

# Office of Inspector General

Department of Education

## ANNUAL REPORT



Fiscal Year 2011-2012

# FLORIDA DEPARTMENT OF EDUCATION



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Pam Stewart  
Commissioner of Education



September 28, 2012

Pam Stewart  
Commissioner of Education  
325 West Gaines Street, Suite 1514  
Tallahassee, Florida 32399-0400

Dear Ms. Stewart:

I am pleased to submit our Annual Report on the activities of the Office of Inspector General for the fiscal year ending June 30, 2012, as required by Section 20.055(7), Florida Statutes.

The 2012-13 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 "Michelle Southall".

Michelle Southall  
Interim Inspector General

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# 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.

## OIG Responsibilities

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.

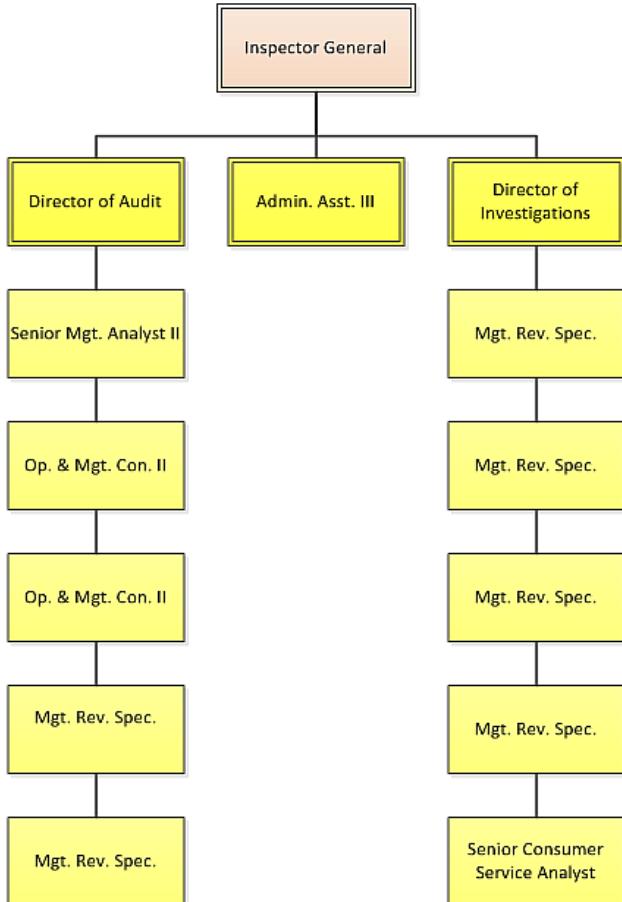
Additionally, in accordance with section 1001.20, Florida Statutes, if the Commissioner of Education determines that a school board is "unwilling or unable to address substantiated allegations made by any person relating to waste, fraud, or financial mismanagement within the school district," the Department's Office of Inspector General shall conduct investigations into such allegations.

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. 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 internal control deficiencies;
- Reporting on progress made in implementing corrective action;
- Advising in the development of performance measures, policies and procedures, and standards 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.

# Organization and Staff

To carry out our duties and responsibilities, the OIG staff of 14 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:

- 1 – Certified Inspector General
- 2 – Certified Internal Auditors
- 1 – Certified Fraud Examiners
- 1 – Certified Government Financial Manager
- 5 – Certified Inspector General Investigators



# 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.

## A Risk Based Program

To ensure that we provide adequate coverage of the many departmental responsibilities and adequate support to management, the OIG's Internal Audit Section performs an annual risk assessment of all Department activities. The process includes significant interaction with Department management in the form of interviews that focus on risks that might interfere with the Department's ability to achieve its mission. Also addressed are risks involving potential waste, abuse or potential wrongdoing. The process helps ensure that the OIG is responsive to management concerns and that those activities judged to have the greatest risks are identified and scheduled for review.



## 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.



## **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 Florida Department of Financial Services' 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 Executive Office of the Governor.

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, administratively.

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, in accordance with Florida Statutes.

Investigations are conducted in accordance with quality and quantitative standards as set forth in the *Association of Inspectors General Principals and Standards for Offices of Inspector General*.

