



**FLORIDA**  
**DEPARTMENT OF STATE**

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**OFFICE OF INSPECTOR GENERAL**

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**ANNUAL REPORT  
FOR  
FISCAL YEAR 2008-2009**

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**Report Number 2010-001  
Date: September 14, 2009**



## FLORIDA DEPARTMENT *of* STATE

CHARLIE CRIST  
Governor

KURT S. BROWNING  
Secretary of State

September 14, 2009

Kurt S. Browning, Secretary of State  
Florida Department of State  
R.A. Gray Building  
500 South Bronough Street  
Tallahassee, FL 32399-02500

Re: 2008-2009 Office of Inspector General Annual Report.

Dear Secretary Browning:

Pursuant to Section 20.055 (7), Florida Statutes, the Office of Inspector General (OIG) has completed its 2008-2009 Annual Report as required by Statutes. The OIG will provide a copy of this report to the Chief Inspector General, Executive Office of the Governor and the Auditor General by September 30, 2009.

Please contact me if you require additional information.

Sincerely,

Kirby J. Mole, Inspector General

cc. Dawn S. Roberts, Assistant Secretary of State, Department of State  
Melinda Miguel, Chief Inspector General, Executive Office of the Governor  
David Martin, Auditor General

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## INTRODUCTION

The Office of Inspector General (Office) is required by Section 20.055 (7), Florida Statutes, to prepare an annual report summarizing its activities during the preceding fiscal year. This report complies with the statutory requirement and also provides interested parties with information on the Office's goals and accomplishments during the year.

### Agency Responsibilities

The Department of State (Department) serves as the official custodian of state records and the Secretary is the chief elections officer. The Department has various responsibilities related to the following six divisions:

- Elections
- Historical Resources
- Corporations
- Library and Information Services
- Cultural Affairs
- Administration

### Mission Statement

The mission of the Office is to promote government integrity. The Office strives to accomplish its mission by providing the Secretary with independent, timely, supportable, and objective analyses of important issues contributing to the fulfillment of the Secretary's duties and responsibilities.

### Responsibilities

The Office coordinates activities which promote accountability, integrity, and efficiency in government. The Office's responsibilities include:

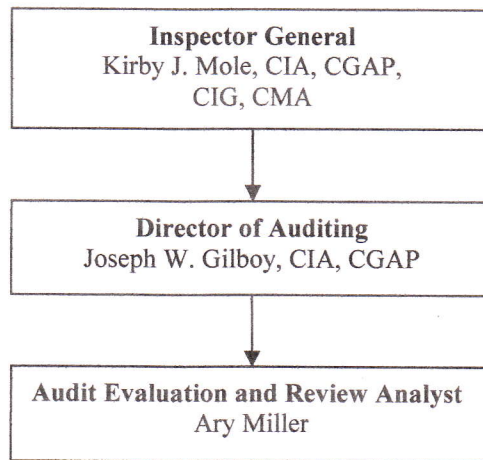
- Performing audits, investigations, and management reviews relating to the Department's programs and operations;
- Promoting economy and efficiency in the administration of or the prevention and detection of fraud and abuse in Department programs and operations;
- Reviewing actions taken by the Department to improve program performance and attain program standards and make recommendations for improvement, if necessary;
- Informing the Secretary of fraud, abuse, and deficiencies in programs or operations administered or financed by the Department, recommend corrective actions and report on the progress in implementing corrective actions;
- Investigating complaints or information received pursuant to the "Whistle-blower's Act" concerning the possible violation of law or administrative rules, gross mismanagement, fraud, waste, abuse of authority, malfeasance, or a substantial or specific danger to the health, welfare, or safety of the public;

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- Advising management in the development of performance measures, standards, and procedures for the evaluation of the Department's programs;
- Assessing the reliability and validity of performance measures and standards, making recommendations for improvements, if necessary;
- Ensuring effective coordination and cooperation between the Auditor General, the Office of Program Policy Analysis and Government Accountability, federal auditors, and other governmental bodies with the perspective of avoiding duplication;
- Reviewing, as appropriate rules relating to the programs and operations of the Department and make recommendations concerning their impact;
- Ensuring an appropriate balance is maintained between audit, investigative, and other accountability activities; and
- Complying with the General Principles and Standards for Offices of Inspector General as published and revised by the Association of Inspectors General.

