

2012

Annual Report

Office of Inspector General



DEPARTMENT OF MANAGEMENT
SERVICES



RICK SCOTT
Governor

DEPARTMENT OF MANAGEMENT
SERVICES

CRAIG J. NICHOLS
Agency Secretary

September 28, 2012

Craig J. Nichols, Agency Secretary
Department of Management Services
4050 Esplanade Way, Suite 285B
Tallahassee, Florida 32399-0905

Dear Secretary Nichols:

I am pleased to submit our annual report on the activities of the Office of Inspector General for the fiscal year ending June 30, 2012, as required by section 20.055, Florida Statutes.

The annual work plan portion of the report includes planned projects for the current fiscal year and our projected activities for the next two fiscal years. Our work plan is risk based to provide the most effective coverage of the department's programs, processes, systems, and contracts with outside entities. Our risk analysis is based on surveys and meetings with key department managers and a risk assessment performed by the Office of Inspector General's staff.

The activities outlined in our work plan for Fiscal Year 2012-13 address the major operations of the department and optimize the use of our resources. We have reserved approximately 10 percent of internal audit time for management assistance projects, including those that may be requested by your office.

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

Respectfully submitted,

John Davis
Interim Inspector General
Department of Management Services

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INTRODUCTION

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

This annual report is presented to the Secretary to comply with statutory requirements and to provide department staff and interested parties with information on the OIG's progress in accomplishing its mission as defined by Florida law.

Mission Statement

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

Duties and Responsibilities

The Office of Inspector General's duties and responsibilities include the following:

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



Department Services Are Diverse

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

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

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

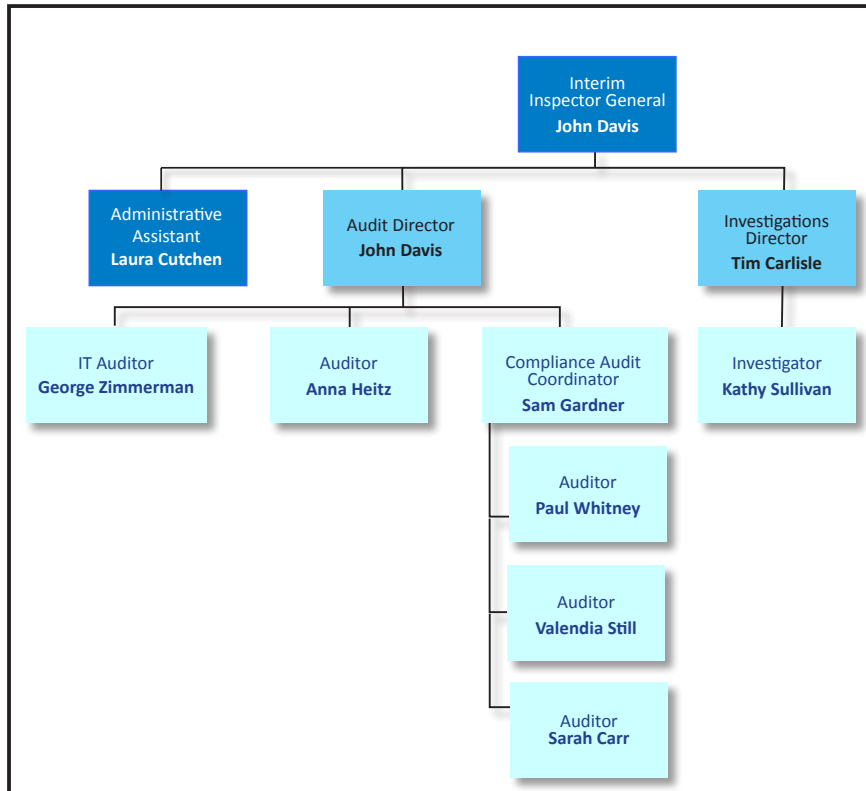
A Risk-Based Program

The OIG conducts a comprehensive, annual risk assessment to help ensure that it provides adequate audit coverage of the department's many programs and activities. The risk assessment helps ensure that the OIG remains responsive to management issues and concerns and identifies and schedules for review those programs and activities that pose the greatest risk to the department.

OIG Organization and Staff

To carry out its duties and responsibilities, the OIG is organized into two sections: Internal Audit and Investigations.

