



**FLORIDA DEPARTMENT  
OF MANAGEMENT SERVICES**



**OFFICE OF INSPECTOR GENERAL**

**2001/2002 ANNUAL REPORT**

**2002/2003 WORK PLAN**

**LONG TERM PLAN**



**FLORIDA  
DEPARTMENT  
OF  
MANAGEMENT  
SERVICES**

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JEB BUSH  
GOVERNOR

CYNTHIA A. HENDERSON  
SECRETARY

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September 25, 2002

Cynthia A. Henderson, Secretary  
Department of Management Services  
4050 Esplanade Way, Suite 280L  
Tallahassee, Florida 32399-0905

Dear Secretary Henderson:

I am pleased to submit our Annual Report on the activities of the Office of the Inspector General for the fiscal year ended June 30, 2002, as required by Section 20.055 (7), Florida Statutes.

The Annual Work Plan portion of the report includes planned projects for the current fiscal year and our projected activities for the next two fiscal years. Our Work Plan is risk-based to provide the most effective coverage of the Department's programs, processes, systems, and contracts with outside entities. Our risk analysis is based on surveys and meetings with key Department managers and a risk assessment performed by Office of Inspector General staff. We have also been requested to again perform an audit of the Wireless 911 System by the State of Florida Wireless 911 Board.

The activities outlined in our Work Plan address the major operations of the Department and optimize the use of our resources. We have retained approximately 15 percent of Internal Audit's time for management assistance projects including those requested by your office.

We look forward to working with you and our fellow Department of Management Services employees in meeting the challenges and opportunities that face the Department. With your approval, we will implement the Work Plan for fiscal year 2002-2003. Thank you for your continued support.

Respectfully Submitted

John S. Rumph  
Acting Inspector General

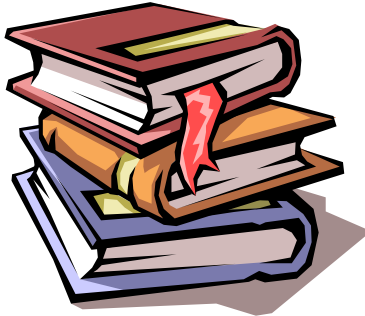
APPROVED:

Cynthia A. Henderson, Secretary  
Department of Management Services

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# INTRODUCTION



Annual Report

This Annual Report, presented to the Secretary, complies with statutory requirements and provides departmental staff and interested parties with information on the Office of Inspector General's (OIG) progress in accomplishing its mission as defined by Florida law.

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

## Mission Statement

The OIG's mission is to promote efficient departmental programs, to assist in the accomplishment of the Department's overall mission of delivering valuable and quality services to state and local governments, and act as a deterrent to fraud, waste, and abuse. 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:

- Advising in the development of performance measures, standards, and procedures for the evaluation of agency programs;
- Reviewing actions taken by the agency to improve program performance and meet program standards;
- Providing direction for supervising and coordinating audits, investigations, and management reviews relating to agency programs and operations;

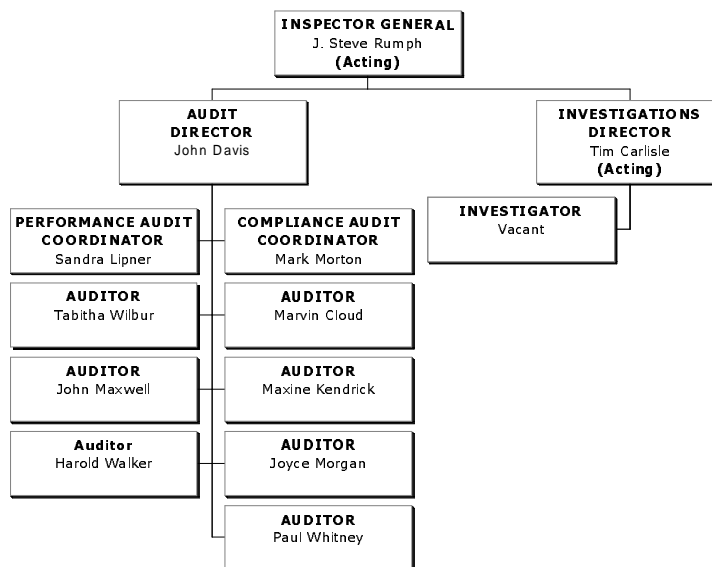
- Recommending corrective action concerning fraud, abuse, and deficiencies in agency controls; reporting on progress made in implementing corrective action;
- Reviewing rules relating to agency programs and operations; and
- Ensuring that an appropriate balance is maintained between audit, investigative, and other accountable activities.



