



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

---

---

**OFFICE OF INSPECTOR GENERAL**

---

---

**ANNUAL REPORT  
FOR  
FISCAL YEAR 2009-2010**

---

**Report Number 2011-001**

**Date: August 31, 2010**

**TABLE OF CONTENTS**

**Introduction** ..... 3  
    Agency Responsibilities ..... 3  
    Mission Statement ..... 3  
    Responsibilities ..... 3  
    Organizational Chart ..... 4  
    Certification and Training ..... 4

**Summary of Activities** ..... 5  
    Investigations ..... 5  
    Preliminary Inquiries ..... 8  
    Additional Complaint Activities ..... 8  
    Audit Activities ..... 9  
    Performance Measurement Reviews ..... 10  
    Other Audit Activities ..... 11  
    Florida Single Audit Activities ..... 11  
    Previously Reported Findings ..... 12

**Resource Hours Utilized During FY 2009-2010** ..... 13

**Resource Hours for FY 2010-2011 and Work Plans:**  
    Resources Hours Utilized for FY 2009-2010 ..... 13  
    Resources Hours Available ..... 14  
    Annual & Long-Range Work Plans ..... Addendum A

## 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. It is the duty and responsibility of the Inspector General with respect to the Department to:

- 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,

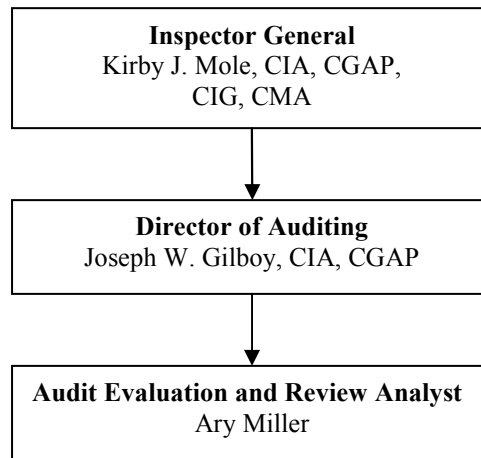
Department of State Annual Report  
Fiscal Year 2009-10

fraud, waste, abuse of authority, malfeasance, or a substantial or specific danger to the health, welfare, or safety of the public;

- 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. All audit and investigative staff shall obtain continuing education and training pursuant to the standards mandated by such organizations that are necessary to retain their professional designation in the “active” status. Continuing education and training 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 2009-10 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 January 8, 2010. 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 return to work.

The following paragraphs contain a summary of the various activities completed during the fiscal year. The information contain in the Summary of Activities Section of this report was extracted from reports issued by the Department of State’s Inspector General and may only disclose essential information.

### **INVESTIGATIVE ACTIVITIES.**

#### **Report on Allegations Regarding the Bureau of Archaeological Research** **Report 2009-010**

##### **Allegations:**

Allegation #1. 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.

Allegation #2. 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.

Allegation #3. The agency is not following the rulemaking process for Rule 1A-31, Florida Administrative Code.

Allegation #4. Jordan stated the Director of the Elliott Museum, Robin H. Conners, informed him that the Division of Historical Resources would not issue the Museum a grant unless the Museum used an archaeologist designated by the Division.

**Conclusion:**

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

**Recommendations:**

None

**Investigation of Allegations Regarding the Division of Cultural Affairs Grant with Florida Cultural Resources, Inc. and Related Matters.**  
**Report 2010-006**

**Allegations:**

Allegation #1. A Department of State (Department) employee, Stephen P. Little (Little) doing business as Little Exhibit and Graphic Design, violated Section 112.313(7)(a), Florida Statutes and the Department's Ethics policy by contracting to perform services for the Florida Cultural Resources Inc. (FCR), a Department grantee.

Conclusion. Our investigation revealed Stephen P. Little, operating as a sole proprietorship under the fictitious name of Little Exhibit & Graphic Design contracted and received compensation from Florida Cultural Resources, Inc., to design and produce the exhibit, Florida Cattle Ranching: Five Centuries of Tradition (Exhibit). To help fund the construction of the Exhibit, FCR applied for and received a Division of Cultural Affairs (DCA) grant. We determined that FCR paid Little Exhibit & Graphic Design \$104,850 to design and construct the Exhibit which included 96,734 from the DCA grant. The Department's General Counsel gave an opinion from the Florida Commission on Ethics which stated that grants are included in the phrase "doing business" stated in Section 112.313 (1)(a), Florida Statutes. We concluded that Little violated the prohibitions in paragraph 112.313(1)(a) regarding an agency employee having a contractual relationship with a business that is doing business with an agency of which he is an employee. Our investigation also revealed that Little may have violated Section 112.313(7)(a), Florida Statutes by having a contractual relationship that will create a continuing or frequently reoccurring conflict between his private interests and the performance of his public duties when constructing the Exhibit. Therefore, this allegation is SUBSTANTIATED.

