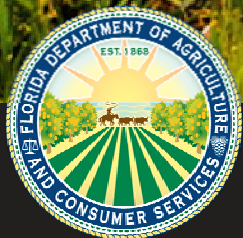


# OFFICE OF INSPECTOR GENERAL

Ron Russo, Inspector General

## ANNUAL REPORT FISCAL YEAR 2012-2013



Florida Department of Agriculture and Consumer Services  
Adam H. Putnam, Commissioner



FLORIDA DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES  
COMMISSIONER ADAM H. PUTNAM

---

September 27, 2013

The Honorable Adam H. Putnam  
Commissioner of Agriculture  
Florida Department of Agriculture  
and Consumer Services  
The Capitol, Plaza Level 10  
Tallahassee, Florida 32399-0810

Dear Commissioner Putnam,

I am pleased to present the Office of Inspector General Annual Report which, pursuant to Section 20.055, F.S., summarizes the activities and accomplishments for the 12-month period ending June 30, 2013.

During this reporting period, our audits and reviews resulted in the continued strengthening of department operations. Specifically, findings and recommendations related to our review of contract administration, direct-support organizations, revenue collection procedures, technology security, and the Florida State Fair yielded corrective actions that reduced opportunities for fraud and increased operational efficiencies.

In addition, we completed several projects that provided valuable and timely information to department managers, aiding their decision-making processes. These projects continued to strengthen our relationship with management and serve to demonstrate our mutual commitment to good government.

The Investigative Section conducted 138 investigations statewide, resulting in 42 personnel actions, 7 arrests and several policy modifications. The investigative team identified fraudulent activities and associated cost avoidances of 3 million taxpayer dollars. In one case alone, our efforts resulted in the recovery of over \$2.2 million. Additionally, we recovered over \$8,000 resulting from fines, restitution and administrative costs.

Our pro-active initiatives designed to reduce employee misconduct and enhance awareness continue to have a positive impact. During this past year, we provided numerous ethics-related training to several divisions, new supervisors, and new employees that have contributed to decreases in several areas of employee misconduct.

I would like to take this opportunity to again thank you for the support that you have provided our office. We look forward to working closely with you and your leadership team to promote economy, efficiency, and effectiveness and to help the department accomplish its critical mission in the years ahead.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron Russo".

Ron Russo  
Inspector General

# Table of Contents

## **INTRODUCTION**

EXECUTIVE SUMMARY .....	1
MISSION, VISION AND VALUE .....	1
RESPONSIBILITIES .....	1
ORGANIZATIONAL CHART .....	2
STAFF QUALIFICATIONS .....	3
TRAINING ACCOMPLISHMENTS .....	3

## **INVESTIGATIVE SECTION**

INVESTIGATIVE SERVICES .....	4
INVESTIGATIVE ACTIVITY .....	5
PRELIMINARY INQUIRIES .....	6
FORMAL INVESTIGATIONS .....	7

## **AUDIT SECTION**

AUDIT OVERVIEW .....	17
INTERNAL ASSURANCE SERVICES .....	19
SPECIAL PROJECTS .....	25
INTERNAL CONSULTING SERVICES .....	32
GOVERNANCE ACTIVITIES .....	35
EXTERNAL AUDIT/REVIEW ACTIVITIES .....	36
OPEN AUDIT FINDINGS FROM PRIOR ANNUAL REPORTS .....	43

"The Office of Inspector General is hereby established in each state agency to provide a central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency in government..."

Section 20.055(2), Florida Statutes

## EXECUTIVE SUMMARY

The Office of Inspector General (OIG) has prepared and issued this Annual Report pursuant to the provisions of Section 20.055 Florida Statutes, commonly referred to as the *Inspector General Act*, and covers the period from July 1, 2012, to June 30, 2013. The report is organized to reflect the responsibilities and accomplishments of the OIG.

During this reporting period, we completed significant audit, special project, and investigative work to promote the economy, efficiency and effectiveness of the department's programs and operations.

Specifically, the Audit Section conducted 24 projects which included assurance audits, special reviews, internal consulting and external audit coordination. These reports provided department leadership with an objective assessment of the issues, while offering specific recommendations to correct deficiencies and improve program effectiveness.

Our audits and investigations resulted in over 33 recommendations and cost avoidances of \$3 million.

The Investigative Section received 289 complaints, which resulted in 138 formal investigations. Our investigations resulted in 7 arrests and 42 personnel actions. Additionally, we recovered over \$8,000 resulting from fines, restitution and administrative costs.

**MISSION:** The OIG promotes the effective, efficient, and economical operation of department programs.

**VISION:** The OIG provides the highest quality work product and services that facilitates positive change.

**VALUE:** The OIG places value on making a positive difference through the work we do. We are committed to constantly improving how we operate, embracing innovation, and using persistence and determination to achieve results.

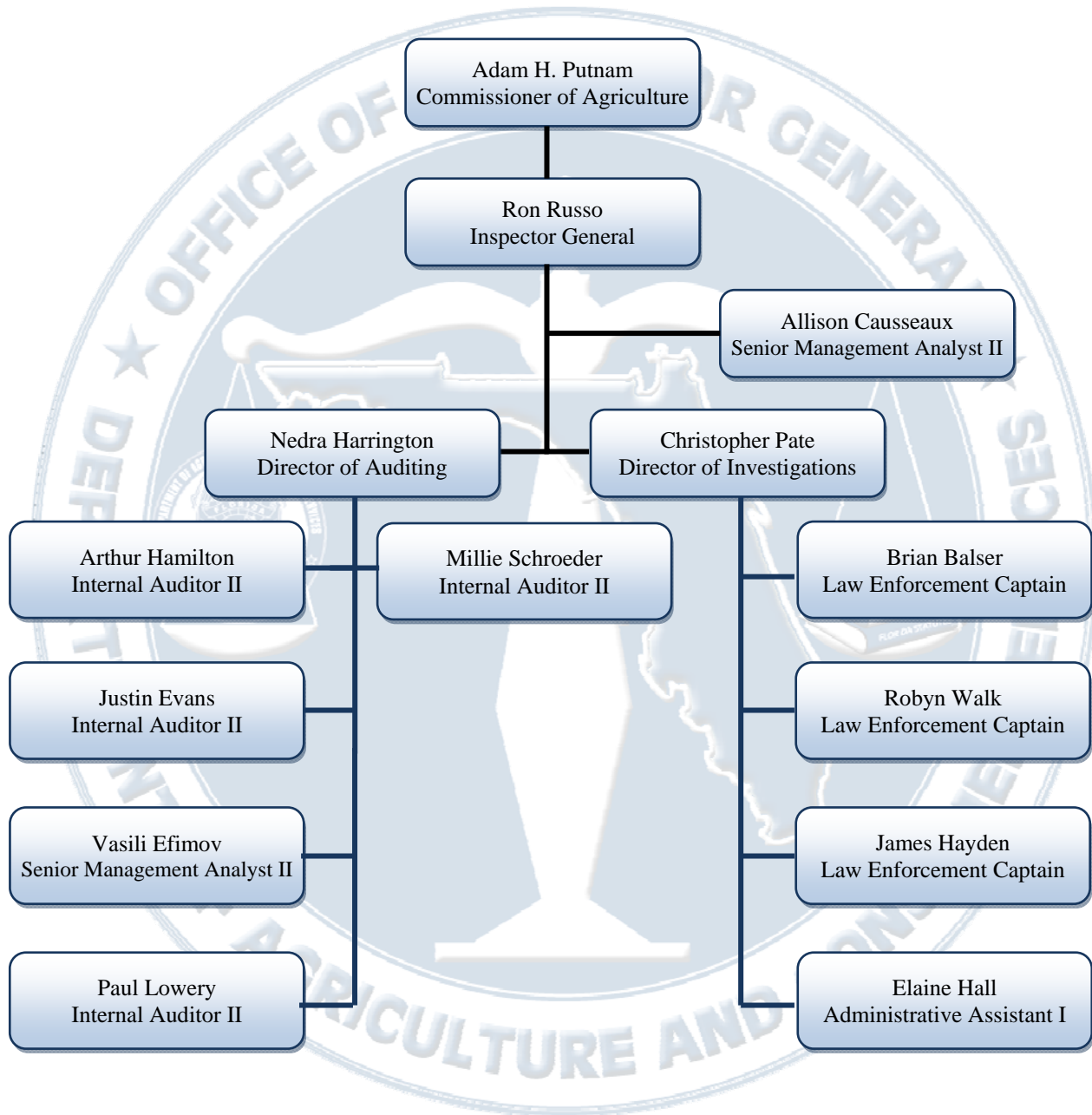
## RESPONSIBILITIES

The duties and responsibilities of the OIG include:

- Assess the validity and reliability of the information provided by the department on performance measures and standards, and make recommendations for improvement, if necessary. Provide direction for, supervise, and coordinate audits and management reviews relating to the programs and operations of the department.
- Keep the Commissioner of Agriculture informed, recommend corrective action, and report on progress of corrective action concerning fraud, abuses, and deficiencies relating to programs and operations administered or financed by the department.
- Conduct, supervise, or coordinate other activities carried out or financed by the department for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in department programs and operations.
- Receive complaints and coordinate all activities of the agency as required by the Whistle-blower's Act, pursuant to ss. 112.3187-112.31895, Florida Statutes. Receive and consider the complaints which do not meet the criteria for an investigation under the Whistle-blower's Act and conduct, supervise, or coordinate such inquiries, investigations, or reviews as the Inspector General deems appropriate.
- Conduct investigations and other inquiries free of actual or perceived impairment to the independence of the Inspector General or the Inspector General's office. This shall include freedom from any interference with investigations and timely access to records and other sources of information.

# ORGANIZATIONAL CHART

The OIG was established in 1993 in accordance with Section 570.092, Florida Statutes. The OIG is comprised of the positions referenced within the organizational chart below.



# STAFF QUALIFICATIONS

Employees within the OIG possess a wide variety of expertise in areas such as auditing, accounting, investigations and information technology. Employees continually seek to further enhance their abilities and contributions to the OIG and the department. Additionally, employees within the OIG participate in a number of professional organizations to maintain proficiency in their areas of expertise and certification. These accomplishments represent significant time and effort, reflecting positively on the employee as well as the department.

The following summarizes the professional certifications maintained by OIG employees:

Five Certified Law Enforcement Officers

One Certified Inspector General (CIG)

One Certified Internal Auditor (CIA)

One Certified Information Systems Auditor (CISA)

One Certified Public Accountant (CPA)



# TRAINING ACCOMPLISHMENTS

The OIG has outlined a training assessment plan in Policy and Procedure No. 2-01, OIG Operations Manual, that provides for quality training for new and existing staff members. This continuing staff development helps ensure the highest quality investigation and audit products. Staff members utilize training resources from various organizations, agencies, local universities, and individuals.



In accordance with the *International Standards for the Professional Practice of Internal Auditing*, internal auditors are responsible for continuing education to maintain their proficiency and satisfy requirements related to professional certifications held. Audit staff members are encouraged to complete a minimum of 80 hours of audit, computer, management, and professional development training every two years.

In accordance with Section 943.135, Florida Statutes, and Law Enforcement accreditation standards, officers are required to complete 40 hours of law enforcement-related continuing education training every two years. Also, sworn law enforcement officers are required to annually qualify with assigned firearms, and are encouraged to complete a minimum of 12 hours of firearms training annually.

# INVESTIGATIVE SERVICES

## Investigations

The Investigative Section conducts internal investigations of alleged administrative and criminal misconduct in matters relating to the department. The investigations may be broad in nature requiring the review of department practices, direction or management, or may concern only one individual's actions. The complaints, which may serve as grounds for an inquiry or investigation, could be received from any department employee, whistle-blowers as defined by Section 112.3187, Florida Statutes, business entities regulated by or doing business with the department, or private citizens.

The Investigative Section conducts all cases, both administrative and criminal investigations alike, utilizing sworn law enforcement officers within the OIG. With offices in Tallahassee and Tampa, this team consists of a Director and three Captains who collectively possess over eighty years of combined law enforcement experience. This combination of experience brings a broad range of knowledge and professionalism to the Investigative Section.

## Employee Background Reviews

The OIG received and reviewed employee fingerprint results as part of the department-wide initiative to review backgrounds of employees in positions of special trust which are subject to Section 110.1127, Florida Statutes. Fingerprint results that contained issues of concern were assigned a case number and were thoroughly investigated and resolved. During Fiscal Year 2012-2013, the OIG reviewed and cleared a total of 172 employee background checks.

## Maintaining Accreditation



The OIG was awarded reaccreditation by the Commission for Florida Law Enforcement Accreditation (CFA). Initial accreditation was obtained in 2010; however, three years of proof of compliance with 42 significant standards was required to achieve reaccreditation. The OIG's onsite review was held on April 17, 2013, in which CFA accreditation assessors performed a detailed file review and an onsite inspection of the evidence and file rooms. The assessors recommended the OIG for reaccreditation. The formal hearings and ceremony were held in Bonita Springs on June 27, 2013. This achievement is another testament to the outstanding dedication and professionalism of the OIG team.



# INVESTIGATIVE ACTIVITY

During Fiscal Year 2012-2013, the Investigative Section received 289 complaints from citizens, employees and division directors within the department. Of those complaints, the OIG opened 138 investigations regarding allegations of employee misconduct. The remaining 151 complaints were reviewed and determined not to be within the purview of the OIG. Information was forwarded to each of the complainants informing them which agency or division could assist them in resolving their complaint.

