

Office of Inspector General

Department of Education

ANNUAL REPORT



Fiscal Year 2009-10

FLORIDA DEPARTMENT OF EDUCATION



STATE BOARD OF EDUCATION

T. WILLARD FAIR, *Chairman*

Members

DR. AKSHAY DESAI

MARK KAPLAN

ROBERTO MARTÍNEZ

JOHN R. PADGET

KATHLEEN SHANAHAN

SUSAN STORY

September 30, 2010

Dr. Eric J. Smith
Commissioner of Education



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 our Annual Report on the activities of the Office of Inspector General for the fiscal year ending June 30, 2010, as required by Section 20.055(7), Florida Statutes.

The Annual Audit Plan section of the report includes planned projects for the current fiscal year plus a long-term plan for future audit areas. Our Audit Plan is based on a risk assessment, which I believe, represents the best use of resources available to the Office of Inspector General.

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 the projects outlined in our Audit Plan along with the efforts of our investigations staff will contribute to the Department's efforts to achieve its goals and objectives, and support our efforts to detect and prevent fraud, waste, abuse, and mismanagement in Department programs. Thank you for your continued support.

Respectfully submitted,

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

Ed W. Jordan

br

Table of Contents

- Introduction..... 1
 - Mission Statement 1
 - Responsibilities..... 1
 - A Risk Based Program 2
- Organization and Staff 3
- Major Activities and Functions 4
 - Internal Audit 4
 - Investigations 5
- Accomplishments..... 6
- Summary of Activities 7
 - Internal Audits..... 7
 - Management Advisory Services 8
 - Response Coordination and Follow-Up 10
 - Investigations 10
- Annual Audit Plan 12
- OIG Contact Information 14

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.

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 audits, reviews, 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, waste, abuse, compliance, and deficiencies in agency controls;
- 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 and 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, Florida 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 pre-kindergarten through grade 12 education, charter schools, school facilities, Florida colleges, and career and adult education.

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.

Florida Colleges - consist of all educational institutions that are operated by local state 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. Florida colleges also offer career and adult education, including associate degrees and certificate programs, adult education, and continuing career and adult education. Florida colleges recently have been granted authorization from the Legislature to offer bachelor's degrees in certain areas (Sections 1004.73 and 1007.33, Florida Statutes).

In addition, the Department oversees the Divisions of Blind Services and Vocational Rehabilitation, the Florida School for the Deaf and Blind, and the Office of Student Financial Assistance. 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. The Florida Board of Governors provides statewide oversight of the state's public universities.

A Risk Based Program

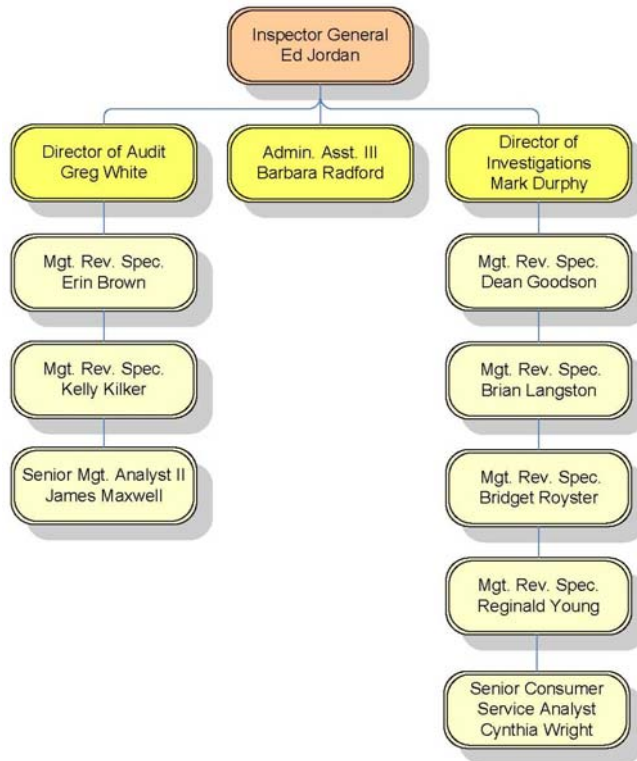
To ensure that we provide adequate coverage of the many departmental responsibilities and adequate support to management, the OIG performs an annual risk assessment of all Department activities. This ensures that the OIG is responsive to management concerns and that those activities judged to have the 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 continuous learning and educational process for staff members.

