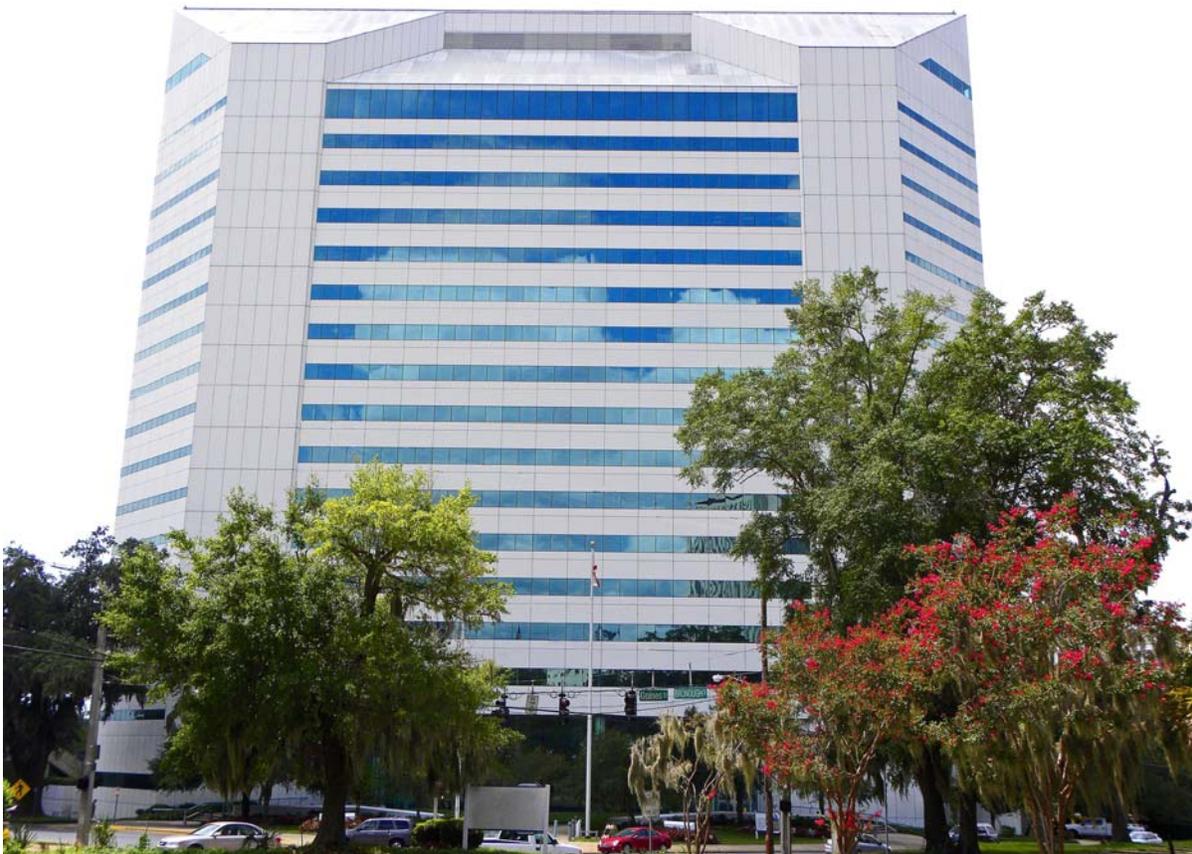


Office of Inspector General

Department of Education

ANNUAL REPORT



Fiscal Year 2008-09

FLORIDA DEPARTMENT OF EDUCATION



Dr. Eric J. Smith
Commissioner of Education

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September 30, 2009

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, 2009, as required by Section 20.055(7), 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.

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 Work 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
Inspector General
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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	9
Investigations	9
Annual Work Plan	10
Long Range 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 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 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 kindergarten through grade 12 education, charter schools, school facilities, Florida colleges, and career and adult education.

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.

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 in Science 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).

