

# Office of Inspector General

Department of Management Services

## ANNUAL REPORT



Fiscal Year 2006 - 2007

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

This Annual Report is presented to the Secretary 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.



DEPARTMENT OF MANAGEMENT  
**SERVICES**

Governor Charlie Crist  
Secretary Linda H. South

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August 29, 2007

Linda H. South, Secretary  
Department of Management Services  
4050 Esplanade Way, Suite 285  
Tallahassee, Florida 32399-0905

Dear Secretary South:

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, 2007, 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.

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 11 percent of Internal Audit's time for management assistance projects, including those that may be 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. We will implement the Work Plan for Fiscal Year 2007-08. Thank you for your continued support.

Respectfully submitted,



Steve Rumph  
Inspector General

# INTRODUCTION

## Mission Statement

The Office of Inspector General's (OIG) mission is to assist in the accomplishment of the Department's overall mission to serve those who serve Florida. 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 Responsibilities Are Diverse

The Department of Management Services is a customer-focused agency providing effective and efficient services in order to better enable state agencies and employees to deliver the Governor's priorities to the people of Florida.

The Department 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;
- Contracting and monitoring the operation and maintenance of private correctional facilities in the most effective, productive, and cost efficient manner for the citizens of the State of Florida;
- Providing a comprehensive and cost-efficient package of insurance benefits for the state workforce;
- Administering the state-wide retirement program and monitoring the actuarial soundness of local government retirement plans; and
- Providing telecommunications and information technology services to support state agencies and other public entities that serve the citizens of Florida.

## A Risk Based Program

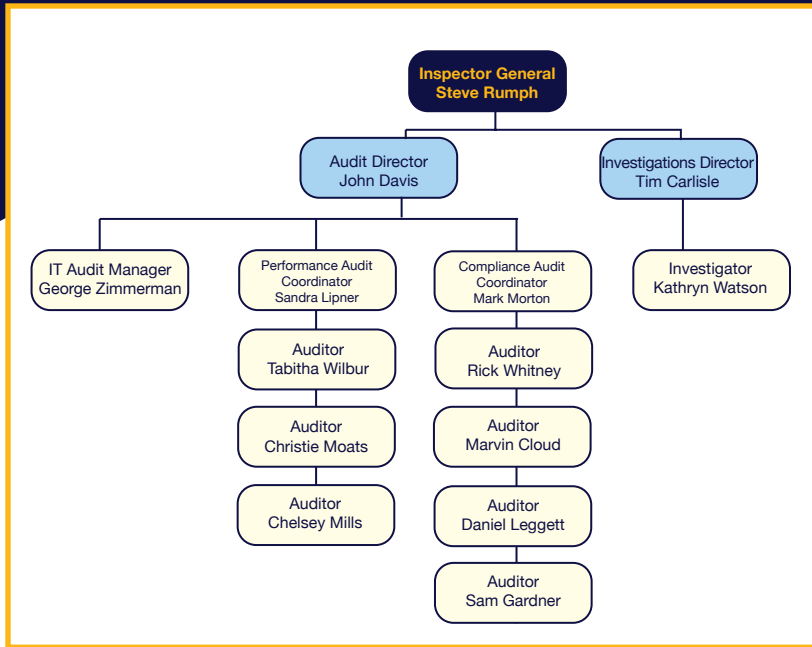
To ensure that we provide adequate coverage of the many departmental activities and adequate support to management, the OIG performs an annual risk assessment of all Department activities. This ensures that the OIG is responsive to management concerns and that those activities with the greatest risks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

# 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:

- 3 - Certified Inspectors General
- 2 - Certified Public Accountants
- 2 - Certified Information Systems Auditors
- 1 - Certified Government Financial Manager
- 1 - Certified Inspector General Investigator
- 1 - Certified Government Auditing Professional
- 1 - Certified Internal Auditor



# Major Activities and Functions

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

## Internal Audit

Internal Audit 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 current *International 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 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 employees within the agency. Some complaints are broad and address entire programs while others have a more limited scope.

Investigations staff monitor and track all cases:

- All case dispositions are reported to the Secretary and appropriate managers.
- When allegations are sustained involving possible disciplinary action, the OIG provides the necessary facts to the Department's Bureau of Personnel Management Services, the Office of the General Counsel, and division managers to assist them in taking the appropriate disciplinary actions.
- Cases involving criminal activity are referred to the appropriate law enforcement agency.