**Organizational Chart**

To ensure operational independence the Inspector General reports directly to the Secretary of State and has unrestricted access to all Department activities and records. The Office currently consists of three full-time professional positions as detailed below.



**Certifications and Training**

The staff brings to the Department experience from the private and public sectors with expertise in the areas of accounting, audit, controllership, and military service. Professional certifications held by the staff include Certified Internal Auditor (CIA), Certified Government Auditing Professional (CGAP), Certified Inspector General (CIG), and Certified Management Accountant (CMA). The staff maintains affiliations with the Institute of Internal Auditors, the Institute of Management Accountants, and the Association of Inspectors General.

The *International Professional Practice Framework* and *Generally Accepted Government Auditing Standards* require audit staff to maintain their professional proficiency through continuing education and training. Each auditor must receive at least 80 hours of continuing education every 2 years. This is accomplished by attending courses, conferences, seminars, self-study, and in-house training programs throughout the year. During the fiscal year professional staff completed the required continuing educational training.

## SUMMARY OF ACTIVITIES

The Office had limited resources during fiscal year 2008-2009 as a result of the partial absence of the Inspector General and the vacancy of a Director of Auditing. Due to a critical illness, the Inspector General incurred extensive sick leave from December 5, 2008, through the end of the fiscal year. In addition to the absence of the Inspector General, the Director of Auditing resigned in July 2008 and the position was vacant until August 2009. To compensate for the absence of the Inspector General and Director of Auditing, the Department with the assistance of the Chief Inspector General's Office, Executive Office of the Governor, made arrangements with the Florida Department of Transportation to provide qualified staff to manage the Department's Office of Inspector General. Effective August 31, 2009, the Department employed Joe Gilboy as the new Director of Auditing to manage the Office until the Inspector General is able to return to work.

The following paragraphs contain a summary of the various activities completed during the fiscal year.

### INVESTIGATIVE ACTIVITIES <sup>1</sup>

#### Report on Allegations of Non-Compliance by the Division of Historical Resources, #2007-009

##### **Allegations:**

1. The Department of State failed to comply with a May 30, 2006, public record request regarding the Department's valuation of historical artifacts required in Section 267.115(1), Florida Statutes.
2. Department employees failed to establish the value of historical artifacts required by Section 267.115(1), Florida Statutes.
3. Ryan Wheeler, Ph.D., State Archeologist and Chief, Bureau of Archaeological Research, Department, failed to comply with Section 267.115(1), Florida Statutes regarding the value of historical artifacts in the Department's collection due to a professional and ethical conflict of interest.

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<sup>1</sup> The information contained in the summary of activities shown in this report is extracted from the Inspector General's reports and should not be relied upon as the complete report or disclosure for the subjects shown.

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4. Department employees failed to fully comply with public records requests and charged excessive fees for information requested.
5. The Florida Historical Commission and Frederick Gaske, Director, Division of Historical Resources, Department, ignored the Avocational Archaeology & Paleontology Council, Inc.'s request to modify the September 18, 2006 meeting minutes when notified of omissions.
6. The Department compensated Ellen Ugucioni, Florida Historical Commission Member, for her preparation of national landmark nominations for the Freedom Tower and Brickell Point sites in Miami improperly through discretionary purchases instead of using a competitive bid process. Further, compensation for these services while Ugucioni served on certain boards violated the intent of Section 267.0619(b)4 [267.0614], Florida Statutes.
7. The Department allowed Janet Synder Matthews, former Director, Division of Historical Resources, Department, to be on the selection board for Request for Proposal No. 914-260-09-02-4, even though a potential conflict of interest existed between Matthews and recipient, Marion Almy, Archaeological Consultants, Inc..
8. The Department paid \$50,000 on Request for Proposal No. 914-260-09-02-4 to Archaeological Consultants, Inc. as Other Personal Services dispersals rather than through regular salary warrant payments, in violation Request for Proposal language.

