

# OFFICE OF INSPECTOR GENERAL



Ken Detzner  
Secretary

## Florida Department of State Annual Report 2011-2012



John L. Greene  
Inspector General



Division of Corporations



Division of Elections



Division of Cultural Affairs



Division of Historical Resources



Division of Library and Information Services

*All Florida residents are touched in some way by the programs,  
services, and activities of the Department of State.*



## FLORIDA DEPARTMENT *of* STATE

**RICK SCOTT**  
Governor

**KEN DETZNER**  
Secretary of State

August 8, 2012

Ken Detzner  
Secretary of State  
Florida Department of State  
R. A. Gray Building  
500 South Bronough Street  
Tallahassee, FL 32399-0250

Dear Secretary Detzner:

I am pleased to submit our Annual Report on the activities of the Office of Inspector General (OIG) for the fiscal year ended June 30, 2012 as required by Section 20.055(7), Florida Statutes which summarizes accountability activities.

The value and services of the OIG can never be fully reflected in the annual report. The tangible results such as policies audited, management reviews, employees disciplined and complaint referrals can be readily reported. However, our intangible services and deterrent effect are not evident in an annual report. As you read this report, I hope you will recall the broad spectrum of services we provided the department and the professionalism of the OIG team that provides these services.

We look forward to working with you and our fellow department employees in meeting the challenges and opportunities that face the Florida Department of State. Thank you for your continued support and cooperation.

Sincerely,

A handwritten signature in green ink that reads "John L. Greene".

John L. Greene, CIA, CGAP, CGFM  
Inspector General



## TABLE OF CONTENTS

<b>INTRODUCTION</b>	<b>3</b>
OIG DUTIES AND RESPONSIBILITIES	3
ORGANIZATION AND STAFF	3
CERTIFICATION AND TRAINING	4
<b>SUMMARY OF ACTIVITIES</b>	<b>4</b>
AUDIT ACTIVITIES	4
Contract Review Process Audit Report 2012-06	4
2011 Florida Risk Assessment Survey Assignment No. 2012-10	5
Coordination with External Audit Organization	6
OTHER AUDIT ACTIVITIES	6
IT Mobile Technology Enterprise Project-Employee Survey	6
Florida Single Audit Assistance	7
Previously Reported Findings	7
INVESTIGATION ACTIVITIES	7
Investigations	7
Preliminary Inquiries	7
Additional Complaint Activities	8
MANAGEMENT REVIEW ACTIVITIES	8
Consulting Engagements	8
<b>RESOURCE HOURS UTILIZED</b>	<b>9</b>
<b>RISK ASSESSMENT AND WORK PLAN</b>	<b>10</b>
<b>ATTACHMENT 1 – Addressee and Distribution List</b>	<b>11</b>

*Section 20.055, Florida Statutes (F.S.), established 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.*

## **INTRODUCTION**

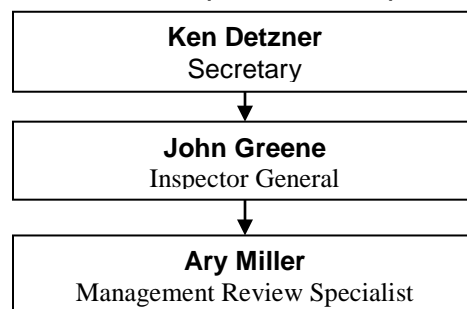
The Office of Inspector General (OIG) mission is to promote accountability, integrity and efficiency for the citizens of Florida by providing objective, timely audit and investigative services. The OIG conducts independent and objective audits, investigations as well as review of agency issues and programs to assist the department in accomplishing its mission.

### **OIG DUTIES AND RESPONSIBILITIES**

- Advising in the development of performance measures, standards, and procedures for the evaluation of state agency programs.
- Reviewing the actions taken by the state agency to improve program performance and meet program standards and make recommendations for improvement, if necessary.
- Providing direction for, supervising and coordinating audits, investigations and management reviews relating to the programs and operations of the state agency.
- Conducting, supervising, or coordinating other activities carried out or financed by the state agency for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations.
- Keeping the agency head informed concerning fraud, abuses, and deficiencies relating to programs and operations administered or financed by the state agency, recommending corrective action concerning fraud, abuses, and deficiencies and reporting on the progress made in implementing corrective action.
- Ensuring effective coordination and cooperation between the Auditor General, federal auditors and other governmental bodies with a view toward avoiding duplication.

### **ORGANIZATION AND STAFF**

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 OIG currently consists of two full-time professional positions as detailed below.