Depending on the nature of the allegations and the evidence contained within the complaints, investigations assigned to an investigator fall into one of the following categories:

## Preliminary Inquiry

Conducted in circumstances when it is necessary to determine the validity of a complaint prior to the initiation of a formal investigation. Background investigations are performed when requested and documented as a preliminary inquiry.

## Formal Investigation

Formal investigations conducted in accordance with law, Administrative Policies and Procedures, Principles and Standards for Offices of Inspector General and/or CFA standards, to include: Sexual Harassment, Discrimination, and Whistle-blower.

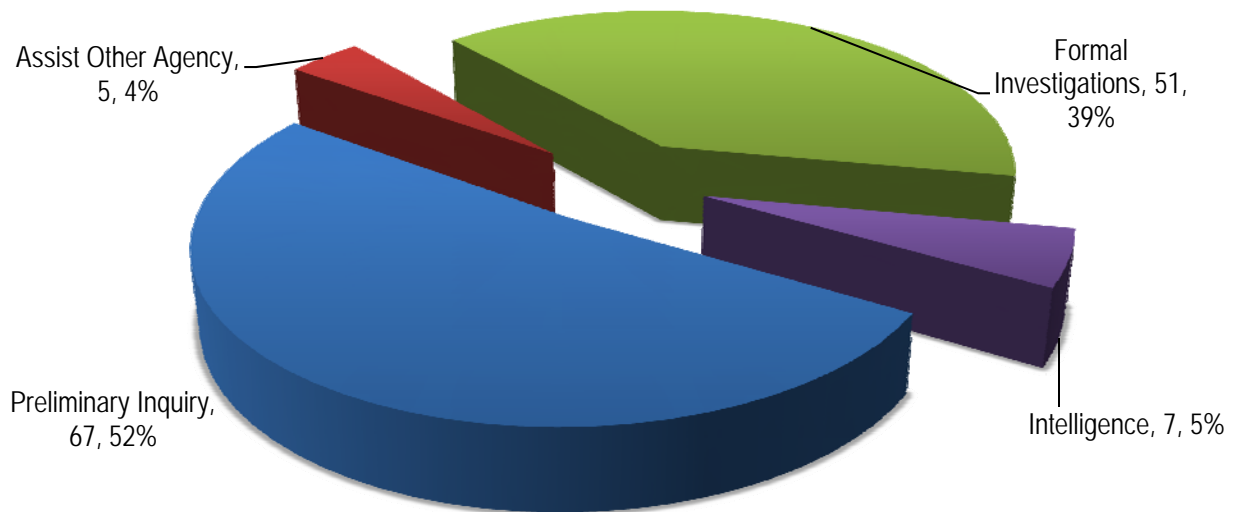
## Intelligence

Documented material that is beyond the scope of the OIG and does not meet the requirements to open a preliminary inquiry. However, the information contained within these files has potential future value and is retained for reference.

## Assist Other Agency

Significant investigative activity in support of another state, federal or local agency. This includes computer forensic support as well as interviews conducted on behalf of another agency.

The following chart reflects the completed case activity for Fiscal Year 2012-2013:





# PRELIMINARY INQUIRIES

The OIG receives complaints from a wide variety of sources. Sometimes it is necessary for the Investigative Section to open a Preliminary Inquiry to determine the validity of a complaint. Preliminary Inquiries that do not warrant a formal investigation are generally closed in one of the following manners:

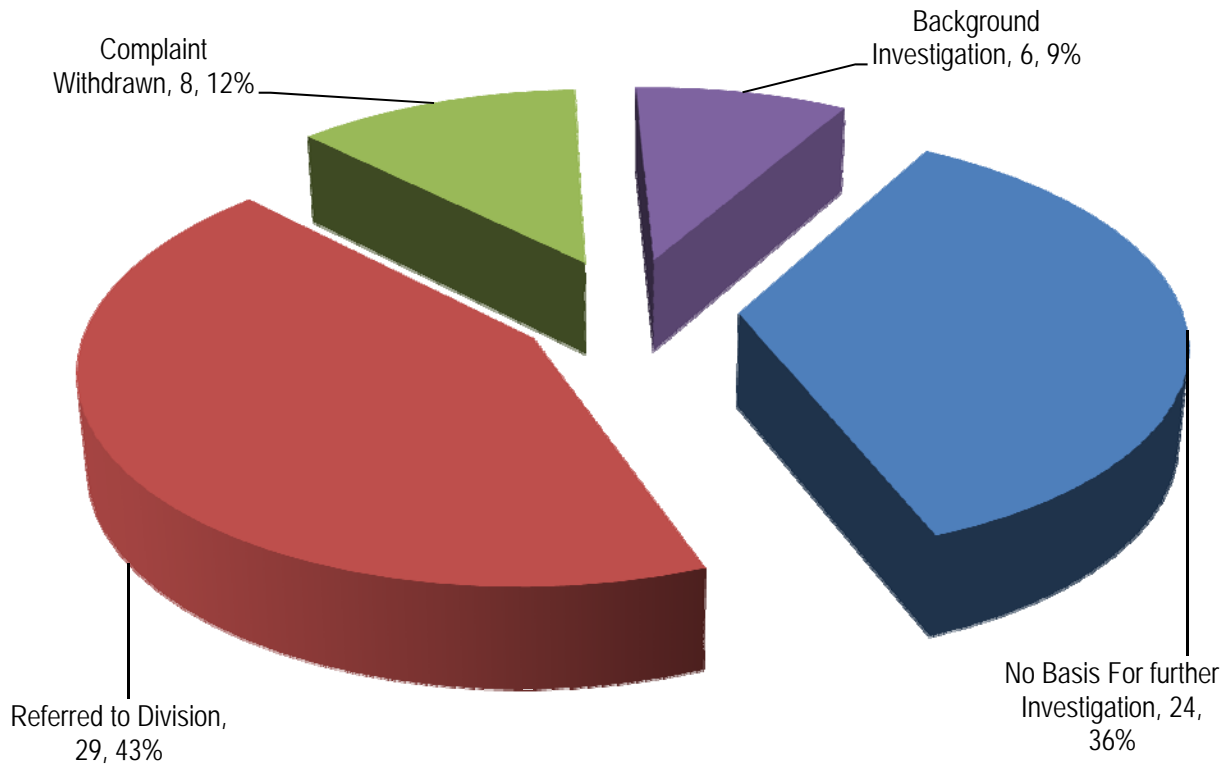
**Referred to Division:** Complaint was reviewed and determined to be best handled at the supervisory level.

**Complaint Withdrawn:** The complainant withdrew their statement or failed to file an official complaint and there was no basis for further investigation.

**No Basis for Further Investigation:** The evidence did not support further investigation.

**Background Investigation:** Conducted preliminary background screenings.

During Fiscal Year 2012-2013, the OIG closed 67 Preliminary Inquiries statewide. These cases did not meet the criteria of a formal investigation; however, each incident was thoroughly documented and concluded in one of the following manners reflected in the chart below.



# FORMAL INVESTIGATIONS

When the Investigative Section determines that a formal investigation is required that involves probable violations of Administrative Policies and Procedures No. 5-3, Disciplinary Policy and Employee Standards of Conduct, the case is assigned a case number and referred to as a formal investigation. Once the investigative process is completed, the investigation is formally documented and typically closed with one of the following conclusions:

**Sustained:** Evidence is sufficient to prove allegation(s).

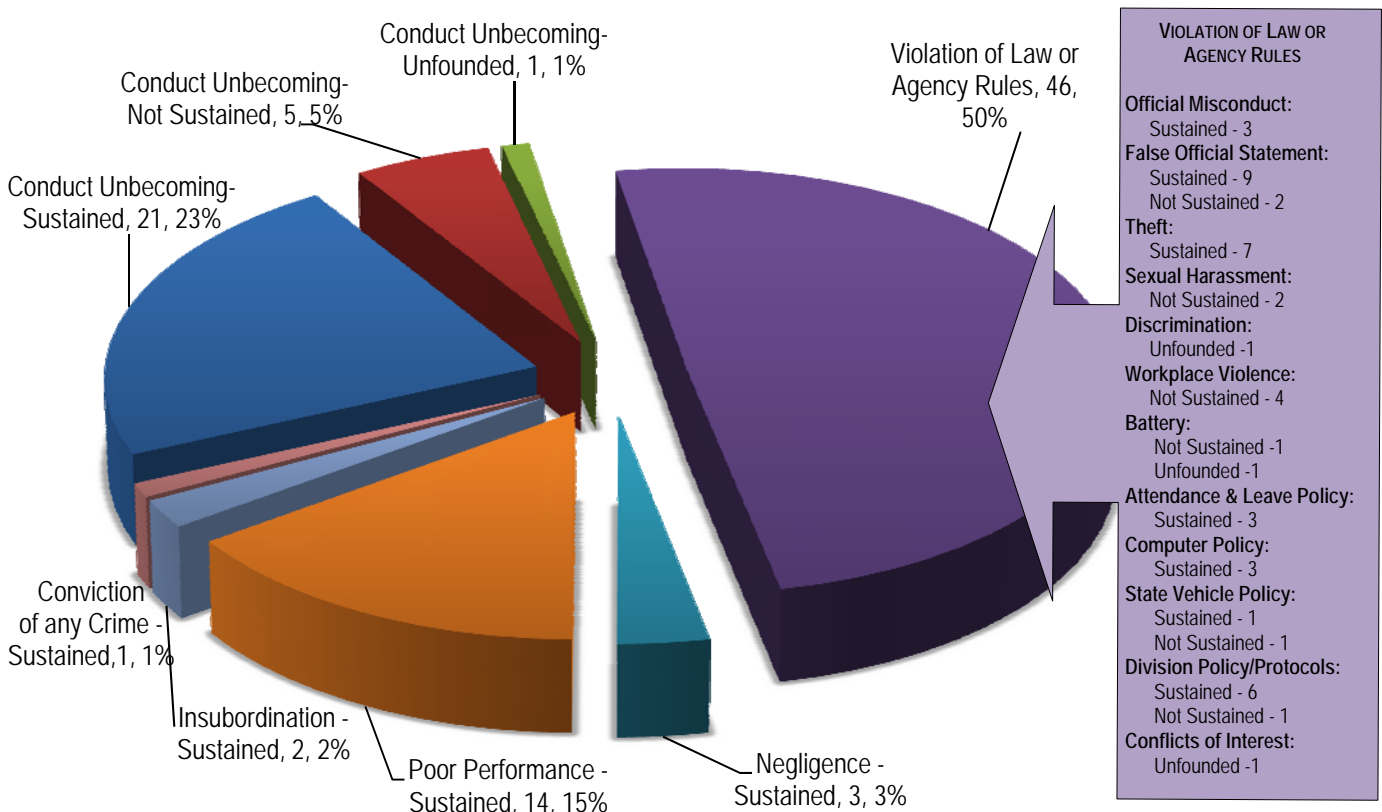
**Not Sustained:** Insufficient evidence available to prove or disprove allegation.

**Exonerated:** Alleged actions occurred but were lawful and proper.

**Unfounded:** Allegations are false or not supported by fact.

**Policy Failure:** Alleged actions occurred and could have caused harm; however, the actions taken were not inconsistent with department policy.

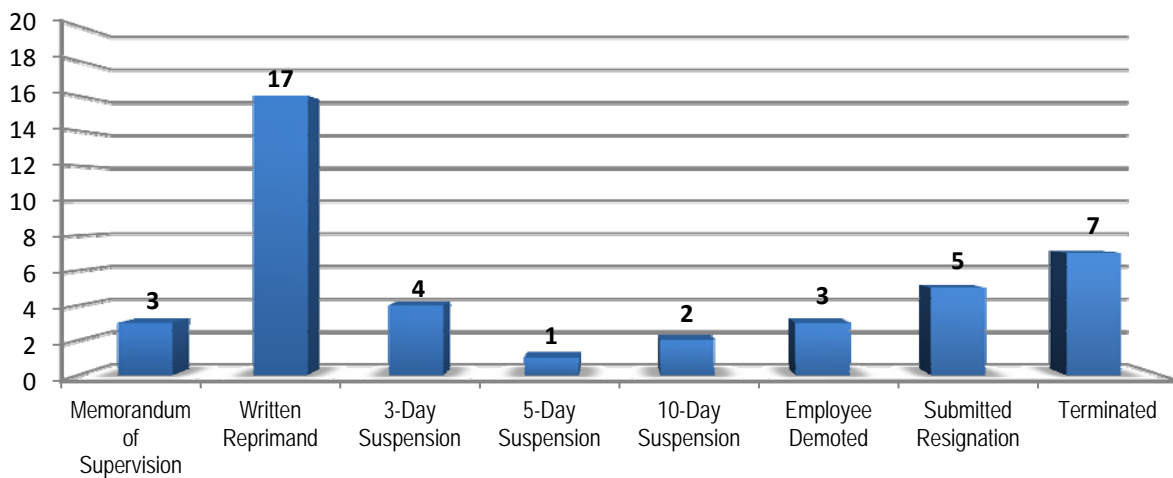
During Fiscal Year 2012-2013, the OIG closed 51 formal investigations statewide. Below is a chart of the investigative activity listed by violation category. Some investigations involved multiple findings. The following pages provide a summary of cases and a statewide map charting investigative locations.



After a case has been completed and approved for closure by the Inspector General, the results are forwarded to department management, the impacted division's supervisory chain, and the Bureau of Personnel Management for their review and any action that they deem appropriate.