Allegation #2. Stephen P. Little used state time and equipment to fulfill his personal contract with the Florida Cultural Resources, Inc.

Conclusion. Our investigation did not find any evidence to corroborate this allegation. Therefore, this allegation is NOT SUBSTANTIATED.

Allegation #3. Robert L. Stone, a contracted individual with the Department and President of the Florida Cultural Resources, Inc. violated Section 112.313 (7)(a), Florida Statutes and the

Department of State Annual Report  
Fiscal Year 2009-10

Department's ethics policy by applying for and receiving a DCA grant or receiving payments as an Other Personal Service (OPS) employee in addition to his contractual payments.

Conclusion. Our investigation revealed that during a two year period (2007-2009) Stone received payments both as an OPS employee and contractor. The opinion issued by the Department's General Counsel stated that under the facts in this case, the payments were a technical violation of the contract, but not a violation of the law. Therefore, this allegation is NOT SUBSTANTIATED.

Allegation #4. Tina Bucuvalas (Bucuvalas), a former employee of the Department and supervisor of Robert L. Stone, violated Section 112.313(7)(n), Florida Statutes and the Department's ethics policy by her involvement with Florida Cultural Resources Inc., (FCR).

Conclusion. Bucuvalas worked for the Division of Historical Resources, Bureau of Historic Preservation's Florida Folklife Program and conducted surveys for the Florida Folklife Program for information included in the Exhibit. Our investigation revealed that Bucuvalas was the initial President of FCR in 2003, but amended the articles of incorporation on May 30, 2003 removing her name as a FCR corporate officer. Also, Bucuvalas was instrumental in the creation and construction of the Exhibit and the receipt of a DCA grant but did not receive any compensation from FCR for her services. The opinion issued by the Department's General Counsel stated that since it does not appear Bucuvalas was associated with FCR at the time of filing for the DCA grant application or the time when FCR received the grant award there does not appear to be any conflict of- interest. Therefore, this allegation is NOT SUBSTANTIATED.

Allegation #5. The Division of Cultural Affairs' (DCA) grant application and final report review process failed to detect a conflict of interest or the appearance of a conflict of interest involving Department employees and a DCA grantee.

Conclusion. Our investigation revealed that the DCA's grant application and final report review process failed to detect Department employees listed as cash match or in-kind contributions on a grant proposed budget or actual budget. Furthermore, the relationship of a Department contractor with a not-for-profit corporation that received a DCA grant was not recognized or questioned. We also determined that the DCA used checklists to assist in their reviews but did not have formal written review procedures for grant applications and final reports. DCA's grant application review was for technical and legal eligibility only and did not include a review of the application's proposed descriptions/narrative. The DCA relied on grant panelists to review for conflicts of interest issues but such procedures appeared to apply to the panelist and the applicant and not other relationships such as between the applicant and Department employees. Neither the application nor the final report checklists required the DCA's program managers to check for a conflict of interest and DCA program managers had not gone through a formal training program for conflict of interest issues. Therefore, this allegation is SUBSTANTIATED.

Summary of Recommendations. Based upon our investigation we recommend:

- the Divisions of Cultural Affairs and Historical Resources provide training to its employees on Section 112.313, Florida Statutes and the Department's Ethics & Gift Policy;
- the Department establish a policy on the eligibility of its independent contractors to apply of Department grants;
- the Division of Cultural Affairs to implement formal policies and procedures regarding grant application and monitoring to supplement its checklist procedures; and
- the Division of Cultural Affairs program managers extend their review procedures to include the full grant application and narratives for information applicable to conflicts of interest and other compliance issues.

**Preliminary Inquiries.**

Through out the fiscal year the Office conducted preliminary inquiry in order to determine if a full investigation was necessary under the circumstances. One example of such preliminary inquiry involved a complaint filed by a former employee against Department's personnel for presenting false statements in a letter of termination used to terminate that employee. During our preliminary inquiry the Office reviewed documents provided by the complainant and Department and reviewed the Florida Administrative Code and interviewed relevant Department employees. Our preliminary inquiry revealed that we could not find sufficient documentary evidence to substantiate the allegations and that a full investigation was not necessary since the employee was terminated in accordance with Chapter 60L-33.002(5), Florida Administrative Code.

