

Office of Inspector General



Annual Report
2009

Department of Management Services



Office of Inspector General
Department of Management Services
4040 Esplanade Way, Suite 135
Tallahassee, Florida 32399-0001
Tel: 850.488.5285
Fax: 850.921.3066
www.dms.MyFlorida.com

Governor Charlie Crist

Secretary Linda H. South

September 25, 2009

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, 2009, 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 eleven (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 2009-10. Thank you for your continued support.

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'SR' with a flourish.

Steve Rumph
Inspector General

We serve those who serve Florida.

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Introduction

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

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

Mission Statement

Our mission is to promote effectiveness, efficiency and quality within the Department of Management Services. We provide independent reviews, assessments and investigations of department programs, activities and functions to assist the department in accomplishing its overall mission “to provide smarter, better, faster services” to its customers.



Duties and Responsibilities

In accordance with Section 20.055, Florida Statutes, the Inspector General's duties and responsibilities include the following:

- Advise in the development of performance measures, standards and procedures for the evaluation of agency programs;
- Assess the reliability and validity of performance measures and standards and make recommendations for improvement;
- Review actions taken to improve program performance, meet program standards and make recommendations for improvement;
- Provide direction for, supervise and coordinate audits, investigations and management reviews related to department programs and operations;
- Keep the department secretary informed of, and recommend corrective action concerning fraud, abuse and deficiencies relating to agency programs and operations; monitor and report to the secretary on progress made in implementing corrective action;
- Review rules relating to agency programs and operations;
- Receive complaints and coordinate all activities of the agency as required by the Whistle-blower's Act; for complaints which do not meet the criteria for an investigation under the Whistle-blower's Act, conduct, supervise, or coordinate such inquiries, investigations, or reviews, as appropriate;
- Initiate, conduct, supervise and coordinate investigations designed to detect, deter, prevent and eradicate fraud, waste, mismanagement, misconduct and other abuses in state government;
- Ensure that an appropriate balance is maintained between audit, investigative and other accountable activities; and
- Comply with the General Principles and Standards for Offices of Inspector General as published by the Association of Inspectors General.

Department Services Are Diverse

The Department of Management Services is a customer focused agency responsible for providing a diverse complement of products and services to state agencies, employees and other entities that serve the citizens of Florida. As the administrative arm of state government, the department has responsibility to:

- Consolidate the state's buying power for the purchase of commodities and services;
- Serve as the centralized authority for operation, maintenance and construction of state-owned facilities and oversight of the state's process for leasing privately-owned space;
- Manage the acquisition, use, operation, maintenance and disposal of state-owned and operated aircraft, motor vehicles, watercraft and heavy equipment;
- Coordinate the procurement and distribution of available federal surplus assets;
- Contract and monitor the effective and efficient operation and maintenance of private correctional facilities;
- Develop human resource policies, practices and strategies designed to attract and support the employees who serve the people of Florida;
- Provide a high-quality, competitive portfolio of insurance products and services for the state workforce;
- Administer the state-wide retirement program and monitor the actuarial soundness of local government retirement plans; and
- Provide quality and cost-effective telecommunications and radio services statewide to public entities that serve Florida's citizens.

The varied nature of department programs and activities requires a unique approach to the OIG's performance of reviews and investigations. While some agencies perform reviews of the same subject matter from year to year, our auditors and investigators are engaged in different functional areas from one review to the next. This diverse operational environment fosters a continual learning and educational process for OIG staff.