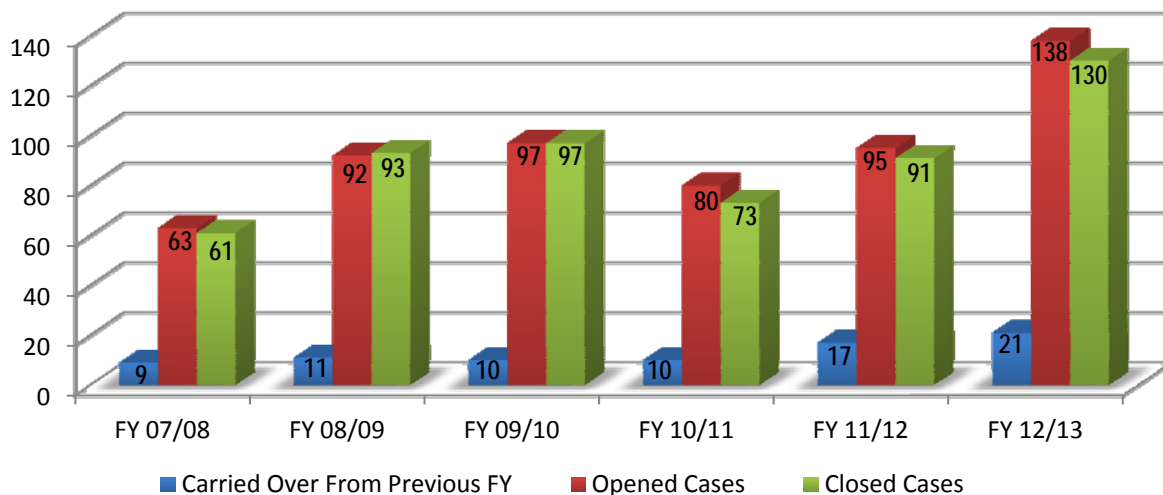
As a result of these investigations, during the Fiscal Year 2012-2013, the Investigative Section prevented the loss of nearly \$3 million in unallowable or fraudulent grant-related charges. The outcome of these investigations involved the arrest of seven (7) individuals and the recovery of over \$8,000 from restitution, fines and administrative costs. The following chart reflects personnel actions resulting from investigations, but does not include discipline less than a Memorandum of Supervision.

### Personnel Actions Resulting from Investigations



The following chart represents the case history for the last six fiscal years.

### Case Activity by Fiscal Year



## FORMAL INVESTIGATIVE CASE SUMMARIES

### **IG 2012-0016**

The OIG conducted this investigation after a complaint was received which alleged sexual harassment. The investigation concluded that the allegations of Violation of Law or Agency Rules, to wit: Sexual Harassment and Conduct Unbecoming a Public Employee were NOT SUSTAINED.

### **IG 2012-0026**

The OIG conducted this investigation into allegations of missing money deposits for Division of Aquaculture licenses. The criminal investigation concluded that the allegations of Violation of Law or Agency Rules, to wit: Grand Theft, and Conduct Unbecoming a Public Employee were SUSTAINED and the employee was arrested. Personnel Action: Employee was terminated.



### **IG 2012-0035**

The OIG conducted this investigation into allegations regarding a Florida Forest Service employee possibly using state resources for personal gain. The investigation concluded that the allegations of Poor Performance, and Conduct Unbecoming a Public Employee were SUSTAINED. Three allegations of Violation of Law or Agency Rules were SUSTAINED. Personnel Action: Employee

was suspended without pay for ten (10) days.

### **IG 2012-0041**

The OIG conducted this investigation after a complaint was received in reference to mistreatment by a supervisor. The investigation concluded that the allegation for Conduct Unbecoming a Public Employee was NOT SUSTAINED.

### **IG 2012-0042**

The OIG conducted this investigation after a complaint was received in reference to a possible domestic violence incident involving an employee. The investigation concluded that the allegation of Violation of Law or Agency Rules, to wit: Battery was UNFOUNDED. The allegation of Conduct Unbecoming a Public Employee was SUSTAINED. Personnel Action: Written Reprimand was issued to the employee.

### **IG 2012-0044**

The OIG conducted this investigation after receiving a complaint alleging discrimination within the Division of Animal Industry. The investigation concluded that the allegation of Violation of Law or Agency Rules, to wit: Discrimination was UNFOUNDED.

### **IG 2012-0049**

The OIG conducted this investigation after receiving allegations that a Division of Licensing employee may have falsified their timesheets. The investigation concluded that the allegation against two employees for Violation of Law or Agency Rules was SUSTAINED. Personnel Action: Both employees were demoted.

### **IG 2012-0052**

The OIG conducted this investigation after allegations were received alleging misconduct. The investigation concluded

that the allegation of Conduct Unbecoming a Public Employee was NOT SUSTAINED.

**IG 2012-0053**

The OIG conducted this investigation after a complaint was received from the Division of Consumer Services, in reference to an allegation that an employee had been forwarding inappropriate emails. The investigation concluded that the allegation of Violation of Law or Agency Rules was SUSTAINED. Personnel Action: Memorandum of Supervision was issued to the employee.

**IG 2012-0055**

The OIG conducted this investigation after a complaint was received referencing a possible conflict of interest relating to a Florida Forest Service purchase. The investigation concluded that the allegation of Violation of Law or Agency Rules was UNFOUNDED. The allegation of Conduct Unbecoming a Public Employee was UNFOUNDED.

**IG 2012-0056**

The OIG conducted this investigation when information was received regarding a possible hostile work environment within the Florida Forest Service. The investigation concluded that the allegation of Violation of Law or Agency Rules, to wit: Battery and Workplace Violence were NOT SUSTAINED. The investigation concluded that the allegation of Conduct Unbecoming a Public Employee was SUSTAINED. Personnel Action: Written Reprimand was issued to the employee.

**IG 2012-0060**

The OIG conducted this criminal investigation after receiving a complaint alleging a Division of Food Safety employee used a state fuel card to purchase fuel for a personal vehicle being used for work, while also claiming vehicle mileage. The

investigation concluded that the allegations of Violation of Law or Agency Rules, to wit: Falsifying a Report, Grand Theft and Use of State Owned and Personal Vehicles were SUSTAINED. Personnel Action: Employee submitted a resignation.

**IG 2012-0061**

The OIG conducted this investigation after a complaint was received alleging violations of department computer policies. The allegation of Violation of Law or Agency Rules, to wit: Information Technology Resource Security Policies and Standards, was SUSTAINED. The allegation of Conduct Unbecoming a Public Employee was SUSTAINED. Personnel Action: Employee retired.



**IG 2012-0062**

The OIG conducted this investigation into allegations that a Division of Agricultural Environmental Services vehicle was found with damage which was believed to be unreported. This administrative investigation concluded that the allegation of Violation of Law or Agency Rules, to wit: Failure to Complete a Vehicle Accident Report was NOT SUSTAINED.

**IG 2012-0063**

The OIG conducted this investigation into allegations that an inappropriate sexual comment was made by a Florida Forest Service employee. The investigation concluded that the allegation of Violation of

Law or Agency Rules, to wit: Sexual Harassment was NOT SUSTAINED.

**IG 2012-0066**

The OIG conducted this investigation into allegations indicating some documents may have been falsified. The investigation concluded that the allegations against one employee of Poor Performance, Violation of Law or Agency Rules, and Conduct Unbecoming a Public Employee were SUSTAINED. The allegations against one employee of Violation of Law or Agency Rules and Conduct Unbecoming a Public Employee were SUSTAINED. The allegation against one employee of Violation of Law or Agency Rules was NOT SUSTAINED. Personnel Action: One employee submitted a resignation and one employee was terminated.

**IG 2012-0070**

The OIG conducted this investigation into allegations that employees within the Division of Fruit and Vegetables made inappropriate comments in the workplace. The investigation concluded that the allegation of Conduct Unbecoming a Public Employee against two employees was SUSTAINED. Personnel Action: Written Reprimand was issued to one of the employees and one employee was issued a ten (10) workday suspension.

**IG 2012-0071**

The OIG conducted this investigation into allegations that a license may have been incorrectly issued by a Division of Licensing employee. The investigation concluded that the allegation of Negligence and Conduct Unbecoming a Public Employee was SUSTAINED. Personnel Action: Employee submitted a resignation.



**IG 2012-0072**

The OIG conducted this investigation into allegations that a Division of Consumer Services employee had falsified per diem expenses. The criminal investigation concluded that the allegations of Violation of Law or Agency Rules, to wit: Official Misconduct, Falsifying Records and Grand Theft were SUSTAINED and the employee was arrested. Personnel Action: Employee submitted a resignation.

**IG 2012-0073**

The OIG conducted this investigation into allegations that a Division of Animal Industry employee had stolen department money orders and then deposited them into an unidentified bank account. The criminal investigation concluded that the allegations, Violation of Law or Agency Rules, to wit: Official Misconduct, Falsifying Records and Grand Theft were SUSTAINED and the employee was arrested. Personnel Action: Employee was terminated.

**IG 2012-0076**

The OIG conducted this investigation into allegations that a Division of Plant Industry employee violated policies and procedures by searching the internet for pornography on

a work computer. The investigation concluded that the allegations of Conduct Unbecoming a Public Employee and Violation of Law or Agency Rules, to wit: Information Technology Resource Security Policies and Standards were SUSTAINED. Personnel Action: Employee was terminated.

**IG 2012-0081**

The OIG conducted this criminal investigation into allegations of suspicious fuel incidents within the Office of Agricultural Law Enforcement. The investigation concluded that the allegations of Conduct Unbecoming a Public Employee and Violation of Law or Agency Rules, to wit: Petit Theft and False Official Statement were SUSTAINED. Personnel Action: Employee was terminated.

**IG 2012-0082**

The OIG conducted this investigation into allegations that a Division of Licensing employee failed to properly review applications for various state-issued licenses. The investigation concluded that the allegation of Poor Performance against an employee was SUSTAINED. Personnel Action: Written Reprimand was issued to the employee.

**IG 2012-0087**

The OIG conducted this criminal investigation into allegations that employees provided false information surrounding their involvement in a traffic accident. The investigation concluded that the allegations of Violation of Law or Agency Rules, to wit: False Official Statements and Conduct Unbecoming a Public Employee, against two employees were NOT SUSTAINED.

**IG 2012-0088**

The OIG conducted this investigation into allegations that a Florida Forest Service employee conducted various acts of

misconduct against a co-worker. The investigation concluded that the allegation of Conduct Unbecoming a Public Employee was SUSTAINED. Personnel Action: Written Reprimand was issued to the employee.

**IG 2012-0091**

The OIG conducted this investigation into allegations that a Division of Licensing employee failed to properly review applications for various state-issued licenses. The investigation concluded that the allegation of Poor Performance was SUSTAINED. Personnel Action: Written Reprimand was issued to the employee.

**IG 2012-0092**

The OIG conducted this investigation into allegations that a Division of Licensing employee failed to properly review applications for various state-issued licenses. The investigation concluded that the allegation of Poor Performance was SUSTAINED. Personnel Action: Written Reprimand was issued to the employee.

**IG 2012-0093**

The OIG conducted this investigation into allegations that a Division of Licensing employee failed to properly review applications for various state-issued licenses. The investigation concluded that the allegations of Negligence and Conduct Unbecoming a Public Employee were SUSTAINED. Personnel Action: Employee was terminated.

**IG 2012-0094**

The OIG conducted this investigation into allegations that a Division of Licensing employee failed to properly review applications for various state-issued licenses. The investigation concluded that the allegation of Poor Performance was SUSTAINED. Personnel Action: Three (3)

workday suspension was issued to the employee.

**IG 2012-0095**

The OIG conducted this investigation into allegations that a Division of Licensing employee failed to properly review applications for various state-issued licenses. The investigation concluded that the allegation of Poor Performance was SUSTAINED. Personnel Action: Written Reprimand was issued to the employee.



**IG 2012-0096**

The OIG conducted this investigation into allegations that a Division of Licensing employee failed to properly review applications for various state-issued licenses. The investigation concluded that the allegation of Poor Performance was SUSTAINED. Personnel Action: Written Reprimand was issued to the employee.

**IG 2012-0097**

The OIG conducted this investigation into allegations that a Division of Licensing employee failed to properly review applications for various state-issued licenses. The investigation concluded that the allegation of Poor Performance was SUSTAINED. Personnel Action: Written Reprimand was issued to the employee.

**IG 2012-0098**

The OIG conducted this investigation into allegations that a Division of Licensing employee failed to properly review

applications for various state-issued licenses. The investigation concluded that the allegation of Poor Performance was SUSTAINED. Personnel Action: Three (3) workday suspension was issued to the employee.

**IG 2012-0099**

The OIG conducted this investigation into allegations that a Division of Licensing employee failed to properly review applications for various state-issued licenses. The investigation concluded that the allegations of Negligence and Conduct Unbecoming a Public Employee were SUSTAINED. Personnel Action: Five (5) workday suspension was issued to the employee.

**IG 2012-0100**

The OIG conducted this investigation into allegations that a Division of Licensing employee failed to properly review applications for various state-issued licenses. The investigation concluded that the allegation of Poor Performance was SUSTAINED. Personnel Action: Written Reprimand was issued to the employee.

**IG 2012-0101**

The OIG conducted this investigation into allegations that a Division of Licensing employee failed to properly review applications for various state-issued licenses. The investigation concluded that the allegations of Negligence and Conduct Unbecoming a Public Employee were SUSTAINED. Personnel Action: Three (3) workday suspension was issued to the employee.

**IG 2012-0102**

The OIG conducted this investigation into allegations that a Division of Licensing employee failed to properly review applications for various state-issued licenses. The investigation concluded that the allegation of Poor Performance was



SUSTAINED. Personnel Action: Written Reprimand was issued to the employee.