A Risk Based Program

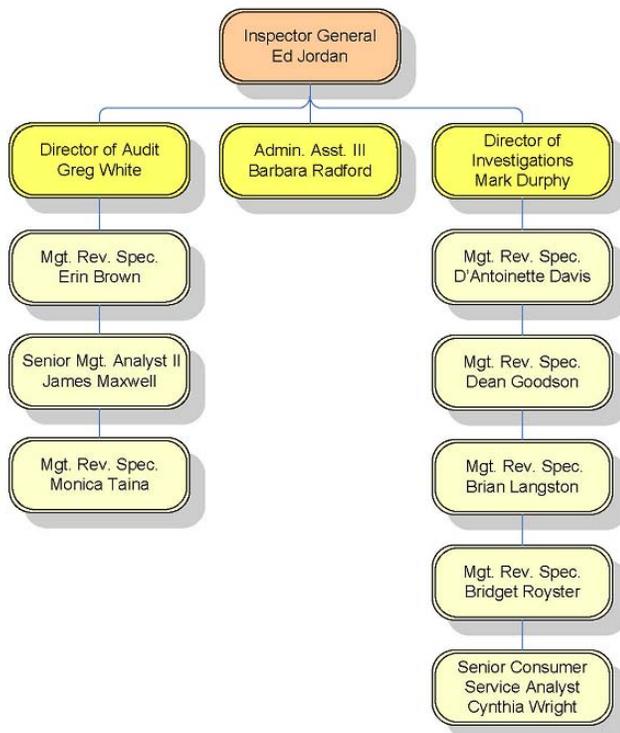
To ensure that we provide adequate coverage of the many departmental responsibilities and adequate support to management, the OIG performs an annual risk assessment of all Department activities. This ensures that the OIG is responsive to management concerns and that those activities judged to have the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

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



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 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

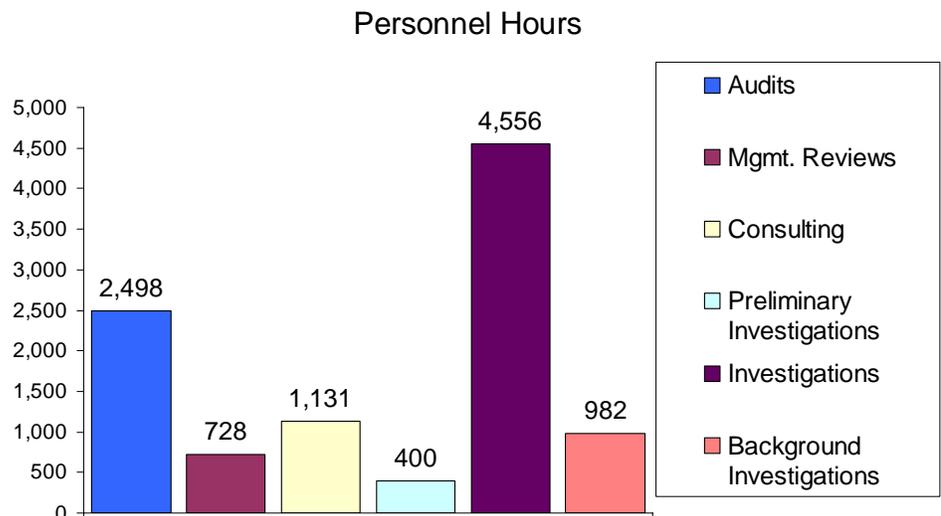
The Investigations Section continued its objective of deterring fraud by delivering five customized fraud awareness presentations to Department employees during the year.

Accomplishments

During Fiscal Year (FY) 2008-2009, we completed the following projects:

OIG Function	Number Completed
Internal Audits	4
Management Advisory Reviews	2
Consulting & Technical Assistance	4
Internal Audit Follow-ups	5
External Audit Coordination (Entrance & Exit Conferences, Draft Reports, and Follow-ups)	78
Investigations Initiated	88
Investigations Closed	79
Complaints Referred To Others	110
Inquires Processed by OIG	6
Department-wide Background Checks	2,373
Miscellaneous Background Checks	171

To accomplish our goals, these personnel resources were utilized:



Summary of Activities

Major activities of the OIG during FY 2008-2009 are summarized below:

Internal Audits

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

www.fldoe.org/ig/auditreports.asp

Following are highlights of these audits.