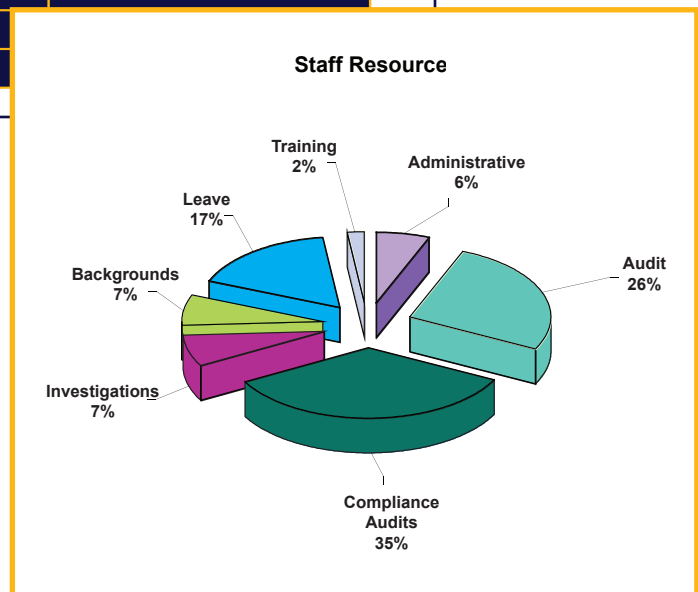


# Accomplishments

During Fiscal Year (FY) 2006-2007, the OIG accomplished workload or issued reports by functional area as follows:

Function	Number	Potential Cost Savings/ Recovery/Avoidance/ Questioned Costs
Compliance Audits	146	\$1,013,077
Internal Performance Audits	2	\$5,700,000
Management Advisory Reviews	10	
Response Coordination	11	
Audit Follow-ups	14	
Investigations	128	
Background Inquiries	2,092	
Public Entry Crime Cases	7	

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



## Quality Assessment Review

Once every three years the Auditor General performs a Quality Assessment Review of each agency's Office of Inspector General. This review is to evaluate the extent of each Office's compliance with applicable professional auditing standards. During the course of the year, the Auditor General performed a Quality Assessment Review of the operation of the Office of Inspector General of the Department of Management Services. The Auditor General concluded that the Office of Inspector General's operations provided reasonable assurance of conformance to applicable professional auditing standards and complied with the provisions of Florida Statutes governing the operation of State agencies' offices of inspectors general and internal audit activities.

# Summary of Activities

A summary of the major activities of the OIG during FY 2006-2007 follows:

## Performance Audits

The Internal Audit Section completed 2 performance audits. Our reports are available online at: [http://dms.myflorida.com/agency\\_administration/inspector\\_general/publications/audit\\_reports](http://dms.myflorida.com/agency_administration/inspector_general/publications/audit_reports).

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

### Audit of Property Accountability IA 2007-25

Our review showed that major improvements were needed in accounting for and controlling state-owned tangible personal property. During the review, an inventory disclosed that 533 property items were missing or could not otherwise be accounted for by property custodians. We also located 532 property items which were not listed on the Department's property records.

This loss of accountability and breakdown in internal controls can be attributed to the fact that Division managers and designated property custodians did not comply with State laws and Department property accountability requirements. Our review showed that:

- Department managers did not properly delegate the control of property in their custody,
- Procedures for the transfer and surplus of property were not followed, and
- Required annual property inventories for the Department were not completed in a timely manner and discrepancies between inventories and the property records were not investigated and reconciled.

### Recommendations

**We recommended** that (1) the Department conduct a full physical inventory of all property items and the inventory results be reconciled to the Florida Accounting Information Resource property sub-system, (2) the Secretary or Secretary's representative delegate custody of Department property to Division Directors in a formal letter that assigns responsibility for the property in their custody, (3) the Property Administrator, Property Accountant, and designated property custodians be trained in their job duties as well as State laws and Department procedures concerning property accountability, and (4) immediate use be made of available scanning technology to track and inventory property.

## Audit of Contract Monitoring at Privately Operated Prisons IA 2006-28

This report was the second of two audits of the administration and management of contracts for private prison operations. In our first report on *Contract Management of Private Correctional Facilities*<sup>1</sup> we identified several issues with the Department's prison contract monitoring function. Due to the scope of the review needed to fully develop these issues, a decision was made to exclude them from the first audit. Accordingly, the objective of this review was to evaluate the status of contract monitoring procedures at privately operated correctional facilities.