**IG 2012-0107**

The OIG conducted this investigation as a result of the department-wide initiative to conduct criminal background reviews on employees in positions of special trust, pursuant to Section 110.1127, Florida Statutes. The investigation concluded that the allegation against an employee of Violation of Law or Agency Rules, to wit: False Official Statements was SUSTAINED. Personnel Action: Written Reprimand issued to the employee.

**IG 2012-0120**

The OIG conducted this investigation into an allegation of a series of thefts in the Capitol offices. The investigation concluded that the criminal allegation of Violation of Law or Agency Rules, to wit: Petit Theft was SUSTAINED.

**IG 2012-0122**

The OIG conducted this investigation as a result of the department-wide initiative to conduct criminal background reviews on employees in positions of special trust, pursuant to Section 110.1127, Florida Statutes. The investigation concluded that the allegation against an employee of Violation of Law or Agency Rules, to wit: False Official Statements was SUSTAINED. Personnel Action: Written Reprimand was issued to the employee.

**IG 2012-0123**

The OIG conducted this investigation as a result of the department-wide initiative to conduct criminal background reviews on employees in positions of special trust, pursuant to Section 110.1127, Florida Statutes. The investigation concluded that the allegation against an employee of Violation of Law or Agency Rules, to wit: False Official Statements was SUSTAINED.

Personnel Action: Memorandum of Supervision was issued to the employee.

**IG 2012-0124**

The OIG conducted this investigation as a result of the department-wide initiative to conduct criminal background reviews on employees in positions of special trust, pursuant to Section 110.1127, Florida Statutes. The investigation concluded that the allegation of Violation of Law or Agency Rules, to wit: False Official Statements was SUSTAINED. Personnel Action: Written Reprimand was issued to the employee.

**IG 2013-0001**

The OIG conducted this investigation into allegations that a Division of Licensing employee may have been untruthful regarding jury duty attendance. The investigation concluded that the allegations of Poor Performance, Violation of Law or Agency Rules, and Conduct Unbecoming a Public Employee were SUSTAINED. Personnel Action: Three (3) workday suspension was issued to the employee.

**IG 2013-0003**

The OIG conducted this investigation into allegations that an Office of Agricultural Law Enforcement employee ignored a supervisor's directive. The investigation concluded that the allegations of Violation of Law or Agency Rules, to wit: Insubordination and policies involving Administrative Search Authority were SUSTAINED. The developed allegation of Conduct Unbecoming a Public Employee against another employee was SUSTAINED. Personnel Action: One employee was demoted pending appeal.

**IG 2013-0005**

The OIG conducted this investigation as a result of the department-wide initiative to conduct criminal background reviews on employees in positions of special trust,

pursuant to Section 110.1127, Florida Statutes. The investigation concluded that the allegation of Conviction of Any Crime was SUSTAINED.

**IG 2013-0007**

The OIG conducted this investigation into allegations that a Division of Fruit and Vegetables employee had falsified their work hours. The criminal investigation concluded that the allegations of Violation of Law or Agency Rules, to wit: Official Misconduct and Grand Theft were SUSTAINED and the employee was arrested. Personnel Action: Employee was terminated.

**IG 2013-0028**

The OIG conducted this investigation as a result of the department-wide initiative to conduct criminal background reviews on employees in positions of special trust, pursuant to Section 110.1127, Florida Statutes. The investigation concluded that the allegation of Violation of Law or Agency Rules, to wit: False Official Statements was SUSTAINED. Personnel Action: Written Reprimand was issued to the employee.

**IG 2013-0032**

The OIG conducted this investigation into allegations regarding Florida Forest Service employees and a possible workplace violence incident that may have occurred between two employees. The investigation concluded that the allegation against both employees for Violation of Law or Agency Rules, to wit: Workplace Violence was NOT SUSTAINED.

**IG 2013-0035**

The OIG conducted an investigation into allegations regarding a possible workplace violence incident within the Division of Plant Industry that may have occurred between two employees. The investigation

concluded that the allegation against an employee for Violation of Law or Agency Rules, to wit: Workplace Violence was NOT SUSTAINED. The investigation concluded that the allegation against an employee of Conduct Unbecoming a Public Employee was SUSTAINED. Personnel Action: Memorandum of Supervision was issued to the employee.



**IG 2013-0049**

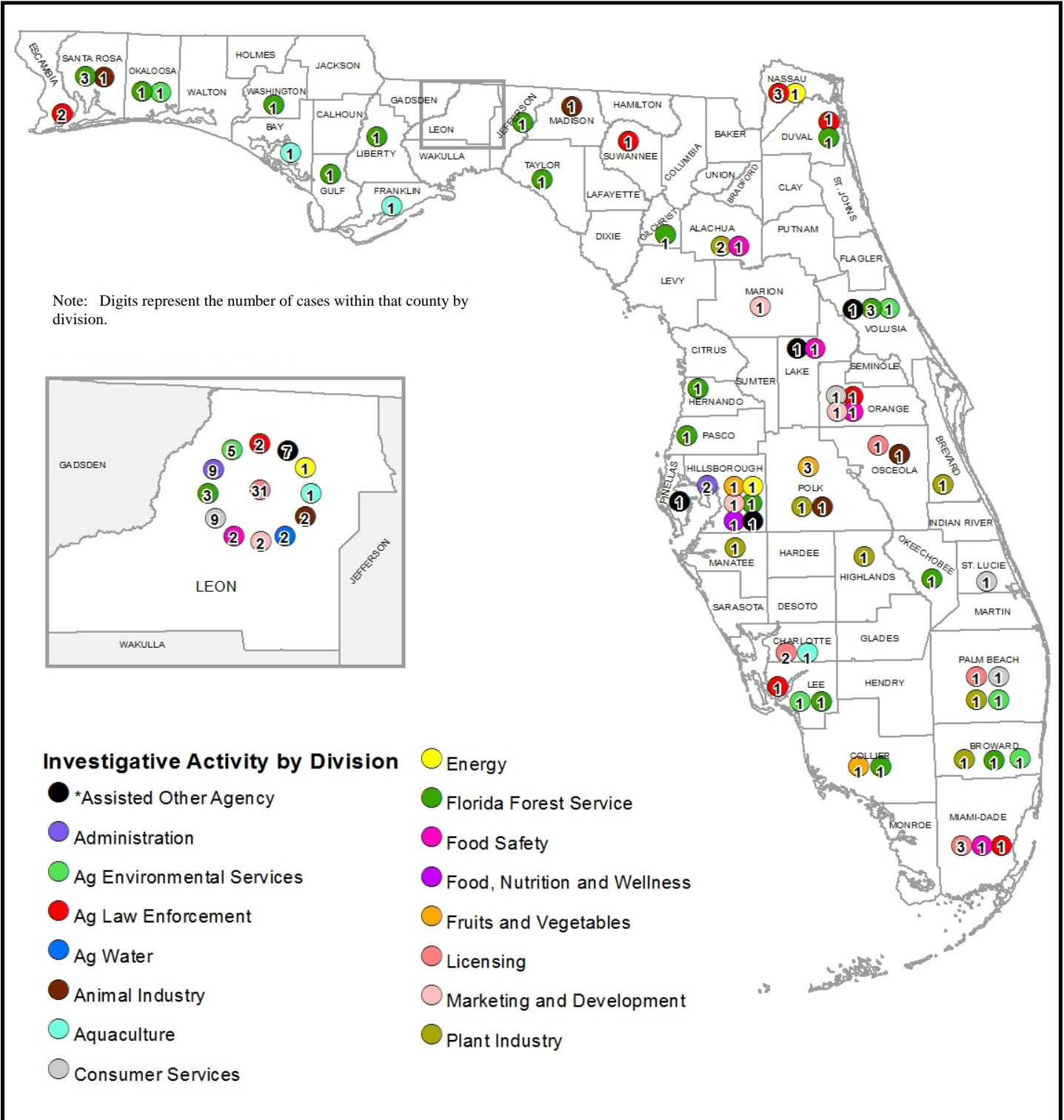
The OIG conducted this investigation into allegations that a Florida Forest Service employee may have used state equipment for personal use. The investigation concluded that the allegations of Insubordination and Conduct Unbecoming a Public Employee were SUSTAINED. Personnel Action: Written Reprimand was issued to the employee.

**IG 2013-0062**

The OIG conducted this investigation into allegations of inappropriate conduct within the Division of Licensing. The investigation concluded that allegation of Conduct Unbecoming a Public Employee was SUSTAINED. Personnel Action: Employee resigned.

# STATEWIDE INVESTIGATIVE ACTIVITY

INCLUDES ALL CASE ACTIVITY FOR FY 2012-2013



\*Criminal or administrative investigations that provide support or assistance to any external agency.

# AUDIT OVERVIEW

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls, and governance processes.” (*International Standards for the Professional Practice of Internal Auditing* as published by the Institute of Internal Auditors)

## Professional Standards

Pursuant to Section 20.055(2)(j) and 20.055(5)(a), Florida Statutes, internal audit activities are performed in accordance with the *General Principles and Standards for Offices of Inspector General and International Standards for the Professional Practice of Internal Auditing* as published by the Association of Inspectors General and the Institute of Internal Auditors, respectively. Audit projects involving information technology (IT) are also conducted in accordance with *Information Systems Auditing Standards* as published by the Information Systems Audit and Control Association.

## Proficiency

The professional standards referenced above require that staff (individually and collectively) possess the knowledge and skills to perform their responsibilities. A high level of proficiency has been achieved for the Audit Section (five professional staff) through education, professional certifications and other continuing professional development activities.

## Quality Assurance Program

The Audit Section continues to implement and employ a number of internal audit best management practices. These include partnering with management, increasing staff performance through the use of computer-assisted auditing techniques, developing staff professionally, maintaining IT audit staff, and providing a balanced combination of assurance and consulting services.

As part of the internal Quality Assurance Program, the Audit Section:

- Reviews professional standards and internal policies and procedures;
- Participates in various training and development activities;
- Continues to improve audit techniques, tools, and technology; and
- Is appropriately supervised.

The Audit Section also reviews audit programs and report formats and performs internal peer reviews for the completeness of work papers.

Additionally, pursuant to Section 20.055, Florida Statute, the Audit Section is evaluated every three years by the Auditor General’s Office. In 2012, the Auditor General completed a quality assessment review of the OIG’s internal audit activity for the period July 2011 through June 2012. The Auditor General concluded that the quality assurance program for the internal audit activity was adequately designed and complied with during the review period to provide reasonable assurance of conformance with applicable professional auditing standards.

## Value Added to the Department

The Audit Section adds value to the department in a number of ways. There is enhanced awareness of organizational governance that is achieved through our consulting services. Included in these consulting services are enterprise partnering activities (e.g., training, IT risk assessments, IT compliance), participation at the

Information Technology Resource and Operational Steering Committees, and any ad-hoc management assistance that might be requested during the year.

During Fiscal Year 2012-2013, the staff of the Audit Section was assigned as liaisons to specific divisions and offices. This assignment allows greater involvement and more timely communications between the Audit Section and department management.



The Audit Section may also distribute management advisories and control alerts throughout the year in order to communicate opportunities for improvements in efficiencies, effectiveness, or controls of department programs, and performs an annual risk assessment.

The Audit Section performs annual reviews of the addition, deletion, or modification of approved performance measures, standards, and activities, and makes recommendations for improvement, if necessary. Our auditors may also perform audits on select performance measures to determine the validity and accuracy of the reported information.

The Audit Section is an integral enterprise control component and adds value by its oversight authority, organizational placement, and its presence in deterring wrongdoing.

## **Annual Audit Plan**

The Audit Plan was approved by the Commissioner of Agriculture on June 30, 2012. The Audit Section accomplished the majority of the Audit Plan. A few of the projects contained in the Audit Plan were replaced by higher priority projects and governance activities requested by management.

The Fiscal Year 2013-2014 Annual Audit Plan can be found on the department's website at [www.freshfromflorida.com](http://www.freshfromflorida.com).

# INTERNAL ASSURANCE SERVICES



The OIG completed two (2) assurance projects, one (1) follow-up project and completed one (1) attestation project during Fiscal Year 2012-2013, covering single source contract procurements, the Florida State Fair, organizational ethics, and an attestation to the Department of Highway Safety and Motor Vehicles regarding the Office of Agricultural Law Enforcement's use of information obtained from DAVID. The OIG also initiated two (2) projects which will be completed during Fiscal Year 2013-2014, covering revenue collection processes and the performance of user account reviews for select department mission critical applications.

## **Single Source Contract Procurements Division of Administration** (Report Number: IA 1213-01)

The objective of this review was to assess the department's compliance with select contract procurement requirements as outlined in Florida Statutes, Florida Administrative Code, and the department's Administrative Policies and Procedures. The audit scope included single source contracts that were active during the period July 1, 2010 through September 30, 2012.

**Issue:** The OIG reviewed 63 single source contracts that were active during the audit period. Of the 63 single source contracts reviewed, the justifications were sufficient to support the single source purchase. The majority of the contracts (36, 57%) were in excess of Category Three, which required the completion and posting of DMS Forms 7776 and 7778. We found that the form, in its entirety, contained sufficient justification to support the single source purchase; however in some instances, the "justification for single source acquisition" section of the form provided minimal justification. During discussions with Division of Administration management, it was agreed that moving forward, additional information will be provided in the "*justification for single source acquisition*" section of the form.

**Issue:** Of the 63 contracts reviewed, we determined that there were 36 (57%) single source contracts that were in excess of \$35,000, which necessitated the completion

of a conflict of interest form. The required signature of one or more department employees was missing for 30 of the 36 contracts (83%). For those 30 contracts, 68 of the 110 required signatures (62%) were provided.

