

OFFICE OF INSPECTOR GENERAL

Department of Veterans' Affairs



Office of Inspector General Annual Report Fiscal Year 2013 - 2014

Mission Statement

The Office of Inspector General's mission is to promote integrity, accountability, and process improvement by providing objective, timely, and value-added investigation and services. This is accomplished by examining and evaluating the adequacy and effectiveness of Florida Department of Veterans' Affairs' internal controls and risk management systems.

Inspector General Responsibilities

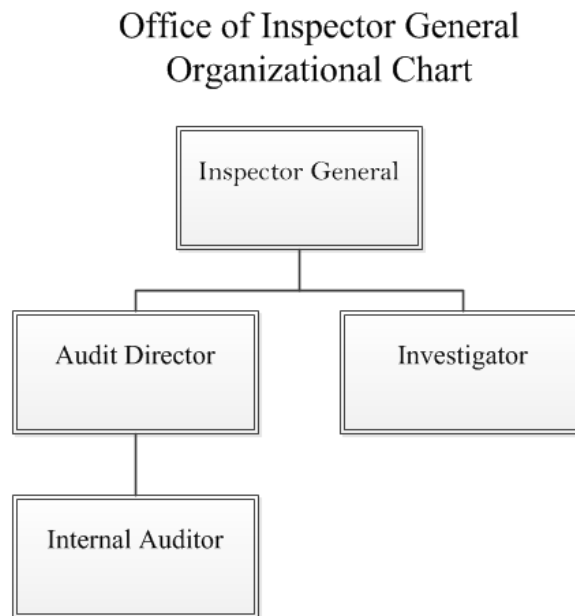
The specific duties and responsibilities of the Inspector General, according to Section 20.055(2), F.S., include:

- Advise the agency on the development of performance measures, standards and procedures for the evaluation of state agency programs.
- Assess the reliability and validity of the information provided by the Agency on performance measures and standards, and make recommendations for improvement, if necessary, prior to submission of those measures and standards to the Executive Office of the Governor.
- Review the actions taken by the Agency to improve program performance, meet program standards and make recommendations for improvement, if necessary.
- Provide direction for, supervision, and coordination of audits, investigations and management reviews relating to the programs and operations of the state agency.
- Conduct, supervise and/or coordinate other activities carried out or financed by the Agency for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse, in its programs and operations.
- Keep agency head informed of fraud, abuses, and deficiencies relating to programs and operations administered or financed by the state agency, recommend corrective action for fraud, abuses, and deficiencies, and report on the progress made in implementing corrective action.
- Ensure effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies with a view toward avoiding duplication.
- Review rules relating to the programs and operations of such state agency and make recommendations concerning their impact.
- Ensure that an appropriate balance maintains between audit, investigative, and other accountability activities.

Organization and Staff

The Executive Director of the Florida Department of Veterans' Affairs (FDVA) appoints the Inspector General with the concurrence of the Governor's Office of Inspector General. The Executive Director has the ultimate responsibility for the operation of the Department and for ensuring its goals are met. The Inspector General reports directly to the Executive Director of FDVA.

To carry out its duties and responsibilities, the Office of Inspector General (OIG) is organized into two sections: Internal Audit and Investigations. The OIG has a staff of four professional positions. The current organizational structure is:



Certifications

Certifications held by the Inspector General and staffs include:

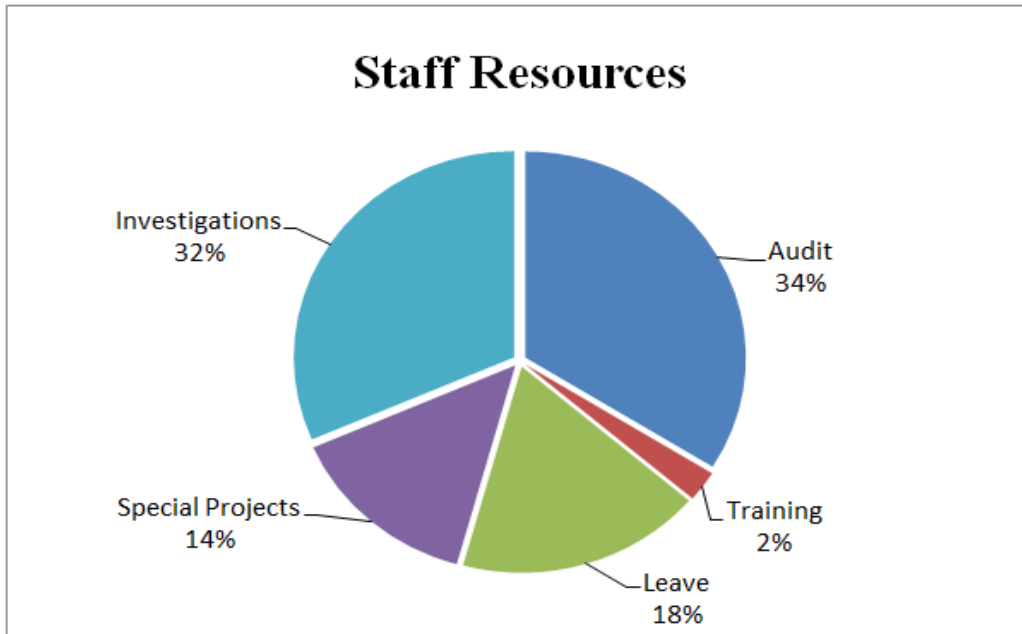
- Certified Inspector General – 2
- Certified Public Accountant – 1
- Certified Fraud Examiner – 1
- Certified Inspector General Investigator - 2
- Certified Inspector General Auditor - 2
- Florida Department of Law Enforcement Certification – 1

Professional Affiliations

OIG employees are affiliated with:

- Association of Inspectors General
- Association of Certified Fraud Examiners
- Institute of Internal Auditors
- International Association of Chiefs of Police
- Association of Government Accountants

OIG employees stay current with trends in internal auditing and investigations and maintain professional proficiency through membership in the fore mentioned professional organizations. The required training hours are met through participation in conferences, webinars, attendance in relevant training, or through continued professional education programs.



Summary of Internal Audit Activities

Internal Audit

The Internal Audit section conducts independent, objective audits and consulting engagements to promote economy and efficiency in administration, and prevent and detect fraud, waste and abuse. Internal audit activities are conducted in accordance with International Internal Auditing Standards published by the Institute of Internal Auditors.

Audits Completed During the Reporting Period

IA-1401: Employee Compensation Follow Up

The objective of the Employee Compensation follow-up audit was to evaluate the efficiency and effectiveness of the procedures used for salary increases. In addition, we evaluated corrective actions taken by the Florida Department of Veterans' Affairs (FDVA) to address one of the findings, Non-Base Compensation, disclosed in audit report IA-1301, "Employee Compensation", dated 28 February 2013.

Our audit resulted in the following findings:

Finding #1: Insufficient documentation was on-hand to support salary increases.

We recommended FDVA provide training to supervisors and managers on the salary increase process, from initiation to final approval. The training will educate supervisors and managers as well as create a control-conscious environment.

Finding #2: Inadequate internal controls for approval processes on salary adjustments.

We recommended:

- FDVA implement internal controls related to reviewing salary increase transactions. The procedures should include that the approver has reviewed the transaction. In addition, the approver should indicate that the transaction is appropriate, accurate, and complies with applicable laws, regulations, policies, and procedures.
- FDVA implement internal controls related to the segregation of duties to ensure the person initiating a transaction is not the same person who approves the transaction.
- FDVA include the department's specific approval levels in Standard Operating Procedure (SOP) Human Resources #1301 – Employee Salaries at Hire, Promotion and Merit Increase.

Management responded that FDVA revised and published its policy on Employee Salaries at Hire, Promotion and Merit Increase on 07 August 2013 to Agency managers. This SOP formalizes specific approval levels for salary adjustments and significantly limits the ability of the Agency's division directors to recommend and approve actions. The exception to this approval resides with the Executive Director.

IA-1403: Time and Attendance

The objective of this audit was to verify that time clock records supported People First entries and to ensure overtime was approved in advance.

Our audit resulted in the following findings:

Finding #1: Time sheets records were not supported by Web Clock records.