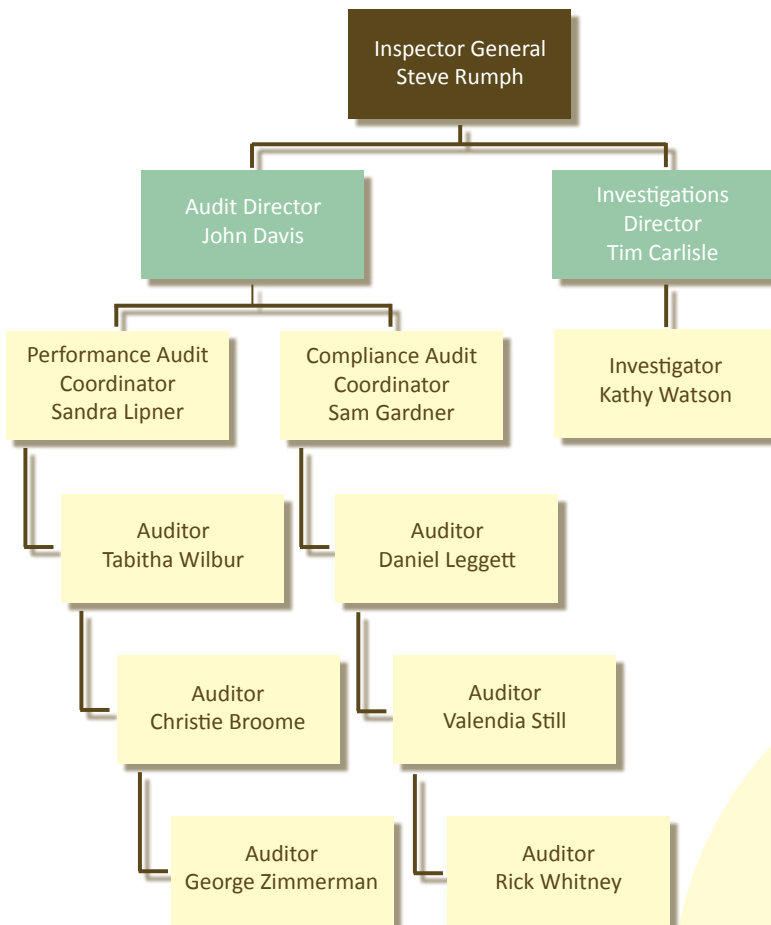
Risk Based Program

The OIG conducts a comprehensive, annual risk assessment to help ensure that we provide adequate coverage of the department's many programs and activities. The risk assessment helps ensure that we remain responsive to management issues and concerns as well as identify and schedule for review those programs and activities that pose the greatest risk to the department.

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 shown below:



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. OIG staff have backgrounds and experience in accounting, auditing, law enforcement, program evaluation, management, computer science and communications.

OIG Staff Certifications

OIG staff hold the following professional certifications:

- 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

Internal Audit Section

Internal Audit staff perform independent audits, reviews and examinations to identify, report and recommend corrective action for control deficiencies or non-compliance with applicable laws, policies and procedures. Staff also conduct performance audits to evaluate and make recommendations to improve the effectiveness and efficiency of department operations.

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 accounting principles promulgated by the American Institute of Certified Public Accountants. OIG audit reports are submitted to the department secretary and the Auditor General and distributed to the Office of the Chief Inspector General, department managers and others, as appropriate.

The Internal Audit Section's major functions are to:

- ✧ Conduct Performance Audits to ensure the effectiveness, efficiency and economy of department programs. Elements of financial, compliance and information systems audits are often included within the scope of such audits;
- ✧ Conduct Compliance Audits to assess external agencies' compliance with statutes and rules pertaining to participation in the Florida Retirement System (FRS). This activity includes providing technical assistance to agencies in meeting FRS participation and reporting requirements;
- ✧ Provide Management Assistance Services that involves consulting and advising management on emergent issues and concerns;
- ✧ Coordinate Audit Responses and Conduct Follow-ups to findings and recommendations made internally by the OIG and externally by the Auditor General, Office of Program Policy Analysis and Government Accountability (OPPAGA), and other oversight units; and
- ✧ Assist management with the development of Performance Measures and assess the reliability and validity of information provided by the department on performance measurement and standards.

Internal Investigations Section

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 Resources 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.