## **Additional Investigative Authority**

A part of Florida's school choice programs, the McKay Scholarships for Students with Disabilities Program provides Florida students with special needs the opportunity to attend a participating private school. Another program, the Florida Tax Credit Scholarships Program encourages private, voluntary contributions, to expand educational opportunities for children of families that have limited financial resources. OIG Investigations staff assist Florida's school choice program as indicated in the next paragraph.



In accordance with Section 1002.39(6)(c) and 1002.395(9)(f), Florida Statutes established a process by which individuals may notify the Department of any violation by a parent, private school, or school district of state laws relation to program participation. The Department shall conduct an inquiry of any violation or make a referral to the appropriate agency for an investigation. Rules 6A-6.0960 and 6A-6.0970, Florida Administrative Code, provide that the Department may at any point refer an inquiry to the Department's Office of Inspector General or another appropriate agency for full investigation.

## **Seeking Accreditation**

The Investigations Section 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 Inspectors General of Florida have worked diligently with the Commission for Florida Law Enforcement Accreditation (CFA), to develop a set of professional standards for Florida's Inspectors General Investigations function. These standards have been drafted by the Chief Inspector General, the Inspectors General Accreditation Standards Workgroup and CFA for the purpose of awarding Inspectors General Investigation Accreditation status. The standards were developed after comprehensive research was conducted of: Florida Statutes, the Principles and Standards for Offices of Inspector General adopted by the national Association of Inspectors General, CFA operating standards, and Florida Corrections Accreditation Commission operating standards. The standards are divided into eight chapters, which include: Organization and Governing Principles, Personnel Practices, Training, Investigation Process, Whistle-Blower Act, Notification Process, Case Management, and Final Reporting Processes. These are minimum recommended operating standards for an Inspectors General investigations function.

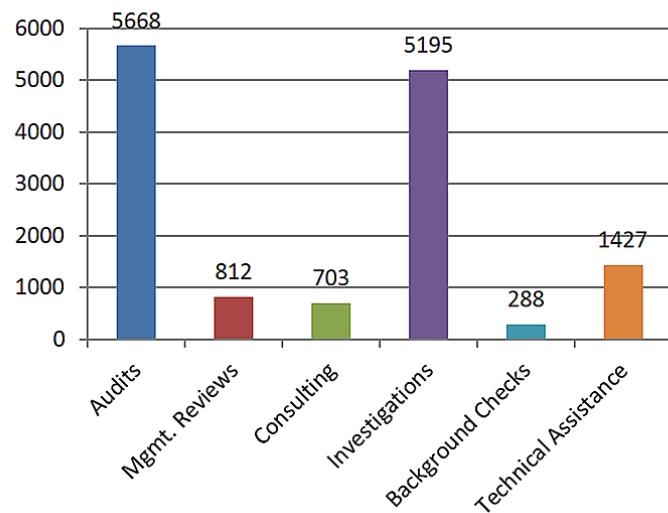
# OIG Accomplishments

During Fiscal Year 2011-12, we completed the following projects:

OIG Function	Number Completed
Internal Audits	13
Management Advisory Services	1
Internal Audit Follow-ups	9
External Audit Coordination (Entrance & Exit Conferences, Draft Reports, and Follow-ups)	25
Investigations Initiated	14
Investigations Closed	17
Complaints Referred to Others	49
Assignments Referred to Management	44
Background Checks – Approved Applicants	431
Background Checks – Reviews Conducted	9
Awareness Briefings (Presentations were given to 91 new Department employees during the year.)	6

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

Personnel Hours



# Summary of Activities

Major activities of the OIG during Fiscal Year (FY) 2011-2012 are summarized below:

## Internal Audits

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

[www.fl doe.org/ig/auditreports.asp](http://www.fl doe.org/ig/auditreports.asp)

Following are highlights from several of these audits.



**Race to the Top Grant Expenditures Reporting** – The OIG audited Race to the Top grant expenditures and associated jobs data reported by six school districts. This is the fifth in a series of OIG audits intended to validate the accuracy and reliability of federal Recovery Act grant expenditure and jobs data reported to the Department of Education. No significant reporting errors, misstatements, or material omissions were found in our review of each district. Data was accurately reported to the Department.