Another example of such preliminary investigation involved the unauthorized circulation of information from one of the Department's database information by a Department employee. The Office determined that the employee did circulate the information to another Department employee but could not verify if the other employee forwarded the information to any other individuals. The Office determined that a full investigation was not necessary because evidence was not available to substantiate the final disposition of the information copied from the database.

**Additional Complaint Activities.**

During the fiscal year, the Office received 224 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 or inquirer with suggested contact information for the agency with appropriate jurisdiction.



**AUDIT ACTIVITIES.**

**Audit of the Division of Cultural Affairs**  
**American Recovery and Reinvestment Act Funding**  
**Report 2010-003**

Audit Finding #1. The Division of Cultural Affairs (Division) has insufficient controls in place to properly manage the process of American Recovery and Reinvestment Act (ARRA) funding application review and grant selection. Although the Division has created written procedures for grant application panelists to follow, the Division has not created written procedures regarding the application review and for selection of the actual grantees after panel meetings.

Conclusions. The lack of written procedures within the Division weakens internal controls and increases the risk of inconsistency with respect to the grant application review and recipient selection process. The existence of formal written procedures that encompass all elements of the grant application review and recipient selection process would further serve to provide guidance to all parties involved as to the exact nature of their duties and responsibilities. A quality assurance review by Division management, which included testing a sample of applications reviewed for eligibility, would have also provided an additional measure to ensure consistency in the application review process.

Recommendations. The Division of Cultural Affairs should:

1. Develop and periodically update written procedures regarding the grant application and selection process for all types of grants. In the future, if the Division receives special funding for grants, such as the ARRA funding received from the National Endowment for the Arts, specific procedures should be developed that include any special requirements or processes other than the Divisions standard requirements or processes. The developed procedures should contain sufficient detail to provide adequate assurances to management that processes are being conducted in a consistent manner and allow post-audit functions.
2. Ensure that Division staff completes process documentation, such as the staff analysis, according to instructions.
3. Initiate a quality assurance program that periodically tests the grant application review and selection processes performed by the Division to ensure of all necessary elements have been completed and compliance with the adopted policy and procedure.

Audit Finding #2. Our office has determined that the Division of Cultural Affairs (Division) grant application review process and grant recipient selection process were generally in accordance with available federal and state guidelines. However, while the Division is generally compliant with these guidelines, there are opportunities to improve regarding one of the eligibility requirements. During our review, it was determined that one of the eligibility requirements for a grant applicant was that the organization's grant application proposal should be for salary support, full or partial, for one or more positions that are critical to their artistic mission. Division staff indicated during interviews that the Division did not have a specific

procedure to document verification by Division staff that the organization's grant application proposal was for salary support for one or more positions related to their artistic mission. The subjective determination of how critical the position was to the organizations artistic mission was addressed in the application scoring by an independent panel.

Conclusion. The Division did not have a specific procedure to determine and document one of the main eligibility requirements for an organization to receive ARRA grant funding. Furthermore, this requirement was not specifically documented in the Division's staff analysis sheet. Even though this requirement may have been met by the application, without a written procedure performed by the Division or documented to verify this requirement, the confidence that this requirement has been met is reduced.

Recommendation. The Division of Cultural Affairs should:

1. Ensure that in the future Division staff document review and document all grant eligibility requirements are met by applicants prior to panel meeting or scoring. The Division application review process should include a review of the entire grant application by Division staff since this review may also uncover conflicts of interest between the applicant and Department of State employees.

Finding #3. A minor deficiency was observed with respect to the Division of Cultural Affairs (Division) selection of the grant recipients at the conclusion of the panel scoring. Review of the panel scoring summary and applicants selected to receive funding revealed that Division provided grant funds to 6 of the 7 Florida regions although their submitted methodology indicated all 7 regions would be granted funds.

Conclusion. The methodology submitted by the Division of Cultural Affairs for this funding to the National Endowment for the Arts for disbursement of American Recovery and Reinvestment Act funds was not followed completely. Organizations in every region of the State were chosen by the Division to receive ARRA funding; however, one region did not directly receive the funding from the Division but from another arts organization. Although a minor deficiency, issues such as this could lead to additional examination of future applications submitted by the Division of Cultural Affairs to the National Endowment for the Arts.

Recommendation. The Division of Cultural Affairs should:

1. Ensure that in the future, specific methodologies provided to an organization as part of an application to receive funding, are followed by Division staff.

### **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 [<sup>1</sup>]. 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 Department will be requesting

---

<sup>1</sup> Section 11.906, Florida Statutes.

changes to its existing performance measures that will better account for its activities during fiscal year 2011-2012. The Office will conduct a review prior to the Department's submission.