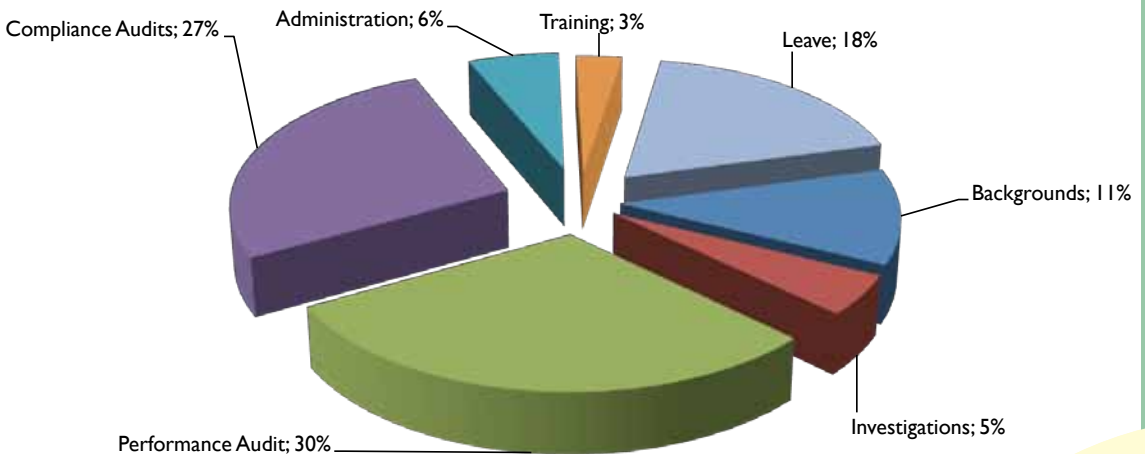


Accomplishments

During Fiscal Year (FY) 2008-09, the OIG accomplished the following work:

Function	Number	Potential Cost Savings/ Recovery/ Avoidance/ Questioned Costs
Compliance Audits	68	\$671,174
Performance Audits	2	
Management Advisory Reviews	3	
Response Coordination	13	
Audit Follow-ups	14	
Investigations	12	
Background Inquiries	3,741	
Public Entity Crime Cases	2	

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



Summary of Major Activities

Performance Audits

The Internal Audit Section completed two performance audits in FY 2008-09. The following summaries discuss the results of these reviews.

Audit of Software Management Report No. IA 2008-320 **(Confidential)**

The overall objective of this audit was to evaluate the effectiveness of department policies, procedures and controls for managing its computer software resources. The results of this review were confidential pursuant to Section 282.318, Florida Statutes. The OIG presented its findings and recommendations directly to the department secretary and chief information officer.

In general, our review showed that the department needed to formalize and disseminate policies and procedures regarding software management. The department also needed to supplement its written policies and procedures with an on-going information security awareness program.

Review of Federal Property Assistance Report No. IA 2009-1 **(Confidential)**

The objectives of this audit were to 1) assess the physical security of the warehouse and surrounding property; 2) evaluate the security and use of the electronic inventory management information system and 3) inventory the federal surplus property located at the distribution center. The results of this review were confidential pursuant to Section 119.07, Florida Statutes. The OIG presented its findings and recommendations directly to the department secretary and program managers.

We reviewed operating procedures and examined relevant files and documentation for the FY 2007-08 and other periods, as necessary. Files, documentation and financial records were reviewed at the department as well as the distribution center. We also inventoried the federal surplus property located at the distribution center.

Our review showed that repairs were needed to the distribution facility and surrounding property to ensure that property items remained secure and undamaged. We also identified weaknesses in the electronic inventory system's internal controls.



Further, our physical inventory of property items did not match the records maintained in the electronic inventory system. We found that the program had not updated the identification numbers on most items to correspond to numbers maintained in the electronic inventory system and many items shown as on hand in the system had been receipted out. Because a physical inventory was not conducted when the program installed its new management information system, the physical inventory did not reconcile with the electronic records.

We recommended that the program make certain repairs to the distribution center. We also recommended that the program institute additional internal controls over its electronic inventory system and evaluate the possibility of enhancing the system to achieve greater effectiveness and efficiency in program operations. We recommended that the program conduct a 100% physical inventory of all federal property located at the distribution center and that staff research and reconcile differences between the physical inventory and system records.