**Information Technology Application Development and Procurement** – This audit focused on general project management practices (which include tasks related to information technology application development). Most of these practices were still under development from a governance perspective. Department staff agreed that enterprise-wide governance is early in its maturity. They indicated their awareness of the steps needed to be taken and their intent to incrementally build more structure into the process.

We found the Department can improve activities to more effectively oversee practices involving resource investment, use and allocation. Adoption and use of a formal methodology of organizing and accomplishing project tasks can mitigate inherent risks to better ensure project success. The report identified opportunities for improvements in strengthening management controls in administering both the IT application development function as well as overarching governance for Department projects.

**Florida Alliance for Assistive Services and Technology, Inc.** – The OIG performed an audit of contract administration and performance by the Division of Vocational Rehabilitation and Florida Alliance for Assistive Services and Technology, Inc. The contracts provided technology related assistance and services for Florida citizens with disabilities. We determined that appropriate services were provided to clients and provided recommendations to further improve contract compliance. Our report indicated the Division should ensure that: 1) appropriate background checks of potential employees are conducted prior to employment; 2) annual

contract monitoring reviews continue to be scheduled and conducted; and 3) the executive director's travel documents contain an authorizing signature by electronic or similar means.

**Centers for Autism and Related Disabilities** – The OIG reviewed three of the seven university-managed Centers for Autism and Related Disabilities (CARDs). The CARDs are established to provide non-residential resource and training services for persons with autism spectrum disorders and related disabilities. We focused on efforts by the CARDs to implement cost saving measures, increase revenue, and improve program efficiency.

To increase revenue, reduce cost, and improve accountability we recommended the Division of Public Schools: 1) ensure that the Constituency Board for each CARD increase its fundraising efforts to comply with Florida Statutes; 2) encourage the CARDs to increase the availability of online, distance learning technology and computer-based training resources; and 3) ensure that documentation such as sign-in sheets is collected and confirm implementation of training events through periodic sampling.

**Enterprise Contract Monitoring Audit** – The OIG participated in an enterprise contract monitoring audit coordinated by the Governor's Chief Inspector General to provide an overall assessment of contract monitoring procedures in state agencies based on a defined scope of work. This assignment examined the Department's written policies and procedures and training related to contract monitoring. Overall, written policies and procedures are compliant and the Department offers adequate training. We also identified several noteworthy practices. However, the Department could benefit from stronger written closeout policies and procedures.

**Audit of Mentoring Programs - Take Stock in Children** – The OIG examined the integrity of expenditures for six Take Stock in Children local mentoring programs for the second quarter of FY 2010-2011. Audit objectives were to determine whether sub-recipients spent state funds appropriately and accurately reported financial data to the Department. Our analysis revealed that, with minor exceptions, expenditures were allowable and made in accordance with program guidelines. No material omissions, misstatements, or errors were found in our review of these programs.



**Contract with Hands On Employment Services, Inc.** – This compliance audit addressed contract administration and performance by the Division of Vocational Rehabilitation and Hands On Employment Services, Inc. The contract provided employment services and on-the-job training to eligible clients. We determined that appropriate services were provided to clients and provided recommendations to further improve contract compliance. The report indicates the Division should ensure that: 1) all Division client case records contain appropriate documentation of provided services; 2) all contractor client case records contain appropriate documentation of services; and 3) contractors adhere to ADA standards to increase accessibility.

## **Management Advisory Services**

The OIG allocates staff time to review issues or matters of concern to Department management. During FY 2011-2012, the Internal Audit Section performed two reviews, highlighted below, at the request of Department management which can be viewed online at:



[www.fl DOE.org/ig/auditreports.asp](http://www.fl DOE.org/ig/auditreports.asp)

**Review of Department Hiring Process** – The OIG reviewed the Department's hiring process in accordance with our Fiscal Year 2011-12 audit plan. The objectives of the review were to: 1) map the hiring process noting key steps, documents, and timeframes; 2) review the current process for efficiency and timeliness; and 3) contact other state agencies for potential best practices. We measured the time required for critical steps in the process and interviewed those involved in the hiring process. We recommended that the Department consider a process improvement exercise to review and improve the hiring process.

