



Office of Inspector General

DEPARTMENT OF MANAGEMENT SERVICES

2008

Annual Report

TABLE OF CONTENTS

Introduction

Mission Statement.....	5
Responsibilities.....	5
Department Responsibilities are Diverse	5
A Risk Based Program	6

OIG Organization and Staff.....	7
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Major Activities and Functions

Internal Audit	8
Internal Investigations	9

Accomplishments.....	10
----------------------	----

Summary of Activities

Performance Audits.....	11
Management Advisory Services.....	14
Sunset Review and Performance Measurement	16
Compliance Audits.....	16
Response Coordination and Follow-up.....	17
Investigations.....	17

Annual Work Plan	19
------------------------	----

Allocation of Time Resources.....	20
-----------------------------------	----

Long Term Plan.....	21
---------------------	----

Appendix A.....	22
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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.



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Governor Charlie Crist

Secretary Linda H. South

September 29, 2008

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 Inspector General for the fiscal year ended June 30, 2008, 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 nine (9) 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 2008-09. Thank you for your continued support.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'SR', is written over a blue horizontal line.

Steve Rumph
Inspector General

We serve those who serve Florida.

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:

- 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;
- 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;
- 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 operation 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 statewide retirement program and monitoring the actuarial soundness of local government retirement plans; and
- Providing communication services to support state agencies and other public entities that serve the citizens of Florida.



A Risk Based Program

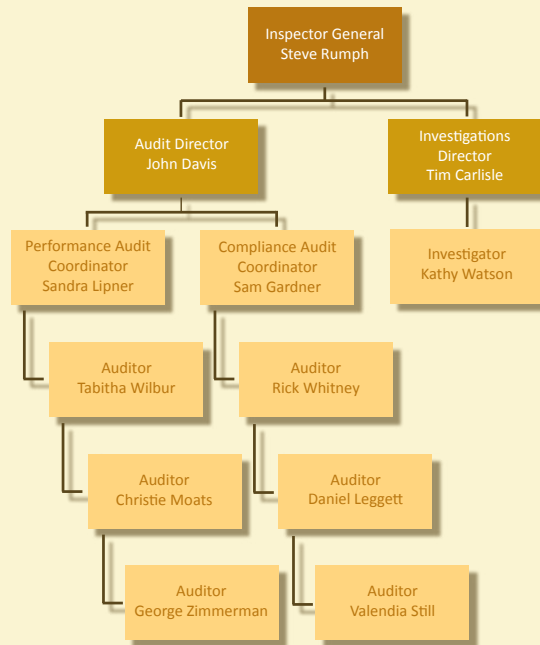
To ensure that we provide sufficient coverage of the many departmental activities and adequate support to management, the OIG performs an annual risk assessment of all department activities. This ensures that the OIG is responsive to management concerns and that those activities with the greatest risks 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 OIGs perform reviews of the same subject matter from year to year, department 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 12 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 background 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
- 1 - Certified Public Accountant
- 2 - Certified Information Systems Auditors
- 1 - Certified Government Financial Manager
- 2 – Certified Inspector General Investigators
- 1 – Certified Government Auditing Professional
- 1 – Certified Internal Auditor



Major Activities and Functions

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 ***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 line personnel 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 Human Resource Office, 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.