Organization and Staff

To carry out our duties and responsibilities, the OIG staff of 12 professional and administrative positions is organized into two sections – Internal Audit and Investigations, as shown below.



Technical qualifications of the OIG staff include a variety of disciplines, including auditing, accounting, investigations, and information systems. Several staff members currently are 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:

- 2 – Certified Inspectors General
- 3 – Certified Internal Auditors
- 5 – Certified Fraud Examiners
- 1 – Certified Government Financial Manager
- 4 – Certified Inspector General Investigators
- 1 – Certified Government Auditing Professional
- 1 – Certified Florida Law Enforcement Officer



Major Activities and 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, 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 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 allegations of fraud, waste, abuse or employee 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, e-mails, 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 customized fraud awareness presentations to 54 new Department employees during the year.

Office of Inspector General Seeking Accreditation

The OIG is working towards receiving accreditation through the Commission for Florida Law Enforcement Accreditation (CFA). An accreditation program has long been recognized as a means of maintaining and verifying the highest standards. Accreditation is the certification by an independent reviewing authority that an entity has met specific requirements and prescribed standards. In 2009, the Commission expanded its program to include Inspectors General offices.

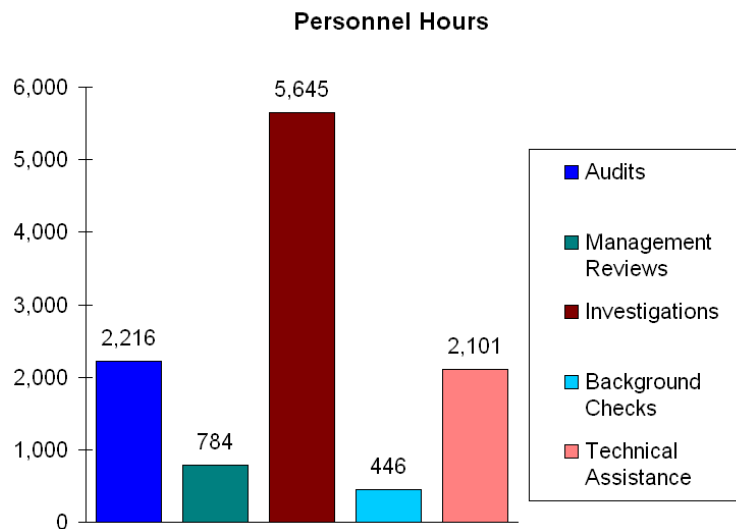
The CFA works closely with Florida's Inspectors General (IGs) to develop professional standards for Florida Inspector General investigative functions. The CFA is comprised of four sheriffs, four police chiefs, and one representative each from the Association of Counties, the League of Cities, the State Law Enforcement Chiefs' Association, the Judiciary, and the Inspectors' General community.

Accomplishments

During Fiscal Year (FY) 2009-2010, we completed the following projects:

OIG Function	Number Completed
Internal Audits	3
Consulting & Technical Assistance	2
Internal Audit Follow-ups	5
External Audit Coordination (Entrance & Exit Conferences, Draft Reports, and Follow-ups)	40
Investigations Initiated	28
Investigations Closed	45
Complaints Referred to Others	53
Assignments Referred to Management	64
Background Checks	420

To accomplish our goals, the following personnel resources were utilized:



Summary of Activities

Major activities of the OIG during FY 2009-2010 are summarized below:

Internal Audits

The Internal Audit Section completed three audits during the year which can be viewed online at:

www.fldoe.org/ig/auditreports.asp

Following are highlights of these audits.