## **CERTIFICATION AND TRAINING**

The staff brings to the department experience from the private and public sectors with expertise in the areas of accounting, audit and controllership. Professional certifications held by the staff include Certified Internal Auditor (CIA), Certified Government Auditing Professional (CGAP) and Certified Government Financial Manager (CGFM). The staff maintains affiliations with the Institute of Internal Auditors, Association of Government Accountants and the Association of Inspectors General.

The *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors 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. The staffing accomplishes this by attending courses, conferences, seminars, self-study, and in-house training programs throughout the year.

## **SUMMARY OF ACTIVITIES**

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

### **AUDIT ACTIVITIES**

#### **Contract Review Process Audit Report 2012-06**

**Audit Finding No. 1:** Purchasing Policy and Procedures do not adequately address certain items related to purchasing, contracts and contract monitoring.

**Objective:**

Determine if contract monitoring policies and procedures are in compliance with state laws, rules, and other regulatory requirements.

**Criteria:**

Having comprehensive written policies and procedures ensure that management's expectations are documented, staff’s roles and responsibilities are defined, the contract managers have the guidance for properly reviewing and managing contracts and applicable laws and rules are complied with. Having written policies and procedures would also make readily available vital information needed by the contract managers, even when the Purchasing Director or Division Director is absent or not accessible.

**Condition Revealed during the audit:**

Our evaluation of the section templates created by the purchasing manager and the Department's purchasing manual, disclosed that, although it addressed contract management and monitoring activities in general the templates and manual therein could be enhanced to ensure more consistent and effective performance on the part of the contract administrator and contract managers. For example, the Department purchasing manual and templates did not adequately address:

- Right to audit clause
- Dispute resolution/corrective action
- Requirements for training of Division personnel
- Instructions for use and measurement of outcomes and outputs
- Contingency plans for interruption of service or contractor failure
- Acquired non-expendable property has been returned to State
- Disallowed costs have been recovered

The OIG determined that the Department did not have detail step by step procedures for purchasing, contracts and contract monitoring and Department personnel have not received procurement training in two years. Also, we determined that they need to annually review, and subsequently revise the purchasing manual for any changes or revisions.

**Conclusion:**

The Department's purchasing policy and procedures do not adequately address certain items related to purchasing, contracts and contract monitoring.

**Recommendation:**

We recommend that Division management should review and revise the Department's purchasing policies and procedures to ensure that all aspects of purchasing, contracts and contract monitoring are clearly addressed. Additionally, we recommend that the Division develop step by step procedures for purchasing, contracts and contract monitoring and the Division should conduct annual reviews of the purchasing manuals and contract templates for necessary updates or revisions. After the revisions and development of step by step procedures, the Division should hold procurement training for all personnel involved in contracting and contract monitoring.

**Review of the 2011 Florida Risk Assessment Survey Assignment No. 2012-10**

The Agency of Enterprise Information Technology, Office of Information Technology, developed the 2011 Florida Enterprise Risk Assessment Survey to help agencies satisfy the requirements of Section 282.318, Florida Statutes. Section 282.318, F.S. requires all state agencies to: "Conduct, and update every 3 years, a comprehensive risk analysis to determine the security threats to the data, information, and information technology resources of the agency. The risk analysis information is confidential and

exempt from the provisions of s. 119.07(1), except that such information shall be available to the Auditor General and the Agency for Enterprise Information Technology in performing post-auditing duties.

Instructions issued by the Office of Information Security require that each agency's Information Security Manager (ISM) is responsible for coordinating the assessment, determining accurate responses to the survey questions, and assembling the supporting documents. The review of the completed survey package will be completed by the agency's Office of the Inspector General (OIG). The OIG will review the survey and supporting documents for reasonableness. After review, the agency's Inspector General signs and dates the survey.

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

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

### **Coordination with External Audit Organization**

During Fiscal Year 2011-12, the OIG coordinated activity with the Department of Financial Services (DFS). As shown below DFS issued a review letter that required the Department to provide a corrective action plan which addresses how these deficiencies will be corrected for future contracts.

**DFS:** August 2011 – Review of selected Department of State service contracts/grant agreements in effect on or after July 1, 2010, and related management activities.

## **OTHER AUDIT ACTIVITIES**

### **IT Mobile Technology Enterprise Project-Employee Survey**

The State of Florida Inspectors General Enterprise Audit Plan for Fiscal Year 2011-2012<sup>1</sup> identified mobile computing as an enterprise priority due to the potential risks mentioned above. As a result, in accordance with Section 14.32, Florida Statutes (F.S.), the Executive Office of the Governor's Office of the Chief Inspector General initiated an enterprise project to assess the state of mobile computing within Florida's state agencies and associated management controls.

---

<sup>1</sup> State of Florida Inspectors General, Enterprise Audit Plan for Fiscal Year 2011-2012, pp. 1-2.