### **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 reports:

Report No. 2009-014: OPPAGA No. 08-66, Agency Electronic Records Management Has Improved, But Statewide Strategic Plan Still Needed.

Report No. 2010-002: AG Report No. 2010-005, Department of Financial Services and Selected Participating State Agencies-Payment Card Programs-Information Technology Audit, 7-24-09.

#### **Participation on the Audit Team of the Executive Office of the Governor, Chief Inspector General.**

The Director of Auditing participated in a management review conducted by the Chief Inspector General's Office regarding the Florida Department of Juvenile Justice. The result of this review was reported by the Chief Inspector General in its Management Review Report No. 2010-9.

#### **Florida Single Audit Assistance.**

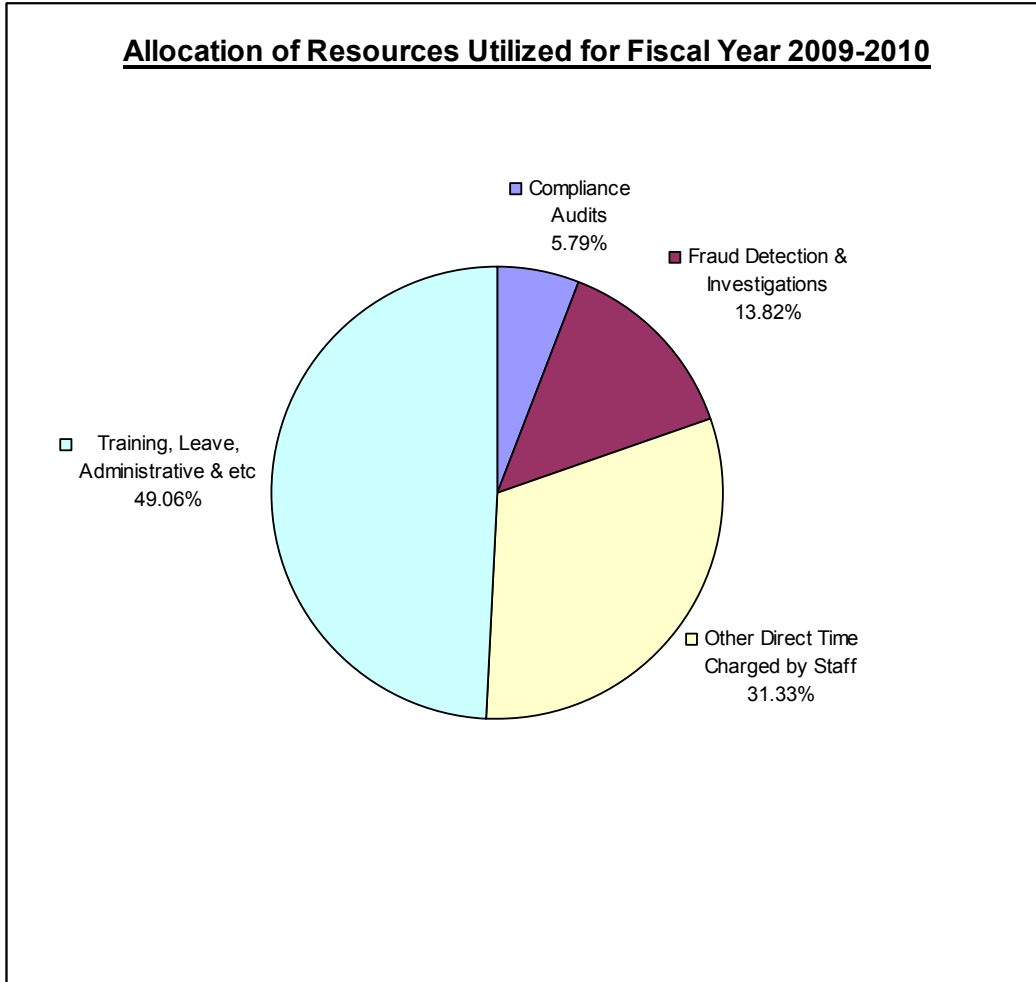
The Secretary of State designated the Office as the organizational unit within the Department responsible for the review of financial reporting packages required by the Florida Single Audit Act pursuant to Section 215.97, Florida Statutes. To facilitate this duty the Department transferred an Audit Evaluation 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 Florida Single Audit requirements and conducted numerous workshops with senior management, the Division directors and staff to explain and discuss the specific duties required under the applicable single audit act. As a result of the workshops, the Office developed Department-wide formal policies and procedures for the Florida Single Audit Act. Additionally, the Office implemented a manual electronic tracking system and worked with the Division of Administrative Services to implement an automated database to assist in monitoring and tracking activities applicable to the single audit acts. The electronic tracking system was completed on September 15, 2010.