The OIG has a staff of 11 positions. Its organizational structure is shown below:



OIG employees have a wide range of experience in both the public and private sectors. Staff members have supervised and conducted audits or investigations at the federal, state, and local levels. OIG staff has background and experience in accounting, auditing, law enforcement, program evaluation, management, and computer science.

OIG Staff Certifications

OIG staff holds the following professional certifications:

- 2 Certified Public Accountants**
- 2 Certified Inspector General Investigators**
- 1 Certified Inspectors General**
- 1 Certified Information Systems Auditor**
- 1 Certified Government Financial Manager**
- 1 Certified Government Auditing Professional**
- 1 Certified Internal Auditor**

Organization and Functions

Internal Audit Section

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

Audits are conducted in accordance with the current ***International Standards for the Professional Practice of Internal Auditing*** established by the Institute of Internal Auditors. Financial audits may be subject to the standards for generally accepted auditing principles promulgated by the American Institute of Certified Public Accountants. OIG audit reports are submitted to the Secretary and the Auditor General and are distributed to the Office of the Chief Inspector General, department managers, and others, as appropriate.

The Internal Audit Section's major functions are to:

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

Internal Investigations Section

The Internal Investigations Section works to deter, detect, and investigate crimes or misconduct impacting the department. The section receives inquiries or complaints regarding departmental activity from many sources, including the Whistleblower's Hotline, the Comptroller's Get Lean Hotline, the Chief Inspector General's office, and the Governor's Office. Complaints are also received from entities that do business with the department and from upper management or line personnel within the agency. Some complaints are broad and address entire programs while others have a more limited scope.

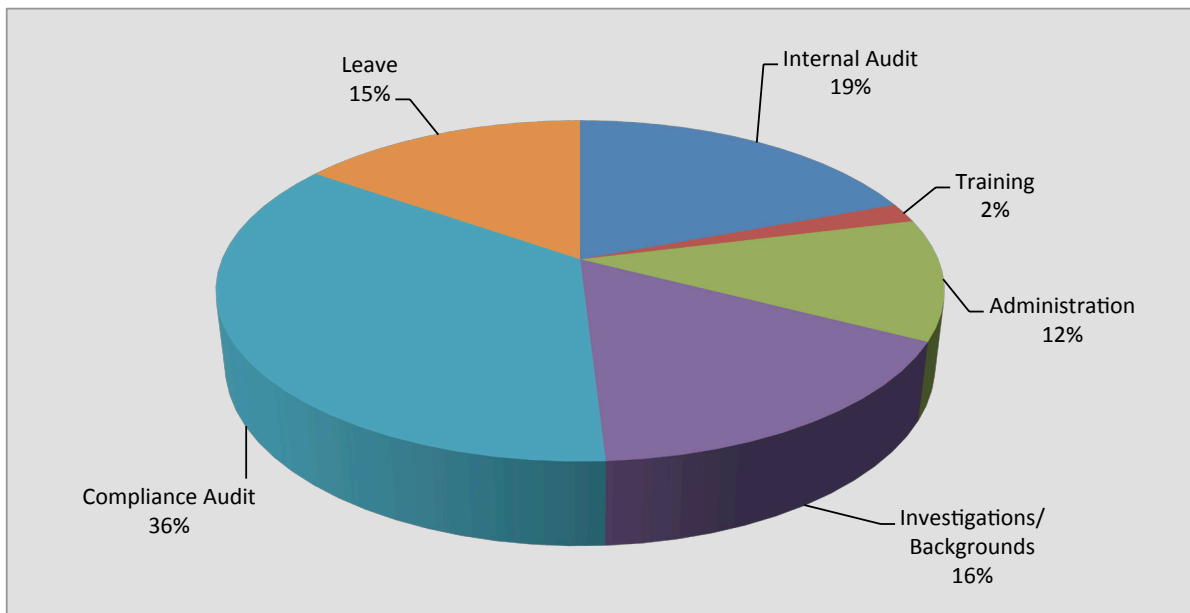
Investigations staff monitor and track all cases. All case dispositions are reported to the Secretary and to appropriate managers. When allegations are sustained involving possible disciplinary action, the OIG provides the necessary facts to the department's human resources office, the Office of the General Counsel, and division managers to assist them in taking the appropriate disciplinary actions. Cases involving criminal activity are referred to the appropriate law enforcement agency.

