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Audit Report Summary

Audit

of

*the State Technology Office within
the Department of Management Services*

*For the Period July 1, 2000 Through September 30, 2001
and Selected Actions Prior to July 1, 2000*

This audit report summary is intended to present the findings for our report in a condensed fashion. The entire report should be read for a comprehensive understanding of our audit findings.

SCOPE

*The scope of our audit focused primarily on State Technology Office (STO) operational functions that incurred large disbursements. The scope of the audit also focused on evaluating various other systems of internal control for the STO and other state entities with information technology expenditures.
(see paragraph 2)*

OBJECTIVES

The overall objective of the audit was to evaluate the STO's accountability and financial integrity with respect to the disbursement of state funds. This included: 1) Evaluating the STO's performance in administering assigned responsibilities in accordance with applicable laws, rules and other guidelines. 2) Determining the extent to which the system of internal control promotes and encourages the achievement of management's objectives in the categories of compliance with applicable laws, administrative rules and other guidelines; the economic and efficient operations; the reliability of financial records and reports; and the

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safeguarding of assets. 3) Providing management with information and findings to assist in evaluating their systems of internal control relevant to the STO.

(see paragraph 3)

METHODOLOGY

Pursuant to Section 17.04, Florida Statutes, we utilized generally accepted auditing procedures to provide a reasonable basis that state funds were appropriately spent. We examined, on a test basis, evidence supporting transactions which occurred and actions taken by various members of management, performed analytical procedures, reviewed appropriate laws, rules, and other guidelines, and evaluated the pertinent systems of internal control.

(see paragraphs 4 through 5)

REPORT FORMAT

Because the STO was involved in the IT decisions of several state agencies, the audit report is divided into three major sections. Audit findings 1 through 5 discuss major statewide issues involving information technology contracts and procurement. Audit findings 6 through 25 discuss STO specific issues, including budgeting, contracting and activities not authorized by law. Finally, audit findings 26 through 28 discuss specific STO IT related issues in other state agencies.

FINDINGS

IT Contract Amount

There was not always adequate documentation to support how state agencies arrived at a total contracted amount when using state term contracts for Information Technology (IT) consulting services.

(see paragraphs 11 through 15)

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IT Contract Deliverable Provision

IT consultant contracts did not always have units of deliverables, milestones or a clear definition as to what was to be produced.

(see paragraphs 16 through 20)

Contract Monitoring

Our audit noted that the IT contract files did not always contain adequate documentation to support monitoring activities.

(see paragraphs 24 through 26)

IT Contract Disbursements

Information Technology (IT) consulting services payments did not always have documentation sufficient in detail to support disbursement of funds.

(see paragraphs 27 through 29)

Contract Authorization and Renewal

Procurement files maintained by the DMS, Division of State Purchasing did not always contain adequate documentation to support the required contract authorizations and actions taken for contract renewals as provided by Florida law.

(see paragraphs 30 through 34)

STO Organizational Structure

The STO did not establish an organizational structure with clear lines of authority and responsibilities within organizational units. As a result, the internal control system was significantly compromised.

(see paragraphs 35 through 38)

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Delegation of Authority

The STO did not provide a written delegation of authority to individuals who entered into contracts on behalf of the STO. As a result, some of the STO contracts were not properly executed.

(see paragraphs 39 through 41)

No Written Agreement

The STO authorized the disbursement of funds to some vendors without a valid written agreement.

(see paragraphs 42 through 45)

Defined Deliverables

Our audit noted STO contracts did not always have a defined deliverable.

(see paragraphs 46 through 49)

Vague Contract Terms

STO employee leasing contracts with the Tallahassee Community College (TCC) had vague and missing contract terms. As a result of a contract dispute with TCC, the STO may have paid an amount greater than what was originally intended.

(see paragraphs 50 through 53)

Receipt of Goods and Services

The STO vendor invoices did not always have a documented approval for payment or an acknowledgement from the person with direct physical knowledge that goods or services were satisfactorily received.