**Recommendation:** The Purchasing Director should ensure that conflict of interest forms contain all required signatures prior to finalizing future single source contracts.

## **Attendance and Gate Admission Revenue – 2013 Florida State Fair** (Report Number: IA 1213-02)

The objective was to audit the attendance and gate admission revenue for the 2013 Fair.

The scope was the attendance and gate admission revenue of the 2013 Florida State Fair held during the period of February 7 - 18, 2013, including advance gate admission sales occurring prior to the fair's opening and refunds or credits made through February 28, 2013.

The attendance of 442,910 and gate admission revenue of \$3,032,189 for the 2013 Florida State Fair is fairly stated in all material respects.

**Issue:** During the first 3 days of the Fair, it took an inordinate amount of time to process the bank bags for the midway ticket sellers, creating a bottleneck in the Bank.

The OIG determined that the processing delay was due to the fact that the Fair switched from an Access database to TyTik to record midway sales because during the 2012 Fair, the Access database started to crash and experienced intermittent problems. However, by day four of the Fair, it became obvious that TyTik was not going to work as efficiently as anticipated. In fact TyTik proved to be difficult to use, data input was very slow, and it was hard to correct any errors entered into the system. At that point, Fair management made the decision to use an Excel program to record midway sales.

To prevent a similar occurrence next year, Fair management has been in discussions with the programmer that developed the Access database, and he has agreed to build a new program during the summer of 2013.

**Recommendation:** To the extent possible, test the new program under conditions that mimic Fair conditions, including the typical volume of transactions processed, to ensure problems are identified and corrected prior to opening day.

**Issue:** At various times during the Fair, the OIG assessed whether locations occupied by the ticket sellers were adequately secure. Based on our assessment, we noted instances in which security measures could be improved. The OIG ensured security issues were corrected immediately, and promptly notified Fair management of our findings.

**Recommendation:** During the training of staff for the 2014 Fair, Fair management should reiterate to the ticket sellers the importance of ensuring their physical locations remain secure at all times.



**Issue:** The Fair entered into a contract with Walgreens for the store to sell advanced tickets. During the Fair, Walgreens provided advanced ticket sales reports to the Fair's Controller on a weekly basis. The reports were subsequently used by the Controller to compare sales to advanced tickets redeemed to identify anomalies. While this comparison would verify that the advanced tickets redeemed did not exceed the sales reported by Walgreens, it would not ensure that Walgreens reported all advanced sales that were made.

**Recommendation:** Fair management should initiate discussions with Walgreens to determine whether a system-generated report is available to substantiate the number of tickets printed and subsequently sold.

***Follow-Up Activities Performed and Status of Corrective Action Taken for Issues Identified During the 2012 Fair***

**Issue:** Occasionally, ticket sellers returned to the Fair Bank with large volumes of cash that had to be counted and reconciled by the ticket office tellers. This practice increased the waiting time for the ticket sellers to be processed and released, and contributed to an overall atmosphere of disorganization within the Fair Bank. Fair Policies and Procedures indicate that throughout the day,

ticket office runners will make cash pick-ups at the entrance gates and midway ticket booths to pick up excess cash from the ticket sellers.

**Recommendation:** Fair management should consider increasing the frequency of pick-ups made by the ticket office runners to allow the ticket office tellers to count cash throughout the day when activity in the bank is minimal, and to reduce the amount of cash the ticket sellers return at the end of the day.

**Status: Corrected.** Based on the OIG's observations of Fair Bank activities, the frequency of pick-ups made by the ticket office runners was increased, which afforded the ticket office tellers the ability to count cash throughout the day.



**Issue:** Based on Policy and Procedure No. 5-2, Midway Ticket Seller Procedure, if the ticket seller's bank bag is not balanced within \$25, then the ticket office manager and the finance manager must determine the action to be taken. However, there were instances where the ticket seller's bank bag was out of balance in excess of \$25 and the finance manager was not notified in accordance with Policy and Procedures. The finance manager indicated that the ticket office manager typically did not notify him unless the discrepancy exceeded \$50.

**Recommendation:** Fair management should reassess the dollar threshold at which the finance manager must be notified when ticket sellers are out of balance, and the Policy and Procedures should be revised accordingly.

**Status: Corrected.** The Policy and Procedures were revised to require notification of the Controller for amounts exceeding \$60.

**Issue:** As mentioned above, Policy and Procedure No. 5-2, Midway Ticket Seller Procedure, states if the ticket seller's bank bag is not balanced within \$25, then the ticket office manager and the finance manager must determine the action to be taken. However, the Policy and Procedure is silent on the type of action(s) that should be pursued. In addition, a policy does not exist that requires the involvement of the finance manager when the gate admission ticket seller's bank bag is out of balance.

**Recommendation:** Fair management should consider revising the Policy and Procedures to include the type of action(s) that should occur when a ticket seller is out of balance. In addition, consider establishing a course of action for a ticket seller whose cash discrepancies may be relatively small in dollar value, however, the ticket seller is repeatedly out of balance. Finally, management should revise the Policies and Procedures to address the involvement of the finance manager when a gate admission ticket sellers' bank bag is out of balance.

**Status: Corrected.** Policy and Procedures were revised to address the involvement of the finance manager when gate admission ticket seller's bank bags are out of balance. In addition, the course of action to be taken was also established for ticket sellers who show a shortage in excess of \$100, have



repeated shortages of at least \$20 that total over \$100, and ticket sellers whose combined shortages exceed \$150. The course of action ranged from placing the ticket seller on notice and tracking their progress for the remainder of the Fair, to possible termination.

**Issue:** During interviews with the ticket office manager, she indicated that one of her assigned responsibilities was to handle customer complaints during the Fair. As a result, she was oftentimes unable to perform critical Fair Bank activities because she had to respond to a customer's complaint.

**Recommendation:** Fair management should reassign the responsibility for handling customer complaints to someone other than Fair Bank staff to allow them to focus on Bank-related activities.

By the end of the 2012 Florida State Fair, the responsibility for handling complaints was reassigned to the Executive Assistant. The OIG verified through observation that the Fair Bank Staff no longer handled customer complaints during the 2013 Fair.

## Organizational Ethics

Follow-up  
(Report Number: IA 1112-01)

As part of follow-up for the audit, Organizational Ethics, dated September 2011, the Office of Inspector General reviewed Administrative Policies and Procedures No. 1-7, Code of Ethics, and other supporting documentation. The status of the findings and recommendations are described below as determined by the Office of Inspector General. The department has taken action to address the audit findings.

**Issues:** The department's Administrative Policies and Procedures did not address:

- The topics to cover during ethics training;

- The training frequency;
- The provision for an annual review of the Conflicts of Interest policy by department employees.

In addition, the Internal Investigations policy contains content that may be beneficial if provided within the Conflicts of Interest policy, specifically:

- Processes for reporting violations (ways for employees to report concerns about fraud, abuse, or questionable practices);
- The mandate for reporting such violations.



**Recommendations:** Revise the Conflicts of Interest policy to address the topics to cover during ethics training to include specifying the training frequency and requiring an annual review of the Conflicts of Interest policy by all department employees.

Consider incorporating into the Conflicts of Interest policy a mandate for reporting violations.

Consider renaming the Conflicts of Interest policy title to include the word "ethics" to increase its prominence for department employees.

**Status: Closed.** Administrative Policies and Procedures (AP&P) No. 1-1, Conflicts of Interest, was revised to incorporate the mandate for employees to report fraud, abuse or questionable practices to the Office of Inspector General. In addition, the policy was updated to hold each employee responsible for the completion of training on the ethics policy annually; however, the policy does not address the topics to cover during training. In addition, the policy does not require department employees to review the Conflicts of Interest policy on an annual basis; however, each department employee must certify annually that they have reviewed the Code of Ethics policy upon their submission of an “Outside Employment and Other Activities Approval” form.

The Conflicts of Interest policy title was changed to “Code of Ethics” to increase its prominence for department employees.

**Issue:** A Chief Ethics Officer has not been designated for the department. However, a designated ethics officer could serve to ensure a unilateral approach to ethics training and related guidance.

**Recommendations:** Consider designating a Chief Ethics Officer. Additionally, the following criteria should be considered:

The Chief Ethics Officer position should be at a level high enough within the department to appropriately execute this role and its responsibilities.

The Chief Ethics Officer’s position description should address the responsibilities and percentage of time for the role as the Chief Ethics Officer.

The position and responsibilities of the Chief Ethics Officer should be addressed in

the department’s Administrative Policies and Procedures.

**Status: Closed.** The department has not designated a Chief Ethics Officer at this time. However, AP&P 1-1, Code of Ethics, has been revised to include resources that department employees can utilize if they have any questions. Specifically, employees were instructed to contact the Office of General Counsel for questions relating to gifts or election activities, and the Bureau of Personnel Management for questions relating to conduct, conflicts of interest, financial reporting, or questions related to the policy.

**Issue:** The department does not provide annual training to all employees that addresses the topics outlined in the Governor’s Code of Ethics.

**Recommendation:** Provide annual training to all department employees on the topics of ethics, including examples of ethical and unethical behavior. The training could consist of short, on-demand videos that all employees are required to view.

**Status: Closed.** In December 2012, a memorandum was transmitted to all department employees which addressed the requirement that each employee complete an Ethics Annual Training presentation. The training presentation was placed on the department’s intranet site so that it is available to all employees on a continual basis. A yearly reminder of the training requirement will be included in the “Outside Employment and Other Activities” approval memorandum.

**Issues:** A significant amount of time has passed since employees last received ethics training. In addition, different training methods should be used to allow for more

frequent training opportunities (e.g., e-mails and newsletters).

**Recommendation:** Consideration should be given to providing periodic, informal reminders to department employees on the subject of ethics. The use of e-mails and newsletters are ways in which more frequent communication can occur.

**Status: Closed.** Now that the revised Code of Ethics policy has been implemented, the department plans to utilize the Open Lines Newsletter to provide periodic, informal reminders to department employees on the subject of ethics.

#### **Attestation for OALE's use of DHSMV DAVID Information**

(HSMV Contract Number 0223-12)

The OIG performed testing of the Office of Agricultural Law Enforcement's (OALE's) controls over personal data obtained from DAVID in order to provide an attestation statement to the Department of Highway Safety and Motor Vehicles (DHSMV). In accordance with the Memorandum of Agreement between the OALE and the DHSMV, an attestation must be submitted to the DHSMV indicating that OALE's controls over personal data have been evaluated and are adequate to protect the personal data from unauthorized access, distribution, use, modification, or disclosure.



#### **Revenue Collection Process**

(In Progress)

The objective of this audit is to evaluate select internal controls of the department's revenue collection process. In addition, the audit will address weaknesses identified in the Auditor General's audit, Revenue Collection Process and Selected Information Technology Controls, dated March 2012.

The scope of the audit is select revenue collections for the period March 2012 to February 2013, and follow-up activities for information technology-related issues previously identified.

#### **Audit of User Account Reviews for Mission Critical Applications**

(In Progress)

The objectives of this audit were to determine whether user account reviews were performed in accordance with the department's Administrative Policies and Procedures (AP&P), and to determine the risks associated with not performing a user account review. The scope of the audit included one mission critical application for each division or office.

# SPECIAL PROJECTS

The OIG performed follow-up activities during Fiscal Year 2012-2013 for one (1) special project that was completed during the previous fiscal year.

## Review of Florida Agricultural Museum Inc.

Follow-up  
(Report Number: SP 1112-02)

As part of the follow-up for the review of the Florida Agricultural Museum, Inc., (Museum), dated October 2011, the Office of Inspector General (OIG) reviewed documentation used to support the financial and administrative operations of the Museum.

**Issue:** According to the by-laws, the Board approves all salaries. However, during the course of our review, it was determined that changes were made to salaries without prior Board approval.

**Recommendation:** The Board should approve all employee salaries consistent with the governing by-laws.

**Status: Not Corrected.** The OIG reviewed the Board meeting minutes for October 4, 2011, August 14, 2012, November 6, 2012, January 17, 2013, and April 18, 2013, to determine whether the Board approved the salaries of Museum employees. Based on the meeting minutes reviewed, the OIG could not confirm that the Board had reached a decision concerning the changes made to employee salaries.

**Issues:** The Museum does not conduct background checks on employees or volunteers, nor does it require the employees or volunteers to display a form of identification at all times while on Museum property.

**Recommendations:** The Executive Director should ensure that background checks are conducted for all employees and volunteers.

The Executive Director should implement a process whereby all employees and volunteers wear prominently displayed identification while on Museum property.

**Status: Corrected.** The Executive Director has implemented a process whereby Museum employees and volunteers are required to sign a background check release form. The release form gives the department permission to perform a background check on individuals working at the Museum. On May 29, 2012, the Executive Director provided the OIG with the first list of Museum staff requiring a background check. The OIG conducted the background checks and informed the Executive Director of the results.



**Issue:** A review of payroll disbursements found that there was no documentation to support hours worked by the employees.

**Recommendation:** Documentation should be maintained for all payroll disbursements, to include a record of hours worked and management's approval.

**Status: Corrected.** The OIG's review of timesheets identified instances in which the Executive Director did not sign timesheets to document approval. According to the Executive Director, he enters the hours worked for each employee into the payroll system and signs all payroll checks. Therefore, by default, he is aware of the amount paid to Museum employees.

**Issue:** Currently, the Museum's volunteer Treasurer serves multiple roles within the accounting process, which caused concern related to segregation of duties. Specifically, the Treasurer records revenue receipts, prepares deposits, and performs bank reconciliations.

