

FLORIDA DEPARTMENT  
OF MANAGEMENT SERVICES  
OFFICE OF INSPECTOR GENERAL



2002/2003 ANNUAL REPORT

2003/2004 WORK PLAN

LONG TERM PLAN



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Section 20.055, Florida Statutes, establishes the Office of Inspector General (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.



This Annual Report is presented to the Secretary to comply with statutory requirements and to provide departmental staff and interested parties with information on the OIG's progress in accomplishing its mission as defined by Florida law.

# INTRODUCTION

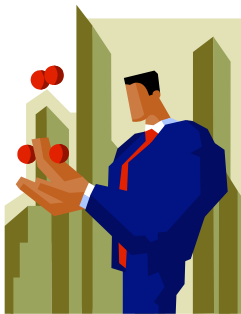
## Mission Statement



*The* OIG's mission is to assist in the accomplishment of the Department's overall mission of delivering efficient and effective services to state agencies and employees, promote quality departmental programs, 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 and 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.

## Department's Mission Is Varied

The Department of Management Services serves as the administrative arm of state government. As such, the Department is responsible for:

- Consolidating the state's buying power for the purchase of commodities and services,



- Serving as the centralized authority for operations and maintenance of state-owned facilities as well as office construction,

- Developing rules and guidelines to ensure that human resource issues including employee recruitment, promotion, and discipline are fairly and uniformly addressed and implemented,



- Managing the acquisition, use, operation, maintenance and disposal of state-owned and operated aircraft, motor vehicles, watercraft and heavy equipment,



- Coordinating the procurement and distribution of available federal surplus assets as a tax saving program for the state,

- Providing a comprehensive and cost-efficient package of insurance benefits for the state workforce, and



- Administering the state-wide retirement program and monitoring the actuarial soundness of local government retirement plans.

To ensure that we provide adequate coverage of the many departmental activities 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 with the greatest risks are identified and scheduled for review.

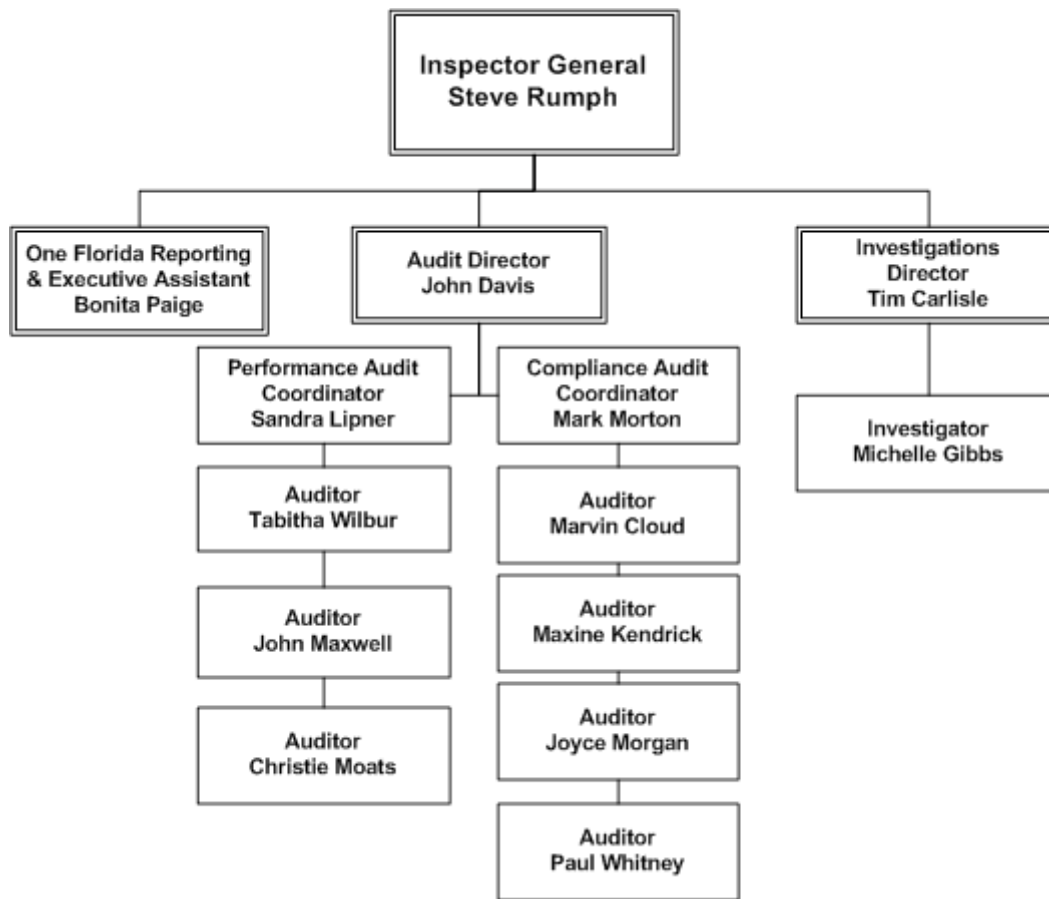
The varied nature and scope of the Department's mission requires a unique approach by the OIG. While some agency OIG's perform reviews of the same subject matter from year to year, DMS auditors and investigators are constantly engaged in different functional areas from one review to the next. This requires a constant learning and educational process for staff members.