The Department of State employees participated in the statewide survey about mobile information technology (i.e. laptops, cell/smart phones, iPads and thumb drives) use and security. The result of the survey was reported by the Executive Office of the Governor Chief Inspector General in Report Number 2012-13 titled "Survey Results of Information Technology Mobile Computing in Florida's State Government."

### **Florida Single Audit Assistance**

The Secretary of State designated the OIG as the organizational unit within the department responsible for the review of financial reporting packages required by the Florida and Federal Single Audit Acts pursuant to Section 215.97, Florida Statutes and OMB Circular 133. To facilitate this duty the department transferred an Audit Evaluation and Review Analyst position to the OIG, effective May 1, 2007. Since that date, the Office has provided extensive training to the incumbent applicable to the Federal and Florida Single Audit requirements 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 acts. As a result of the workshops, the OIG developed department-wide formal policies and procedures for both the Florida and Federal Single Audit Acts. Additionally, the OIG implemented an electronic tracking system was completed on August 31, 2010. We reviewed the Florida and Federal single audits that were submitted in fiscal year 2011-2012 and we continue to make modifications to improve the tracking system.

### **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.

## **INVESTIGATION ACTIVITIES**

### **Investigations**

The Office completed no investigations during this fiscal year.

### **Preliminary Inquiries**

Throughout the fiscal year the OIG 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 an individual against the Division of Corporations (Division) for repeatedly giving them information that appears to be false and leading them to believe that it was true. During our preliminary inquiry the OIG reviewed documents provided by the complaint and discussions with relevant Division staff. Our preliminary inquiry revealed that we could not find sufficient documentary evidence to substantiate the allegation that the Division staff misled them or assured them of facts that were untrue.



### **Additional Complaint Activities**

During the fiscal year we received 284 complaints and/or requests applicable to agencies not within the jurisdiction of the OIG. We review all complaints received and provided the complainant with suggested contact information of the agency with appropriate jurisdiction.

### **MANAGEMENT REVIEW ACTIVITIES**

#### **Consulting Engagements<sup>2</sup>**

During Fiscal Year 2011-12, the OIG performed four Division consulting engagements and one consulting engagement on the Office of the Secretary. These engagements were completed at the request of the Secretary and part of our adopted 2011/2012 Office of Inspector General Work Plan.

The scope of these engagements was limited to the Division's operations and Office of the Secretary operations as they existed during the time of the engagement. As part of our work we: reviewed program operations and their effectiveness and responsiveness to mandated statutory requirements; solicited employee and management views of workplace conditions and program operations; and provided strategic information to leadership.

Our interviews with employees revealed some issues that were explained in detail in the reports. We offered management some proposed recommendations for improvements to be implemented Division wide and by the Office of the Secretary which are discussed in the reports.

**Divisions of Elections:** OIG Management Review 2012-01, dated August 2011

**Division of Library and Information Services:** OIG Management Review 2012-04 dated November 2011

**Division of Corporations:** OIG Management Review 2012-08, dated January 2012

**Office of the Secretary:** OIG Management Review 2012-11, dated February 2012

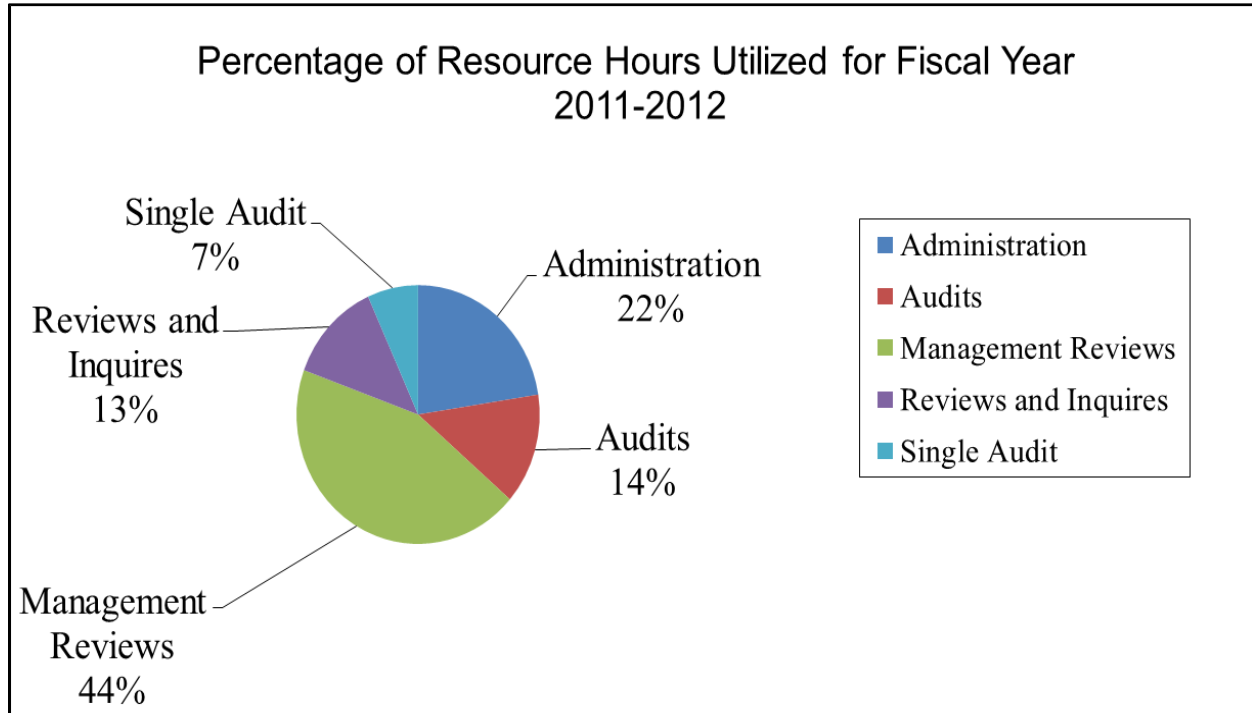
**Division of Administrative Services:** OIG Management Review 2012-12, dated May 2012