We recommended:

- Educating employees to clock in and out for all shifts and meal breaks and to use Time Clock Correction/Adjustment document for any variances.
- Educating employees on reconciliation process of data between Web Clock and People First entries.
- Ensuring work schedules are entered in People First for all employees correctly.
- Ensuring that the Department of Management Services is notified of any potential labor violations regarding overtime, pursuant to DMS Rule Interpretation 60L-34-2011-#002.

Finding #2: Overtime was not approved in advance

We recommended:

- Revising Overtime Request Form to include Supervisor's approval and justification for overtime.
- Educating managers and/or Human Resources to monitor overtime on a regular basis.

Management responded FDVA would review the overtime report.

Finding #3: Employees were underpaid and/or overpaid

We recommended:

- Supervisors educate staff to clock in/out for all meal and breaks or obtain supervisor approval in advance for overtime.
- Use Time Clock Correction/Adjustment document for any variances.
- Supervisors should ensure that timesheets are correct prior to approval.

- Remove supervisors' ability to edit time sheets in People First. Assign edit access to one primary and one backup staff with no approval capabilities.

IA-1405: Donation Trust Fund

The objectives of this audit were to evaluate the effectiveness of the administration on the Donation Trust Fund, the adequacy of related internal controls, and the appropriateness of Donation Trust Fund reporting.

Our audit identified the following findings:

Finding #1: Inefficient administration of the Donation Trust Fund

We recommended:

- The State Veterans' Nursing Homes, in collaboration with the Homes Program, develop specific guidance and detailed instructions for a standard receipts format, i.e. pre-numbering, adding additional fields for clarity, etc.
- The State Veterans' Nursing Homes, in collaboration with the Homes Program, educate employees on all Donation Trust Fund policies and offer with adequate guidance on employees' roles and responsibilities of administering the funds.
- The State Veterans' Nursing Homes, in collaboration with the Homes Program, develop a comprehensive database to organize records and dispositions of donated funds in order to improve Donation Trust Fund monitoring.
- The State Veterans' Nursing Homes, in collaboration with the Homes Program and the Fiscal section, facilitate the sharing of information to ensure consistency between rules and processes contained in the standard operating procedures as it relates to the Donation Trust Fund.

Finding #2: Weaknesses exist in internal controls related to the deposit of donated funds.

We recommended:

- The State Veterans' Nursing Homes, in collaboration with the Homes Program and the Fiscal section, consider requiring that all moneys received deposited within three business days of initial collection.
- The State Veterans' Nursing Homes, in collaboration with the Homes Program and the Fiscal section, develop a reconciliation process for donations, from receiving to depositing; including a chain of custody form for monetary donations.
- Include as part of a comprehensive database to track donations, a component for gift card tracking.

Finding #3: Cash donations were not deposited into the Donation Trust Fund bank account.

We recommended that FDVA ensure all moneys received are deposited into the Grants and Donations Trust Fund.

Finding #4: Disposition plan for restricted donations is not in place.

We recommended the State Veterans' Nursing Homes, in collaboration with the Homes Program and the Fiscal section, develop a comprehensive database to organize records of restricted donations, dispositions, and to improve Donation Trust Fund monitoring.

Finding #5: Regular financial reporting of the Donation Trust Fund is not in place.

We recommended the State Veterans' Nursing Homes, in collaboration with the Homes Program and the Fiscal section, develop monthly financial reports to include all funds administered, and to include guidance on report timeliness, report preparation, and the review process.

IA 1406: Time and Attendance Follow Up Part 2

The objective of this audit was to perform a follow-up review on IA 1403 Time and Attendance to determine if corrective actions taken in 2013 have improved internal controls related to timesheet processing.

Finding #1: Time Records Management

We recommended FDVA assemble a "tiger team" of select personnel with particular skills and resources chosen and chartered by the Deputy Director to solve the current deficiencies. The "tiger team" will provide an analysis of best options available, implement the chosen remediation(s), and establish performance metrics that will be approved by the Deputy Director.

Special Projects

IA-1402: Employee Survey

The survey measures employees' perceptions of whether, and to what extent conditions that characterize successful organizations are present in the FDVA. The purpose of this survey was to assess changes since the 2012 employee survey.