**Recommendation:** Segregate duties among existing Museum staff to the extent possible.

**Status: Not Corrected.** The Treasurer records revenue into Quickbooks, makes adjustments, and prepares the deposit. The Executive Director deposits the funds into the bank and provides proof of deposit to the Treasurer. The Treasurer reconciles the bank statements to Quickbooks.

According to the Executive Director, Museum staff is not sufficient to segregate the recording of revenue and the reconciliation of bank deposits to Quickbooks.

**Issues:** On September 29, 2009, the Board approved changes to the by-laws to remove the Commissioner of Agriculture's authority to nominate and appoint Board members.

At the September 3, 2010, Board meeting, the Board renewed the terms of five Board members whose terms had expired. The Board voted to reappoint all five members without the Commissioner of Agriculture's involvement.

**Recommendation:** The department should consider amending its Memorandum of Agreement with the Museum to require the Board to notify the department of any proposed changes to the by-laws.

**Status: Closed.** On July 23, 2011, the Board amended the by-laws to reinstate the Commissioner's ability to appoint Board members. The Memorandum of Agreement, that would require notification of by-law changes, has not been amended.

**Issue:** The Board held six Board meetings. Four of the six meetings were not published in the Florida Administrative Weekly, as required by law, and the auditors were unable to locate notification in local newspapers correlating to the Board meetings.

**Recommendation:** The Executive Director must ensure that all Board meetings are properly noticed in accordance with Florida Statutes.

**Status: Corrected.** According to the Executive Director, Board meetings were held October 4, 2011, August 14, 2012, November 6, 2012, January 17, 2013, and April 18, 2013. The OIG's review of the Florida Administrative Weekly determined that all of these meetings were properly noticed.

**Issue:** At the March 1, 2011, Board meeting, only four of ten (40%) active Board members attended the meeting. Although the meeting did not have a quorum, the Board proceeded to approve several motions.

**Recommendations:** The Board must ensure that a quorum exists prior to taking Board actions. The Board should evaluate all actions during meetings that were not publicly noticed or where quorums did not exist.

**Status: Corrected.** Based on our review of Board minutes for meetings held October 4,

2011, August 14, 2012, November 6, 2012, January 17, 2013 and April 18, 2013, a quorum was present for each of these meetings.



**Issue:** In 1996, the Museum contracted with three architectural firms to draft a Development Plan that conceptually captured the mission and purpose of the Museum. The plan has not been revised since it was finalized in 1997.

**Recommendations:** The Board should evaluate, and revise as necessary, the Museum Development Plan to ensure that it reflects the current economic situation and establishes a feasible timetable for completion. Copies of the Museum Development Plan should be provided to the Commissioner of Agriculture.

The Executive Director should continue to periodically update the Board on the status of completion of the Museum Development Plan.

**Status: In Process.** According to the Executive Director, the Museum is in process of signing a revised interlocal agreement with the City of Palm Coast and Flagler County. At the April 18, 2013, Board meeting, the Board discussed the Master Development Plan and deferred any proposed revisions of the plan to a subcommittee of the Board, the Strategy Planning Committee. The Board also established the subcommittee, Resource Development Committee, to address any necessary land use approvals, site

development and education. However, the Board did not appoint any members to these two committees.

**Issue:** The Museum did not have a Board approved annual budget for the period reviewed.

**Recommendation:** The Executive Director should ensure budgets are prepared each fiscal year for approval by the Board. The budget should include projections of revenues and expenditures. Consideration should be given to the development of a long-term budget to ensure the Museum's financial stability.

**Status: In Process.** Although the Board discussed the Museum's budget for Fiscal Year 2012-2013 at the August 14, 2012, November 6, 2012, January 17, 2013, and April 18, 2013 Board meetings, the OIG could not find any evidence within the minutes that the Board approved the budget. The budget contained the budgeted and actual revenues and expenditures for Fiscal Year 2011-2012, and the estimated revenue and expenditure projections for Fiscal Year 2012-2013.

The OIG attempted to reconcile the actual expenditures and revenue as reported in the budget to Quickbooks. However, we were unable to do so. The reconciliation was hindered due to the fact that the categories used in the budget were inconsistent with categories used in Quickbooks. In addition, the budget did not contain all reported revenue and expenditure categories as reflected in Quickbooks, and in some instances, the actual revenue and expenditure amounts reflected in the budget were estimates.

**Issues:** Controls over cash are insufficient. Specifically:

- Documentation did not capture the receipt of cash and the subsequent transfer of cash to the Treasurer;

- Petty cash logs were not maintained to support the transfer of funds to and from petty cash;
- Documentation was not maintained to support disbursements from petty cash (e.g., receipts);
- Documentation did not indicate the revenue source to facilitate deposit reconciliation;
- Checks were being written to cash; and
- Cash was not maintained in a secure location.

**Recommendations:** Controls over cash can be improved.

- The Executive Director should implement procedures to ensure the collection and transfer of cash is documented.
- Petty cash disbursements and replenishment must be adequately documented. Documentation should include the original receipts or invoices for items purchased, including the date and amount.
- The Executive Director must ensure deposit records are itemized to indicate the revenue source (e.g., Museum tours, store sales, horse and barn rental, camping fees, horse riding lessons, themed events).
- The Museum should discontinue writing checks payable to cash.
- The Executive Director must ensure funds maintained on-site are stored in a secure and locked location. Furthermore, access to the secure location should be limited to key personnel.

**Status: Partially Corrected.** The OIG assessed the degree to which controls have been established to sufficiently manage cash. Based on our discussions with the Executive Director and our review of documents, our assessment determined the following:

Procedures have not been implemented to document the collection and subsequent transfer of cash. Specifically, we determined the following:

- Procedures have not been established to allow corroboration of revenue collected by the Museum for special events (e.g. tickets sold as compared to revenue collected).
- The Executive Director indicated that for special events, he takes the revenue collected for the event to his personal residence to avoid leaving the cash on the Museum property overnight. In addition, the amount of cash collected is not determined prior to transporting the funds to his residence.

The Museum no longer maintains petty cash. The Executive Director stated that all disbursements are made either by check or credit card. In addition, the Executive Director stated that checks are no longer written to cash. The OIG reviewed a sample of cancelled checks and did not find any instance of checks written to cash.

Financial transactions recorded in Quickbooks for the period July 1, 2012 through May 21, 2013, indicates the revenue source.

The funds maintained on-site are now stored in a more secure location. The Executive Director has installed padlocks on the cabinets in which the checkbook and Museum funds are stored. The key to the cash is accessible to six employees that require access to the funds to facilitate completion of their various responsibilities and tasks. Although the padlocks could conceivably be unscrewed granting access to the funds, the padlocks provide some level of security. The keys to the padlocks are maintained in an inconspicuous location.

**Issue:** A review of disbursements found insufficient documentation for 26 of 59 records sampled (44%, \$12,816).

**Recommendation:** Documentation should be maintained for all disbursements (e.g., invoices).

**Status: Corrected.** The OIG reviewed ten disbursements for the period July 1, 2012 through May 21, 2013. All ten disbursements were supported by sufficient documentation.

**Issue:** The Museum has both an American Express and Home Depot credit card. According to the by-laws, disbursement of funds (except petty cash) shall be made by check.

**Recommendation:** The Board should determine whether credit cards are needed to support Museum operations, and revise the by-laws accordingly.

**Status: Not Corrected.** The OIG's review of disbursements identified an existing American Express and Home Depot credit card used by the Executive Director. The use of credit cards contradicts the by-laws of the Museum.

**Issue:** Bank reconciliations were not performed monthly nor adequately documented for the period under review.

**Recommendation:** Bank statements should be reconciled and documented on a monthly basis.

**Status: Corrected.** The OIG reviewed the reconciliation process performed by the Treasurer. Both the process, as well as the documentation supporting the reconciliation, appears to be adequate.

**Issue:** During the review period, the Executive Director did not prepare an annual report pursuant to the Museum's governing by-laws.

**Recommendations:** The Executive Director should prepare an annual report that provides the status of the Museum Development Plan. The report should

include a detailed budget, financial statements (balance sheet, income statements) and list of donors. The report should highlight capital improvements and operational efficiencies, as well as evaluate the events and activities for the fiscal year.

This report should be provided to the Board no later than 90 days after the fiscal year end, per the by-laws, with a copy provided to the Commissioner of Agriculture.

**Status: Partially Corrected.** The Executive Director compiled the Museum's Annual Report for Fiscal Year ending June 30, 2012. According to the November 6, 2012, Board minutes, the annual report was presented to the Board; however, the minutes did not support the Board's approval of the Annual Report. In addition, a copy of the Annual Report was not provided to the Commissioner of Agriculture.



**Issue:** During an assessment of the Museum facilities, it was noted that two buildings had exposed insulation. The remaining buildings on the property appeared to be in good condition.

**Recommendations:** The Executive Director should maintain a list of property and facility maintenance concerns, and provide periodic updates to the Board on the status of maintenance projects.



**Status: Corrected.** During the OIG's visit to the Museum on May 16 and 21, 2013, we observed the condition of the Museum facilities. Based on our observations, the Museum property and facilities were in good condition.

**Issues:** The Museum does not have sufficient physical security in place to protect its assets. Although the entrance gates are locked when the Museum is closed, there are points of entry to the property that are neither secure nor monitored.

Also, the Museum does not monitor the main entrance during the hours of operation. This allows for visitors, employees, and volunteers to access the property unnoticed.

A sign in/out log was kept during certain themed events; however, this log is not kept during normal operations.

The Museum owns a travel trailer (camper) which rents for a fee of \$100 per month. The renter lives on the Museum property, and in exchange, agrees to provide after-hours security. A signed rental agreement could not be provided for the current tenant.

**Recommendations:** The Executive Director should take steps to ensure the physical security of the Museum's assets:

- A staff member of the Museum should be assigned to the main entrance point during normal hours of operation.
- The Museum should maintain a daily sign-in/out log for all employees and volunteers. This list of personnel can also be used in the event of an emergency to determine who is on Museum property.
- The Museum should consider implementing a mechanism to track attendance (e.g. turnstiles, tickets). This can also be used to reconcile revenues reported.

- The Executive Director should obtain a signed rental agreement that outlines the living arrangements and specific expectations regarding the security services provided by the tenant. Additionally, this living arrangement should also be evaluated to ensure that it is not prohibited by ordinance.

**Status: Partially Corrected.** On May 16 and 21, 2013, the OIG visited the Museum and on both occasions, a Museum staff member greeted the team upon arrival.

The OIG observed the consistent use of sign in/out sheets for both employees and visitors to the Museum.

According to the Executive Director, a new tenant (a family unit, consisting of a father, mother and children) are currently living on the Museum property. The tenant serves as a caretaker and after-hours security for the Museum.

The OIG reviewed the caretaker agreement, which establishes guidelines for the resident caretaker. Based on our review, several areas of concern were identified, including, but not limited to, the fact that the agreement lacked the signatures of both the Executive Director and the caretaker. In addition, the effective date of the agreement was not established. The agreement also lacked terms to limit the liability of the Museum from any claims that may be made by the caretaker as a result of the agreement, or the hours for which the caretaker was expected to be on duty. The agreement also did not provide the Museum with the ability to cancel the agreement without the consent of the caretaker.

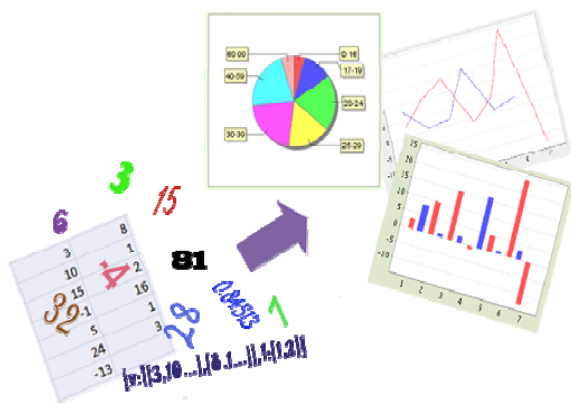
**Issue:** The Museum has no comprehensive listing of its inventory. During the site visit, it was noted that numerous artifacts were undocumented. According to the Executive Director, several of these items were donated by the U.S. Department of the Interior, National Park Service.

**Recommendation:** The Executive Director should ensure that a complete inventory of all artifacts is maintained in one comprehensive list. This inventory should include a description, approximate value, location, and the origin of each item.

**Status: Not Corrected.** As of May 22, 2013, the Museum has not made any substantial progress toward conducting an inventory of Museum artifacts. According to the Executive Director, the Museum does not have sufficient staff to complete the task.

**Issues:** The Museum maintains a commercial general liability insurance policy covering the property. The medical expense limit of the policy is \$1,000, per incident, per person.

The Museum's current insurance policy does not include coverage for the sale or consumption of alcohol on the Museum's property.



insurance but no workers' compensation, property or officer insurance, or coverage for the sale of alcohol. The subcommittee recommended the Board prioritize its insurance coverage endeavors, to begin with obtaining workers' compensation insurance and liability insurance for the sale of alcohol, if the Museum can secure an alcohol license.

The Board voted to authorize the purchase of alcohol insurance, subject to obtaining an alcohol license, and the purchase of worker's compensation insurance, subject to budgeting for added cost. The Board moved to table the purchase of officer insurance and additional liability insurance.

**Recommendation:** The Museum's liability policy should be reevaluated to ensure it provides the appropriate and desired coverage.