## OIG Organization and Staff

To carry out our duties and responsibilities, the OIG is organized into two sections: Internal Audit and Investigations.

The OIG has a staff of 13 professional/technical positions. Our organizational structure is as follows:



### OIG Staff Certifications

OIG employees have a wide range of experience in both the public and private sectors. Staff members have supervised and conducted audits or investigations at the federal, state, and local levels. The OIG staff, bring backgrounds and experience in accounting, law enforcement, program evaluation,

management, computer science, banking, and communications.

Professional certifications held by the staff include:

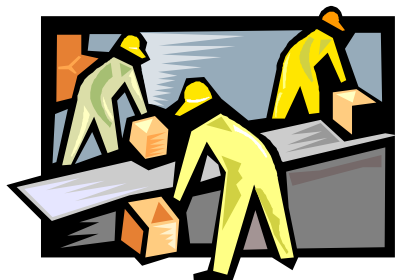
<b>Certifications</b>	<b>No.</b>
Certified Inspectors General	1
Certified Public Accountant	2
Certified Internal Auditor	1
Certified Fraud Examiner	1
Certified Private Investigator	1
Advanced Degree	1
Certified Government Financial Manager	1

### *Staff Affiliations*

OIG staff is affiliated with the following professional organizations:

- American Institute of Certified Public Accountants
- Association of Certified Fraud Examiners
- Association of Government Accountants
- Association of Military Comptrollers
- Institute of Internal Auditors
- Southeastern Evaluation Association
- National Association of State and Local Inspectors General
- Tallahassee Chapter of the Association of Inspectors General
- The Florida Audit Forum
- Information Systems Audit and Control Association
- National Drug Enforcement Officers Association

# MAJOR ACTIVITIES AND FUNCTIONS



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

## Internal Audit

Internal Audit performs 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 current *Standards for the Professional Practice of Internal Auditing* established by the Institute of Internal Auditors (IIA), Inc. Financial audits may be subject to the standards for generally accepted auditing principles promulgated by the American Institute of Certified Public Accountants. OIG audit reports are distributed to the Secretary of the Department, Office of the Auditor General, Office of the Chief Inspector General, and 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.
- Assessing the reliability and validity of information provided by the Department on *Performance Measurement* and standards.



- Conducting Compliance Audits to ensure that the Department's programs are following prescribed statutes and rules. OIG performs compliance audits to assess external agencies' compliance with statutes and rules pertaining to participation in the Florida State Employees Retirement System. This includes providing technical assistance to agencies in meeting participation and reporting requirements.
- Providing Management Assistance Services that involve consulting and advising management on departmental policies and procedures and the development of performance measures.
- Coordinating Audit Responses and Conducting Follow-ups to findings and recommendations made by the Auditor General, Office of Program Policy Analysis and Government Accountability (OPPAGA), Inspector General, and other oversight units.

### Internal Investigations

The Internal 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, and the Governor's Office. Complaints are also received from people who do business with the Department and from upper management or line personnel within the agency. Some complaints are broad and address entire programs while others have a more limited scope.

Staff monitor and track all cases. If the case involves criminal activity, it is referred to law enforcement or the appropriate jurisdiction. The Office reports completed investigations and the disposition of cases to the Department Secretary and appropriate managers. When allegations are sustained involving possible disciplinary action, the OIG works with the Department's Bureau of Personnel Management Services, the General Counsel, and Program Managers to make recommendations as to the appropriate disciplinary action.