The 63-item survey included 4 demographic questions and 59 items that measured FDVA employees' perceptions about how effectively FDVA manages their workforce. The 63 items in the questionnaire were grouped into seven topic areas: Work Experiences, Work Unit, Agency, Supervisor/Team Leader, Leadership, Satisfaction and Demographics. The survey was anonymous and participation was voluntary. FDVA had 1103 employees as of November 08, 2012, and 742 employees took the opportunity to respond for a 59.2% response rate. Results from the survey indicate that FDVA has improved since the 2012 survey with 36 of the 59 questions showing improvement greater than one percent. Significant survey results indicated that 95% of FDVA employees feel that the work they do is important and 92% of the employees like the kind of work they do. Approximately 73% of the employees surveyed recommend FDVA as a good place to work. The percentage of employees planning to leave next year for reasons other than retirement indicates no significant changes, 26%, from the 2012 survey to the current survey. However, there are still areas for improvement. We encourage management to review the results of this survey to identify areas for improvement in how we engage, lead, develop and retain our most important resource: our people.

IA-1404: Staff Assistance Visit Nininger Pembroke Pines

The objective of Staff Assistance Visit was to assess functional areas (i.e. safety, maintenance, human resources, accounting, inventory, pharmacy services, Resident Trust Fund and, time and attendance) to improve and refine existing processes, and prepare for future inspections of those functional areas.

IA-1404: Staff Assistance Visit Sims Panama City

The objective of Staff Assistance Visit was to assess functional areas (i.e. safety, maintenance, human resources, accounting, inventory, pharmacy services, Resident Trust Fund and, time and attendance) to improve and refine existing processes, and to prepare for future inspections of those functional areas.

Internal Engagement Recommendations Status Reports

Findings and recommendations are communicated to management as soon as possible in the audit process. This action results in management being able to take corrective action before the audits are completed. Additionally, updates on the status of recommendations obtained from management are conducted at three-month intervals for all open recommendations.

IA-1001: Time and Attendance

The audit of Time and Attendance included tests of employee records for all FDVA facilities during the period July 1, 2008, through June 30, 2009, and the pay period August 7 – 20, 2009. The primary objective of the audit was to ensure that the FDVA Time and Attendance system complied with applicable legal requirements, supported the reporting of reliable financial information and operated effectively and efficiently. Specific objectives included verifying that employee time records were reliable and actual time worked corresponded with reported hours. Open findings from the audit include:

Finding #1: Excess use of administrative leave

We recommended FDVA management review hours coded as Administrative Leave (PeopleFirst code 0056) and make any required adjustments.

IA-1101: Time and Attendance Jenkins Lake City

The objective of this audit was to follow up on IA-1001 Time and Attendance audit, and to determine if PeopleFirst entries supported FDVA time clocks.

Our audit identified that PeopleFirst records were not supported by FDVA time clocks because employees were not following established procedures.

We recommended:

- FDVA supervisory staff complete reconciliations of time clocks to PeopleFirst and take corrective action as required by FDVA Standards and Procedures 5502 “Time Clock Management”.
- FDVA require employees to take meal breaks when working six or more hours and record the break on the time clock as required by FDVA Standards and Procedures 5502 “Time Clock Management”.

IA-1104: Time and Attendance Sims Panama City

The objective of this audit was to follow up on IA-1004 Time and Attendance audit, and to determine if PeopleFirst entries supported by FDVA time clocks.

Our audit identified that PeopleFirst records were not supported by FDVA time clocks because employees were not following established procedures. As a result, FDVA may be creating a liability for unpaid wages. Rule 60L-34, Florida Administrative Code requires agencies to maintain accurate records of attendance, leave, and overtime worked and compensated. FDVA Standards and Procedures 5502 “Time Clock Management” identifies FDVA requirements for time clocks.

We recommended:

- FDVA supervisory staff complete reconciliations of time clocks with PeopleFirst and take corrective action as required by FDVA Standards and Procedures 5502 “Time Clock Management”.
- FDVA require employees to take meal breaks when working six or more hours and record the break on the time clock as required by FDVA Standards and Procedures 5502 “Time Clock Management”.
- FDVA ensure that time clock adjustments are recorded as required by FDVA Standards and Procedures 5502 “Time Clock Management”.