Contracting for Employment Services in the Division of Vocational Rehabilitation

The audit addressed whether Supported Employment and Employment Service rate contracts were awarded and executing in accordance with controlling laws, rules, policies, and good business practices; clients received services required by contract provisions; payments were made in accordance with contracted terms; the delivery of services was properly administered and monitored; and adequate internal controls were in place to mitigate fraud, waste, and abuse.



Findings:

- Inactive contracts are not terminated timely.
- VR clients have had limited information to make informed decisions on which vendor to select for employment services.
- Vendor certification should require level two background checks on all vendor personnel assisting VR clients.
- Vendor certification should require source documents for approval of vendor services.
- The role of the Contract Manager and Contract Liaison need to be clearly defined.
- The content provided in the Monthly Progress Reports by vendors is inconsistent ranging from minimal to comprehensive.
- Internal controls for verification of employment are weak.
- VR should proceed with plans for a digital imaging and storage document system for all client and vendor files.

Supplemental Educational Services

The audit focused on evaluating the level of compliance with federal requirements by the Department and selected Local Education Agencies (LEA). Specific objectives were to: 1) determine the amount and nature of Department monitoring of SES providers, 2) determine if funds are properly spent, and 3) evaluate the sufficiency and effectiveness of controls in place.



Findings:

- Some LEAs reviewed did not comply fully with the parental notification provisions of NCLB.

- Certain LEAs lacked adequate internal controls over the payment process for provider invoices.
- SES contracts were not in full compliance with NCLB requirements.

Florida Assessments for Instruction in Reading Grant

The Florida Assessments for Instruction in Reading (FAIR) Grant was administered in the state's 67 school districts during the current school year. We identified noteworthy accomplishments that should be continued, identified areas to consider for improvement, and made recommendations to Department management. We obtained feedback from selected school districts regarding the FAIR assessment, evaluated the sufficiency and effectiveness of controls in place for administering the assessment, evaluated the reliability of the assessment data provided to the Department, and reviewed the cost/benefits of the FAIR assessments.

Findings:

- A monitoring plan with formalized monitoring activity and written procedures addressing the review of specific programmatic areas has not been developed.
- Teachers expressed concern about classroom management when assessing K-2 students.
- Teachers expressed concern about the appropriateness of content (passages) in the assessments.
- Additional training is needed for reading coaches and teachers on how to analyze the assessment data.
- Administration of the assessments has not been standardized, which impacts its use for accountability purposes.
- Some educators we interviewed questioned the cost/benefit of testing students with FCAT scores of four and five.

Management Advisory Services

The OIG allocates staff time to review issues or matters of concern to Department management. During FY 2009-2010, the Internal Audit Section performed two reviews, highlighted below, at the request of Department management which can be viewed online at:

www.fldoe.org/ig/auditreports.asp



Preliminary Assessment of Departmental Readiness for Recovery Act Funding

The objective of the review was to provide a preliminary assessment of the Department's internal controls which address accountability and transparency requirements of the American Recovery and Reinvestment Act (ARRA).

Findings:

- The Department has internal controls and practices in place or planned to ensure the accountability of grants and contracts and adherence to state and federal laws and regulations.
- Management action is needed to develop or strengthen controls involving Recovery Act reporting activities.

- Create a Web based system to facilitate sub recipient reporting.
- Establish access controls over reporting systems.
- Prepare a protocol(s) for systematic review of submitted information.
- Develop a process to resolve or correct errors discovered in reported data.
- Prepare written procedures for reporting system processes.
- Department monitoring of large federal grant programs has improved recently; additional efforts are underway to further strengthen these practices.
- Some sub recipients of state fiscal stabilization funds lack experience in managing federally funded programs; for example, certain small private non-profits.
- Program management needs to develop more comprehensive risk profiles for sub recipients in accordance with OMB Memorandum M-09-15 issued April 3, 2009.

American Recovery and Reinvestment Act Data Quality Review

Reviewed methodologies used by ARRA grant sub recipients to calculate the number of full-time equivalent jobs saved, created and continued.