**Status: Partially Corrected.** During the August 12, 2012, Board meeting, the Board formed a subcommittee to assess concerns related to the Museum's insurance policy. At the November 6, 2012, Board meeting, the subcommittee reported to the Board its conclusions and recommendations. As of November 6, 2012, the Museum had liability

# INTERNAL CONSULTING SERVICES

The OIG performs consulting services based on requests from department management, as well as through joint projects with department personnel that are designed to enhance internal controls or organizational governance. The Audit Section participated in six (6) internal consulting services during Fiscal Year 2012-2013.

## Direct-Support Organizations

(Report Number: IC 1213-01)

The objectives of this project were to determine the department's compliance with Section 215.981(2), Florida Statutes, which outlines the department's responsibility as it relates to establishing accounting and financial management guidelines, and conducting operational and financial reviews of the department's DSOs.

The scope for this project focused on all support organizations that were approved by the department and established in Florida Statutes to operate for the benefit of a specific departmental program.

**Issue:** Compliance with Florida Statutes, as it relates to establishing accounting and financial management guidelines, is accomplished through activities performed by personnel in the Division of Administration, Bureau of Finance and Accounting (bureau).

The bureau has compiled a document entitled, Accounting and Financial Reporting Guidelines for DSOs, which will be provided to the department's DSOs to make them aware of the audit requirements. The document also informs the DSOs of their reporting requirements as defined in Section 216.102, Florida Statutes, which requires the filing of financial and other information with the Department of Financial Services.

The Bureau notifies each DSO annually of its reporting deadlines to ensure the timely filing of financial information to the Bureau for subsequent submission to the

Department of Financial Services. The notification includes the changes in governmental accounting standards and the schedule detailing when DSOs should implement the new standards.

**Recommendation:** The OIG recommends that the bureau proceed with plans to distribute the Financial Reporting Guidelines for DSOs.



**Issue:** The department has not established the office(s) or individual(s) responsible for conducting the operational and financial reviews of a select number of DSOs that fall below the audit threshold.

The OIG conducted an audit of one of the department's DSOs, the Florida Agricultural Museum, Inc., during Fiscal Year 2011-2012. The audit focused on the operational and financial management of the Museum and provided recommendations for enhancement to internal controls.

**Recommendation:** The OIG will conduct a review of a select number of the department's DSOs annually to assist the department in complying with Section 215.981(2), Florida Statutes.

**Issue:** Section 570.9135(4)(a), Florida Statutes, establishes the Florida Beef Council, Inc., as a DSO of the department. However, during our review, the Florida Beef Council, Inc. indicated to the OIG that they have never functioned as a department DSO.

The OIG notified department personnel of our discussions with the Beef Council and the need to resolve the DSO's operational status.

**Recommendation:** The OIG recommends that the department begin discussions with the Beef Council to resolve their operational status. If discussions conclude that they will no longer function as a DSO to support the department programs for which they were created, then the department should take the necessary action(s) to seek their removal from the department's DSO statutes.

### **Florida Forest Service** (In Progress)

At the request of Florida Forest Service (FFS) management, the OIG initiated a project to evaluate the internal controls related to establishing accountability for the FFS' fuel usage. The scope of this project is the FFS' fleet of fuel-consuming vehicles and equipment.



### **Performance Measures – Review of Validity and Reliability Statements** (Report Number: No Report Issued)

The Audit Section reviewed the addition, deletion, or modification of the Long Range Program Plan Exhibit IV: Performance Measure Validity and Reliability statements to assess the validity and reliability of the information contained in the Exhibit.

### **Performance Measures – Review of the Addition, Deletion, or Modification of Approved Performance Measures, Standards, and Activities** (Report Number: No Report Issued)

The Audit Section reviewed the addition, deletion, or modification of approved measures, standards, and activities for the Fiscal Year 2014-2015 Long Range Program Plan. The purpose of this review was to assess the reliability and validity of information provided by the department on performance measures and standards, and to make recommendations for improvement, if necessary, prior to submission to the Executive Office of the Governor and Florida Legislature.

### **General Records and Data Analysis – Investigation Assistance**

The Audit Section performed general record and data analyses as requested during the year to assist the Investigative Section.

### **American Recovery and Reinvestment Act (ARRA)**

The department initially received \$15,245,063.99 to be utilized by the Florida Forest Service and the Divisions of Aquaculture and Marketing and Development. Specifically, these funds were utilized:

- For fuel reduction in areas of high wildfire risk throughout Florida;
- For Firewise program delivery to Florida's highest risk urban interface areas;

- To increase tree canopies and maintain existing trees in Florida communities;
- To improve the condition of longleaf pine forests on state and privately owned forest lands;
- To defray the costs associated with the administration, storage and distribution of USDA foods; and
- To provide assistance to eligible aquaculture producers that suffered financial losses associated with high feed input costs during the 2008 calendar year.

responsibility for \$175,957,276 in ARRA funds.

During this reporting period, the Audit Section monitored the continued obligation and expenditure of these funds and worked with external audit entities during their review of specific programs.

The following chart identifies all ARRA funds received by the department:

In addition, the Florida Energy Office was transferred to the department from the Executive Office of the Governor on July 1, 2011. This office had oversight

<b>EXPENDITURES OF ARRA GRANTS</b>				
<b>Division/Office</b>	<b>Award</b>	<b>Award Amount</b>	<b>Amount* Expended</b>	<b>Percent</b>
Office of Energy	State Energy Program	\$126,089,000.00	\$110,172,565.22	87.38%
Office of Energy	Energy Efficiency & Conservation Block Grant	30,401,600.00	23,325,373.47	76.72%
Office of Energy	Energy Efficient Appliance & HVAC Rebate	17,585,000.00	17,585,000.00	100.00%
Office of Energy	Energy Assurance & Smart Grid Resiliency Grant Program	1,881,676.00	1,397,578.74	74.27%
Florida Forest Service	Florida Community Fuels Management Program – Phase 1	900,000.00	900,000.00	100.00%
Florida Forest Service **	Florida Community Fuels Management Program – Phase 2	6,281,000.00	5,698,950.89	90.73%
Florida Forest Service	Florida Forest Health Improvement Initiative	1,570,000.00	1,570,000.00	100.00%
Florida Forest Service **	Florida Regional Longleaf Pine Restoration Initiative & Fuel Reduction	1,755,000.00	1,748,115.69	99.61%
Marketing & Development	Florida TEFAP CAP Recovery Act	4,408,715.00	4,408,715.00	100.00%
Aquaculture	State Grant to Provide Assistance to Eligible Aquaculture Producers	330,348.99	330,348.99	100.00%

Sources: Energy Office and Bureau of Finance and Accounting

\* Totals reflected may have changed as expenditures continued.

\*\* The grant has been closed. The total amount awarded was not expended.

# GOVERNANCE ACTIVITIES

The Audit Section performed three (3) ongoing governance activities monitor current information technology issues for the department and to communicate key issues to department employees, as follows:

## **Technology Governance Committees**

The Audit Section takes an active role in advising and consulting with department management in the information technology arena by serving as an advisory member on the following committee and panel:

- Operational Steering Committee; and
- Information Technology Life Cycle Review Panel.

As an advisory member, the Director of Auditing attends the committee and panel meetings to participate in discussions regarding IT-related issues facing the department, such as the development of new applications and security controls.

## **Governance Communications**

Management Advisories or Control Alerts may be distributed to management to communicate opportunities for improvements in efficiencies, effectiveness, or controls of department programs, operations, or financial management. No governance communications were distributed during Fiscal Year 2012-2013 due, in part, to the assignment of audit staff members as division/office liaisons which provides timely, one-on-one communications with management.

## **Preventative Measures and Communication**

The Audit Section utilizes the department's quarterly Open Lines newsletter to communicate services provided and audit-related issues. In the winter 2012-2013 edition of Open Lines, the Audit Section provided a definition and examples of internal controls. The responsibilities of management, employees and internal auditors for designing, implementing and monitoring internal controls were also discussed.

# EXTERNAL AUDIT/REVIEW ACTIVITIES

The OIG is the coordinator for external audits or reviews conducted by the Auditor General, Office of Program Policy Analysis and Government Accountability (OPPAGA), Federal auditors, and other governmental entities. In the role as the coordinator, the Audit Section also evaluates findings and department responses. In addition, the Audit Section performs follow-up activities to determine the status of corrective action for findings contained in reports issued by the Auditor General or the OPPAGA. The Audit Section coordinated eleven (11) external audits or reviews conducted by federal or state agencies during Fiscal Year 2012-2013.

## OFFICE OF THE AUDITOR GENERAL

### Financial Statements FY Ending 06/30/12

(Report: Florida's Comprehensive Annual  
Financial Report for Fiscal Year Ending  
06/30/12)

This audit concerned the State of Florida's Basic Financial Statements to include an annual fraud inquiry, financial noncompliance disclosure, legal representation letter, management representation letter, and a reconciliation of the State Expenditures for Federal Awards. There were no findings resulting from this review.

### Federal Awards for FY 2010-2011 State Energy Program and Child Nutrition

Follow-up  
(Report Number: AG 2012-142)

The Auditor General selected the Child Nutrition Cluster and the State Energy Program as the Federal Awards programs audited for fiscal year ending June 30, 2011. The report contained two findings for the Child Nutrition Cluster and four findings for the State Energy Program. The status of corrective action is highlighted below.

#### *Child Nutrition Cluster*

**Finding 1:** Program management had not implemented certain access security controls for the Child Nutrition Program (CNP) System.

**Corrective Action: Completed.** Written policies and procedures governing changes to computer applications are being followed to ensure appropriate documentation is maintained for all modifications to the CNP system. Users are granted access to the CNP System via a written request from the application owner, approvals are being maintained in the department's Remedy System, and procedures have been implemented to improve the timely removal of access privileges to the CNP System for terminated employees. Enhancements to the CNP System's access security controls have been programmed, tested and went into effect on July 11, 2012.



**Finding 2:** Program management did not have a process in place to ensure that Child Nutrition Cluster subaward data were properly reported in the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS).

**Corrective Action: Completed.** The Bureau of Finance and Accounting was unable to file timely reports for the first few months after the Food and Nutrition Services was transferred from the Florida Department of Education in January 2012, mainly due to difficulties encountered with the Federal Subaward Reporting System (FSRS). The bureau has implemented new procedures to ensure the timely filing of the reports. In addition, the bureau is working with Division of Food, Nutrition and Wellness staff to have the new Child Nutrition Program system supply the data required for FSRS reporting, which will facilitate filing the reports. The new system is scheduled for implementation on July 1, 2014.

#### *State Energy Program*

**Finding 1:** Program management paid a subrecipient for activities that were not completed prior to reimbursement.

**Corrective Action: Completed.** The Office of Energy (OOE) has terminated the grant with the subgrantee and the funds have been reimbursed.

**Finding 2:** Program management did not document that weekly certified payrolls from subrecipients were received and reviewed for compliance with the Davis-Bacon Act.

**Corrective Action: Completed.** The OOE developed a checklist specifically to document the review of payrolls for compliance with Davis Bacon Act

requirements. The checklist was provided to the grant managers and the new process was implemented on May 1, 2012.

**Finding 3:** Program management did not ensure that monitoring reports were completed in a timely manner following the monitoring of subrecipients or that deficiencies were timely resolved.

**Corrective Action: Completed.** The OOE has completed training for grant managers on the topic of grant monitoring, including the timely issuance of monitoring reports. The OOE has also developed and implemented a spreadsheet to document grant monitoring activities, including the date of site visits and the subsequent issuance of monitoring reports. A procedure was implemented, whereby grant managers are notified of upcoming report deadlines.



**Finding 4:** Program management did not ensure that it obtained and reviewed required audits of subrecipients.

**Corrective Action: In progress.** The OOE developed and implemented an audit tracking spreadsheet to document the request made to subrecipients to submit a copy of the required audit reports, or that they complete an Audit Certification Form to indicate an audit was not required. The OOE also developed and implemented an audit checklist to document the review of



audit reports, and has provided the grant managers with training on the audit review procedures. The OOE updated the written policies and procedures to address the receipt and review of subrecipient audit reports.

**Federal Awards for FY 2011-2012  
State Energy Program  
and Child Nutrition**

(Report Number: AG 2013-161)

The Auditor General selected the Child Nutrition Cluster and the State Energy Program as the Federal Awards programs audited for fiscal year ending June 30, 2012. The report contained two findings for the Child Nutrition Cluster and two findings for the State Energy Program. The status of corrective action is highlighted below.

***Child Nutrition Cluster***

**Finding 1:** Program management had not implemented certain access security controls for the Child Nutrition Program (CNP) System.

**Corrective Action: Completed.** Written policies and procedures governing changes to computer applications are being followed to ensure appropriate documentation is maintained for all modifications to the CNP system. Users are granted access to the CNP System via a written request from the application owner, approvals are being maintained in the department's Remedy System, and procedures were implemented to improve the timely removal of access privileges to the CNP System for terminated employees. Enhancements to the CNP System's access security controls were programmed, tested and went into effect on July 11, 2012.

**Finding 2:** Program management did not have a process in place to ensure that Child Nutrition Cluster subaward data were

properly reported in the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS).

**Corrective Action: Completed.** The Bureau of Finance and Accounting was unable to file timely reports for the first few months after the Food and Nutrition Services was transferred from the Florida Department of Education in January 2012, mainly due to difficulties encountered with the Federal Subaward Reporting System (FSRS). The bureau implemented new procedures to ensure the timely filing of the reports. In addition, the bureau is working with Division of Food, Nutrition and Wellness staff to have the new Child Nutrition Program system supply the data required for FSRS reporting, which will facilitate filing the reports. The new system is scheduled for implementation on July 1, 2014.

