

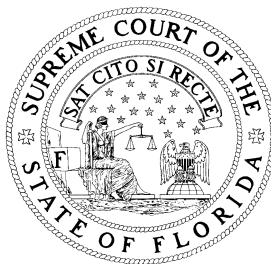
FLORIDA STATE COURTS SYSTEM

Office of Inspector General



Annual Report

Fiscal Year 2010-11



September 28, 2011

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Inspector General's Message

I am pleased to present the Annual Report for the Office of Inspector General (OIG). As required by Chapter 20.055(7), Florida Statutes, this report highlights the major activities and accomplishments of the OIG for the 2010-11 fiscal year.

During the past year, the Auditor General conducted a Quality Assurance Review of this office, as required by Chapters 11.45 and 20.055, Florida Statutes. The overall objective of the review was to evaluate the OIG's conformance with professional auditing standards and compliance with Chapter 20.055, F.S. In their report, the Auditor General concluded that the quality assurance program related to the activities of this Office provided reasonable assurance of conformance to applicable auditing standards, and that we complied with Chapter 20.055, F.S. Thanks to the hard work and dedication of the OIG staff, the report did not include any findings which required corrective action.

In accordance with Chapter 20.055, Florida Statutes, we have prepared an Annual Work Plan, which outlines the planned projects for the current year. Our Work Plan is risk-based to provide the most effective coverage of the State Courts System's (SCS) programs, processes and systems. We will conduct these projects in a fair and objective manner, and in conformance with the International Standards for the Professional Practice of Internal Auditing.

We appreciate the assistance and support we receive from the Chief Justice, the State Courts Administrator and Court staff. We look forward to the upcoming year, and remain committed to helping improve the operations and programs of the SCS.

Sincerely,

Kenneth A. Chambers

Introduction

The OIG is an integral part of the SCS. The SCS consists of the following entities: two levels of appellate courts (the Supreme Court and five district courts of appeal) and two trial level courts (20 circuit and 67 county courts). The Chief Justice presides as the chief administrative officer of the SCS. Additionally, the Office of the State Courts Administrator (OSCA) was created to serve as the liaison between the court system and the legislative branch, the executive branch, the auxiliary agencies of the court, and national court research and planning agencies. The OSCA is also responsible for preparing the operating budget for the SCS, projecting the need for new judges, and maintaining the uniform case reporting system in order to provide information about activities of the judiciary. The SCS currently employs approximately 4159 full time positions with an annual operating budget of approximately \$462 million.

The purpose of the OIG is to provide a central point for coordination of and responsibility for activities that promote

accountability, integrity, and efficiency in the SCS. The Inspector General is charged with the following duties and responsibilities, while also ensuring that an appropriate balance is maintained between these activities:

- Direct, supervise and coordinate audits, investigations and management reviews relating to the administrative and financial operations of the SCS.
- Conduct or oversee other activities that promote economy and efficiency in the administration of SCS financial operations.
- Keep the Chief Justice informed concerning fraud, abuses and deficiencies relating to SCS administrative and financial operations, and recommend corrective actions.
- Ensure effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies with a view toward avoiding duplication.
- Review rules relating to the SCS administrative and financial operations and make recommendations concerning their impact.

Audits

Providing the SCS with internal audits is a critical part of the mission of our Office. The audits are planned and carried out in accordance with an annual

work plan, which is approved by the Chief Justice. Audits are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. In part, these standards require that engagements be performed with proficiency and due professional care, and that staff exhibit an impartial, unbiased attitude and avoid conflicts of interest. Audits are performed to identify, report, and recommend corrective action for control deficiencies or non-compliance with laws, policies and procedures. Additionally, audits are conducted to evaluate and make recommendations to improve the effectiveness and efficiency of SCS administrative functions. During the year, we completed the following audits:

Judicial Circuits:

We completed three judicial circuit audits during 2010-11. The objectives of these operational audits were to determine if: the Circuit complied with the SCS's administrative policies and procedures, and any applicable state statutes, laws and rules; internal controls at the Circuit provided reasonable assurance that state funded assets are safeguarded, and that financial and operational information is reliable; and, current court operations and processes were implemented sufficiently to support management goals and objectives and encourage an economical use of state funds and resources. The results of these audits were as follows:

Seventh Judicial Circuit:

Our audit covered the period July 1, 2009, through current operations (June 20, 2011). We concluded that the Seventh Circuit's system of internal controls and procedures were found to be satisfactory. We also determined that the Circuit generally complied with SCS policies and procedures, and any applicable state statutes, laws, and rules. Our audit did not disclose any findings which we believe were material enough to warrant inclusion in the report.