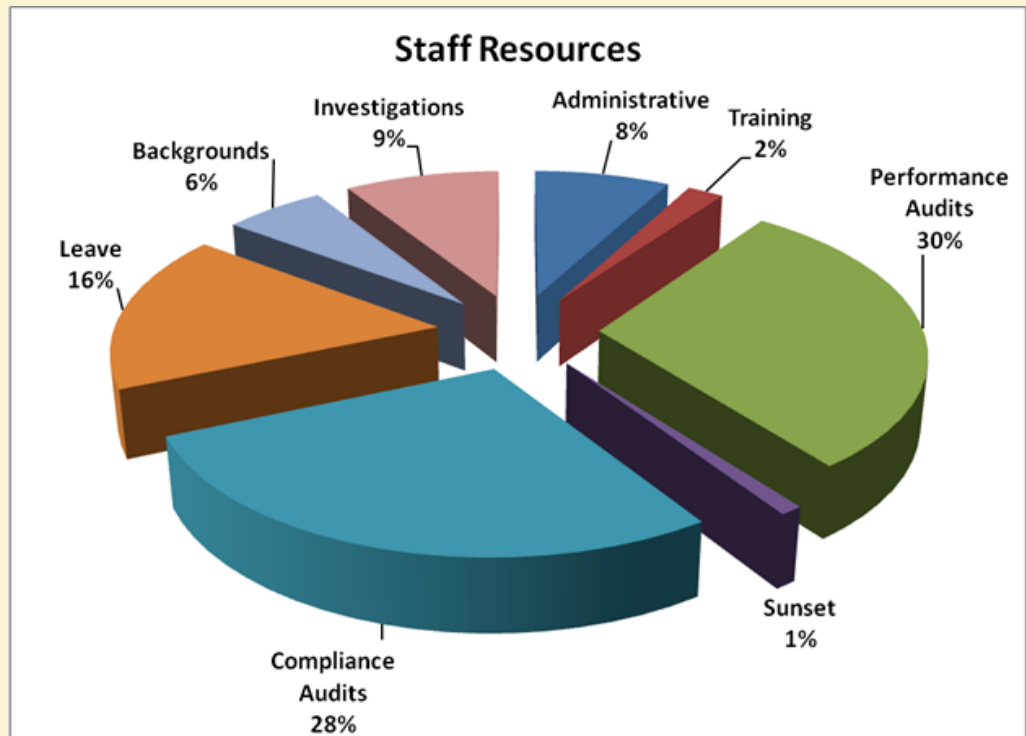
Accomplishments

During Fiscal Year (FY) 2007-2008, the OIG accomplished workload or issued reports by functional area as follows:

Function	Number	Potential Cost Savings/Recovery/Avoidance/ Questioned Costs
Compliance Audits	61	\$1,065,108
Internal Performance Audits	2	\$230,000
Management Advisory Reviews	4	
Audit Response Coordination	3	
Audit Follow-ups	13	
Investigations	13	
Background Inquiries	2,092	
Public Entity Crime	6	
Performance Measurement Reports	7	

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

Staff Resources



Summary of Activities

The following is a summary of the major activities of the OIG during FY 2007-2008.

Performance Audits

The Internal Audit Section completed two performance audits.

Our reports are available online at:

http://dms.myflorida.com/agency_administration/inspector_general/publications/audit_reports.

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



Oversight of Local Government Pension Plans IA 2008-211

Our review showed that the Division of Retirement's oversight of local government pension plans could be improved by:

- Conducting timely reviews of local government pension plans
- Establishing review standards and criteria
- Resolving pending issues
- Standardizing reports
- Automating processes

Division management needed to take corrective action to fully resolve the operational issues noted in previous Auditor General audits . At the same time, recent changes affecting all local government pension plan sponsors underscored the importance of the bureau's oversight role.

In 2007, the legislature provided a statutory reduction in property taxes imposed by local governments and offered the voters a referendum choice for increasing the homestead exemption for property owners with a primary Florida residence. The referendum subsequently passed by a 64 percent margin in January 2008.



As property taxes are the primary funding source for salaries and benefits of local governments, these actions directly affect future revenue and expenditure decisions, which, in turn, place increased pressure on pension plan sponsors. As a result, local government retirement systems and plans may find it increasingly difficult to fund existing plans or to maintain their current benefit structures.

Given the latest actions of the legislature combined with the state's current economic situation, local governments face increasing pressure on their pension plans. Thus, the division's oversight role has taken on greater importance. During the course of the review, division management developed an action plan to address and resolve these issues.

Recommendations

To more fully accomplish its oversight role, we recommended the division:

- Direct its internal actuary to conduct only a Level Two-type review of each plan's most recent actuarial valuation and a cursory review of the reports from the two preceding years
- Assume responsibility for establishing and maintaining a formal triennial review schedule and for monitoring staff adherence to the schedule
- Establish risk-based criteria to prioritize backlogged plans for review
- Establish actuarial review standards to be followed by the internal actuary and any consulting actuaries
- Consult with the department's Chief Information Officer to identify options for revising the bureau's database to adequately support bureau functions
- Require plans to use standard report formats and to submit reports electronically

Operational Review of the Technology Resource Center IA 2007-52

Our operational review showed the department has the opportunity to enhance the capabilities and functionality of the Technology Resource Center and to improve internal controls by taking the following actions:

- **Converting Unused Floor Space Into Additional Data Center Capacity**

The center is currently near its operational capacity. However, the center has about 3,000 square feet of unused raised floor space which could be converted into additional data center capacity. This conversion or “build-out” would cost about \$1.4 million. However, the additional capacity could generate up to \$600,000 in additional revenue, annually. The additional revenue or return on investment would be directly proportionate to the amount of additional floor space leased to customers.

