should consider what changes can be made to reduce the amount of administrative hours charged.

Response Coordination and Follow-up

The OIG undertakes activities to assess the corrective action taken by the Department in response to recommendations made by the Office of the Auditor General, the Office of Program Policy Analysis and Government Accountability, the Florida Department of Financial Services, the U.S. Department of Education, and other external entities during the course of their audits or reviews. We also coordinate information requests and audit responses, and schedule audit conferences for these authorities. During the fiscal year, 16 external audits were started, 20 reports were issued, and 13 follow-up responses requested.

Investigations

During the 2007-2008 fiscal year, 40 investigations were initiated, 339 background checks were conducted and 175 inquiries from the public and other entities were handled by the OIG.

Some of the investigations conducted by the OIG included allegations of organized fraud, the unjust receipt of McKay Scholarship funds, identity theft, forgery, and other employee misconduct. A brief synopsis of a sample of those investigations is provided below.



Organized Fraud

An employee with the Bureau of Rehabilitation and Reemployment Services created two non-existent consulting firms and submitted false invoices for services that were never provided. The employee submitted over 100 fraudulent invoices and received over \$110,000 in state funds. The employee also operated two personal businesses, using state equipment, during the time the employee was being paid to work for the Department. The employee was terminated by the Department, arrested and charged with two felony counts of organized fraud.

McKay Scholarship Investigations:

- A private school in Polk County unjustly received \$6,145 in McKay Scholarship funds for services that were not provided for a student. The owner of the school agreed to return the money to the Department and the school was withdrawn from participation in scholarship programs.
- A private school in Gadsden County unjustly received \$6,250 in McKay Scholarship funds for a student who did not attend the school. The private school paid back the money to the Department.
- A private school located in Lee County unjustly received \$5,393 in McKay Scholarship funds for a student that was not attending the school. The owner of the private school returned the money to the Department.

Falsification of Records

An employee falsified a State of Florida Employment Application and an Affidavit of Good Moral Character by not disclosing criminal offenses. The employee later submitted a second application and affidavit claiming they had been convicted of fraud. The employee was terminated.



Identity Theft

An employee used the personal information of several co-workers to obtain at least nine on-line loans totaling \$6,700. The employee was terminated and later arrested and charged with nine counts of identity theft.

Employee Theft

An employee fraudulently obtained \$250 from a Division of Vocational Rehabilitation bank account by forging two signatures on a state check. The employee was dismissed and participated in a pretrial diversion program through the local State Attorney's Office.

Sexual Harassment

A supervisor within the Division of Blind Services engaged in inappropriate behavior and inappropriate comments of a sexual nature towards subordinate employees. The employee was terminated.

Employee Misconduct:

- Four counselors and a technician in a Division of Vocational Rehabilitation office in Ft. Lauderdale accepted gift cards from vendors doing business with the Department. The five employees either resigned or were terminated.
- An employee was conducting work for another employer while working on state time. The employee also misused state resources for non-Departmental use. The employee resigned from the Department.

Annual Work Plan FY 2008-2009

This Work Plan identifies annual and long term projects as well as assists in managing the Office's anticipated workload. Required by Florida Statutes and professional audit standards, the Work Plan is developed to identify, select, and plan the allocation of resources for the upcoming year. The overriding consideration during the development of our plan is to provide the greatest benefit to the Department with our existing resources.

The Work Plan for FY 2008-2009 is detailed below and identifies projects to be performed by the Internal Audit Section.

Compliance and Performance Audits

Audit of Grant Recipients

Based on the results of the management review that will assess monitoring efforts in place (see following page), specific grant recipients will be selected for audit of programmatic and fiscal controls/results.

Supplemental Education Services

School districts with Title I schools that have not made Adequate Yearly Progress for three consecutive years in reading and/or math, must offer supplemental educational services for eligible students. This performance audit will evaluate selected aspects of the program for compliance with applicable laws and rules.

School Transportation

The School Transportation Management Section provides leadership, assistance, and training for school districts and other clients to ensure safe and efficient transportation of Florida's public school students. The section is also responsible for monitoring school district transportation programs for compliance with laws, rules, and industry campaigns pertaining to safety. This audit will evaluate the section's performance and compliance with applicable laws and rules.

Information Technology Audits

DVR Data System Review

The Division of Vocational Rehabilitation's Bureau of Rehabilitation and Reemployment Services utilizes the Automated Rehabilitative and Medical Information System (ARAMIS), a statewide database, to maintain client data. This audit will determine whether controls are sufficient to protect information and ensure its integrity.



Database Administration & Security

Three critical security properties of information include Confidentiality, Integrity, & Availability (CIA). Department of Education management is responsible for establishing and maintaining information system controls that ensure CIA in the many DOE database environments. This audit will evaluate compliance with privacy laws and assess security controls over Department servers, databases, and web-bases.

Management Reviews

Monitoring of Grants

DOE grant awards in FY 2007-2008 exceeded \$2 billion. Grant recipients are required to perform according to agreement terms, and the Department is responsible for evaluation of the recipients' performance. Monitoring can assist in identifying and reducing fiscal or program risks, thereby protecting public funds and ensuring the delivery of required services. Adequate documentation is essential for effective grant monitoring. This department-wide management review of grant monitoring practices and documentation will evaluate monitoring efforts in place and identify best practices that can improve monitoring and oversight.

Staffing and Recruitment

A considerable number of employees are expected to retire or leave the Department in the next few years. Opportunities may exist to better prepare for the resulting impact and potential staff shortages through such activities as succession planning. The primary objective of this management review will be to assess the Department's ability to meet staffing and recruitment challenges at present and in the near future.

Department Procedures

Effective operating procedures describe how to perform routine operations. They should provide a general framework enabling the efficient implementation and performance of functions and activities in a reliable and consistent manner. They can also serve as a valuable training tool. This management review will determine the existence of procedures for selected programs, functions, and activities and evaluate their effectiveness.

Performance Measure Reviews

Florida statutes require the OIG to assess the reliability and validity of information provided by the Department on performance measures and standards. This management review will examine the processes employed to accumulate data and report results for Department measures, and evaluate these processes for adequacy and accuracy. The review will be performed with a view to the requirements of the Florida Government Accountability Act (Sections 11.901 – 11.920, F. S.) and related agency sunset reviews.

Long Range Audit Plan

These audits are planned to be performed after the 2008-2009 fiscal year.

- Grant audit(s)
- Contract audit(s)
- Emergency Management Planning
- Office of Student Financial Assistance (OSFA) State Scholarships
- DVR Client Services
- Florida Virtual Schools
- DBS Vending Operations
- Accountability for Cash Receipts and Warrants

OIG Contact Information

Mail

Florida Department of Education
Office of Inspector General
325 West Gaines Street, Suite 1201
Tallahassee, Florida 32399-0400

E-mail Address

Ed.Jordan@fldoe.org or

oig@fldoe.org

Web Site

<http://www.fldoe.org/ig/>

Telephone

(850) 245-0403

Facsimile

(850) 245-9419