Accomplishments

During Fiscal Year 2011-12, the OIG accomplished the following:

Function	Number	Potential Cost Savings/Recovery/ Avoidance/Questioned Costs
Compliance Reviews	87	\$822,813
Performance Audits	2	
Response Coordination	12	
Audit Follow-ups	7	
Investigations	13	
Background Inquiries	2,687	

To accomplish the OIG's goals, personnel time resources were used as shown in the following chart:



Summary of Major Activities

Performance Audits

The Internal Audit Section completed two performance audits in Fiscal Year 2011-12. Reports are available online at: http://www.dms.myflorida.com/agency_administration/inspector_general/publications/audit_reports

The following are highlights of the reviews completed during the past fiscal year.

Audit of Southwood Shared Resource Center Ethics Program

Report No. IA 2012-002

At the request of the Southwood Shared Resource Center (SSRC), the Office of Inspector General conducted a review of the ethics program at the SSRC.

The auditors determined that:

- The SSRC created an internal Code of Ethics Policy to reflect Governor Scott's Executive Order 11-03.
- The SSRC had a Chief Ethics Officer in place and had implemented an annual ethics training program, administered by the Human Resource Office (HR). Annually, employees receive ethics training and are tested on their knowledge of the same. Employees are provided a certificate of completion through the People First system and a copy of that certificate is provided to HR.

Audit of Federal Property Assistance Program

Report No. IA 2012-239

The Office of Inspector General audited the department's Federal Property Assistance Program (FPA). The review of operations showed that the warehouse consolidation, lack of resources, and lack of department support had resulted in a decline in revenues and a diminishing trust fund balance.

The Office of Inspector General suggested that department management should examine current operations and determine whether to:

- 1) Redefine FPA's current operation in concert with development of a marketing program to expand the customer base;
- 2) Reduce operations to direct pickup by customers and move management of the Program to Tallahassee; or
- 3) Eliminate FPA entirely.



Recommendations included:

- Developing and implementing a marketing strategy to reach and inform all eligible state customers of the existence and benefits of the program;
- Defining information system needs and either updating the current system or acquiring a new system to accommodate the program's needs; and
- Reviewing and updating personnel requirements as well as job classifications. In particular, an in-depth review and analysis of salary compensation should be conducted.

Compliance Audits

During Fiscal Year 2011-12, the OIG completed 87 compliance reviews of local government participants in the State of Florida Retirement System. These reviews resulted in revenue adjustments of nearly \$340,860 to the retirement system trust fund. Compliance audits consisted mainly of reviews of payroll records, personnel files, and earnings records.

Compliance reviews are performed at participating entities such as:

- County Commissions
- County Property Appraisers
- County Tax Collectors
- County School Boards
- County Clerks
- County Comptrollers
- County Sheriffs
- County Supervisors of Elections
- Community Colleges

Compliance Audit staff also completed five special reviews. These reviews identified the continued eligibility of payees and joint annuitants age 100 and older, the eligibility of payees and joint annuitants living outside of the U.S., and included a special review of community college optional retirement plans. These reviews resulted in a recurring cost avoidance of \$481,954.

Continuing Projects

The OIG staff also assists the department in other ways. For example, staff participated in the following departmental activities during the past year:

Computer Security Incident Response Team (CSIRT)

The CSIRT is a first-responder unit that performs vital functions in regards to mitigating and investigating an apparent information security incident to minimize damage to the department's computer systems, networks, and data. CSIRT activities are available 24 hours per day and seven days a week.

The OIG is a core member of the CSIRT team for the department and the Southwood Shared Resource Center (SSRC). As part of this response team, the OIG's duties include the following:

- Convene, as required, upon notification of a reported computer security incident
- Respond to activities that might interrupt the information technology services of the area for which the team is responsible during duty and non-duty hours
- Classify agency security incidents
- Maintain confidentiality of information related to computer security incidents
- Perform all investigation activities



Public Records

The OIG provides management advisory services associated with the Public Records Management System (PRMS) and the electronic record keeping of public records. These management advisory services include the following activities:

- Participate as a team member of the Executive Records Management Team;
- Assist divisions with determining which requests are entered into PRMS;
- Coordinate PRMS user training; and
- Maintain the Public Records Information Sharing distribution list for the department.