IA-1108: Time and Attendance Bennett Daytona Beach

The objective of this audit was to follow up on IA-1004 (Time and Attendance) audit, and to determine if PeopleFirst entries supported FDVA time clocks.

Our audit identified that time clock adjustments were not completed when employees failed to clock in or out. We recommended FDVA complete time clock adjustments as required by FDVA Standards and Procedures 5502 "Time Clock Management".

Management responded that the Homes Administration would continue to audit the reconciliation between time clocks data and People First.

IA-1111: Time and Attendance Lassen St. Augustine

The objective of this audit was to follow up on IA-1004 Time and Attendance audit, and to determine if PeopleFirst entries supported FDVA time clocks.

Our audit identified that time clock reports did not support entries in People First because variances were not being resolved and reconciled as required by FDVA Standards and Procedures 5502 "Time Clock Management".

We recommended FDVA supervisory staff complete reconciliations of time clocks to People First and take corrective action as required by FDVA Standards and Procedures 5502 "Time Clock Management".

IA-1203: Supply Management

The objectives of the audit were to:

1. Verify that transactions were properly recorded, processed and summarized, and that assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
2. To verify that FDVA supply management complies with applicable laws, rules and regulations.

Our audit identified the following findings:

Finding #1 – Establishing Management Controls

We recommended that FDVA establish procedures to provide reasonable assurance that transactions are properly recorded, processed, and summarized, and that assets are safeguarded against loss from unauthorized acquisition, use, or disposition.

Finding # 2 – Independent Inventory Check

We recommended that the Homes establish procedures for conducting independent physical counts of supply inventories and reconcile those counts to inventory records. In addition, the Homes should establish procedures to ensure the reconciliation of the supply inventory to the physical inventory counts is performed.

Finding # 3 – PAR Levels

We recommended that FDVA establish policies and procedures for calculating and reviewing inventory PAR levels.

Finding # 4 – Purchases

We recommended that FDVA establish procedures to ensure that purchases recorded for the medical supplies inventory are complete and accurate and to ensure an audit trail exists between inventory records and source documents.

Finding # 5 – Inventory Gains and Losses

We recommended that FDVA establish procedures for researching inventory gains and losses and for approving inventory adjustments caused by inventory gains and losses.

Finding # 6 – Cost vs. Benefit of Tracking Supplies Less than \$1.00

We recommended that FDVA review inventory item(s) issued to residents to determine if it is cost effective to track issues with insignificant values.

Finding # 8 – Accountability on Accuracy of Inventory Records

We recommended that FDVA include inventory accuracy rates at 95 percent or higher in the performance goals of FDVA Storekeepers, and identify personnel that will be responsible for counting inventories. Also, establish inventory count accuracy rates of 95 percent or higher in the performance goals of personnel responsible for counting inventories.

External Audit Liaison Activities

In accordance with 20.055(1), Florida Statutes, the FDVA OIG served as liaison to the Department of Financial Services on Contract Management audit of FDVA. The audit report will be published in FY14-15.

Audit Plan for Fiscal Year 2014 – 2015

Section 20.055(5) (h), Florida Statutes, requires that annual and long-term audit plans be developed based on the findings of periodic risk assessments. This ensures that the OIG is responsive to management concerns and that those activities with the greatest risks are identified and scheduled for review. The top priorities for audits were identified based on the results of a risk assessment and is included in the audit plan. The Executive Director approved the audit plan for Fiscal Year 2014 – 2015 on 15 July 2014. Planned audits for Fiscal Year 2014 – 2015 include:

Time and Attendance Follow Up

All (7) FDVA state nursing homes' employees currently use a time clock, WebClock, to record their actual hours of work. We propose to perform the follow up audit to evaluate the effectiveness of corrective actions.

Bonus Plan for Fiscal Year 2013 - 2014

The lump-sum bonus plan is a \$600 distribution to eligible employees who have met all of the necessary criteria. We propose to evaluate if FDVA is properly administering and disbursing the bonuses in accordance with the submitted plan to the Office of Policy and Budget (OPB) in the Executive Office of the Governor.

Self-Assessment Quality Audit

The Internal Quality Assessment is a critical element in the overall quality assurance and improvement program on Internal Audit activity. We propose to perform the self-assessment to provide reasonable assurances that the Internal Audit activity's work conforms to the International Internal Auditing Standards published by the Institute of Internal Auditors, the Code of Ethics, the Internal Audit activity's charter, and other applicable standards.