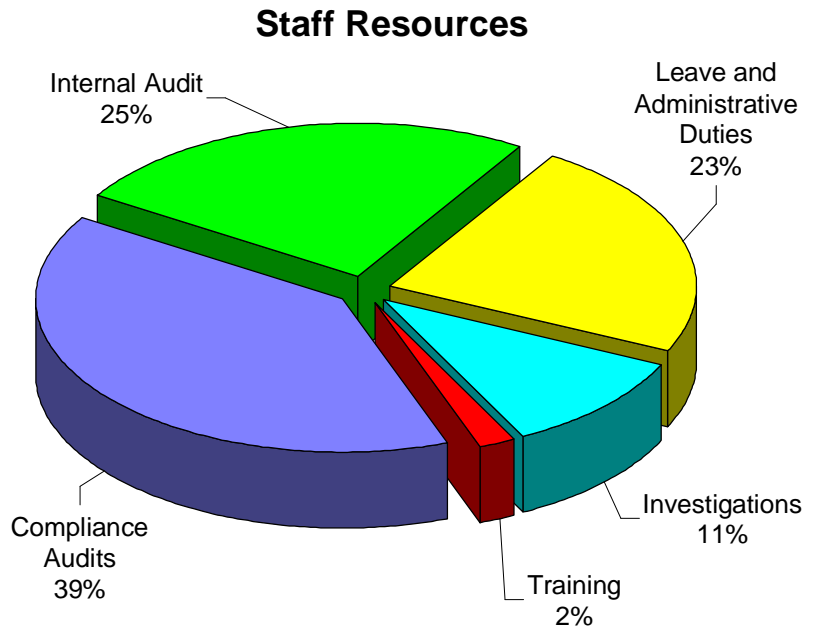
# ACHIEVEMENTS



During Fiscal Year (FY) 2001-02, the OIG accomplished workload or issued reports by functional area as follows:

Function	Number	Potential Cost Savings/Recovery
Compliance Audits	40	\$ 1,018,000
Internal Audit:		
Performance Audits	3	\$ 3,440,000
Performance Measurement Reviews	27	
Response Coordination and Follow-ups	26	
Investigations	52	

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





A summary of the major activities of the OIG during FY 2001-02 follows:

### Performance Audits

During FY 2001-02, the Internal Audit Section completed 3 performance audits with recommendations resulting in savings or questioned costs of approximately \$3.2 million per year. Our reports are available online at:

<http://fcn.state.fl.us/dms/sec/fignet/ighome.html>.

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

#### *Audit of Property Accountability IA Report 2001-58*



Shortly after her appointment, Secretary Henderson asked the OIG to conduct an audit to evaluate the Department's property accountability procedures and the status of the Department's inventory. The audit showed a need for improvements in accounting for and controlling state-owned tangible personal property. During the audit, an inventory disclosed over 900 property items valued at over \$3.1 million were missing or could not otherwise be accounted for by property custodians.

This loss of accountability occurred because managers and their designated property custodians were not complying with property accountability requirements. The review showed that:

- (1) Managers did not properly delegate the control of property in their custody,
- (2) Prescribed procedures were not followed when transferring property from one organization code to another,
- (3) Managers were not complying with Auditor General and Department requirements for conducting annual physical inventories, and

- (4) The Department did not have clearly defined policies regarding accountability for small attractive property and furniture items.

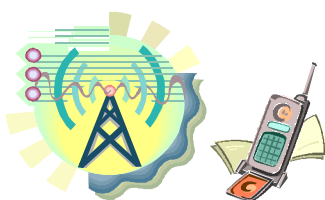
Management agreed with the recommendations contained in the audit report and took immediate actions to correct the deficiencies noted. These actions included (1) conducting physical inventories to account for the missing property, (2) publishing clearly defined policies and procedures regarding property accountability, (3) conducting training sessions on property accountability procedures for managers and property custodians, and (4) developing a committee to coordinate and control the disposition of surplus property.