---

<sup>2</sup> Copies of these reports may be obtained by e-mail at [JLGreene@DOS.state.fl.us](mailto:JLGreene@DOS.state.fl.us), by telephone at 850-245-6195, by FAX at 850-245-6125, in person or by mail at Office of Secretary, R. A. Gray Building, 500 S. Bronough Street, Tallahassee, Florida 32399-0250.

## RESOURCE HOURS UTILIZED

The chart depicts how the OIG utilized its resources during Fiscal Year 2011-2012.



Notes to Resource Chart Above:

Administration includes: Administrative work to manage the Office, attend meetings, professional training of the Office staff, annual leave, sick leave and holiday leave.

Reviews and Inquires includes: Hours incurred in performing the Office responsibilities under referrals, placement of public complaints, inquires and Whistle Blowers Complaint Determination Form.

## RISK ASSESSMENT AND WORK PLAN

Both Florida Statutes and professional audit standards require the development of risk based work plans (both short and long term) which consider resource requirements. The OIG currently has 2 positions. Based on our analysis, staff members will be able to expend approximately 3200 staff hours to work plan engagements. Approximately 300 staff hours will be needed to complete ongoing projects initiated during the current fiscal year. The remaining 2900 hours will be programmed for new engagements.

The following contains our proposed work plan provided for your review. Following the table of projects planned for the 2012-2013 fiscal year, we have included a table of projects planned for succeeding fiscal years.

<b>PROPOSED 2012-2013 WORK PLAN AND SELECTION CRITERIA</b>	
<b>Work Plan Project</b>	<b>SELECTION CRITERIA</b>
Enterprise Audit Plan Projects	State of Florida Inspector's General Enterprise Audit Plan
Historical Resources Management Review	Carry Over from Fiscal Year 2011-2012
Cultural Affairs Management Review	Management Request
Performance Measures – 2012	Statutory Compliance – Recurring Work Plan Item
On-Site Grant Reviews	Risk Assessment Issue
Auditor General Audits/Corrective Action	Statutory Compliance – Recurring Work Plan Item
Florida Single Audit Program Monitoring	Recurring Work Plan Item
OPPAGA Corrective Action Status Reports	Statutory Compliance – Recurring Work Plan Item
OIG Risk Assessment	Recurring OIG Work Plan Item
Management Requests	Recurring OIG Work Plan Item
OIG Corrective Action/Follow-up	Recurring OIG Work Plan Item
Evaluate OPS position usage	Management Request
Conduct Investigations as Needed	Statutory Compliance –Recurring Work Plan Item

<b>POTENTIAL OUT YEAR WORK PLAN PROJECTS</b>
Revenue-Cash Receipts
Laboratory, Archaeological Conservation-Vault
Mission San Luis-Rentals and Cash Controls
Annual Reports-Corporations
Florida Electronic Library
Performance Measures
Auditor General Audits/Corrective Action
Florida Single Audit Program Monitoring
OPPAGA Corrective Action Status Reports
OIG Risk Assessment
Management Requests
Conduct Investigations as Needed

**ATTACHMENT 1 – Addressee and Distribution List**

Ken Detzner, Secretary

Copies distributed to:

Jennifer Kennedy, Assistant Secretary of State and Chief of Staff

John Boynton, Deputy Secretary for Administrative Services, Corporations and  
Elections

David Martin, Auditor General

Melinda Miguel, Chief Inspector General