- **Improving The Technology Resource Center’s Tier Rating**

Certain infrastructure and operational improvements could be made to improve the center’s current rating from Tier I to a higher Tier III rating. Of the total \$1.1 million in needed improvements, most have already been completed or are in process. Only about \$278,000 in operational improvements are currently needed.

- **Converting Contracted Staff Positions To State Employee Positions**

Converting the center’s contracted staff positions to state employee Full Time Equivalent positions would result in savings of about \$230,000, annually. In addition to these recurring savings, converting the 14 contracted positions would address an identified security deficiency and benefit the center’s upgrade to a Tier III facility.

- **Improving Internal Controls**

During the review, we noted issues relating to internal controls which could be improved. These issues included (1) tracking the center’s service availability in accordance with service level agreements and (2) developing certain procedures related to the center’s disaster recovery services. This second issue involves confidential security matters and was accordingly reported in a separate letter addressed directly to the Division of Communications and Information Technology Services.



Recommendations

We recommended that the department (1) prepare a business case analysis/study for submission to the legislature which demonstrates the benefits of converting the center’s existing unused floor space into additional data center capacity; (2) consider completing actions needed to improve the center’s tier rating; and (3) request that the legislature authorize 14 Full Time Equivalent positions to replace contracted staff.

Management Advisory Services

The OIG reserves staff time to review issues or matters of concern to department management. During FY 2007-2008, the Internal Audit Section performed several reviews at the request of department management. These reviews addressed issues such as the following:

Use of Telecommunication Consultants IA 2008-159

At the request of the Division of Communications and Information Technology Services (CITS), we evaluated the use of seven telecommunication consultants who were employed in six regions throughout the state. The objectives of our review were to determine whether (1) the existing workload justified the number of consultants employed and (2) potential customers had been identified in each of the consulting regions.

Our review showed that:

- Consultant's workloads did not justify the need for six positions,
- Potential customers had not been identified within each consulting region, and
- Position descriptions did not adequately define what management expected of the consultants.

We recommended that CITS (1) examine workloads to determine the number of consulting positions needed and reduce the positions accordingly, (2) relocate the positions to Tallahassee, (3) develop a plan to assist management and the consultants in retaining current customers and obtaining new customers for the services CITS offers, and (4) develop new performance expectations that are applicable and relevant to the position's actual duties.

Other reviews performed and assistance provided included:

Office of Efficient Government

- Review and recommendations on the progress the Office of Efficient Government has made in establishing the framework necessary to support the Council on Efficient Government in accomplishing its statutory duties and responsibilities. Suggested areas for improvement included (1) establishing a supporting structure to adequately support the council in carrying out its statutory functions, (2) developing guidelines for agencies on the applicability of the Florida Efficient Government Act, (3) organizational alignment of the office to facilitate its function, and (4) ensuring that a sufficient number of staff have the collective expertise and experience required to carry out the responsibilities of the office.

- Use of Motor Vehicles

Review of the department's policies and procedures for the assignment and use of motor vehicles by employees as required by Senate Bill 0004-C (2007). This review also included updating all information in the Equipment Management Information System (EMIS) as well as submitting a report that included (1) policies and procedures for fleet size, fleet management, assignment of individual and motor pool vehicles, and use of personal vehicles, (2) a list of motor vehicles owned by the agency by the year, make and model, special equipment package, mileage, in-service date, annual maintenance costs, and intended use, (3) a list of vehicles identified as surplus and the estimated revenues to be received from the disposition of such vehicles, (4) the total dollars spent in the 2006-2007 fiscal year to reimburse employees for travel mileage, segregated by budget entity, class code of the employee, and justification for travel in a personal vehicle, and (5) efficiency determinations derived from the review.



- GASB Statement: Numbers 43&45

Participation on the inter-agency workgroup charged with identifying how the effect of the Government Accounting Standards Board's recent statements (GASB Statement Number 43 and Number 45) on accounting for other post-employment benefits (OPEB) impact Florida. The workgroup determined changes needed in accounting and financial reporting and educating executive and legislative staff on the impact of the GASB statements and any proposed options. Two retiree benefits are being addressed by the workgroup: the Retiree Health Insurance Subsidy (HIS) and the premium subsidy for retiree health insurance. The workgroup expects to issue a report with recommendations to the legislature in late 2008.