**Findings:**

The Office investigation concluded that the allegations shown above were not substantiated.

**Recommendations:**

None

**Report On Allegations Against The Division of Cultural Affairs Applicable To The Artist Enhancement Program, #2009-004**

**Allegations:**

1. The Division made a biased (discrimination) decision to eliminate funding to the Artist Enhancement Program in order to facilitate a 4% budget reduction.
2. The Division failed to provide due notice to the grant applicants of the 2<sup>nd</sup> Quarter Artist Enhancement Program that funding was eliminated for the remainder of Fiscal Year 2008-09.

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3. Department personnel evaded or gave conflicting information to Chapon applicable to his questions as to who and how the decision was made to eliminate funding for the 2<sup>nd</sup> Quarter Artist Enhancement Program.

**Finding:**

1. Not Substantiated. We determined that there is insufficient evidence to substantiate the allegation that the Division made a biased decision to eliminate funding to the Artist Enhancement program in order to facilitate the mandated 4% budget reduction.
2. Not Substantiated. We determined that there is insufficient evidence to substantiate the allegation that the Division failed to provide due notice to the grant applicants of the 2<sup>nd</sup> Quarter Artist Enhancement Program that funding was eliminated for the remainder of Fiscal Year 2008-09.
3. Not Substantiated. We determined that there is insufficient evidence to substantiate the allegation that Department personnel evaded or gave conflicting information to Chapon applicable to his questions as to who and how the decision was made to eliminate funding to the 2<sup>nd</sup> Quarter Artist Enhancement Program.

**Recommendations:**

We recommend the Division review its processes and determine whether it should adopt formal policies and procedures applicable to budget reductions and release of hold backs. The Division should also include in its review, a determination as to whether a policy is appropriate for timely notification to grant applicants regarding program budget cuts and funding reductions.

**Report On Allegations Regarding Potential Misuse of a State Vehicle Assigned to the Bureau of Archaeological Research, #2009-011**

**Allegation:**

A white Ford F-150, Tag # 28810, was potentially used for other than official state business on October 18, 2008.

**Finding:**

Not Substantiated. We determined that there was sufficient evidence to confirm that the white Ford F-150 (State Vehicle Tag # 28810) was used for official state business on the day identified in the allegation (Saturday, October 18, 2008). Our review of the Department of State, Employee Handbook and State Vehicle Policy determined that they are consistent with the requirements of both Florida Statute and Florida Administrative Code. However, management may want to review Department policies to ensure clarity with regard to vehicle use and operation by volunteers.



## **Recommendations:**

We recommend Deputy Secretary of State for Historic and Cultural Programs coordinate with the Director of Administrative Services to review the Department's Vehicle Use Policy. The purpose of such review should be to determine if the Policy needs to be amended to address the use of state vehicles by persons serving in a volunteer capacity.

## **Investigations In Progress**

At the end of Fiscal Year 2008-2009, the Office incurred resource hours applicable to an investigation designated, *Report # 2009-010, Report On Allegations Regarding The Bureau of Archaeological Research*. The investigation encompasses the following allegations:

- The Bureau of Archaeological Research (BAR) grants salvage permits to "academic salvage operations" while "commercial salvagers" are denied salvage permits without justification or adequate recourse;
- The Division has prohibited the use of certain efficient methods of excavation (prop-wash), requiring the use of more inefficient means (i.e. 6" dredge) without providing explanation;
- The Department is not following the rulemaking process for Rule 1A-31, Florida Administrative Code; and
- The Division of Historical Resources would not issue the Museum a grant unless the Museum used an archaeologist designated by the Division.

As of June 30, 2009, the Office had completed approximately 95% of its investigative plan.