***State Energy Program***

**Finding 1:** FDACS did not correctly reimburse one subgrantee.

**Corrective Action: Completed.** Upon notification to the sub-recipient of the overage, the sub-recipient was able to provide an explanation and documentation to substantiate an overpayment was not made. Upon further review, the OOE determined that the payments in question were split between two invoices and no overage or duplication of payment occurred.

**Finding 2:** FDACS procedures were not adequate to ensure that all subrecipient audit reports were obtained and reviewed. In addition, FDACS did not timely review audit reports in order to determine whether management decisions and corrective actions were required.

**Corrective Action: Completed.** The OOE developed and implemented an audit tracking spreadsheet to document the request made to subrecipients to submit a copy of the required audit reports, or that they complete an Audit Certification Form to indicate an audit was not required. The OOE also developed and implemented an audit checklist to document the review of audit reports, and provided the grant managers with training on the audit review procedures. The OOE updated the written policies and procedures to address the receipt and review of subrecipient audit reports.

**Multi-Agency Operational Audit  
Payroll and Personnel**  
(Fieldwork in progress)

The audit will focus primarily on a follow-up to Auditor General Report No. 2011-069, *Payroll and Personnel Administrative Processes*, and will include payroll and personnel activities of the department.

**OFFICE OF PROGRAM POLICY  
ANALYSIS AND GOVERNMENT  
ACCOUNTABILITY (OPPAGA)**

**2013 Florida Government Program  
Summaries**  
(Report maintained electronically)

This was an annual update of the department's information contained on the Office of Program Policy Analysis and Government Accountability's website.

**DEPARTMENT OF FINANCIAL  
SERVICES**

**Financial Statements  
FY Ending 06/30/12**  
(Florida's Comprehensive Annual Financial  
Report for FY Ending 06/30/12)

This was a request for completion of the Consideration of Fraud in Financial Reporting Certification form by the Commissioner. It acknowledges agency management's responsibility to prevent and detect fraud in regards to its own agency financial information to be included in the statewide financial statements and completion of a management representation letter relating to internal controls over statewide financial reporting.

**Contract and Grant Agreements**  
(Report dated June 18, 2013)

The review focused on determining compliance with the following statutory requirements:

- Contract/grant agreements must contain a clear scope of work.
- Contract/grant agreements must contain deliverables that are quantifiable, measurable, verifiable and directly related to the scope of work.
- Contract/grant managers must enforce performance of the agreement terms and conditions; review and document all deliverables for which payment is requested by service providers; and provide written certification of the Department's receipt of goods and services.

Three (3) service contracts and sixteen (16) grant agreements were reviewed. The review identified the following areas where improvements could be made:

- Scope of work did not clearly establish the tasks to be performed for three (3) grant agreements.
- The specific level of services required to be performed and/or criteria to determine successful completion of the deliverables were not provided for eight (8) agreements.

- There were contract/grant management issues for eight (8) agreements which included: verification of deliverables was not documented; payments were not processed in accordance with contract terms; and contract management files lacked documentation to reflect that all expenditures were directly related to the specific grant agreement.

**UNITED STATES DEPARTMENT OF  
AGRICULTURE (USDA)**

**Technical Assistance Review of the  
Florida Department of Agriculture  
and Consumer Service's**

Administration of the National School Lunch  
Program and the Summer Food  
Service Program  
(Report dated September 2012)

The Financial Management staff of the Food and Nutrition Service (FNS) Southeast Regional Office provided technical assistance to department staff on the Federal reporting requirements. A review was also conducted of the financial procedures in place for the National School Lunch Program (NSLP) and the Summer Food Service Program (SFSP) administered by the department in accordance with guidance issued by FNS.

**Issue:** During the review week, due to the scheduling conflicts of key financial staff, the department was unable to provide documentation for review to support the FNS-777, the FNS-777 SAE or information on the status of the FFY 2012 4111 quarter CNP SAE funding.

The department did not have written procedures outlining the process used to complete the FNS – 777 report or to reconcile meal count data to claim payments made and funds drawn from the Automated Standard Application for Payment System (ASAP).

**Recommendations:** The department should develop written procedures for all financial processes to ensure a clear understanding and consistent application of procedures among staff.

Based on the fact that the review team was not able to complete the financial portion of this review, the department will be scheduled for a financial management review in 2013.

**Special Nutrition Programs  
Management Evaluation Report  
FY 2013**

National School Lunch Program  
School Breakfast Program  
USDA Foods and Processing of USDA Foods  
(Report dated March 27, 2013)

The Southeast Regional Office of Food and Nutrition Service (FNS) conducted a Management Evaluation (ME) of the department's administration of the National School Lunch Program (NSLP), School Breakfast Program (SBP), USDA Foods and Processing of USDA Foods. The review period covered FY 2012 and the first quarter of FY 2013.

The purpose of the review was to assess the department's compliance with its responsibilities for the administration of the above programs as outlined in the applicable Code of Federal Regulations, FNS Instructions, and policies. The review identified four (4) findings and two (2) observations.

**Finding 1:** One school district is using a prototype letter for direct certification notification that is missing language to explain extended eligibility to all children in the household, as specified in Policy Memo SP 25-2010.

**Finding 2:** The department is not disseminating materials developed by

Dietetic Internship Program (DIP) participants to SFAs and other CN program participants involved with the DIP. The FL FDACS DIP work plan, included in the SAE plan, requires interns in this program to submit materials they create as a result of participating in internship rotations. The work plan also requires the department to distribute those materials to SFAs and other CN program participants as appropriate.

**Finding 3:** The department has developed a prototype RFP for FSMCs, an Invitation for Bid (IFB) for Vended School Meals and a Small Purchase Contract for Vended School Meal Services. Each of these documents include USDA Debarment, Lobbying and Drug-Free Workplace forms that are no longer approved USDA forms. 2 CR 417, 2 CFR 421 and 7 CFR 3018 require state agencies and SFAs to incorporate the debarment, lobbying and drug-free workplace requirements into the language of procurement/contractual documentation or develop state-specific or local agency specific forms. In addition, the RFP for FSMCs did not include the USDA FFVP as a potential program for FSMCs to support during the contracted period.

**Finding 4:** Dade County's certification and validation process was not consistent with the requirements in CND Policy Memo SP 31-2012. The department did not acquire the following information to certify or validate Dade County's compliance with the stated requirements.

- Portion sizes – missing.
- The individual menus for specific age group categorize (elementary, middle, and high). The department provided one menu for all categorizes; however, each age group provides different items and different portion sizes.

- The nutrient analysis conducted for elementary/middle school menus did not include all items served.
- The simplified analysis tool was submitted for the high school menu; however, the district did not include condiments.

In addition, the department does not have written procedures for determining the disregard of reclaimed NSLP reimbursement (7 CFR 210.19(d)) or withholding NSLP reimbursement (7 CFR 210.18(i)) other than to state they are following the requirements outlined in the regulations.



**Observation 1:** The department is checking to ensure that software used by SFAs to approve applications reflects current regulations and policies. The Meals Plus software used by one school board was approved in the hardcopy file. However, this information was not reflected in the consolidated spreadsheet used to track all approved application software programs used by LEAs.

**Observation 2:** Department staff was unable to identify the receipt or disposition of CR complaints without having to review all of the received complaint folders.

### **Special Nutrition Programs Management Evaluation Report FY 2013**

Summer Food Service Program  
(Report dated March 18, 2013)

The Southeast Regional Office (SERO) of  
Food and Nutrition Service (FNS)

conducted a Management Evaluation (ME) of the department's administration of the Summer Food Service Program (SFSP). The review period covered fiscal year (FY) 2012 and included a review of areas identified by the Child Nutrition Division of FNS as critical to the Program's operation.

The purpose of the review was to assess the department's compliance with its responsibilities for the administration of the SFSP as outlined in applicable Code of Federal Regulations, FNS Instructions, and policies. The report contained thirteen (13) findings which are not in compliance with the regulations, instructions and/or policies, and four (4) observations with suggestions for program improvement.

**Finding 1:** The State agency is not in compliance with all of the requirements for sponsor applications, required in 7CFR Part 225.6.

Although the department's sponsor application requires sponsors to indicate whether they have an inclement weather plan, it does not require sponsors to demonstrate or describe their plan.

**Finding 2:** The Administrative Guidance for Sponsors and Policy Memo SFSP 06-2011: Child Nutrition Reauthorization 2010: Privacy Protection and the Use of Social Security Numbers in Child Nutrition Programs require that the head of household provide the last four digits of their social security number on the income eligibility application. The United States Department of Agriculture (USDA) revised the income eligibility application in 2012 and a copy of that application was included in the 2012 Administrative Guidance for Sponsors. However, sponsors used the 2008 version of the income eligibility application, which requires participants to provide their entire social security number.

**Finding 3:** 7 CFR 3016.36(c), 7 CFR 3019.43 and the Contracting with Food Service Management Companies: Guidance for School Food Authorities handbook require that all procurement transactions be conducted in a manner which promotes full and open competition.

Florida has a State law which allows district school boards to enter into cooperative agreements "piggyback" on contracts awarded to State colleges and universities and other governmental entities. While the USDA allows cooperative agreements as long as there is not a material change to the cost of the contract, the department does not disclose this State law in their prototype invitation for bid or the FSMC contract. Therefore, potential vendors could be unaware of the State law, and may have bade differently had they been informed of the law.

**Finding 4:** The department's prototype FSMC contract did not contain a statement indicating that the sponsor and the FSMC will operate in accordance with Program regulations.

**Finding 5:** The department does not have a system in place to ensure that sponsors immediately receive a copy of review reports which include Program violations that could result in Program disallowances as required by 7 CFR Part 225.7(d)(4). Also, the department does not maintain documentation to verify that sponsors were notified of Program violations which could result in Program disallowances.

**Finding 6:** The State agency did not conduct follow-up reviews of sponsors and sites as required by 7 CFR Part 225.7(d)(3), 225.7(d)(9), and 225.11(f)(1).

**Finding 7:** The department entered into an agreement with a sponsor which had been

declared seriously deficient in its operation of the SFSP and had not completed corrective action.

**Finding 8:** The department does not require the sponsor to take corrective action when violations are observed during site reviews as required in 7 CFR Part 225.11 (f)(1).

**Finding 9:** The department is not using the most current version of the nondiscrimination statement.

**Finding 10:** The department is out of compliance with 7 CFR Part 225.9(d)(1) by not offering a single claim for reimbursement for school food authorities (SFA) participating in multiple Child Nutrition Programs (CNP).

**Finding 11:** The State agency does not offer advances to sponsors as required by 7 CFR Part 225.9(c) and does not have an accurate system for calculating and paying sponsor advances as required by 7 CFR Part 225.9(c)(1) & (2). Also, the method that the State agency is using to calculate advances for sponsors is inconsistent with guidance provided by 7 CFR Part 225.9(c).

**Finding 12:** The department does not correctly reimburse sponsors which operate different types of meal preparation for breakfast and lunch as required by 7 CFR Part 225.9(d).

**Finding 13:** The department is out of compliance with 7 CFR 225.12(b) by not taking appropriate fiscal action when sponsors are found to be out of compliance with Program requirements.

**Observation 1:** When developing SFSP training for sponsors and State reviewers, the department should consider discussing and providing technical assistance on issues

that were identified during the previous summer.

**Observation 2:** The department has procedures for handling complaints; however, the department does not maintain a log of the complaints.

**Observation 3:** The department does not have a written disallowance policy and currently uses the USDA regulations to cover this policy.

**Observation 4:** Although the department does not currently have any sites that require multiple rates of reimbursement (i.e. self-prep for breakfast and vended for lunch), the ME team identified that the department does not have any procedures on how to reimburse sponsors who may have sites which require multiple rates of reimbursement.

## OPEN AUDIT FINDINGS FROM PRIOR ANNUAL REPORTS

Timely analysis and appropriate corrective actions should result from any findings and recommendations made in conjunction with internal or external assurance services. Findings and recommendations have been communicated to management early in the audit process, resulting in corrective actions being completed prior to completion of many assurance projects. Additionally, the Audit Section has emphasized timeliness in corrective action plans of management and subsequent follow-up activities. As a result of management's responsiveness, the majority of the significant audit findings previously reported through the Fiscal Year 2011-2012 Annual Report have been resolved. Efforts are continuing to resolve significant issues reported for the Florida Agricultural Museum, Inc.

TO LEARN MORE ABOUT THE OIG, VISIT OUR WEBSITE AT:

[www.FreshFromFlorida.com](http://www.FreshFromFlorida.com)

REPORT FRAUD, WASTE AND ABUSE

Department of Agriculture and Consumer Services  
Office of Inspector General  
2005 Apalachee Parkway, Suite E  
Tallahassee, Florida 32399-6500

PHONE:  
(850) 245-1360

FAX:  
(850) 245-1370

E-MAIL:  
[oig@FreshFromFlorida.com](mailto:oig@FreshFromFlorida.com)



---

THE OFFICE OF INSPECTOR GENERAL IS COMMITTED TO CREATING EFFICIENCIES WITHIN THE DEPARTMENT AND ENHANCING THE PUBLIC'S TRUST IN GOVERNMENT. THIS IS ACCOMPLISHED THROUGH THE EFFORTS OF THE DEDICATED AND HIGHLY QUALIFIED INDIVIDUALS WHO SERVE WITHIN THE OIG. AS WE WORK WITH DEPARTMENT MEMBERS, WE WILL CONTINUE TO IDENTIFY INNOVATIVE WAYS TO REFINE OPERATIONAL PROCESSES, REDUCE WASTE, AND ADD VALUE FOR THE CITIZENS AND VISITORS OF FLORIDA.