Ninth Judicial Circuit:

Our audit covered the period July 1, 2008, through current operations (January 7, 2011). We concluded that the Ninth Circuit's internal controls and procedures were found to be satisfactory and the Circuit generally complied with the SCS policies and procedures, applicable statutes, rules and regulations. Our audit did not disclose any findings which we believe were material enough to warrant inclusion in the report.

Sixteenth Judicial Circuit:

Our audit covered the period July 1, 2008, through current operations (August 16, 2010). We concluded that the Sixteenth Circuit's internal controls and procedures were found to be satisfactory and the Circuit generally complied with the SCS policies and procedures, applicable statutes, rules and regulations. However, our review of the procedures for safeguarding and depositing revenues collected by court administration for court reporting media indicated that internal controls could be

improved. We also recommended that the deposits of these revenues be made more frequently than current practice.

Purchasing Card Program:

We performed an operational audit of the Purchasing Card (P-card) Program for the period July 1, 2008, through current operations (June 28, 2011). The objectives of our audit were to determine if: internal controls over the P-card program provided reasonable assurance that state funded assets were safeguarded, and that financial and operational was reliable; and, P-card purchases by Supreme Court and OSCA units were made in accordance with applicable laws, rules, and SCS policies and procedures.

We concluded that the system of internal controls was generally satisfactory, and P-card purchases complied with SCS policies, procedures, and any applicable statutes and rules. However, we noted that documentation for some P-card transactions was incomplete, and P-card transactions were not always processed within prescribed timeframes. We also determined that P-card reconciliation packages were not always submitted to the P-card Administrator within the required timeframe. The OSCA has taken the necessary action to correct these issues.

Response Coordination and Follow-up:

The OIG coordinates information requests and responses to findings from

audits conducted by the Office of the Auditor General. The OIG is also required to assess and report on the status of corrective actions taken by the Court regarding audit recommendations made by the Auditor General. During 2010-11, there were no Auditor General reports which required follow-up action.

Consulting Activities

Providing consulting services is an efficient, effective, and proactive way the IG function can assist the SCS community by sharing its knowledge, expertise, and insight into a number of issues that the SCS may confront. These services include performing management reviews, advising in the development of rules, policies and procedures, collecting and analyzing data, etc. Some of these services were requested in advance by departmental administrators, while some were requested during the year and others initiated by this Office. The following were some of the more significant consulting service projects performed during 2010-11:

Marshal's Office:

We conducted an operational review of the Supreme Court Marshal's Office. Our review focused on the period July 1, 2008 through January 31, 2011. The objectives of the review were to determine whether expenditures were reasonable and proper, purchase orders and contracts were properly executed, vendor services have been adequately monitored, and property items were accounted for and properly safeguarded. We also evaluated the

effectiveness of established internal controls over the purchasing and budgeting process. While the focus of our review was on the financial and administrative operation of the Marshal's Office, we did review current procedures and policy issues critical to the security of the Supreme Court building and its employees.

We determined that the financial records for the Marshal's Office were generally up to date and reflect accurate information. While our review did not find any significant concerns with the budgeting process for the Marshal's Office, we noted that funds were not always encumbered for certain purchases. We also noted several instances where expenditures were charged to the wrong cost center or object code. We also determined that the internal controls over the procurement and expenditure processes for the Marshal's Office were generally adequate. Our review and analysis of expenditure transactions disclosed no instances of unreasonable or improper purchases. Additionally, we determined that the current contracts relating to building maintenance and security were properly executed and approved. The services provided by these contracts appeared to be procured at a reasonable and necessary cost.