Findings:

- Questionable entries were noted in jobs data reported by a sample of sub recipients.
- Sub recipients may need additional guidance and training in computing and reporting jobs data to ensure this data is accurate.
- In our sample of sub recipients, a good audit trail for ARRA reported data is not present.

Process Improvement – Going Paperless

The OIG Internal Audit Section has participated in the development and expansion of the Integrated Internal Audit Management System (IIAMS) originally developed by the Department of Children and Families. Beginning in fiscal year 2010-2011, we intend to use IIAMS to manage all of our audits.

IIAMS is a fully functional audit management system designed for state government and includes project management, audit documentation, supervisory review/approval, timekeeping, training records, and an extract and reporting function. It is a web-based application hosted at the Northwood Shared Resources Center available to all interested state agency internal audit offices. Users log-on to a secure website to access the IIAMS web application and work with their secure data. The system will increase the efficiency of the audit process and help assure quality by building in compliance with professional auditing standards.

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, U.S. Department of Education, and other external entities during the course of their audits and reviews. We also coordinate information requests and audit responses, and schedule audit conferences for these authorities. During the fiscal year, 26 external audits were started, 32 reports were issued, and 15 follow-up responses requested.

Investigations

During the fiscal year, 45 investigations were completed, 420 background screenings were conducted, and 117 inquiries from the public and other entities were handled by the OIG.

Some of the investigations conducted by the OIG included allegations of private school scholarship fraud, misappropriation of grant funds, theft, misuse of position, and other employee misconduct allegations. A brief synopsis of a sample of those investigations is provided below.



- A private school in Dade County unjustly received \$14,415 for students who were not attending the school or otherwise entitled to receive McKay Scholarship funds. The private school has agreed to make full restitution to the Department.
- A private school in Zephyrhills received McKay Scholarship funds for students who were not attending the school during three school years. The school received \$18,220 of which, \$8,027 has been reimbursed to the Department. The outstanding balance has been referred for collection.
- The OIG conducted an investigation into an allegation that the Department collaborated with a sub-grantee to misappropriate \$400,000 in federal grant funds to programs that did not qualify for funding; and found that \$167,178 was provided to programs that did not meet specific grant requirements.
- The OIG conducted an investigation into an allegation that the, Bureau of School Improvement, mismanaged a federal grant that was awarded to multiple school districts in North Florida; and found that \$16,403 in federal funds were inappropriately spent on travel and registration fees.
- An employee with the Division of Vocational Rehabilitation in Miami worked a second job as a substitute teacher with the Miami-Dade County Public School at the same time she was claiming to be conducting field work for the Department. The employee resigned in lieu of termination, and repaid the Department over \$14,000 for the salary she fraudulently received and for the cost of the investigation. As a result of her agreement to resign and pay full restitution to the Department, the State Attorney's Office agreed not to prosecute her.

- A Department employee collected charitable contributions from her co-workers via organized fundraisers through the Florida State Employees' Charitable Campaign. The employee failed to turn in all the money to the United Way and kept the money for herself. The employee resigned prior to being terminated from the Department and was arrested and charged with Grand Theft.
- A counselor with the Division of Vocational Rehabilitation abused his position by having an inappropriate personal relationship with a client. The employee also misused state equipment. The employee resigned prior to being terminated by the Department.

2010-2011 Audit Plan

This Audit Plan identifies annual and long term audit projects and assists in managing the Office's anticipated workload. It is required by Florida Statutes and professional audit standards, and is developed to identify, select, and allocate 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 Audit Plan for FY 2010-2011 is detailed below and identifies projects to be performed by the Audit Section. A similar work plan has not been developed for the Investigations Section because their work primarily is reactive based on allegations of wrongdoing received through the Governor's Chief Inspector General, from Department management and employees, and members of the general public.