Sunset Review and Performance Measurement



The OIG was instrumental in the preparation, review and submittal of a Sunset Report to the Legislature which included information and data on the department's operation and performance results. This report was prepared pursuant to passage of the Florida Government Accountability Act and requirements related to agency sunset reviews. Accordingly, during FY 2007-2008, the OIG performed a comprehensive review of all department performance measures.

During FY 2008-2009, the OIG will continue to review the department's performance measures to ensure that recommended revisions are accomplished.

Compliance Audits

During FY 2007-2008, the Compliance Audit Section performed 61 compliance reviews of local government participants in the State of Florida Retirement System. These reviews resulted in revenue adjustments of over \$1,065,108 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 six 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 outside of the U.S.

Response Coordination and Follow-up

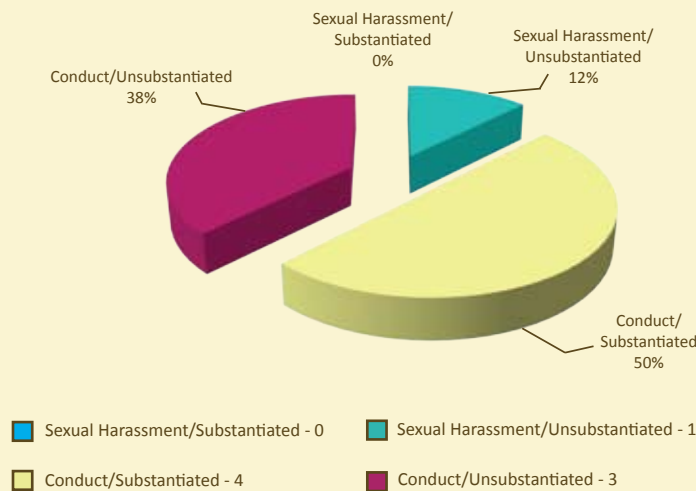
During the year, we coordinated the Department’s responses to two Auditor General and one OPPAGA audit reports. These three reports contained 12 recommendations. We also performed follow-up reviews on the status of implementation of 79 recommendations contained in seven previous Auditor General Reports and two previous OPPAGA audit reports.

In addition to statutorily required follow-ups, we periodically review unresolved audit recommendations. Using this process, we followed up on 88 outstanding internal and external audit recommendations, resulting in the resolution of 68 of the recommendations.

Investigations

The Investigations Section closed 293 cases during the year. Of these investigations, 280 cases were state employee background investigations, five cases were potential identity theft issues and eight cases centered mainly on employee misconduct and administrative issues. The Investigation Section also conducted Level I background screenings for 1,879 contract employees. As a result of these reviews, 177 of these contract employees were denied access to DMS facilities.

Investigative Findings



Total Investigations – 8

Total Investigative Findings –8

CLASSIFICATIONS OF INVESTIGATIVE FINDINGS

- Substantiated – Allegation supported by sufficient evidence to justify a reasonable conclusion that the actions occurred
- Unsubstantiated – Insufficient evidence available to prove or disprove allegations

Representative examples of the eight misconduct and administrative cases were:

Alleged Hazardous Work Environment II 2008-239

An employee working at the Rohde Building, Miami alleged that an asbestos abatement project was performed improperly and potentially exposed thousands of people to asbestos contamination. Investigation disclosed that asbestos abatement policy and safety measures were followed as required. Further, air quality samples were collected and examined during and after the abatement project. All of the air quality samples revealed that the air quality inside the Rohde Building was acceptable and free of asbestos contamination.

Violation of DMS Internet Policy II 2008-253



Investigation was initiated after a DMS supervisor reported receiving a complaint from a state employee at the Hurston Building, Orlando regarding a harassing note that was left on the employee's personal vehicle. The supervisor suspected a maintenance worker at this facility and searched the state computer in the facility's maintenance shop to determine if the computer was used to write the harassing note. During this search the supervisor became suspicious that the state computer had been used to access pornographic internet sites. OIG seized the state

computer and harassing note. A search of the computer disclosed that it had been used to access various pornographic internet sites. Subsequent interviews by the OIG resulted in a confession that a state employee had written the harassing note and that the same employee had utilized the state computer to access the pornographic internet sites. This employee resigned at the end of the interview.