American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act (ARRA) of 2009 (Public Law 111-5) was enacted on February 17, 2009. A goal of the ARRA is to expand access to broadband services in the United States. This is to be accomplished by supporting the deployment of broadband infrastructure, enhancing and expanding public computer centers, encouraging sustainable adoption of broadband service, and developing and maintaining a nationwide public map of broadband service capability and availability.

Section 364.0135, Florida Statutes, designates and authorizes the department to assess the need for broadband internet service in the state, plan for such service, and encourage the statewide deployment of such service. The bill authorizes the department to apply for and accept certain funds, enter into contracts, establish committees or workgroups, and adopt rules.

The department was awarded an ARRA broadband mapping grant of \$2.6 million in 2009 to create a geographic inventory that will refine data about the location of Florida's un-served and under-served areas' broadband service. In 2010, the department was awarded an additional \$6.3 million grant, through 2014, to be used for:

- Establishing a Broadband Program Office for oversight, management, and technical assistance resources;
- Library Technology Assessment;
- Broadband Data and Mapping; and
- Local and Regional Broadband Planning.

The OIG conducts monitoring of the State of Florida Broadband Initiative Program to include:

- Reviewing the procurement process in regard to the broadband initiative
- Reviewing the quarterly program reports submitted to the federal government

As directed by the Legislature, the Broadband Program has requested from the federal government a transfer of the grant to the Florida Department of Economic Opportunity. If this request is approved then the Broadband Program will be moved to the Department of Economic Opportunity.

Response Coordination and Follow-up

In Fiscal Year 2011-12, the OIG coordinated the department's response to seven audits performed by the Auditor General and four reviews performed by the Office of Program Policy and Government Accountability (OPPAGA). In addition, the OIG coordinated one review performed by the Division of Emergency Management. The reviews, which have been completed, contained a total of 12 recommendations to the department. External reviews are listed in Appendix A. The OIG also performed statutorily required six-month follow-up reviews of the status of implementation of eight recommendations contained in three Auditor General reports (see Appendix B).

In addition to statutorily required follow-ups, the OIG periodically reviews unresolved audit recommendations (see Appendix B). In Fiscal Year 2011-12, the OIG followed up on 12 outstanding internal and external audit recommendations from four previous reports, which were more than six months old. This resulted in the resolution of nine of the recommendations. It is the OIG's practice to continue to monitor outstanding recommendations until implemented or until management accepts the risk of not implementing the recommendations.

Performance Measurement

The OIG continued to review and advise department programs on the development of performance measures and standards and to ensure that recommended revisions were accomplished.

Investigations

The Internal Investigations Section closed 13 cases during the year. Five cases involved alleged employee misconduct; four cases involved alleged contractor misconduct; two cases involved alleged security breaches; and two cases involved alleged public entity crime violations. Of these 13 cases, seven were substantiated; four were unsubstantiated; and two were referred to federal authorities for investigation.

Representative examples of the 13 investigations were:

[Alleged Employee Misconduct](#)

Report No. II 2012-279

This investigation was initiated after a visitor at a DMS-managed facility reported that she had been physically evicted from the building by security personnel. Investigation did not substantiate the complainant's allegation of being physically evicted from the building. Investigation disclosed that the visitor had refused to comply with visitor sign-in requirements and had become belligerent with security personnel inside the building. The complainant was ordered to leave the building by security personnel. The building security procedures were reviewed and modified to better resolve these types of issues.

Report No. II 2012-541

This investigation was initiated after U.S. Immigration and Customs Enforcement (ICE) reported that a DMS employee was under investigation for possession of child pornography. Investigation by the DMS OIG disclosed that the employee had not notified his employer that he was the subject of a criminal investigation, as required by department policy. The employee was interviewed and admitted being the subject of an ICE criminal investigation. The employee then resigned from his position with DMS.

Background Screening

During the year, Internal Investigations staff conducted criminal history background screenings for 1,008 state employees and 1,679 contract employees.