Audit Plan

American Recovery and Reinvestment Act (ARRA) – ARRA became law in February 2009, and grants the Department approximately \$4 billion. With these federal funds come increased reporting, oversight and accountability requirements. The majority of these funds will be passed to the school districts which have required annual audits. Some of the funds will be contracted through the Divisions of Vocational Rehabilitation and Blind Services. We expect to maintain a significant presence in regard to validating data reporting and risk assessment. (Continuation project)



Division of Public Schools – An audit of 21st Century Community Learning Centers is in progress. These centers provide an educational after school environment for students. The audit focuses on contract compliance, service delivery, proper invoicing, reporting accuracy/completeness, and internal control structure.

Division of Career and Adult Education – This assignment is planned as an operational audit of the Division's General Educational Development (GED) program. This topic was considered last year, but was not performed because of plans to outsource the program. The program was not outsourced and is currently wholly supported within the Division. The audit will include a review of internal controls, efficiency of process, and fee collection.

Division of Blind Services – Audit of the Business Enterprise Program (BEP) which may include such areas as travel authorization and expenditures, use of written policies and procedures, security of personnel files, construction management, vehicle use, and cash handling procedures. This program provides and manages entrepreneurial opportunities for qualified citizens.

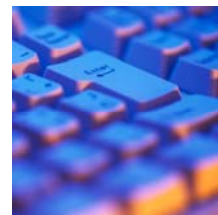
Division of Vocational Rehabilitation – The Division contracts with employment services providers to serve disabled citizens. We plan to select a sample of contracted providers for audit. The audit will focus on compliance with the contract, proper expenditures, reporting accuracy/completeness, effectiveness at placing clients in employment opportunities and internal control structure.

Division of Public Schools – The Division of Public Schools issues funding and guidance for after school tutoring services provided through the Supplemental Educational Services (SES) program. We plan to select SES providers for audit based on an assessment of risk. The audit

will focus on DOE approval of providers, compliance with the contract between the school district and provider, service delivery, proper invoicing, reporting accuracy/completeness, and internal control structure.

Race to the Top Grant – (Contingent upon grant award) Due to the grant size and complexity, the Division of Public Schools will be significantly impacted. This review will assess best practices to accomplish program requirements related to evaluation, assessment, etc. The Department expects to receive about \$700 million in funding with specific requirements for assessments and accountability. The grant requires the Department to audit the disbursement of funds three times a year based upon benchmarks.

Information Technology Application Development and Procurement – Information technology (IT) applications require extensive development and planning prior to successful procurement. Objectives of this review include identifying current practices regarding IT application development and procurement, measuring compliance with applicable guidance, and comparing to best practices used by other agencies.



Centers for Autism and Related Disabilities – The legislature grants funding to seven university managed autism centers which provide resource and training services for persons who have autism. We plan to select two to three centers for audit. Audit objectives include assessment of grant oversight by the DOE, completion of contract deliverables and testing of expenditure documentation maintained by the university to determine if the funds were properly expended.

Office of Independent Education and Parental Choice – The McKay Scholarship Program provides school choice options for qualified students. The primary focus of a management review of the program is assessing compliance with applicable statutes and rules, and evaluating processes for efficiency, effectiveness, and adequacy of internal controls.

Bureau of Personnel Management and Labor Relations – The Bureau is responsible for maintaining employee files. We plan to review a sample of employee files for compliance with applicable guidelines.

Performance Measure Assessment – The Office of Inspector General is required by § 20.055, F. S., to assess the reliability and validity of the information provided by the Department on performance measures and standards, and make recommendations for improvement, if necessary. We plan to select a sample of legislatively approved performance measures for assessment.

LONG RANGE AUDIT PLAN

- *Contract and grant audits*
- *Emergency management planning*
- *Department hiring process and practices*
- *Budgeting practices and transparency*
- *Federal grant application review process*
- *Accountability for cash receipts and warrants*
- *Internal Department communications*
- *Procurement and contracting process*

OIG Contact Information

Mail

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

E-mail

ed.jordan@fldoe.org

or

oig@fldoe.org

Website

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

Telephone

(850) 245-0403

Facsimile

(850) 245-9419



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

Ed W. Jordan
Inspector General

Phone: (850) 245-0403
Fax: (850) 245-9419