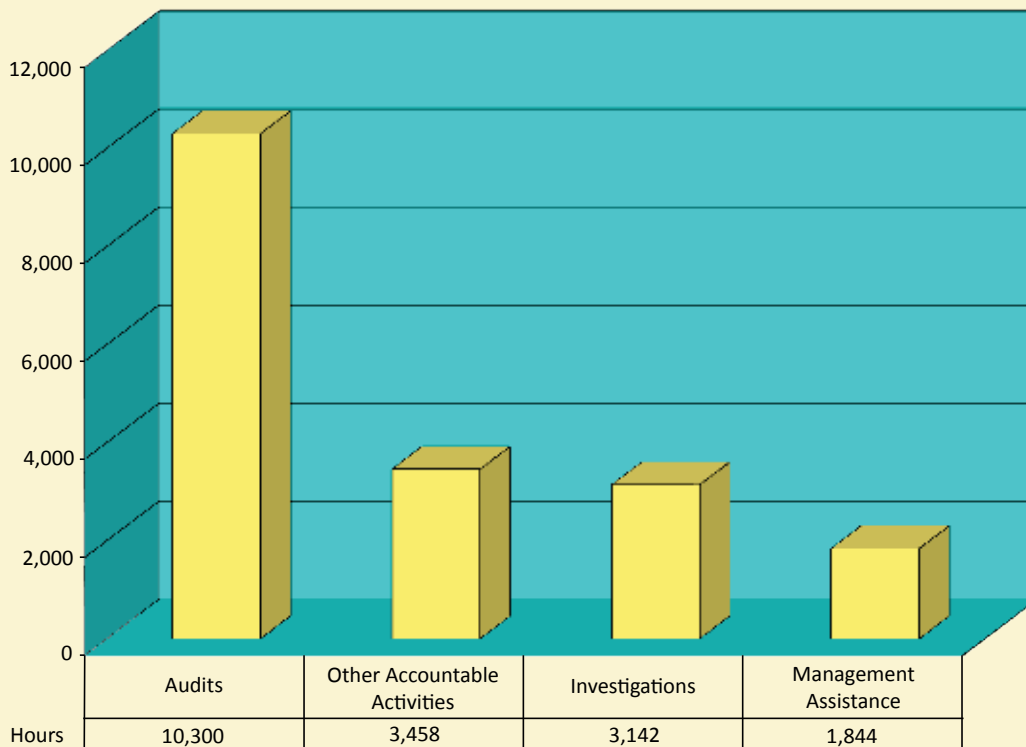
Annual Work Plan FY 2008-2009

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 existing 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 projects¹. The resource allocation depicted in the following chart represents an appropriate balance between audit, investigative, and other accountability activities at the department.

ANNUAL WORK PLAN – FISCAL YEAR 2008-2009



Allocation of staff resources for FY 2008-2009 is shown in the following table by specific category.

¹ Total Available Hours 22,880 less holiday and leave time of 4,136 hours.

Allocation of Time Resources for FY 2008-2009

Audit/Program Evaluation	Hours
Performance Measure Validation	1,500
Service Fund Operations	1,400
Staff Augumentation Contracts	1,200
Software Licensing Procedures	600
Federal Property Assistance Program	600
Subtotal	5,300

Holidays and Leave	Hours
Holidays	880
Annual Leave	1,936
Sick Leave	1,144
Other Leave	176
Subtotal	4,136

Investigation Projects	Hours
Comptroller's Complaints	200
Security Assessments	400
Agency Investigations	2,542
Subtotal	3,142

Special Projects	Hours
Single Audit Act Coordination	100
Schedule IX Preparation	80
Other	100
Subtotal	280

Audit/Compliance	Hours
Compliance Reviews	5,000
Special Retirement Projects	1,310
Subtotal	6,310

Response Coordination	Hours
Response Coordination	200
Six-Month Follow-ups	300
Eighteen-Month Follow-ups	NA
Internal Follow-ups	400
Subtotal	900

Internal Management/Support	Hours
Personnel Issues	220
Staff Meetings	260
Timekeeping System	286
Management/Coordination	78
Subtotal	844

Professional Training	Hours
Staff Development	88
Professional Training	440
Subtotal	528

Management Assistance Services	Hours
Reserved	1,000
Subtotal	1,000

Internal Process Analysis/Report	Hours
Annual Work Plan/Report	200
Annual Risk Assessment	240
Subtotal	440

Total Available Hours

22,880

Long Term Plan For 2008-2009 and 2009-2010



Our long-term plan is to ensure that the services of the OIG 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 2008-2009 Annual Work Plan, approximately 23,000 staff hours will be available for the OIG. The OIG expects to use the number of hours outlined below for each category during FY 2008-2009 as well as FY 2009-2010.