The review showed that the Department needs to strengthen its monitoring of contracts for operation of private correctional facilities to ensure that vendor performance meets contract requirements. To accomplish this goal, the Department needs to:

- Develop comprehensive policies and procedures on which a uniform contract monitoring and reporting system depends,
- Define and formalize the lines of responsibility between the Department and the Department of Corrections (DOC) involving budget, property management, and reporting and notification of other issues common to both organizations, and
- Establish procedures to account for and control state-owned tangible personal property and real property paid for with Privately Operated Institutions Inmate Welfare Trust Fund (Inmate Welfare Trust Fund) moneys,

While many of the contract monitoring problems we identified remain to be resolved, the Department is aware of, and has taken steps to correct many of these issues. For example, the Department has filled all vacant Contract Monitor positions and is in the process of developing and providing training for Contract Monitors. Moreover, the Department has requested additional resources to better accomplish its mission.



### Recommendations

**We recommended** that the Department's Bureau of Private Prison Monitoring (Bureau) develop comprehensive policies and procedures for monitoring contracts with private prison providers and for establishing accountability and control over state-owned tangible personal property and real property purchased with Inmate Welfare Trust Fund moneys. **We also recommended** that the Bureau coordinate with the DOC to establish Memorandums of Understanding or other types of agreements that define and spell out the Department's responsibilities and authority relative to the DOC's.

<sup>1</sup> *Contract Management of Private Correctional Facilities*, Office of Inspector General, Department of Management Services, Report No. IA 2005-61, June 30, 2005

## Management Advisory Services

The OIG reserves staff time to review issues or matters of concern to Department management. During FY 2006-2007, the Internal Audit Section performed several reviews at the request of Department management. These reviews addressed issues such as the following:

### State Term Contract for Information Technology Hardware IA 2007-680

At the request of the Office of General Counsel, we performed a review of issues raised by a private vendor concerning the terms and conditions of the state term contract for Information Technology Hardware. The private vendor alleged that another vendor was (1) charging clients for installation of equipment which should have been included at no cost under the terms of the contract, (2) the other vendor's price list did not identify additional installation costs as required by the contract, and (3) authorized resellers of the vendor's hardware offered varying discount levels which differed from the contract terms offered by the vendor.

We determined that the private vendor's allegations were unfounded. Our review showed that:

- Installation of equipment was not a condition of the contract,
- The vendor did include a price list which identified additional charges for installation, and
- Authorized resellers of the vendor's hardware were appropriately offering discounts at a rate greater than the state term contract.

#### **Other reviews performed and assistance provided included:**

- Review and recommendation on the use of a Staff Augmentation contract for the Office of Efficient Government,
- Review of the Government Accounting Standards Board's recent pronouncements, Statement Number 43 and Number 45 on preparation of financial statements and determining the impact on the Department,
- Assistance to the General Counsel concerning negotiations with Private Prison contractors, and
- Assistance on the Department's Information Technology Risk Assessment.

## Performance Measurement Reviews



During FY 2007-2008, the OIG will continue the comprehensive review of Department performance measures we began in FY 2006-2007. This review is pursuant to passage of the Florida Government Accountability Act and requirements related to agency sunset reviews. While the Department is scheduled for a sunset review by July 1, 2010, the Department must submit a report to the Legislature by July 1, 2008 which includes information and data on the Department's performance results. Therefore, an extensive review of all of the Department's performance measures will be required by the end of FY 2007-2008.

During the past year, the OIG reviewed the performance measures of the Division of Real Estate Development and Management, the Executive Office of the Secretary and the Americans with Disabilities Act Working Group.

## Compliance Audits

During FY 2006-2007, the Compliance Audit Section performed 146 compliance reviews of local government participants in the State of Florida Retirement System. These 146 reviews resulted in revenue adjustments of \$1,013,077 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
- Community Colleges

The Compliance Audit Section also completed five special reviews requested by management. These reviews identified payee and joint annuitant deaths from the biannual death match, the continued eligibility of payees and joint annuitants age 100 and older, terminated vested members who have reached retirement age and have not applied for retirement, and the eligibility of payees and joint annuitants living out of the country.

## Response Coordination and Follow-Up

During the year, we coordinated the Department's responses to 7 Auditor General, 3 OPPAGA, and 1 Department of Financial Services audit reports. These 11 reports contained 96 recommendations. We also performed follow-up reviews on 49 recommendations contained in 5 previous Auditor General reports and 3 previous OPPAGA audit reports.

In addition to statutorily required follow-ups, we periodically review unresolved audit recommendations. Using this process, we followed up on 6 additional reports that contained 56 outstanding internal and external audit recommendations, resulting in the resolution of 43 of the recommendations.