Classifications of Investigative Findings:

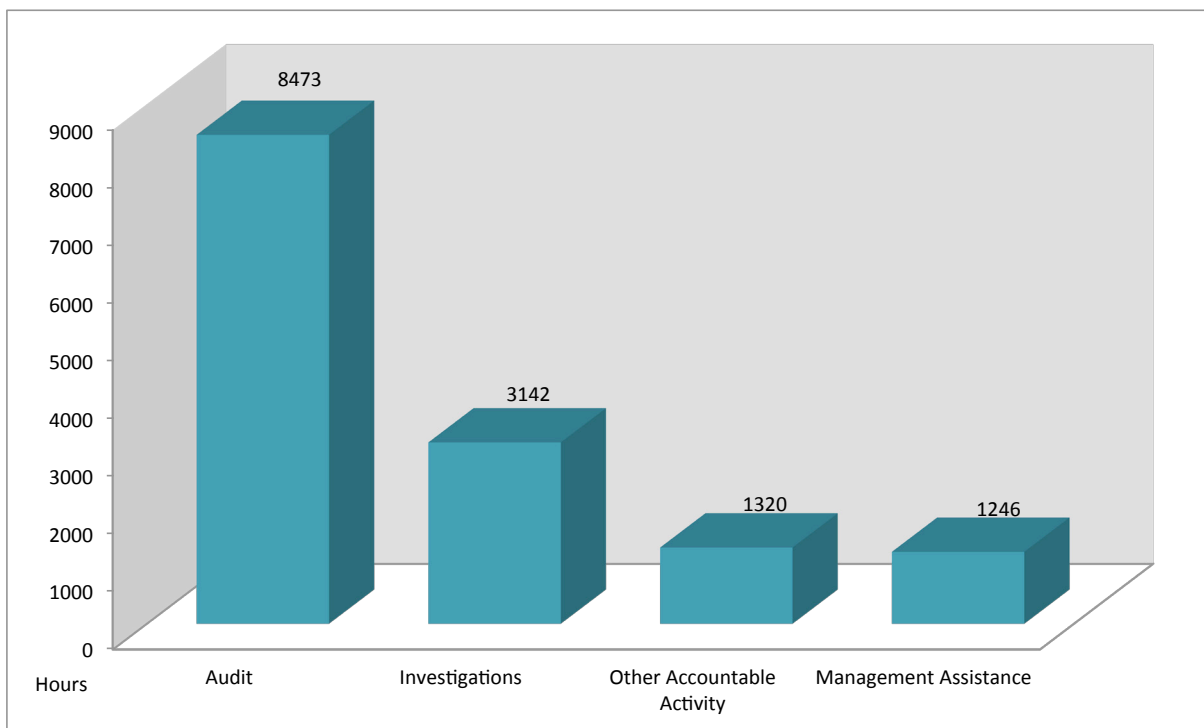
- 1) Substantiated – Allegation supported by sufficient evidence to justify a reasonable conclusion that the actions occurred
- 2) Unsubstantiated – Insufficient evidence available to prove or disprove allegations

Annual Work Plan for Fiscal Year 2012-13

The annual work plan is based on the results of the annual risk assessment. The purpose of developing the plan is to identify, select and plan the allocation of resources for the upcoming year. The OIG’s overriding consideration is to provide the greatest benefit to the department with its limited resources.

This work plan details products to be delivered. For the upcoming year, the OIG plans to continue devoting the majority of its resources to internal audits and investigations. Based on current staffing, the OIG expects to have approximately 14,200 hours available for projects.¹ The resource allocation depicted in the following chart represents an appropriate balance between audit, investigative, and other accountability activities at the Department of Management Services.

Annual Work Plan for Fiscal Year 2012-13



Allocation of staff resources for Fiscal Year 2012-13 is shown in the following table by category.

¹ Total available hours of 18,720 less holiday, leave and other activities of 4,539 hours

Allocation of Time Resources for Fiscal Year 2012-13

Audit/Program Evaluation	Hours
Internal Controls for Health Care Claims	400
Department Use of Social Media	300
Employee Computer Access Privileges	300
SUNCOM Billing Services	900
Performance Measures	263
Subtotal	2,163

Holidays and Leave	Hours
Holidays	720
Annual Leave	1,584
Sick Leave	936
Other Leave	144
Subtotal	3,384

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

Special Projects	Hours
Single Audit Act Coordination	50
Schedule IX Preparation	80
Other	50
Subtotal	180

