

OFFICE OF INSPECTOR GENERAL



Ken Detzner
Secretary

Florida Department of State Annual Report 2012-2013



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

September 3, 2013

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, 2013 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



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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

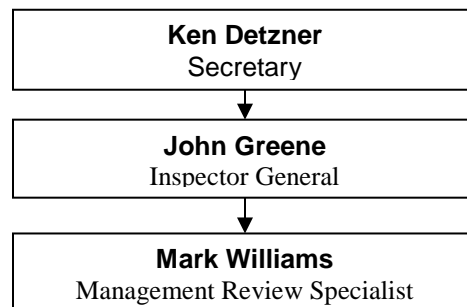
The Office of Inspector General (OIG) mission is to promote accountability, integrity and efficiency for the citizens of Florida by providing objective, timely audit and investigative services. The OIG conducts independent and objective audits, investigations as well as review of agency issues and programs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

Audit of Financial Information on Six State Aid to Libraries Grants awarded in Fiscal Year 2011-2012 Audit Report Number 2013-12

The OIG conducted an assurance engagement on State Aid to Libraries Grants awarded in Fiscal Year 2011-2012 to Broward County Libraries Division, Palm Beach County Library System, Miami-Dade Public Library System, Volusia County Public Library, Suwannee River Regional Library System and Jacksonville Public Library-Duval County. The purpose of the examination is to assess if there was adequate support for the disbursements of the State Aid to Libraries Grants, assess if there was adequate support for the certified expenditures on Form DLIS/SA01, and assess if there was adequate support for the summary financial report for the State Aid to Libraries Grant projects.

During this engagement we examined documentation relative to the financial information on State Aid to Libraries Grants awarded in Fiscal Year 2011-2012 to Broward County Libraries Division (operating grant totaling \$1,546,180), Palm Beach County Library System (operating grant totaling \$1,028,622), Miami-Dade Public Library System (operating grant totaling \$1,991,676), Volusia County Public Library (operating grant totaling \$397,493), Suwannee River Regional Library System (operating grant

totaling \$24,827 and equalization grant totaling \$484,793 for a total grant of \$509,620) and Jacksonville Public Library-Duval County(operating grant totaling \$1,060,642).

As a result of this assurance engagement, we were able to determine the following:

- Grant disbursements by the department were done in accordance with State Aid to Libraries Grant Agreements
- Accounting information provided by the grantees supported the certified expenditures on Form DLIS/SA01 and the summary financial report
- Grant operating and/or equalization fund expenditures on the summary financial report were spent in accordance with State Aid to Libraries Grant Agreements
- Library grant funds reported on the summary financial report were correctly reported in the Grantee's State Single Audit on the Schedule of Expenditures of Federal Awards and State Financial Assurances

Audit of Endowments Awarded to the Orlando Museum of Art, Inc. and Boca Raton Historical Society, Inc. Audit Report Number 2013-13

The OIG conducted an assurance engagement on endowments awarded to the Orlando Museum of Art, Inc. and Boca Raton Historical Society, Inc. The purpose of the examination is to verify the interest earned as reported on Cultural Endowment Program Trustee Organization Annual Reports, assess if there is adequate support for the expenditures on the interest earned on the endowments and state matching shares and verify that the endowments and state matching amounts were invested and not used as collateral or otherwise subject to lien.

During this engagement we examined documentation relative to the financial information on endowments awarded to the Orlando Museum of Art, Inc. (3 state matching shares for a total endowment of \$1,800,000) and Boca Raton Historical Society, Inc. (one state matching share for a total endowment of \$600,000) for the Fiscal Year 2010-2011 and Fiscal Year 2011-2012.