ACTIVITY	HOURS
Audit/Program Evaluations	5,300
Compliance Reviews	5,000
Investigations	3,142
Management Assistance	1,000
Response Coordiantion/Follow-up	900
Internal Process Analysis/Reporting	440
Holidays and Leave	4,136
Management and Support	844
Special Projects	280
Professional Training	528
Special Retirement Projects	1,310
Total Available Hours	22,880

APPENDIX A

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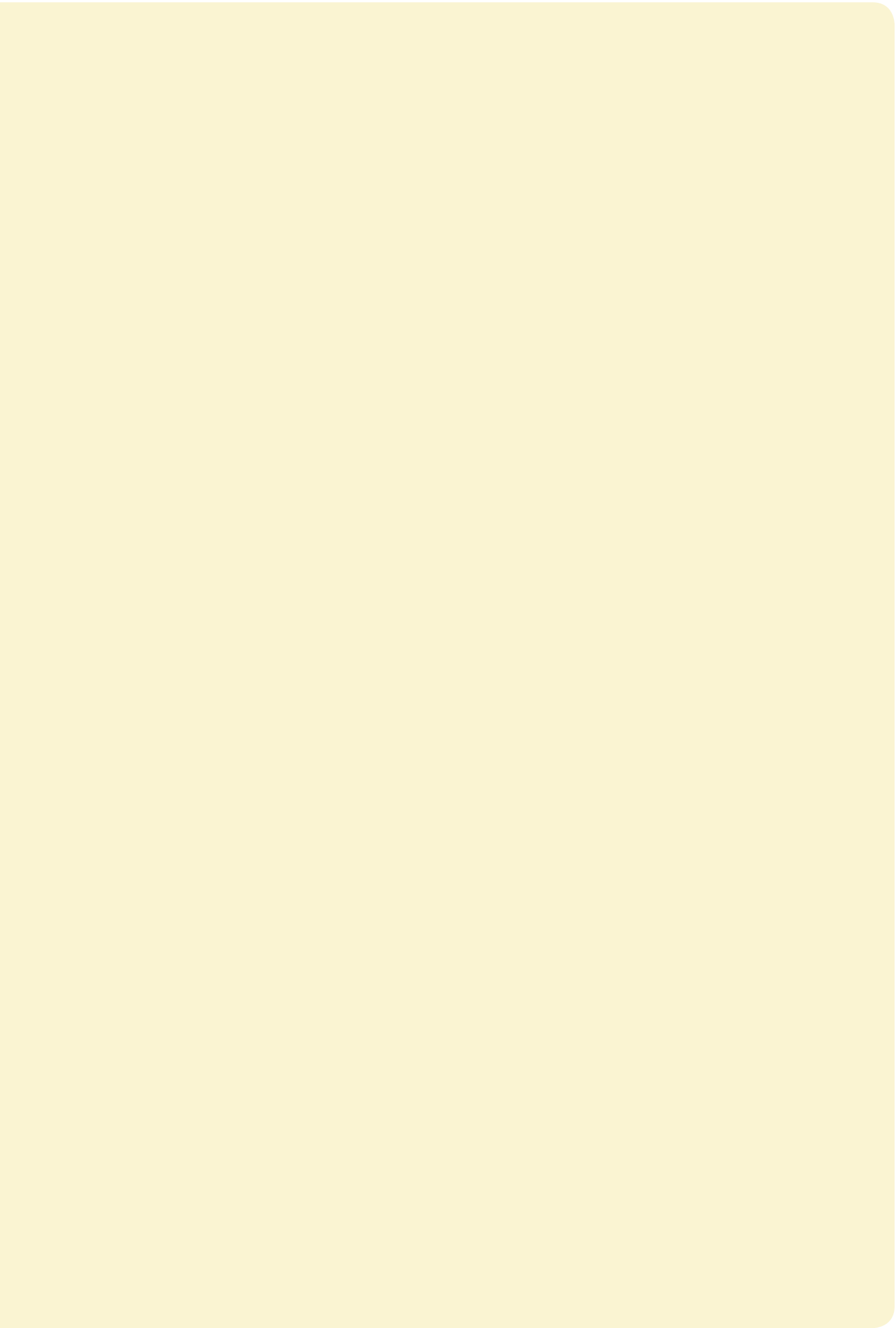
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