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

Response Coordination	Hours
Response Coordination	200
Six-Month Follow-ups	320
Eighteen-Month Follow-ups	120
Internal Follow-ups	100
Subtotal	740

Internal Management/Support	Hours
Personnel Issues	180
Staff Meetings	234
Timekeeping System	228
Management/Coordination	78
Subtotal	720

Professional Training	Hours
Staff Development	75
Professional Training	360
Subtotal	435

Management Assistance Services	Hours
Reserved For Management Projects	300
Reserved For Chief Inspector General	946
Subtotal	1,246

Internal Process Analyses/Report	Hours
Annual Work Plan/Report	200
Annual Risk Assessment	200
Subtotal	400

Total Available Hours: 18,720

Long-Term Plan for Fiscal Years 2013-14 and 2014-15

The OIG's long-term plan is to ensure that the services of the OIG provide the most benefit to the department. The OIG's goal is to achieve and maintain an appropriate balance between audit, investigative, and other accountability activities.

Based on the Fiscal Year 2012-13 Annual Work Plan, approximately 18,720 work hours will be available for the OIG. The OIG expects to expend the number of hours outlined below for each category during Fiscal Year 2013-14, as well as for Fiscal Year 2014-15.

ACTIVITY	HOURS
Audit/Program Evaluations	2,163
Compliance Reviews	5,000
Investigations	3,142
Management Assistance	1,246
Response Coordination/Follow-up	740
Internal Process Analyses/Reporting	400
Holidays and Leave	3,384
Management and Support	720
Special Projects	180
Professional Training	435
Special Retirement Projects	1,310
Total Available Hours	18,720

Distribution List

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Office of Program Policy Analysis and Government Accountability

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Craig J. Nichols, Agency Secretary

Erin Rock, Chief of Staff

Debra Forbess, Director of Administration

Stephanie Leeds, Director of Legislative Affairs

Kristopher Purcell, Director of Communications

APPENDIX A

Department of Management Services
Office of Inspector General
External Audits Coordinated for Fiscal Year 2011-12

Office of the Auditor General		
Report Number	Audit Subject	Report Date
2012-142	State of Florida – Compliance and Internal Controls over Financial Reporting and Federal Awards	03/20/2012
2012-189	SSRC Data Center Operations – Information Technology Operational	06/29/2012
In Process	Operational Audit of Department of Management Services	*TBD
In Process	Multi-Location Audit of Procurement Process	*TBD
In Process	Division of Retirement – Integrated Retirement Information System (IRIS)	*TBD
In Process	Statewide Federal Awards	*TBD
In Process	SSRC Federal Awards	*TBD

Office of Program Policy Analysis and Government Accountability		
Report Number	Audit Subject	Report Date
12-01	Negative Effects on the State’s Third-Party Provider Network from 2009 Law Not Apparent	01/2012
12-09	FRS Pension Plan Valuation Met Standards	07/2012
N/A	Annual Evaluation of Florida Retirement System	No Report
In Process	Evaluation of Cost and Benefits for Contracts at South Bay and Lake City Correctional Facilities	*TBD

Department of Emergency Management		
Report Number	Audit Subject	Report Date
ACN 12-C307	State Homeland Security Grant	02/2012

*To Be Determined

APPENDIX B

Department of Management Services
Office of Inspector General
External Audit Follow-Ups for Fiscal Year 2011-12

Office of the Auditor General		
Report Number	Audit Subject	Date Completed
2011-075	6-Month Follow-up to AG Operational Audit of Information Technology Consulting Services State Term Contract, Procurement and Expenditure Processes, and Additional Administrative Matters	07/14/2011
2011-167	6-Month Follow-up to AG State of Florida – Compliance and Internal Controls over Financial Reporting and Federal Awards.	09/12/2011
2010-188	18-Month Follow-up to AG Operational Audit of MyFloridaMarketPlace Information Technology	10/31/2011
2011-196	6-Month Follow-up to AG Audit of Local Government Financial Reporting Systems	12/28/2011
2011-075	12-Month Follow-up to AG Operational Audit of Information Technology Consulting Services State Term Contract, Procurement and Expenditure Processes, and Additional Administrative Matters	01/17/2012
2011-021	12-Month Follow-up to Southwood Shared Resource Center – Unemployment Insurance Program – Information Technology Operational	03/24/2012