Subsequently, all but 13 items, valued at \$30,273, were properly accounted for because of the actions taken by management. Efforts are currently ongoing to determine the status of these remaining items.

#### *Evaluation of Executive Aircraft Flight Hour Costs, IA Report 2002-48*



The OIG was requested by the Secretary to determine the Department's cost per flying hour to operate and maintain the Executive Aircraft Pool. During FY 2000-01, Department aircraft were flown 1,275 hours at a cost of \$1,917 per flight hour. These costs exceeded the performance outcome measure established at \$1,200 per flight hour. The Department's reported cost of \$1,200 per flight hour was understated because scheduled maintenance costs as well as aircraft replacement costs had not been included in the performance outcome measure calculation. During the evaluation, the OIG developed a "methodology" for determining actual flight hour costs for use by the Department.



### *Audit of Union County 911 System IA Report 2001-36*

At the request of the State of Florida Wireless 911 Board, we conducted an audit of Union County's use of special appropriations and grant funds provided by the State of Florida for implementation of enhanced 911 services. From FY 1996-97 through FY 2000-01, Union County received \$340,000 from the State for implementation of an enhanced 911 system. However, at the time of the audit, an enhanced system was not in operation. The review showed that Union County did not expend funds in accordance with Legislative intent to implement an enhanced 911 system. Instead of using the funds for an enhanced 911 system, the County used the funds to operate its existing 911 system.

Our review also showed that the Union County's Board of County Commissioners did not maintain control and accountability of Wireless Emergency Telephone Funds designated to enhance the basic 911 system. The County used the funds to subsidize operations of the emergency telephone services provided by the County Sheriff's Office and did not exercise adequate control over the nature of the expenditures. The Wireless 911 Board agreed with the audit recommendations to require counties to return any funds not expended in accordance with their intended use and to require counties to deposit Enhanced 911 Funds into a separate account to assist in maintaining accountability and control over the use of the funds.



### **Performance Measurement Reviews**

In FY 2001-02, the OIG evaluated the reliability and validity of 27 new or revised performance measures submitted by the Department. In most cases, we found the measures to be reliable and valid in all material respects.

Throughout the year, the OIG assisted managers and staff with developing and revising performance



measures and standards. As part of this effort, the OIG provided a preliminary review of all new performance indicators included in the Department's FY 2002-03 through FY 2006-07 Long-Range Program Plan.

### Compliance Audits

During FY 2001-02, the Compliance Audit Section performed 40 compliance reviews of local government participants in the State of Florida Retirement System. These 40 reviews resulted in revenue adjustments of \$1,022,842 to the Retirement Trust Fund. The adjustments consisted of underpayments of \$483,921 in retirement contributions as well as overpayments of \$533,922 in retirement contributions by reporting agencies. Compliance audits consisted mainly of reviews of payroll records, personnel files, and earnings records.

The Compliance Audit Section also completed four special reviews. These reviews identified errors relating to accumulated annual leave payments, accumulated sick leave payments, compensatory time payments, merit bonus payments, unreported earnings, performance incentive payments, and unreported workers compensation payments. Compliance reviews are performed at participating entities such as:

- ✓ County Commissions
- ✓ County Property Appraisers
- ✓ County Tax Collectors
- ✓ County School Boards
- ✓ County Clerks
- ✓ County Comptrollers
- ✓ County Sheriffs
- ✓ County Supervisors of Elections, and
- ✓ Community Colleges

### Response Coordination and Follow-up

We coordinated the Department's responses to 10 Auditor General and 6 OPPAGA audit reports. These 16 reports contained 60 recommendations. We also

performed follow up reviews on 36 recommendations contained in 10 Auditor General reports.

In addition to statutorily required follow-ups at the 6 and 18-month periods, we periodically review unresolved audit recommendations. Using this process, we followed up on 10 outstanding internal and external audit recommendations, resulting in the resolution of all 10 of the recommendations.