As a result of this assurance engagement, we were able to determine the following:

- Interest reported on Cultural Endowment Program Trustee Organization Annual Reports was verified
- Interest earned was expended in accordance Cultural Endowment Program Guidelines and Application and Trust Agreements
- Endowments and state matching funds were properly invested and the investment balance never went below the total endowment amount
- Endowments were not used as collateral or otherwise subject to a lien

Performance Measurement Reviews

The OIG completed a review of the Long Range Program Plan for the Department of State which was submitted in the format prescribed in the budget instructions. We selected and reviewed the performance measures and standards of elections for accuracy, validity and reliability. The OIG reviewed the support for the performance measures and standards of elections for the prior year actuals (FY 2011-2012) with no exception.

OTHER AUDIT ACTIVITIES

Follow-Up Report on Corrective Actions Taken in Response to OIG Audits

Pursuant to Performance Standard 2500-Monitoring Progress of the International Standards for the Professional Practice of Internal Auditing published by the Institute of Internal Auditors, the OIG conducted follow-up reviews on the current status of actions taken by the Department of State management team in response to the recommendations made by the OIG. During the fiscal year, the OIG issued the following status reports on recommendation:

Report No. 2013-06: Audit of the Department Ethics Policy-Audit Report Number 2011-010

Report No. 2013-19: Contract Review Process-Audit Report 2012-06

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. We reviewed 114 Florida and Federal single audits that were submitted in fiscal year 2012-2013. During this fiscal year the OIG made many single audit improvements to our single audit process such as:

- Updated and formalized a single audit procedure for the OIG
- Updated and automated the single audit checklist
- Created a single audit report tracking
- Implemented paperless archiving of single audit reports
- Initialized project tracker system update

Contract/Grant Monitoring Training

The OIG provided two sessions of Contract/Grant Monitoring training on November 29, 2012 to the Department's Contract and Grant managers.

Previously Reported Findings

The OIG did not identify any significant findings reported in prior annual reports for which the department has not taken corrective action.

INVESTIGATION ACTIVITIES

Investigations

The OIG completed no investigations during this fiscal year.

Preliminary Inquiries

Throughout the fiscal year the OIG conducted seven preliminary inquiries 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 about apparent conflicts of interest with two Division of Cultural Affairs (Division) program grants. 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 about apparent conflicts of interest with two Division program grants.

Additional Complaint Activities

During the fiscal year we received 193 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 Engagements¹

During Fiscal Year 2012-13, the OIG performed two Division consulting engagements. These engagements were completed at the request of the Secretary and part of our adopted 2012/2013 Office of Inspector General Work Plan.

The scope of these engagements was limited to the Division's 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.

¹ Copies of these reports may be obtained by e-mail at John.Greene@DOS.MyFlorida.com 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.

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 which are discussed in the reports.

Division of Historical Resources: OIG Management Review 2012-13, dated August 2012