## Investigations

The Investigations section closed 771 cases during the year. Of these investigations, 643 cases were state employee background investigations, 116 cases were potential identity theft issues and 12 cases centered mainly on employee misconduct and administrative issues. The Investigations section also reviewed the criminal histories of 1,449 contract employees. As a result of these reviews, 80 of these contract employees were denied access to DMS facilities.

## Classifications of Investigations

- 1) Substantiated – Allegation supported by sufficient evidence to justify a reasonable conclusion that the actions occurred.
- 2) Unsubstantiated – insufficient evidence available to prove or disprove allegations.



Representative examples of the 12 cases were:

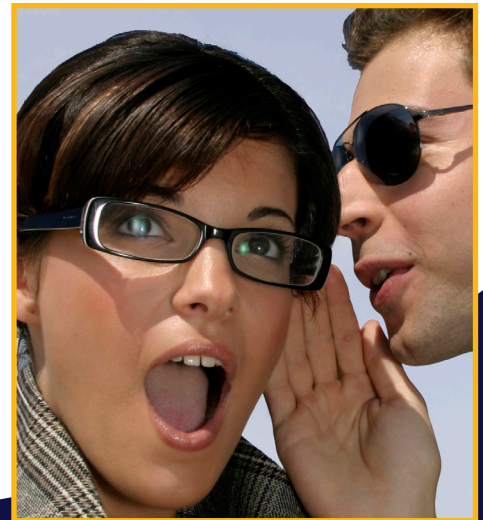
### *Sexual Harassment Violations of the Department's Internet Policy II 2007-530*

A DMS employee reported that her supervisor had advised her of his personal sexual activities and interests. Further, the supervisor disclosed to the employee that he possessed pornographic material on computer diskettes and on his state-issued computer. Investigation substantiated the employee's allegations and resulted in the seizure of hundreds of pornographic images and dozens of pornographic video clips from the supervisor's office and computer. The supervisor's employment with DMS was terminated.

### *Allegations of Contract Violations II 2007-642*

An investigation was initiated after the Division of State Purchasing received a complaint regarding violations of an equipment maintenance management services contract with the State of Florida. The contract, awarded by the Department of Education, was issued under a state term contract agreement. The complaint was provided by a competitor of the contractor. Several allegations were outlined against the contractor stating that the contractor had violated numerous sections of the contract to include: (1) failing to pay the required 1% transaction fee, (2) failing to disclose the contractor was under investigation by another state for contract violations, (3) submitting anonymous "superior" contract performance ratings on themselves and (4) that former Department of Education employees responsible for initiating and managing the contract were now employed as legislative lobbyists by the contractor.

The investigation determined that the allegations regarding contract violations could not be substantiated. However, it was recommended that the allegation of ethical violations by the former employees of the Department of Education be presented to the Florida Commission on Ethics.



### *Sexual Harassment II 2007-668*

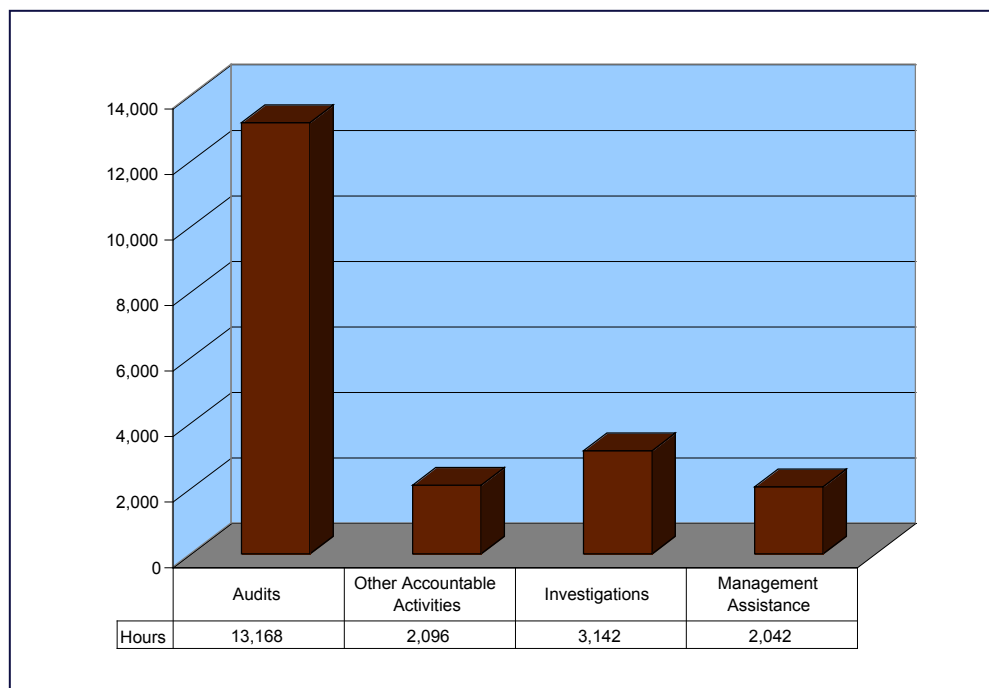
An investigation was initiated when a contract Security Officer made a complaint of sexual harassment against a DMS employee. The Security Officer reported that the DMS employee had made suggestive sexual comments and advances towards her on several occasions. Interviews were conducted with the Security Officer, the DMS employee and other contract security personnel and DMS employees. After extensive interviews the allegations of sexual harassment could not be substantiated. However, the investigation did reveal that, the DMS employee was creating the perception of being overly-friendly and complimentary to female customers. The DMS employee was counseled and mandated to attend sexual harassment training.