**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.

## RESOURCE HOURS UTILIZED

The chart below depicts how the Office utilized its resources during Fiscal Year 2009-2010.



Notes to Resource Chart Above:

Training, Leave, Administrative & Etc. includes: Administrative work to manage the Office, professional training of the Office staff, referrals, placement of public complaints, annual leave and extended sick leave incurred by Inspector Mole.

Other Direct Time Charged by Staff includes: Hours incurred in performing the Office responsibilities under the Florida Single Audit Act, American Recovery & Reinvestment Act activities, and corrective status reports to the Joint Legislative Auditing Committee for audits conducted by the Auditor General and the Office of Program Policy Analysis and Government Accountability (OPPAGA).

**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 2010-2011**

Total Direct & Indirect Hours Available		6,240
Less Indirect Time		
Holidays	240	
Annual Leave	240	
Sick Leave	240	
Training	120	
Administrative	600	
Total Indirect Time		<u>1,440</u>
Total Direct Hours Available for All Projects		<u><u>4,800</u></u>

Addendum A, show the Annual and Long-Range Work Plans approved by the Secretary of State on June 30, 2010 for Fiscal Years 2010-2011, 2011-2012 and 2012-2013.

End of Report, See Addendum A

Department of State Annual Report  
Fiscal Year 2009-10

Addendum A

**FLORIDA DEPARTMENT OF STATE OFFICE OF INSPECTOR GENERAL  
ANNUAL AND LONG-RANGE AUDIT PLANS  
FOR FISCAL YEARS 2006-2007, 2007-2008, AND 2008-2009**

<b>FISCAL YEAR 2006-2007</b>		<b>FISCAL YEAR 2007-2008</b>		<b>FISCAL YEAR 2008-2009</b>	
<b>INDIVIDUAL ASSIGNMENTS</b>	<b>RELATED RESOURCES</b> (1)	<b>INDIVIDUAL ASSIGNMENTS</b> (2)	<b>RELATED RESOURCES</b> (1)	<b>INDIVIDUAL ASSIGNMENTS</b> (3)	<b>RELATED RESOURCES</b> (1)
<b>AUDITS</b>		<b>AUDITS</b>		<b>AUDITS</b>	
1. Capital Expenditures	110	1. Annual Reports/Corporations	110	1. Mission Security/Lead Ops	110
2. Expense Log Receipts (2)	300	2. Information Systems (2)	300	2. Purchasing Requirements (2)	300
3. Financing, Audited by all Contractors (2) (3)	250	3. Human Resources (2)	240	3. Construction/ Facilities	240
				4. Information Systems (2)	
<b>REVIEWS</b>		<b>REVIEWS</b>		<b>REVIEWS</b>	
1. Contract Actions Status Reports (2) (3) (4) (5) (6)	300	1. Contract Actions Status Reports (2) (3) (4) (5) (6)	300	1. Contract Actions Status Reports (2) (3) (4) (5) (6)	300
<b>PL SINGLE AUDIT ACT</b>		<b>PL SINGLE AUDIT ACT</b>		<b>PL SINGLE AUDIT ACT</b>	
1. Program Management (2)	100	1. Program Management	100	1. Program Management	100
<b>INVESTIGATIONS</b>		<b>INVESTIGATIONS</b>		<b>INVESTIGATIONS</b>	
1. Unassigned (2) (3) (4) (5)	500	1. Unassigned (2) (3) (4) (5)	750	1. Unassigned (2) (3) (4) (5)	750
<b>SPECIAL PROJECTS</b>		<b>SPECIAL PROJECTS</b>		<b>SPECIAL PROJECTS</b>	
1. Risk Assessment	50	1. Risk Assessment	100	1. Risk Assessment	100
2. Compliance/Audit	100	2. Compliance/Audit	200	2. Compliance/Audit	200
3. Quality Assurance Review	200				
<b>REFURALS</b>		<b>REFURALS</b>		<b>REFURALS</b>	
	500		500		500
<b>TOTAL RESOURCE USE</b>	<b>4500</b>	<b>TOTAL RESOURCE USE</b>	<b>4500</b>	<b>TOTAL RESOURCE USE</b>	<b>4500</b>

Parameters: (1) Total Resource Fees are based upon this list of projects with a total of 6,250 gross and 4,850 net hours from a multiple project base. Holidays & PTO are 200 hours. (2) Each project has a target of 200 hours. (3) Each project has a target of 200 hours. (4) Each project has a target of 200 hours. (5) Each project has a target of 200 hours. (6) Each project has a target of 200 hours.