Division of Cultural Affairs: OIG Management Review 2013-01 dated October 2012

OTHER MANAGEMENT REVIEW ACTIVITIES

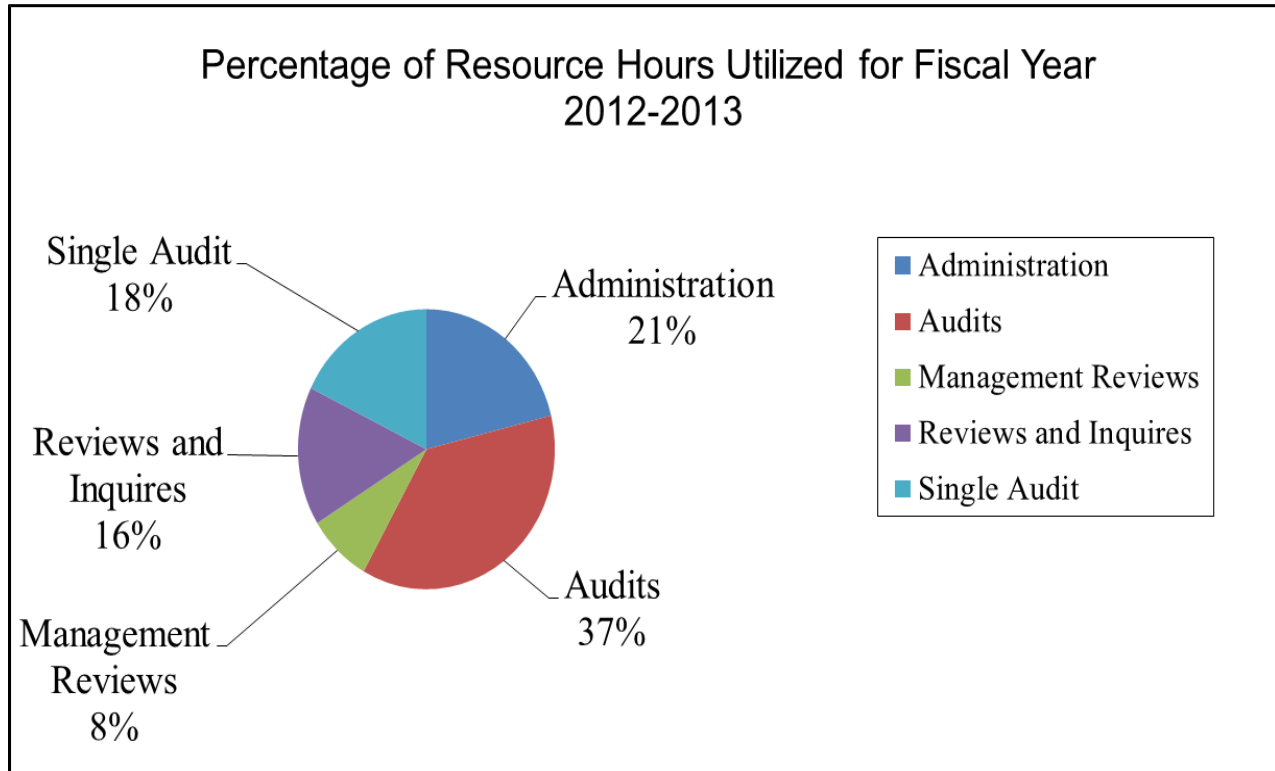
Follow-Up Report on Corrective Actions Taken in Response to OIG Management Review

The OIG conducted a follow-up review on the current status of actions taken by the Division of Corporations (Division) in response to the management review on the Division. During the fiscal year, the OIG issued the following status report on Corrective Action:

Report No. 2012-08: Status Report of Corrective Action for Division of Corporation's Inspector General Management Review 2012-08

RESOURCE HOURS UTILIZED

The chart depicts how the OIG utilized its resources during Fiscal Year 2012-2013.



Notes to Resource Chart Above:

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

Reviews and Inquires includes: Hours incurred in performing the OIG 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 175 staff hours will be needed to complete ongoing projects initiated during the current fiscal year. The remaining 3025 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 2013-2014 fiscal year, we have included a table of projects planned for succeeding fiscal years.

PROPOSED 2013-2014 WORK PLAN AND SELECTION CRITERIA	
Work Plan Project	SELECTION CRITERIA
Enterprise Audit Plan Projects	State of Florida Inspector's General Enterprise Audit Plan
Archaeological Conservation Vault Review	Risk Assessment Issue
Monitoring of Corporation System Rewrite	Risk Assessment Issue
Performance Measures – 2013-2014	Statutory Compliance -Recurring Work Plan Item
Enterprise Background Screening Project	Carry Over from Fiscal Year 2012-2013
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
Total Recall System Testing	Risk Assessment Issue
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
Inventory Process Review	Management Request
Conduct Investigations as Needed	Statutory Compliance -Recurring Work Plan Item
Quality Assessment Review	Statutory Compliance - Recurring Work Plan Item

POTENTIAL OUT YEAR WORK PLAN PROJECTS
Revenue-Cash Receipts
Bureau of Election Records Review
Mission San Luis-Operations
Annual Reports-Corporations
Florida Electronic Library Usage
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

Kerri Post, Deputy Secretary for Cultural Affairs, Historical Resources and Library and
Information Services

David Martin, Auditor General

Melinda Miguel, Chief Inspector General