(see paragraphs 54 through 57)

STO Contract Disbursements

The STO's documentation to support payment was not always sufficient in detail to support the disbursement of

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*funds. As a result, the propriety and level of services provided is unclear.
(see paragraphs 60 through 62)*

Continuing Educational Component

*It is not clear as to why the STO contracted for a continuing educational component of MyFlorida.com with Information Systems of Florida, Inc. when the Accenture E-Licensing system contained a continuing education component. Documentation to support the actions and the justification for this decision appear not to exist.
(see paragraphs 63 through 67)*

Information Systems of Florida, Inc.

*The STO and the Department of Community Affairs (DCA) entered into an agreement with the Information Systems of Florida, Inc. to develop a component of MyFlorida.com. Documentation to support contract management and deliverables associated with \$218,000 of payments does not exist.
(see paragraphs 68 through 70)*

Working Capital Trust Funds

*The STO transferred certain expenses from the Electronic Data Processing (EDP) Trust Fund to the Communications Working Capital Trust Fund which were not properly supported by source documents.
(see paragraphs 71 through 74)*

Gartner Group Payments

During the 2000-2001 fiscal year, the STO paid \$1.16 million of the Gartner Group expenses from the Communications Working Capital Trust Fund. This is in violation of Section 216.292(1)(a), Florida Statutes, and the General

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Appropriations Act which required that these expenses be paid from the Electronic Data Processing (EDP) Working Capital Trust Fund.

(see paragraphs 77 through 82)

The Gartner Group \$1.8 Million Contract

The STO's decision to enter into a \$1.8 million contract with the Gartner Group was contradicted by the STO's analysis.

(see paragraphs 83 through 86)

The Gartner Group \$2.3 Million Contract

STO analyses and budgets contradict the decision to enter into a \$2.3 million contract with the Gartner Group. As a result, the Electronic Data Processing (EDP) Working Capital Trust Fund did not have sufficient cash flow to meet current obligations.

(see paragraphs 87 through 89)

The Gartner Group Additional Concerns

The STO contracts with the Gartner Group had several additional concerns that need to be addressed by STO management.

(see paragraphs 90 through 92)

Unauthorized Activities of "ITFlorida.com"

From at least January 2000 through March 8, 2001 agents of the IT Task Force conducted business as ITFlorida.com without a corporate charter or statutory authorization.

(see paragraphs 93 through 100)

Inappropriate Use of State Funding

The executive director of ITFlorida.com incurred unauthorized liabilities on behalf of the state. Substantial

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conflicts of interest were created, when state officials solicited funds from companies doing business with the state to provide sponsorship for an ITFlorida.com event.

(see paragraphs 101 through 105)

STO Consultant

The STO did not maintain adequate separation of duties for an individual authorizing accounting transactions in the Florida Accounting Information Resource (FLAIR) system and obtaining custody of state disbursement warrants.

(see paragraphs 106 through 110)

STO Contract Management

During the period September 2000 through December 2001, the STO made payments to KPMG Consulting totaling \$2.2 million. The STO contract manager did not maintain adequate documents and records to support contract deliverables. Additionally, the KPMG Consulting contracts did not have clear deliverables and invoices were not sufficient in detail to support payment.

(see paragraphs 111 through 116)

Legal Service Contract

A STO contract for legal services does not appear to be in compliance with the Florida law.

(see paragraphs 117 through 122)

STO Credits

It is not clear as to whether the use of other agencies' appropriated federal and state funds to purchase STO assets was an allowable cost under federal and state law.

(see paragraphs 123 through 127)

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Conflicts of Interest

The Department of Business and Professional Regulation (DBPR) did not follow their established policies and procedures regarding potential conflicts of interest in contract procurement and management.

(see paragraphs 128 through 133)

DBPR Contract Management

The Department of Business and Professional Regulation (DBPR) did not always have adequate documentation to support the contract management process.

(see paragraphs 134 through 138)

DMS, Division of Retirement Contract Management

The DMS, Division of Retirement's contract management process was not always adequate to support payment.

(see paragraphs 139 through 144)