**McKay Scholarship Payment Process Mapping and Improvement** – The OIG coordinated a process improvement project which included the Department's Office of the Comptroller and the Office of Independent Education & Parental Choice. Selected staff from both offices formed a team that participated in a mapping session of the McKay Scholarship payment process. The McKay Scholarship payment process was streamlined, eliminating approximately thirty process steps, including eliminating one role from the process, two wait times and eleven transports/handoffs.

## **Audit Response Coordination and Follow-up**

The Internal Audit Section 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, 10 external audits were started, 6 reports were issued, and 14 follow-up responses were requested.

## Investigations

During the fiscal year, 17 investigations were completed, 431 applicants' background checks were approved and 9 background check reviews were conducted, and 129 inquiries from the public and other entities were handled by the OIG.

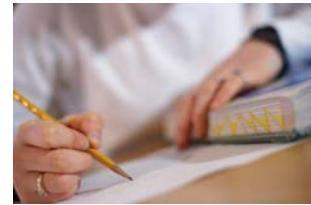


Types of investigations conducted by the OIG included allegations of private school scholarship fraud, misappropriation of funds, misuse of position, and other employee misconduct allegations. A synopsis of a sample of those investigations is provided below.

- Two employees with the Office of Technology and Information Services were involved with inappropriately removing a piece of equipment from a secured location. These two employees were suspended without pay for five workdays.
- An employee with the Division of Vocational Rehabilitation accessed and shared confidential client information. The employee was suspended without pay for five workdays. As a result of this investigation, the Division of Vocational Rehabilitation conducted refresher training in confidentiality and the release of customer information and plans to conduct this training annually for all Field Services staff.
- An employee with the Office of Technology and Information Services filed a complaint alleging discrimination in salary based on race and gender. The OIG found no evidence of salary discrimination based on race or gender. It was discovered that this employee received a consistent pattern of raises since employment began and salary has more than doubled since being employed with the Department.
- A previously investigated private school in Broward County who unjustly received \$49,108.75 in McKay Scholarship funds for students who were not attending the school entered into a settlement agreement with the Department. It was discovered that this school violated the settlement agreement by continuing to receive scholarship funds for students who were not in attendance. The private school's eligibility was revoked by the Commissioner of Education.
- A Division of Vocational Rehabilitation employee was working additional outside employment with a Division of Vocational Rehabilitation vendor and failed to notify management of the employment with the vendor. The employee resigned prior to being terminated by the Department.
- A Division of Career and Adult Education employee created, signed, and approved a contract for a not-for-profit corporation where the employee was an officer/director, and did not submit the contract through the appropriate departmental process. A \$766.50 check was found at the employee's desk and it was believed that the employee might have been depositing reimbursement checks received from a vendor in to the company's back account where the employee was the officer/director. It was determined that the check was mistakenly sent to the Department. The employee was terminated by the Department.



- A complaint was received alleging that the Division of Blind Services requested and received a \$30,000 donation check from the Blind Services Foundation and did not properly use those funds. Investigation discovered that the donation was deposited into the appropriate fund site in accordance with Florida Statutes and Florida's General Appropriate Act.
- Two previous employees of the Space Coast Center for Independent Living (SCCIL) alleged numerous improprieties by the Executive Director. Out of the seven allegations, five were unsubstantiated and there was insufficient evidence to substantiate one of the allegations. The allegation that the Executive Director created a conflict of interest was substantiated. The OIG recommended that the SCCIL thoroughly review the travel claims for all SCCIL employees who are reimbursed for their travel expenses to avoid errors of overpayment; and avoid contracting actions that would create a conflict of interest.
- Division of Blind Services vendors alleged that a DBS Bureau of Business Enterprises (BBE) Consultant may have been operating a vending facility with his brother that should be assigned to blind vendors and misused his position by conducting outside employment during state time. It was substantiated that the Consultant managed gumball machines at BBE facilities to provide benevolent assistance for vendors, and failed to notify his supervisor of his outside employment. The Consultant received counseling regarding the negative consequences caused by a conflict of interest and the requirement to notify his supervisor of outside employment.