## **Preliminary Investigative Activities**

Through out the fiscal year the Office conducted preliminary investigations in order to determine if a full investigation was necessary under the circumstances. One example of such preliminary investigation involved a complaint against the Division of Historical Resources for failure to review the events and circumstances surrounding the findings of an alleged 1539 relic found along the east coast of Florida, formerly owned by Hernando DeSoto. During our preliminary investigation the Division met with the complainant and resolved the issue, eliminating the need for further investigation. Another example of such preliminary investigation involved a complaint against the Department applicable to the operations of the Joint Administrative Procedures Committee and the On-Line Sunshine Website. The Office determined that a full investigation was not required because the Department did not have jurisdiction in this matter.

## **Additional Investigative Activities**

During the fiscal year, the Office received 197 complaints and/or requests applicable to agencies not within the jurisdiction of this Office. The Office reviews all of the not jurisdiction complaints and requests in order to provide the complainant with suggested contact information for the agency with appropriate jurisdiction.

## **AUDIT ACTIVITIES [2]**

### **Florida Department of State, Office of Inspector General Review of the 2008 Florida Risk Assessment Survey, Report No. 2009-006.**

The Agency for Enterprise Information Technology, Office of Information Security, developed the 2008 Florida Risk Assessment Survey to help agencies satisfy the requirements of Section 282.318, Florida Statutes. Section 282.318, F.S. requires that all state agencies to, "Conduct, and update every 3 years, a comprehensive risk analysis to determine the security threats to data, information, and information technology resources of the agency." Instructions issued by the Office of Information Security require that each agency's Information Security Manager be responsible for coordinating the assessment, determining accurate responses to the survey questions, and assembling the supporting documents (survey package). The instructions issued by the Office of Information Security required that each agency's Office of Inspector General sign and date the survey after its review of the completed package to determine reasonableness.

Our review procedures included; 1) interviews with the agency's Chief Information Officer, Information Security Manager, and FVRS Information Security Manager, and 2) a comparison of the agency's survey responses to the supporting documents. The instructions issued by the Office of Information Security state that the Assessment is a "high-level endeavor" and is not an in depth audit or a qualitative evaluation of the effectiveness of the agency's security controls or systems. Even though we included some audit standards and procedures in our review process, we do not consider our review process a formal audit.

Based upon our review procedures, we conclude that the Agency's Risk Assessment Survey appears reasonable.

### **Previously Reported Findings**

The Office did not identify any significant findings reported in prior annual reports for which the Department has not taken corrective action.

### **Performance Measurement Reviews**

On June 24, 2008, the Office included its review of program performance measures required by the Department under the Government Accountability Act [3]. The validation process included a review of the Department's Legislative designated performance measures for Fiscal Years 2005-06, 2006-07 and projected measures for Fiscal Year 2007-08. The Office plans to conduct a review of the performance measures during Fiscal Year 2009-2010 as shown below in the Annual Audit Plan.

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<sup>2</sup> The information contained in the summary of activities shown in this report is extracted from the Inspector General's reports and should not be relied upon as the complete report or disclosure for the subjects shown.

<sup>3</sup> Section 11.906, Florida Statutes.

## **Other Audit Activities**

### **Follow-Up Reports on Corrective Actions Taken in Response to AG and OPPAGA Audit Findings**

Section 20.055(5)(h), Florida Statutes, requires the Inspector General to monitor the implementation of the Department's responses to any report issued by the Auditor General (AG) and Office of Program Policy Analysis and Government Accountability (OPPAGA) involving the Department. The Inspector General is required to publish and provide a written response to the Secretary on the status of corrective action taken and file a copy of the report to the Legislative Auditing Committee. During the fiscal year, the Inspector General conducted a review of corrective actions implemented by the Department and issued the following report:

Report No. 2009-002: AG Report No. 2008-187, Department of State Florida Voter Registration System (FVRS) Follow-Up On Prior Audit Findings, Information Technology Audit.