Drug Court Expansion Project:

During 2009-10, the Florida Legislature appropriated Edward Byrne Memorial Justice Assistance Grant (JAG) funds from the American Recovery and Reinvestment Act of 2009 to expand adult post-adjudicatory drug courts for non-violent felony offenders who would otherwise be incarcerated. The

expansion targets 4,000 prison bound, non-violent, third-degree felony offenders to be sentenced to post-adjudicatory drug courts in nine selected counties for a two-year period. The funds appropriated for the expansion of drug court are utilized to provide substance abuse treatment services, drug testing and ancillary services for those offenders entering the Expansion Program. During 2010-11, we continued providing consulting services to OSCA staff regarding the monitoring, tracking, and expenditure of the JAG funds.

Investigations

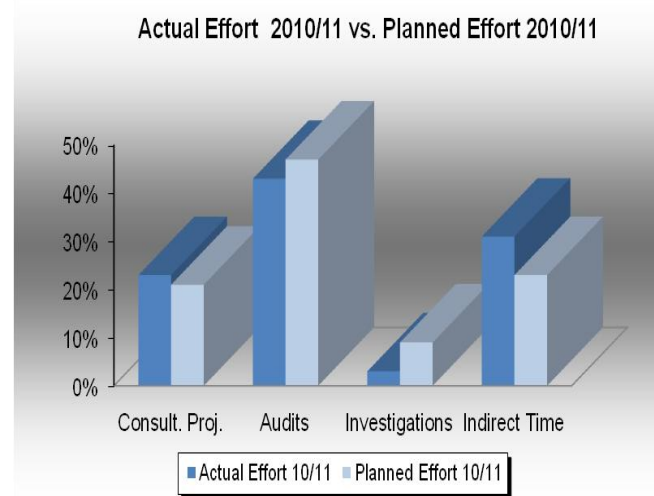
Investigations by their very nature are reactive rather than proactive. The Inspector General is required to initiate, conduct, supervise and coordinate investigations designed to detect, deter, prevent, and eradicate fraud, waste, mismanagement, misconduct, and other abuses in the SCS. The investigations conducted by the OIG are administrative (non-criminal), and generally involve alleged violations of State law or SCS rules and regulations. Any possible violations of criminal law are reported to the Florida Department of Law Enforcement, and the OIG may be requested to assist in the investigation.

During 2010-11, we received numerous complaints alleging misconduct by judges and attorneys. The complainants were referred to the Judicial Qualifications Commission and the Florida Bar, respectively. We received numerous other complaints/inquires that either did not warrant an investigation, or were outside the jurisdiction of the OIG and thus referred to the appropriate entities for disposition. Additionally, we

monitored the Get Lean web site maintained by the Department of Financial Services and responded to any suggestions/issues that were submitted concerning the SCS.

Summary of Direct Services

Based upon a risk assessment process, we prepare an annual work plan that provides a detailed breakdown of our planned audit and consulting projects, and hours allocated for investigations and other activities. During 2010-11, we completed four of the planned audits by fiscal year end. Two other audits were initiated during the year, but will not be completed until the early part of 2011-12. For a comparison of planned effort (hours allotted for each type of activity) versus actual effort, see the chart below.



Note: Indirect time includes leave, training, and administrative activities.

Meet the OIG Staff

Ken Chambers, CIA, CGAP
Inspector General

Frank Funderburk, CIGA
Senior Internal Auditor

Eva Ogletree, CIGA
Internal Auditor

Other Activities

During 2010-11, the OIG staff actively participated in the following organizations:

- ❖ Tallahassee Chapter of the Institute of Internal Auditors.

- ❖ Tallahassee Chapter of the Association of Inspectors General.

Upcoming Year

During 2011-12, the OIG plans to complete six audits, and continue to provide consulting services to SCS management. When necessary, we will investigate complaints related to SCS employees and/or program functions. We also plan to be involved in proactive projects that promote greater accountability and efficiency within the administrative and financial operations of the SCS.

Mission of the Office of Inspector General

“To proactively perform engagements designed to add value and improve the programs and operations of the State Courts System”

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