# 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 14 professional/technical positions. Our organizational structure is as follows:

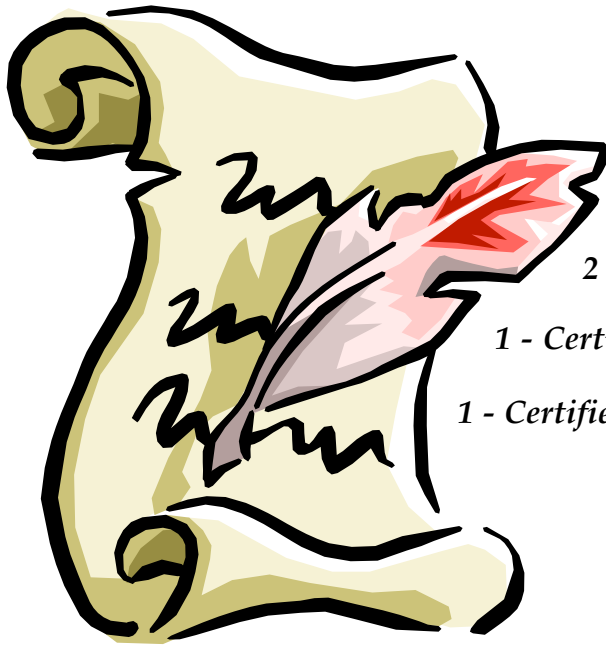




OIG employees have a wide range of experience in both the public and private sectors. Staff members have supervised and conducted audits or investigations at the federal, state, and local levels. The OIG staff brings backgrounds and experience in accounting, auditing, law enforcement, program evaluation,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

### OIG Staff Certifications

Professional certifications held by the staff include:



- 1 - *Certified Inspector General*
- 2 - *Certified Public Accountants*
- 2 - *Certified Internal Auditors*
- 1 - *Certified Information Systems Auditor*
- 1 - *Certified Government Financial Manager*

### Staff Affiliations

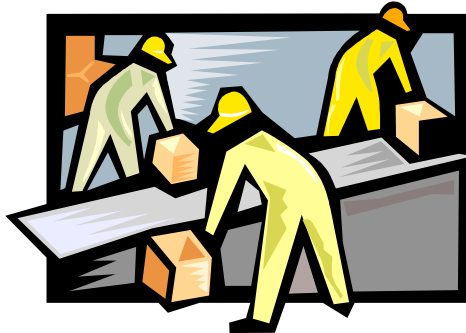
OIG staff is affiliated with the following professional organizations:

- 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
- The Florida Audit Forum
- Information Systems Audit and Control Association
- National Drug Enforcement Officers Association
- National Association of State and Local Inspectors General
- Tallahassee Chapter of the Association of Inspectors General



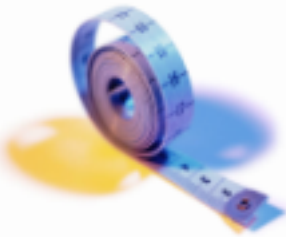


# MAJOR ACTIVITIES AND FUNCTIONS



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 provides the necessary facts and information to the Department's Bureau of Personnel Management Services, the General Counsel, and Program Managers to assist them in making their decisions concerning appropriate disciplinary actions.