### Management Assistance Services

During each year, the OIG reserves staff time to review issues or matters of concern to Department management. During FY 2001-02, the Internal Audit Section performed several reviews at the request of Department management. These reviews addressed the following issues:

- ✓ Outsourcing contracts,
- ✓ Organizational realignment,
- ✓ Bank statement balances, and
- ✓ Aircraft utilization.

### Investigations

The Investigations Section opened 52 new cases during the year. For the majority of cases, allegations centered on violations of employee conduct standards and vendor misconduct. These 52 cases involved 101 allegations of which 81 were substantiated and/or resolved. Of the remaining 20 allegations, 11 were referred to other agencies for action and 9 were unsubstantiated. Criminal prosecution and administrative sanctions such as terminations and reprimands were imposed. Representative examples of the cases were:

#### *Sexual Harassment, II Report 2002-81*

A male employee alleged that a female co-worker had sexually harassed him. The female co-worker had inappropriately touched him several times. Interviews of witnesses substantiated the allegation and resulted in the loss of the offender's job.



### *Bribery, II Report 2002-67*

A contractor working for DMS alleged that a DMS Building Manager was charging him money to ensure the contractor retained his DMS contract. The money was to ensure that complaints about the contracted services provided were not reported. A reciprocal investigation with the Florida Department of Law Enforcement resulted in the arrest and subsequent prosecution of the Building Manager.



### *Fraud, II Report 2002-26*

A DMS employee utilized his issued state credit card (P-Card) to lease a vehicle for his personal use. The charges exceeded \$1,000. When confronted with these unauthorized charges, the employee issued a personal check as restitution. The personal check was subsequently returned from the employee's bank, marked "Account Closed." The employee later repaid the unauthorized charges and was terminated from his position.

### *Missing Computers, II Report 2002-23*

An Office of the Auditor General audit disclosed that over \$77,000 in computers, printers, and digital equipment was unaccounted for or missing from the Correctional Privatization Commission (CPC). The OIG investigation of the matter resulted in the recovery of the digital equipment and several of the computers. The investigation further revealed that several other computers and equipment had previously been listed as surplus by the CPC, but remained on their tangible personal property inventory list. All but three computers were located. After intensive research, it was determined that the three non-located computers were not year 2000 compliant and had previously been disposed of as surplus property. Subsequent to the investigation, the CPC established inventory and control procedures in accordance with statutes.



# ANNUAL WORK PLAN

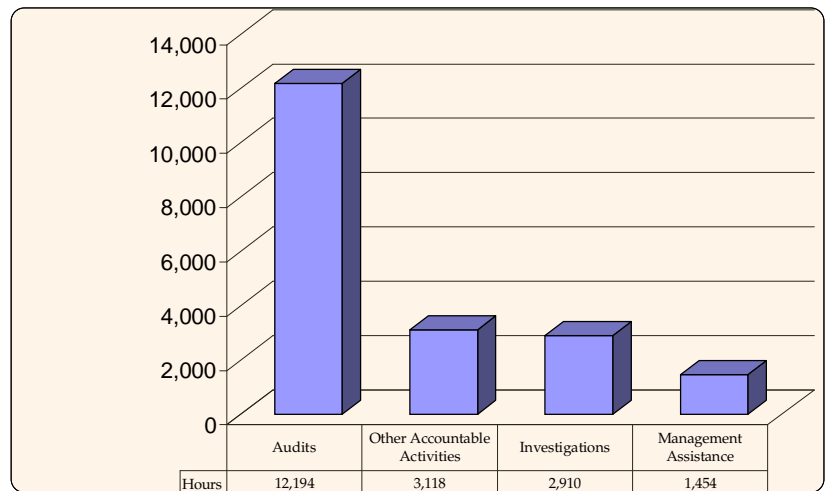
## 2002-2003



The purpose of developing the annual work plan is to identify, select, and plan the allocation of resources for the upcoming year. The overriding consideration during the development of our annual work plan is to provide the greatest benefit to the Department with our limited resources.