Information Access Controls

The objectives of this audit were to evaluate information technology access control policies and procedures, and logical access control security for end user platforms. Details of findings and recommendations are not provided due to the confidential subject matter.

Monitoring Performed by the School Transportation Management Section (STMS)

This audit was performed to determine if transportation program monitoring is adequate based on statutes, rules and other guidance, and to evaluate the monitoring performed by the School Transportation Management Section.

Overall, we noted that the STMS is diligent in performing its role and has generally complied with statutes, rules, and other guidance. Internal controls were evaluated and found to be adequate. We noted four areas in which additional management attention could result in closer compliance with authoritative criteria and good management practice as follows:

- An accurate listing of schools is needed to determine the population to be monitored;
- More complete record keeping is needed;
- Special Needs requirements were not followed by some school districts; and
- Some districts did not follow documentation directions or did not comply with rules.

Supplemental Education Services Program (SES)

This audit focused on evaluating the level of compliance with federal requirements by the Department and selected Local Education Agencies (LEAs). It included an assessment to determine the amount and nature of Department monitoring of SES providers, whether funds were properly spent, and whether effective management controls were in place.

For the period reviewed, we found that LEAs provided the option of school choice and provided no cost supplementary education services to eligible students. However, LEAs did not always

fully comply with SES provisions of the No Child Left Behind (NCLB) Act and other implementing regulations.

Tangible Personal Property

This audit evaluated whether the Department properly accounts for and safeguards tangible personal property. Research and tests of property as recorded in FLAIR and Department records revealed that:

- A physical inventory of property is not always conducted when there is a change of custodian's delegate;
- Some property locations listed in FLAIR were inaccurate;
- Clarification regarding authorizing signatures is needed in surplus property procedures; and
- In one instance, the Department did not follow established procedures for the sale of property.

Management Advisory Services

The OIG allocates staff time to review issues or matters of concern to Department management. During FY 2008-2009, the Internal Audit Section performed two reviews at the request of Department management.



Grant Monitoring Practices

This review documented grant monitoring practices for selected grants, evaluated the sufficiency and effectiveness of management controls in place, and noted best practices that can be shared among program areas.

Based on results of the review, we recommended that:

- Comprehensive fiscal review activities be performed during on-site monitoring visits to the greatest extent possible;
- Management consider increasing on-site monitoring coverage in larger grant programs and establishing formal monitoring for smaller grant programs;
- Monitoring systems and processes be formalized in approved written procedures that address specific areas;
- Management continue efforts to address untimely submission of improvement plans by recipients; and
- The Office of Federal Programs consider performing an annual risk assessment of all grant recipients to better focus monitoring efforts.

Public Schools Performance Measures

This review assessed the validity and reliability of selected legislative performance measures. We evaluated whether selected measures related to the essential mission of the Public Schools Program and verified the accuracy of reported results for the measures. We also determined whether the means and methods used to acquire the supporting data for those measures was sound, and whether internal controls over the processes employed to determine measure amounts were effective.

We found that performance measure names should be modified to better describe the information being reported; and that standards should be updated to provide a better basis for evaluating actual results.

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, and the U.S. Department of Education 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, 25 external audits were started, 38 reports were issued, and 11 follow-up responses requested.

Investigations

During the 2008-2009 fiscal year, 79 investigations were completed and 108 inquiries from the public and other entities were handled by the OIG.

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



McKay Scholarship Investigations

- Private school in Hillsborough County unjustly received over \$78,000 for students who were not attending the school or entitled to receive McKay Scholarship funds.
- Private school in Polk County unjustly received over \$36,000 in McKay Scholarship funds for students who were not attending the school.
- Private school in Gadsden County unjustly received over \$14,000 in McKay Scholarship funds for students who were not attending the school.
- Private school in Brevard County failed to meet the required net instructional hours and provide regular and direct contact with students.