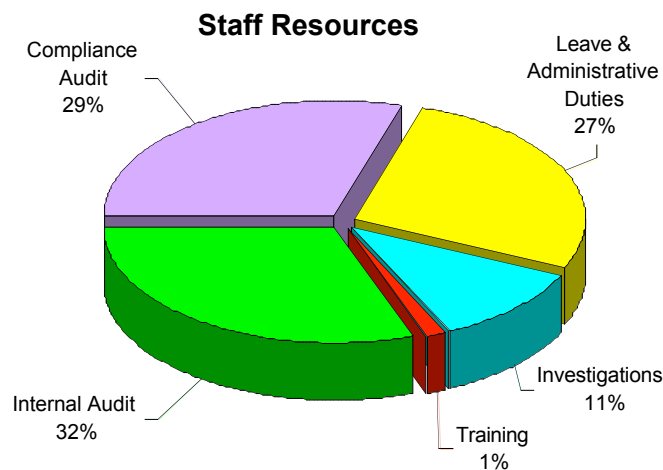
# ACCOMPLISHMENTS



During Fiscal Year (FY) 2002-03, the OIG accomplished workload or issued reports by functional area as follows:

Function	Number	Potential Cost Savings/Recovery
Compliance Audits	101	\$ 2,801,000
Internal Performance Audits	4	\$ 117,000
Performance Measurement Reviews	5	
Management Advisory Reviews	9	
Response Coordination	16	
Audit Follow-ups	5	
Investigations	64	
Background Inquiries	543	
Public Entity Crime Cases	4	

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



# SUMMARY OF ACTIVITIES



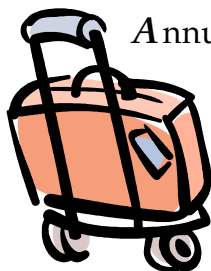
A summary of the major activities of the the OIG during FY 2002-03 follows:

## Performance Audits

During FY 2002-03, the Internal Audit Section completed 4 performance audits with recommendations resulting in savings or questioned costs of approximately \$117,000. 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 Travel Management IA Report 2003-58



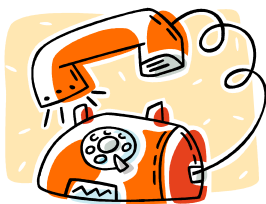
- Annually the Department spends about \$995,000 on official travel. We performed an audit to determine if managers were selecting the most economical and efficient means of travel to accomplish Department objectives. Our review showed that, for the 15-month period from July 2001 through September 2002, the Department could have saved:
- \$21,177 by requiring employees to use rental cars in lieu of privately owned vehicles while traveling on official state business,
  - \$17,240 by assigning Department-owned vehicles to employees who travel extensively on state business.
  - \$4,343 in sales taxes and surcharges by requiring employees to use Purchasing Cards to pay for travel expenses,
  - \$6,822 in sales tax and surcharges on travel-related purchases had employee followed Purchasing Card guidelines, and

- \$48,064 in additional cost savings on the above items through the end of the fiscal year.

We recommended that the Department establish policies and guidelines requiring that (1) supervisors review all employees planned travel to determine whether it would be less costly to rent a vehicle or use privately owned vehicles, (2) fleet vehicles be assigned to employees who travel over 12,500 miles annually in privately owned vehicles, and (3) supervisors review travel expenditures paid by Purchasing Cards to ensure that employees follow guidelines for making tax exempt purchases.

Management agreed with the recommendations contained in the audit report and took immediate actions to correct the deficiencies noted and ensure that travel was conducted in the most economical manner.

***Follow-up Report on the  
Audit of Local Telephone Service  
IA Report 2003-66***



During Fiscal Year 2001, the Office of Inspector General issued an audit report, **Audit of Local Telephone Service**. In this initial report, we concluded that the Department could save an estimated \$90,000 annually by revising certain policies and procedures to correct deficiencies resulting in unnecessary expenditures for local telephone service.

Our follow-up review showed that the Department had made significant progress in reducing the cost of unnecessary telephone service. Since May 2001, the Department had disconnected 461 telephone lines at an average monthly cost of \$20 per line or an annual savings of about \$110,000. Although the number of telephone lines has been reduced, we determined that the Department could take additional actions to further reduce unnecessary telephone service by as much as \$17,300 annually.