# Annual Work Plan FY 2007-2008

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<sup>2</sup>. The resource allocation shown in the following chart represents an appropriate balance between audit, investigative, and other accountability activities at the Department of Management Services.

Annual Work Plan – FY 2007-2008



<sup>2</sup> Total Available Hours 24,960 less Holiday and leave of 4,512 hours.



Allocation of staff resources for FY 2007-2008 is shown in the following table by specific category.

## Allocation of Time Resources for FY 2007- 2008

Audit/Program Evaluation		Hours	Holidays and Leave		Hours
Performance Measure Validation		1,200	Holidays		960
Service Fund Operations		800	Annual Leave		2,112
Local Retirement Systems		600	Sick Leave		1,248
Software Licensing Procedures		800	Other Leave		192
State Term IT Consulting Contract		800	<b>Subtotal</b>		<b>4,512</b>
Work In Progress (Shared Resource Center):		1,074			
<b>Subtotal</b>		<b>5,274</b>			
			Special Projects		Hours
			Single Audit Act Coordination		100
			Schedule IX Preparation		80
			Other		100
			<b>Subtotal</b>		<b>280</b>
			Response Coordination		Hours
			Response Coordination		200
			Six-Month Follow-Ups		400
			Eighteen-Month Follow-Ups		NA
			Internal Follow-Ups		200
			<b>Subtotal</b>		<b>800</b>
			Professional Training		Hours
			Staff Development		96
			Professional Training		480
			<b>Subtotal</b>		<b>576</b>
			Audit Compliance		Hours
			Compliance Reviews		7,000
			Special Retirement Projects		894
			<b>Subtotal</b>		<b>7,894</b>
			Investigation Projects		
			Comptroller's Complaints		200
			Security Assessments		400
			Agency Investigations		2,542
			<b>Subtotal</b>		<b>3,142</b>
			Management/Support		Hours
			Personnel Issues		240
			Staff Meetings		312
			Timekeeping System		312
			Management/Coordination		78
			<b>Subtotal</b>		<b>942</b>
			Internal Process Analysis/Report		Hours
			Annual Work Plan/Report		200
			Annual Risk Assessment		240
			<b>Subtotal</b>		<b>440</b>
			Management Assistance Services		Hours
			Reserved		1,100
			<b>Subtotal</b>		<b>1,100</b>
<b>Total Available Hours</b>					<b>24,960</b>

# Long-Term Plan For 2007-2008 and 2008-2009

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 2007-2008 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 2007-2008 as well as FY 2008-2009.



ACTIVITY	HOURS
Audit/Program Evaluations	5,274
Audit Compliance	7,894
Investigations	3,142
Management Assistance	1,100
Response Coordination/Follow-up	800
Internal Process Analyses/Reporting	440
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

William O. Monroe, Auditor General

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

Terry Shoffstall, Director  
Joint Legislative Auditing Committee

Melinda Miguel, Chief Inspector General  
Executive Office of the Governor

Kim Mills, Audit Director  
Executive Office of the Governor

Nancy Tucker, Audit Manager  
Office of the Auditor General

## DEPARTMENT OF MANAGEMENT SERVICES STAFF:

Ken Granger, Chief of Staff

David Faulkenberry, Deputy Secretary

Terry Kester, Deputy Secretary

Shane Strum, Deputy Secretary

Tom Clemons, Director of Administration

Debra Forbess, Director of Planning and Budget

Rebecca McCarley, Director of Legislative Affairs

Cathy Schroeder, Director of Communications

Rob Hebler, Chief Performance Officer



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