Compliance Audits

During FY 2008-09, the OIG completed 68 compliance reviews of local government participants in the State of Florida Retirement System. These reviews resulted in revenue adjustments of over \$671,174 to the retirement system 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

Compliance Audit staff also completed six special reviews for 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.



Management Advisory Services

The OIG reserves staff time to review issues or matters of concern to department management. During FY 2008-09, the Internal Audit Section performed several reviews at the request of department management. These reviews addressed issues such as the following:

Review of Aircraft Billing Procedures **Report No. IA 2009-480**

At the Secretary's request, we reviewed the Bureau of Aircraft Operations' billing procedures. Our primary objective was to determine if the bureau was correctly billing state agencies for executive air transportation services. Our review was limited to those records pertaining to service provided during the period July 1, 2008 through February 15, 2009. We concluded that the bureau's invoicing and billing system was functioning as designed, that the bureau had correctly billed agencies for the services provided during the period reviewed and the department was collecting payment for services timely.

While billing procedures were adequate for the period reviewed, we determined the bureau had not established a comprehensive set of written internal operating policies and procedures. We recommended that the bureau establish written internal operating procedures and that the billing procedures include formal controls for ensuring data accuracy and provision for periodic review of billing accuracy and accounts receivable. We further recommended that the bureau develop comprehensive internal policies and procedures for use of the executive aircraft pool and disseminate information to its customers regarding the appropriate use of the executive aircraft pool at least annually.



Certification of Private Prison Costs **Report No. IA 2009-763**

Chapter 957, Florida Statutes, provides that the department may not contract for the operation and management of a private prison unless the contract will result in a cost savings of at least seven percent over the cost to operate a similar public facility. The cost savings, as determined by the department, must be based on the actual cost associated with the operation of a similar public prison. State law requires the Department of Corrections (DC) to provide a report to the Auditor General detailing the state cost to operate a similar facility on a per diem basis. The Auditor General evaluates the reasonableness of the costs determined by DC and certifies DC's per diem estimate. The department then makes necessary adjustments based on variations in operation of the private facility.

The OIG assisted management in this process by conducting cost analyses of DC's per diem estimates, the rates certified by the Auditor General and adjustments to the certified rates.

Review of Alternate Contract Source **Report No. IA 2009-29**

At the Secretary's request, we conducted a review to determine whether the state was accurately billed under the terms of the contract for state agency purchases for office supplies made from February 1, 2007 to December 31, 2007 through MyFloridaMarketPlace. Our review showed that the prices charged were correct. However, we also determined that the Division of State Purchasing was not able to effectively monitor and enforce the vendor's compliance with contract terms, especially those provisions governing discounts offered, price changes and product substitutions.

We concluded that the Division should discontinue use of the alternate contract source and establish a state term contract for office supplies similar to those competitively solicited by other states.

Response Coordination and Follow-up

During the year, we coordinated the department's response to 13 reports issued by external entities, as follows: 4 Auditor General reports, 7 OPPAGA reports, 1 Department of Emergency Management report and 1 Department of Homeland Security report. These 13 reports contained 25 recommendations. We also performed statutorily required follow-up reviews of the status of implementation of 44 recommendations contained in 8 Auditor General reports, 1 OPPAGA report and 1 Department of Emergency Management report.

In addition to statutorily required follow-ups, we periodically review unresolved audit recommendations. In FY 2008-09, we followed up on 63 outstanding internal and external audit recommendations from 8 previous reports, resulting in the resolution of 52 of the recommendations.