We recommended that the Department revise its policies and procedures for controlling the purchase and payment of local telephone service and to conduct a post audit of telephone service bills. The Department agreed with our recommendations and took action to implement the recommendations. The Department's quick action to implement our recommendations resulted in the immediate refund of \$1,900 from the telephone company.

**Audit of Surplus Vehicles and Equipment**  
**Disposal Procedures**  
**IA Report 2002-97**



The Department is responsible for the disposal of surplus state-owned motor vehicles, aircraft, and watercraft. The majority of all state-owned vehicles and equipment are disposed of through a private auctioneer under contract with the Department.

The primary objective of our audit was to evaluate whether the Department's disposal procedures resulted in equitable returns to agencies on the sale of surplus vehicles and whether surplus vehicles and equipment were made available to other state agencies and governmental units.

Our review found no material deficiencies and determined that the Department's operations complied with state law and that the Department obtained equitable returns on the sale of surplus motor vehicles, watercraft, and other equipment. In addition, state agencies and governmental units were afforded the opportunity to obtain surplus vehicles and equipment as needed. For the 18 month period from July 2001 through October 2002, the Department conducted six auctions which resulted in gross sales of \$6.8 million, with \$5.75 million in net proceeds to agencies.

**A Cost Analysis of Options**  
**For Replacing Executive Aircraft**  
**IA Report 2003-101**

The OIG's Fiscal Year 2002 Risk Assessment identified executive aircraft as a high risk program primarily because the executive aircraft pool consists of three aging aircraft that needed replacement. We therefore, included a cost analysis of options for replacing executive aircraft in our Annual Audit Plan. The cost analysis was designed to quantify and qualify all factors affecting the selection of replacement aircraft in a manner which would assist management in making an informed choice. The cost analysis identified three suitable replacement aircraft:



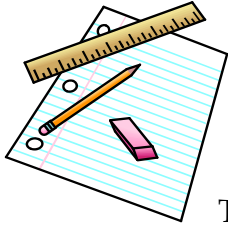
- Raytheon King Air 350 – Turboprop
- Cessna CJ2 – Jet
- Cessna Citation Bravo - Jet

The cost analysis also determined that the most cost-effective means to replace executive aircraft was to purchase aircraft, outright. However, budget considerations may preclude taking advantage of this option. The recommended options for acquiring aircraft, in order of cost-effectiveness were:

- Priority 1 – Buy New Aircraft
- Priority 2 – Buy Used Aircraft
- Priority 3 – Finance New Aircraft

- Priority 4 – Finance Used Aircraft

## Performance Measurement Reviews



In FY 2002-03, the OIG evaluated the reliability and validity of 5 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 2003-04 through FY 2007-08 Long-Range Program Plan.

## Compliance Audits



During FY 2002-03, the Compliance Audit Section performed 101 compliance reviews of local government participants in the State of Florida Retirement System. These 101 reviews resulted in revenue adjustments of \$2,801,000 to the Retirement Trust Fund. Compliance audits consisted mainly of reviews of payroll records, personnel files, and earnings records.

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

In 2001, the time interval between audits of the 748 local government participating activities was once every 10 years. The Audit Compliance Section established a goal of reducing the audit interval from every 10 years to every 5 years by making use of information technology resources and desk audits of smaller activities. During FY 2002-2003, the audit interval for each reporting activity was every 4.5 years.

The Compliance Audit Section also completed five special reviews requested by management. 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.



## Response Coordination and Follow-up

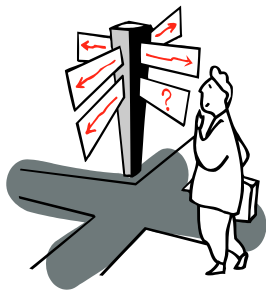


We coordinated the Department's responses to 10 Auditor General and 6 OPPAGA audit reports. These 16 reports contained 60 recommendations. We also performed follow-up reviews on 20 recommendations contained in 5 Auditor General reports.