This Work Plan details products to be delivered. For the upcoming year, we plan to continue devoting the majority of our resources to internal audits and investigations. Based on current staffing, it is expected that the OIG will have approximately 19,000 hours available for projects. The resource allocation depicted in the following chart represents an appropriate balance between audit, investigative, and other accountability activities at the Department of Management Services.

ANNUAL WORK PLAN – FISCAL YEAR 2002-2003



Allocation of staff resources for FY 2002-2003 is shown in the following table by specific category.



## Allocation of Time Resources for FY2002-2003

Audit/Program Evaluation	Hours	Holidays and Leave	Hours
Performance Measure Validation	900	Holidays	920
Contract Management - Fac. Mgt.	700	Annual Leave	2,024
Lafayette County 911 System	300	Sick Leave	1,196
Assistance To Chief Inspector General	200	Other Leave	184
IT Security Procedures	400	<b>Subtotal</b>	<b>4,324</b>
DMS IT Systems Security Review	400		
Work In Progress:	1400		
<b>Subtotal</b>	<b>4,300</b>		
Investigation Projects	Hours	Special Projects	Hours
Comptroller's Complaints	200	Single Audit Act	100
Security Assessments	400	Schedule IX	80
Unallocated	2,310	Other	100
<b>Subtotal</b>	<b>2,910</b>	<b>Subtotal</b>	<b>280</b>
Management/Support	Hours	Response Coordination	Hours
Personnel Issues	230	Response Coordination	200
Staff Meetings	299	Six-Month Follow-ups	300
Timekeeping System	299	Eighteen-Month Follow-ups	120
Management/Coordination	78	Internal Follow-ups	60
<b>Subtotal</b>	<b>906</b>	<b>Subtotal</b>	<b>680</b>
Internal Process Analyses/Report	Hours	Professional Training	Hours
Annual Work Plan/Report	160	Staff Development	92
Annual Risk Assessment	240	Professional Training	460
Internal Quality Assurance	300	<b>Subtotal</b>	<b>552</b>
<b>Subtotal</b>	<b>700</b>		
Management Assistance Services	Hours	Audit Complinance	Hours
Reserved	1,454	Compliance Reviews	7,000
<b>Subtotal</b>	<b>1,454</b>	Special Retirement Projects	894
		<b>Subtotal</b>	<b>7,894</b>

**Total Available Hours**

**24,000**

# LONG TERM PLAN FOR 2003-2004 AND 2004-2005



Our long-term plan is to ensure that the services of the Office of Inspector General provide the most benefit to the Department. Our goal is to achieve and maintain an appropriate balance between audit, investigative, and other accountability activities.

Based on the 2002-2003 Annual Work Plan, 24,000 work hours will be available for the Office of Inspector General. The Office of Inspector General expects to expend the number of hours outlined below for each category during FY 2003-2004 as well as FY 2004-2005.

ACTIVITY	HOURS
Audit/Program Evaluations	4,300
Compliance Reviews	7,000
Investigations	2,910
Management Assistance	1,454
Response Coordination/Follow-up	680
Internal Process Analyses/Reporting	700
Holidays and Leave	4,324
Management and Support	906
Special Projects	280
Professional Training	552
Special Retirement Projects	894
<b>Total Available Hours</b>	<b>24,000</b>

## APPENDIX A

**Distribution List**

*Derry Harper, Chief Inspector General*

*John Turcotte, Director*

*Office of Program Policy Analysis and Government Accountability*

*William O. Monroe, Auditor General*

*Martha Parker, Audit Coordinator*

*Office of the Auditor General*

*Terry Shoffstall, Director*

*Joint Legislative Auditing Committee,*

*Robert Hosay, Deputy Secretary*

*Department of Management Services*

*Ed Rodriguez, Chief of Staff*

*Department of Management Services*

*Cameron Yarbrough, Director of Legislative Affairs*

*Department of Management Services*

*Kathleen Anders, Director of Communications*

*Department of Management Services*

*Tom Clemons, Director of Administration*

*Department of Management Services*

*Debra Forbess, Director of Planning and Budget*

*Department of Management Services*