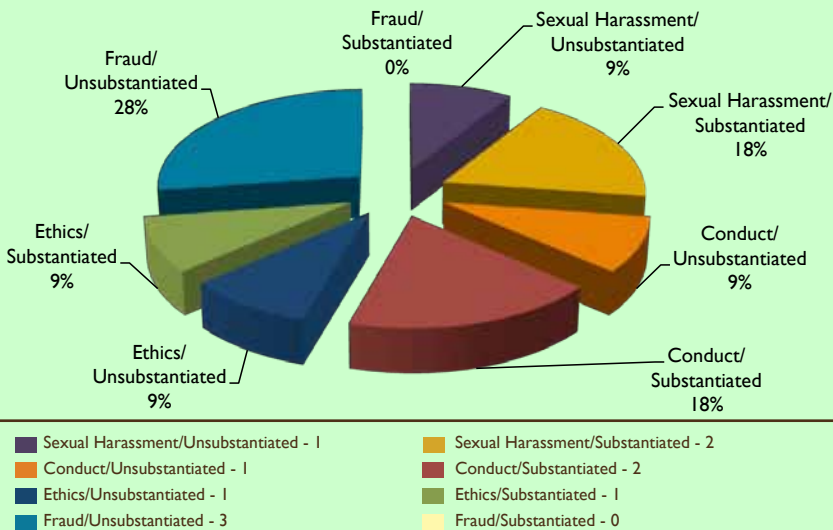
Performance Measurement

The OIG continued to review the department’s performance measures to ensure that recommended revisions were accomplished. The OIG also reviewed and verified the validity, reliability and accuracy of the data and information submitted to the Legislature as part of the department’s on-going Sunset Review.

Investigations

The Investigations Section closed 12 cases during the year. Three cases were potential fraud cases and nine cases centered mainly on employee misconduct and administrative issues. The Investigations Section also conducted background screenings for 899 state employees and 2,842 contract employees. As a result of these reviews, 248 of the contract employees were denied access to DMS facilities.

Investigative Findings



Total Investigations – 12

Total Investigative Findings – 11

Classifications Of Investigative Findings

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 investigations were:

**Alleged Employee Misconduct
Report No. II 2009-419**

The OIG received an anonymous complaint that a DMS employee, working in the facility manager's office, was charging fees to perform notary services during work hours. The investigation disclosed that those agencies occupying the facility often required notarized documents for certain services. When the agencies' customers needed documents notarized, the customers were referred to the DMS facility manager's office for assistance. The DMS employee working inside the facility manager's office would then perform the needed notary services and charge the customer a fee for those services. These notary services were not a part of the DMS employee's job; furthermore, the fees collected were retained by the employee. The investigation further disclosed that the employee had been previously reprimanded for this same activity. The employee was subsequently dismissed from their position with DMS.

Alleged Graft Report No. II-2009-800

The OIG initiated an investigation after receiving an anonymous complaint that alleged a DMS Building Manager was taking kickbacks from a contractor doing roofing repairs. A review of roofing repair payments was conducted and no irregularities were observed. A review of roofing repair payments at similar DMS facilities was also completed and all of the regional facilities were paying similar amounts for roof repairs. The investigation did not substantiate the allegation.