# 2012-2013 Audit Plan

This Audit Plan identifies annual 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 identifies projects to be performed by the Audit Section. A similar work plan has not been developed for the Investigations Section because their work is primarily 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.

## Planned Projects

**Division of Public Schools** – The U.S. Department of Education awarded “Race to the Top” assessment funds to the Partnership for Assessment of Readiness for College and Careers (PARCC) for the development of a K-12 assessment system aligned to the Common Core State Standards in English, language arts and mathematics. The Department serves as the fiscal agent for the 24-state partnership. An audit will validate data reporting, assessment of risk, and spending compliance.



**Office of Early Learning** – The Department’s Office of Early Learning works in collaboration with Florida’s Office of Early Learning (formerly part of the Agency for Workforce Innovation) and the Department of Children and Families to implement the Voluntary Prekindergarten Education (VPK) program. Legislative appropriations will be disbursed for the purpose of professional development and the implementation of VPK assessments. A contract audit will review disbursed funds for spending and reporting compliance and evaluate the observance of proper assessment guidelines.

**Division of Career and Adult Education** – Florida’s adult education system includes a range of instructional programs that help adults get the basic skills they need to be productive workers, family members, and citizens. These programs that include Adult Basic Education, Adult Secondary Education, and English for Speakers of Other Languages help adult learners gain the knowledge and skills they need to enter and succeed in postsecondary education. This audit of Adult Education Grants will evaluate performance and compliance with applicable laws and rules.

**Division of Public Schools** – Follow-up on a prior OIG review of Exceptional Student Education Programs will be performed at the request of the director of the Bureau of Exceptional Education and Student Services (BEES). An initial management review was

conducted in 2006. The director of BEES requested the follow-up focus on improving the discretionary projects process without losing the integrity of the grants.

**Division of Vocational Rehabilitation** – The Division contracts with employment and independent living services providers to serve disabled citizens. We will select a sample of six to eight contracted providers for audit. The audits will focus on compliance with contracts, reporting accuracy and completeness, effectiveness at placing clients in suitable long-term employment opportunities and internal control structure.



**Division of Blind Services** – The Division contracts with community rehabilitation providers around the state to provide client services to blind or visually impaired clients. Both federal and state dollars are used to fund services that include job training, employment, independent living, technology training and community services for clients. This audit will examine provider compliance with contracts and efficient and effective delivery of services.

**Consulting Projects** – Three members of the audit staff recently received training as facilitators for Rapid Process Improvement, a methodology that pulls together multiple employees from within an area or program to analyze and improve a complex, common process. The fundamental operational goal is to create a more reliable, efficient, enduring process. During interviews with Department management, several expressed interest in this consulting service. Representative program areas indicating interest include: Exceptional Education; Accountability, Research and Measurement; Title I Programs and Academic Intervention Services; and Professional Practices Services.

**Division of Vocational Rehabilitation** – Division funding is used in large part for fee for service purchasing to assist clients in becoming ready for work. Such services are provided based on individualized client plans and may include counseling and guidance, personal assistance, including physical and mental restoration, transportation, vehicle, home, or work site modification. This audit will evaluate management processes in place to ensure the Division is getting what it is paying for.

**Enterprise Projects** – The Chief Inspector General coordinated an Enterprise Audit Plan which identifies enterprise audits and projects to be conducted during FY 2012-2013 by participating state agency inspectors general. Collaboration amongst agency inspectors general resulted in the identification of several projects with a potential enterprise impact. Projects identified include Background Screenings, Computer Security Incident Response Teams and Cyber Security. Our office will participate in these projects and potentially other multi-agency team projects that address issues common to selected participating agencies.

**Grant Awards to State Universities** – Grants to several state universities will be considered, whereupon we will select a university to audit. Audit objectives will include assessment of



grant oversight by Department staff, completion of deliverables and testing of expenditure documentation maintained by the university.

**Legislative Appropriations** – Line item appropriation funding is often provided to private non-profit organizations that may not have extensive experience in accounting for grant funds. We plan to select an appropriation and associated provider(s), audit the use of funds, and evaluate reporting accuracy.

# OIG Contact Information

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