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 5 outstanding internal and external audit recommendations, resulting in the resolution of all 5 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 2002-03, the Internal Audit Section performed nine reviews at the request of Department management. These reviews addressed issues such as the following:



- Organizational Decision Making Process
- Organizational Realignment
- Determination of Executive Aircraft Flight Hour Cost
- Cost Analysis of Options for Replacing Executive Aircraft

## Investigations

The Investigations Section opened 64 new cases during the year. Allegations centered mainly on violations of employee conduct standards. Of the 64 cases opened, allegations in 42 cases were substantiated and resolved. Of the

remaining 22 cases, allegations in 21 cases were unsubstantiated and 1 case was referred to another agency for action. Administrative sanctions which included terminations and resignations resulted from 8 of the cases and other disciplinary actions as reprimands were imposed in 5 cases.

such Representative examples of the cases were:

### *Falsifying Timesheets,* *II Report 2003-31*



A DMS supervisor regularly reported on his timesheet that he worked more than 80 hours a pay period. The employee would take time off from work, during normal work hours, as "flex" time for the reported extra hours worked. Surveillance was established at the individual's

place of employment and the employee was observed working during the day but not in the evening. The employee subsequently submitted a timesheet reflecting he had worked nights during the surveillance. The employee was found to have violated Rule 60L-36.005 and Rule 60B-1.004, Florida Administrative Code and, as a result of the investigation, the employee was terminated from employment.

### **Misuse of State Computer** **II Report 2003-93**



allowed to resign.

A DMS employee was suspected of using his state issued computer for unauthorized purposes. The employee's computer was confiscated and a search of the computer's hard drive showed that the employee used the computer to create accounts with on-line dating services. The computer's hard drive also showed that the employee visited and downloaded material from pornographic web sites. The employee was found to have violated Rule 60L-36.005, Florida Administrative Code and was

### **Weapons and Ordnance Violations** **II Report 2003-110**



A DMS employee reported discovering a rifle, ammunition, and a hand grenade inside boxes stored within a DMS building in Tampa. The

employee caused the building to be evacuated and notified law

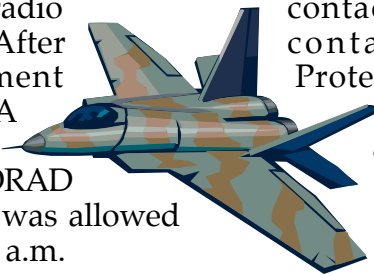
enforcement of the discovery. The reporting employee implied that a fellow employee may have placed the weapons in the building. A subsequent investigation by the Department of Alcohol, Tobacco and Firearms as well as the Tampa City Police Department determined the hand grenade was not an explosive device. After extensive interviews with the employee reporting the discovery, officers were unable to determine the ownership of the weapons and ammunition. The DMS employee reporting the matter refused to cooperate with the Inspector General's investigation of the incident and was subsequently terminated from employment.

## *Flight Incident II Report 2003-137*



On May 14, 2003, the State Fleet aircraft transporting the Governor to Washington, D.C. lost radio contact with the Federal Aviation Administration (FAA). The FAA alerted the North American Aerospace Defense Command (NORAD) of the loss of radio contact. As a precautionary measure, relating to the National Capital Region (NCR) Temporary Flight Restriction (TFR), one F16 fighter from Andrews Air Force Base, Maryland was scrambled, to intercept the aircraft.

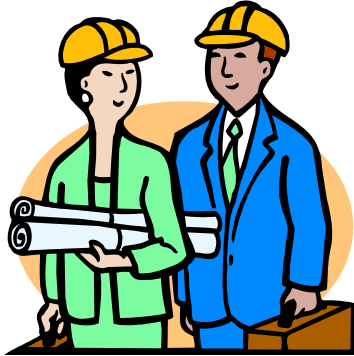
The State Fleet aircraft left Tallahassee at 6:05 a.m. in route to Washington's Reagan National Airport. The FAA lost radio contact with the aircraft at approximately 7:14 a.m. After Department of Law Enforcement the Governors Mansion, the FAA established radio contact with the aircraft at approximately 8:05 a.m. The FAA notified NORAD that the aircraft did not pose a threat and then the aircraft was allowed to land, without incident, at Reagan National Airport at 8:19 a.m.



An investigation into the incident revealed that a separate aircraft of the same model (King Air) with a similar tail number was in flight and on the same radio frequency as the State Fleet aircraft. This resulted in confusion for the air traffic controller and the pilots.