Fraudulent Activity

A Department employee used her position to create fraudulent General Educational Development (GED) high school diplomas and transcripts which she sold to over 75 individuals who did not legitimately pass the GED exam. This employee conspired with another employee who referred clients to her. One of the employees was arrested and charged with Official Misconduct.

Department-wide Criminal Background Checks

In May 2008, the Department initiated a policy requiring all employees and applicants to undergo criminal background checks as a condition of employment. The OIG assisted Department management in the development and administration of this new policy. We developed detailed procedures for the receipt, review, investigation and records retention of all employees' and applicants' criminal records. The OIG approved 2,373 current employees and applicants after reviewing their criminal history background reports and required background screening documents. Additionally, the Investigations Section initiated 70 investigations on employees or applicants whose criminal records indicated they failed to disclose required criminal information.

Employee Misuse of Position

An employee with the Division of Blind Services entered into a contractual agreement on behalf of the Division with a state university for a summer camp for visually impaired students. The employee then hired his wife and 12-year old son as paid counselors for the program and submitted reimbursement receipts for personal items.

Annual Work Plan FY 2009-2010

This Work Plan identifies annual and long term audit projects and 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 2009-2010 is detailed below and identifies projects to be performed by the Audit Section. A 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.

Compliance and Performance Audits

American Recovery and Reinvestment Act (ARRA)

The Department is expected to receive approximately \$4 billion in ARRA funds over the next several years. 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 assessing risk.



Division of Blind Services

An operational audit will review Division activities to assess the adequacy and effectiveness of management controls to ensure compliance with established policies and operational procedures. Division activities to be considered for audit include such areas as travel authorization and expenditures, security of personnel files, construction management, vehicle use, and cash management procedures. In addition, we plan to audit two to four service providers for compliance with contracts, proper expenditures, reporting accuracy and completeness, and effectiveness at placing clients in employment opportunities.

Division of Vocational Rehabilitation

Contract audits (carry over and new) – we will complete the ongoing audit of contracted employment placement services providers, and in a separate audit select four to six additional providers for similar evaluation. Audits will focus on compliance with contract requirements, payment processing, accuracy/completeness of reporting, effectiveness of placing clients in positions, and internal control structure.

Division of Public Schools

Audit of Supplemental Education Services providers (carry over and new) – we will complete the ongoing audit of SES providers, and in another audit select four to six additional providers for similar evaluation. Audits will focus on the Department’s annual screening and approval of providers, contract compliance between local education agencies (primarily school districts) and service providers, service delivery, payment processing, accuracy/completeness of reporting, and internal control structure.

Grant Awards to Florida State University

The Florida Center for Reading Research utilizes faculty for research projects. Federal (\$2.7 million) and state (\$3.7 million) funding is provided through the Department for the research projects. Audit objectives will include assessment of grant oversight by Department staff, completion of deliverables and testing of expenditure documentation maintained by Florida State University.

Management Advisory Reviews

Agency Sunset Review

This review involves a two year process culminating in hearings by the Joint Legislative Sunset Committee to determine whether the Department should be reauthorized in its present form, reorganized, or not authorized.

An agency report containing detailed information related to program funding and activities, performance measures, and other issues is due by July 1, 2010. The OIG is required to certify the validity of information contained in the report.



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 and sufficiency of procedures for selected programs, functions, and activities and evaluate their effectiveness.

Information Security Policy/Awareness

Information technology (IT) security is always a critically important consideration when assessing and limiting organizational risk exposure. Objectives of this review will include evaluating IT security practices at other state agencies, examining disaster preparedness plans, and other related issues. We will consider examining the effects of budget cuts on staffing and the ability to buy and maintain IT equipment.

Long Range Audit Plan

- *Contract audits*
- *Emergency Management Planning*
- *Office of Student Financial Assistance*
- *Florida Virtual Schools*
- *Federal Grant Application Review Process*
- *Professional Practices Services Unit*
- *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

ed.jordan@fldoe.org

or

oig@fldoe.org

Web Site

<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