Report No. 2009-007: AG Report No. 2009-031, Department of Management Services and Selected Agencies. (Revenue & Receipts, Div. of Corporation)

Report No.2009-008: AG Report No. 2009-049, Department of Management Services and Selected Agencies. (State Grant Administration)

### **Florida Single Audit Assistance**

The Secretary of State designated the Office as the organizational unit within the Department responsible for the review of financial reporting packages required by the Florida and Federal Single Audit Acts pursuant to Section 215.97, Florida Statutes and OMB Circular 133. To facilitate this duty the Department transferred an Audit Evaluation and Review Analyst position to the Office, effective May 1, 2007. Since that date, the Office has provided extensive training to the incumbent applicable to the Federal and Florida Single Audit requirements. During Fiscal Year 2008-2009 the Office conducted workshops with senior management, the Division directors and staff to explain and discuss the specific duties required under the applicable single audit acts. As a result of the workshops, the Office has developed Department-wide formal policies and procedures for both the Florida and Federal Single Audit Acts. Additionally, the Office implemented a temporary electronic tracking system and is working with the Division of Administrative Services to implement a Department-wide data base to assist in monitoring and tracking activities applicable to the single audit acts. The Office anticipates that the Department will finalize the formal monitoring system in early 2009-2010.

**RESOURCE HOURS UTILIZED**

It is the policy of the Office to depict in its annual report a chart applicable to the percentage of resource hours utilized by categories. However, due to the use of staff from the Department of Transportation and the differences in the methods used to accumulate time charges for work projects, the breakdown in resource categories are not available for this annual report.

**RISK ASSESSMENT AND WORK PLAN**

The Office is required by Section 20.055(5)(i), Florida Statutes, to perform a periodic risk assessment and based upon the assessment develop long-term and annual audit plans. The risk assessment is used to identify and catalog all auditable activities, to apply certain risk factors, and to assign priorities for audit based upon relative risk identified.

**Resources Hours Available for Fiscal Year 2009-2010**

Total Direct & Indirect Hours Available		6,240
Less Indirect Time		
Holidays	216	
Annual Leave	240	
Sick Leave	120	
Training	120	
Administrative	206	
Total Indirect Time		<u>902</u>
Total Direct Hours Available for All Projects		<u><u>5,338</u></u>

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The following charts show a summary of the Annual and Long-Range Work Plans approved by the Secretary of State on August 3, 2009.

**FLORIDA DEPARTMENT OF STATE  
Office of Inspector General  
Annual Work Plan  
Fiscal Year 2009-2010**

<b>AUDITS</b>	
<b>PROPOSED PROJECTS</b>	<b>SELECTION CRITERIA</b>
Grant Monitoring and Administration	Risk Assessment Issues
American Recovery and Reinvestment Act (ARRA)	Compliance – Reporting, Transparency, Accountability and Oversight
Performance Measures – 2009	Statutory Compliance – Recurring Work Plan Item
<b>REVIEWS</b>	
Auditor General & OPPAGA Corrective Action Status Reports	Statutory Compliance – Recurring Work Plan Item
OIG Risk Assessment	Recurring Work Plan Item
Management Requests	Recurring Work Plan Item
<b>FLORIDA SINGLE AUDIT ACT</b>	
Program Monitoring	Recurring Work Plan Item
<b>INVESTIGATIONS</b>	
Conduct Investigations as Needed	Statutory Compliance – Recurring Work Plan Item

**FLORIDA DEPARTMENT OF STATE**  
**Office of Inspector General**  
**Long-Range Work Plan**

<b>AUDITS</b>
Division of Elections – Compliance and Regulation
Division of Corporations - Compliance
America Recovery and Reinvestment Act – Compliance- Reporting, Transparency, Accountability, and Oversight
Performance Measures – Statutory Compliance – Recurring Work Plan Item
Revenue - Receipts and Refunds
Division of Historical Resources - Compliance
<b>REVIEWS</b>
Auditor General and OPPAGA – Corrective Action Status Reports
OIG Risk Assessment
Management Requests
<b>FLORIDA SINGLE AUDIT ACT</b>
Program Monitoring
<b>INVESTIGATIONS</b>
Conduct Investigations as Needed