The FAA advised that they would not be filing a "Pilot Deviation Report" as in their opinion, "technically the pilots did nothing wrong". The FAA did state that the air traffic controller had been decertified until completion of mandatory retraining.

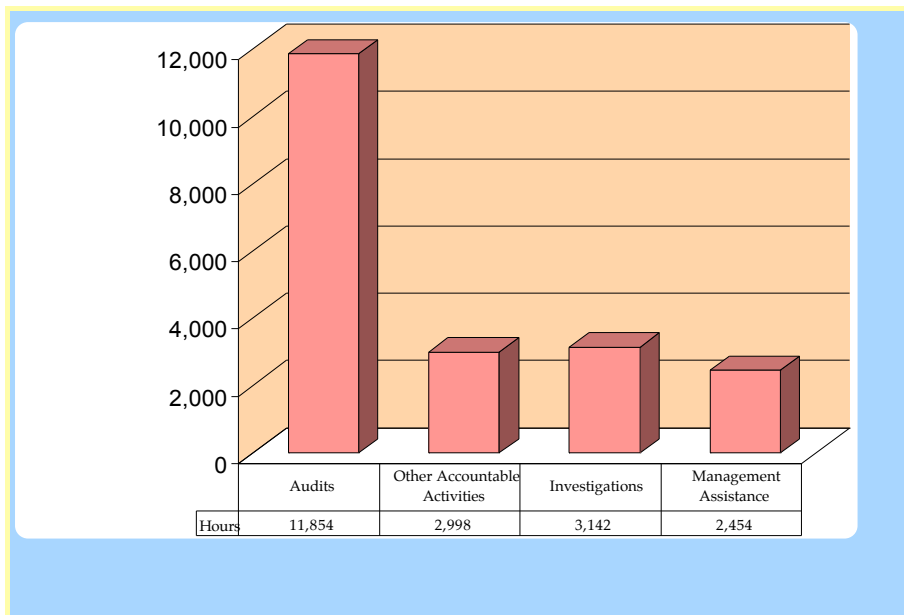
# ANNUAL WORK PLAN FY 2003-2004



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 20,000 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.

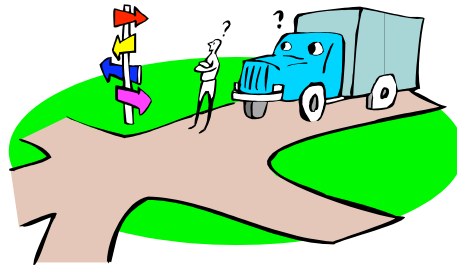
ANNUAL WORK PLAN – FISCAL YEAR 2003-2004



Allocation of staff resources for FY 2003-2004 is shown in the following table by specific category.



# LONG TERM PLAN FOR 2004-2005 AND 2005-2006



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 2003-2004 Annual Work Plan, approximately 25,000 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 2004-2005 as well as FY 2005-2006.

ACTIVITY	HOURS
Audit/Program Evaluations	3,960
Compliance Reviews	7,000
Investigations	3,142
Management Assistance	2,454
Response Coordination/Follow-up	800
Internal Process Analyses/Reporting	400
Holidays and Leave	4,512
Management and Support	942
Special Projects	280
Professional Training	576
Special Retirement Projects	894
<b>Total Available Hours</b>	<b>24,960</b>

## APPENDIX A

**Distribution List**

*Derry Harper, Chief Inspector General  
Executive Office of the Governor*

*William O. Monroe, Auditor General*

*Gary Vanlandingham, Acting Director  
Office of Program Policy Analysis and Government Accountability*

*Jim Thomas, Audit Director  
Executive Office of the Governor*

*Martha Parker, Audit Coordinator  
Office of the Auditor General*

*Terry Shoffstall, Director  
Joint Legislative Auditing Committee,*

*Robert Hosay, Deputy Secretary  
Department of Management Services*

*Pam Pfeifer, Chief of Staff  
Department of Management Services*

*Towson Fraser, Director of Communications  
Department of Management Services*

*Cindi Marsiglio, Director of Legislative Affairs  
Department of Management Services*

*Tom Clemons, Director of Administration  
Department of Management Services*

*Debra Forbess, Director of Planning and Budget  
Department of Management Services*