**Alleged Fraudulent "Minority Owned" Business Registration with OSD
Report No. II-2009-841**

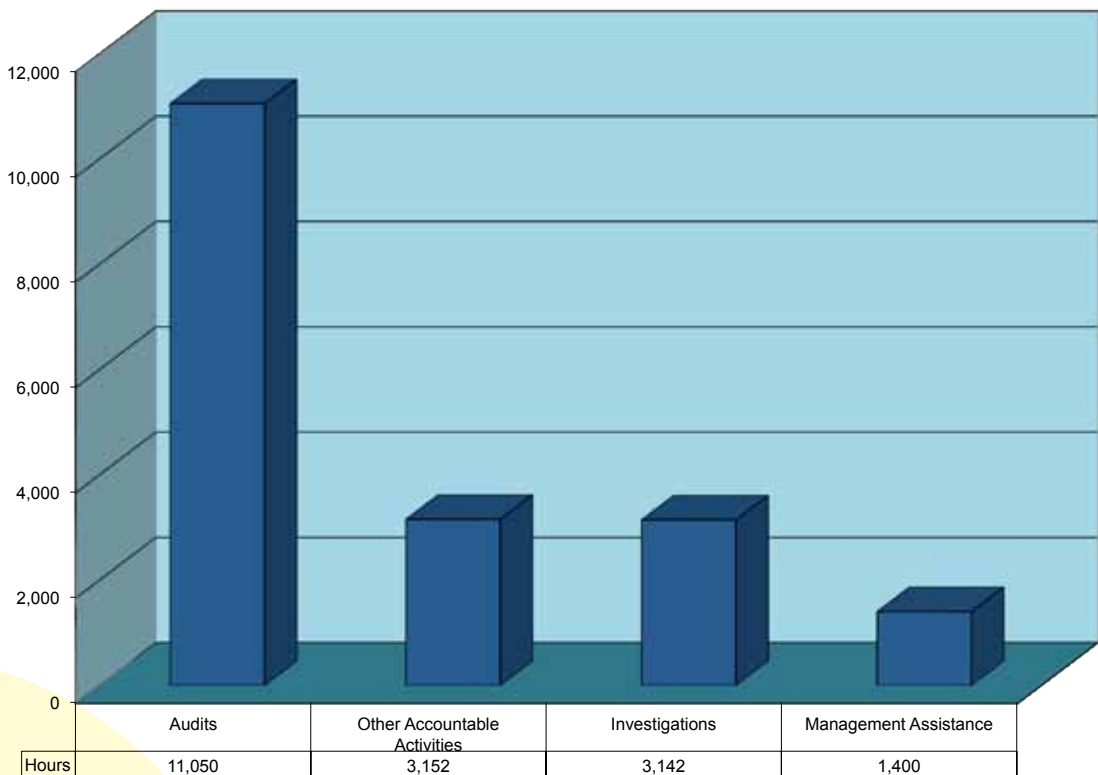
The OIG initiated an investigation after receiving a complaint that a business had fraudulently registered with the Office of Supplier Diversity (OSD) as a minority owned business. A review of OSD records showed that the company had met all of the requirements to be a state approved minority vendor. An interview with the complainant revealed that the allegation was based on a telephone conversation with a "sales associate" who worked for the company. An interview with the company president revealed that the company employed no sales associates. The investigation did not substantiate the allegation.

Annual Work Plan FY 2009-10

The annual work plan is based on the results of the annual risk assessment. The purpose of developing the plan is to identify, select and plan the allocation of resources for the upcoming year. Our overriding consideration 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, the OIG expects to 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 of Management Services.

ANNUAL WORK PLAN – FY 2009-10



¹ Total available hours of 22,880 less holiday and leave time of 4,136 hours

Allocation of staff resources for FY 2009-10 is shown in the following table by category.

Allocation of Time Resources for FY 2009-10

Audit/Program Evaluation	Hours
Facilities Operations & Maintenance	1,000
Staff Augmentation Contacts	800
IT Applications Controls	600
Private Prison Contract Monitoring	600
Local Retirement Systems	600
Performance Measures	500
Work in Process (SUNCOM)	640
Subtotal	4,740

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

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

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

Management Assistance Services	Hours
Reserved	1,400
Subtotal	1,400

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

Special Projects	Hours
Single Audit Act Coordination	50
Schedule IX Preparation	80
Other	150
Subtotal	280

Response Coordination	Hours
Response Coordination	400
Six-Month Follow-ups	400
Eighteen-Month Follow-ups	100
Internal Follow-ups	100
Subtotal	1,000

Professional Training	Hours
Staff Development	88
Professional Training	440
Subtotal	528

Internal Process Analysis/Report	Hours
Annual Work Plan/Report	200
Annual Risk Assessment	300
Subtotal	500

Total Available Hours	22,880
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Long Term Plan for FY 2010-11 and FY 2011-12

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 FY 2009-10 Annual Work Plan, approximately 23,000 work hours will be available for the OIG. The OIG expects to expend the number of hours outlined below for each category during FY 2010-11 as well as FY 2011-12.

ACTIVITY	HOURS
Audit/ Program Evaluations	4,740
Compliance Reviews	5,000
Investigations	3,142
Management Assistance	1,400
Response Coordination/ Follow-up	1,000
Internal Process Analyses/ Reporting	500
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



Distribution List

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

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Joint Legislative Auditing Committee

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Executive Office of the Governor

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Linda McDonald, *Deputy Director of Communications*





Department of Management Services
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4040 Esplanade Way, Suite 135
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http://dms.myflorida.com/agency_administration/inspector_general