Donations Trust Fund

The State Veterans' Home may receive and accept gifts, grants, and endowments in the name of the Home. All such gifts, grants, and endowments are to be used for the benefit of the Home and its residents. The Administrator and the Director determine how these gifts, grants, and endowments could best benefit the Home and its residents unless the benefactor requests or instructs that the gifts, grants, or endowments be used for a specific purpose. We propose to evaluate if FDVA State Veterans' Nursing Homes are properly accepting, recording, reporting and disbursing donations and gifts.

Resident Trust Fund

Given the vulnerability of the residents in FDVA homes, it is important that FDVA have adequate assurance of proper accountability of the fees collected and management of their funds. We propose to evaluate overall internal controls on the processes for accepting, distributing, and accounting for residents' funds. In addition, we propose to validate that the Resident Trust Fund operates in compliance with applicable state and federal laws, regulations and current FDVA policies and procedures.

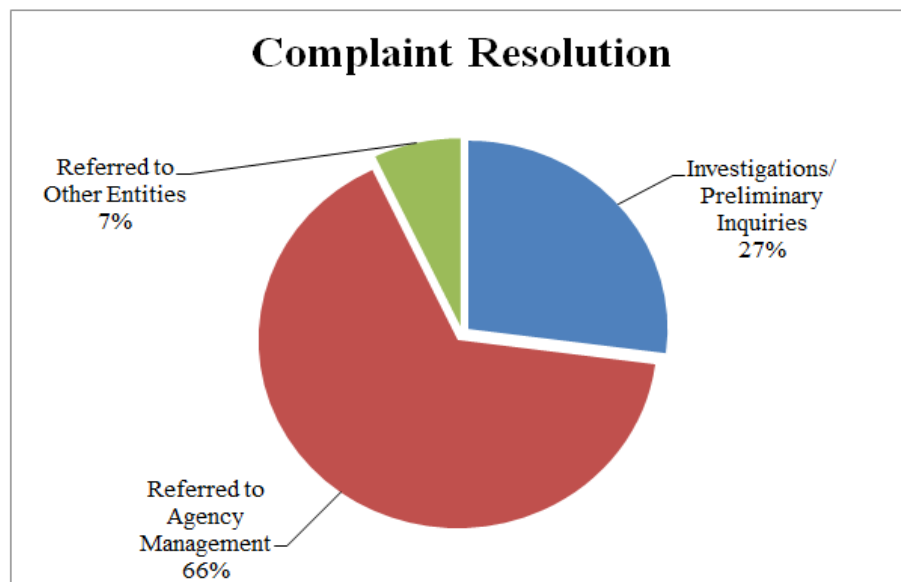
Staff Assistance Visit (SAV)

The visit intends to provide assistance and identify good practices in the Administration and Safety functional areas. We propose to conduct the visit in order to prepare for future inspections of those functional areas.

Summary of Investigation Activities

Investigations

The OIG evaluates complaints and conducts internal investigations of department employees. Investigations are designed to deter, prevent and eradicate fraud, waste, mismanagement, misconduct and other abuses. During FY 2013 – 2014, the FDVA Inspector General received 85 inquiries or complaints from many sources including the Chief Inspector General's Office, through letters, telephone calls, emails and walk-in customers.



Due to a server outage on Tuesday 16 September 2014, the audits and investigations data on Inspector General shared drive from Fiscal Year 2012 thru Fiscal Year 2014 was impacted. The event affects the completion of the Investigation portion. FDVA is working to recover this data and will provide an update upon recovery of the data.

Completed Investigations

Reports are not available.

Referral to Management/Other Agencies

Reports are not available.

Background

On Tuesday 16 September 2014, FDVA-LG-NAS1 server hard drive failed and the stored data was impacted. The file server houses various shares containing files for the following department: Fiscal, Billing, Human Resources, Inspector General, Benefits and Administration, Administration, Information Technology, and eBenefits. As of 17 September 2014, eBenefits and Inspector General, and Building Initiative data have not been recovered. Information Technology (IT) team determined that the Operating System (OS) drive was unrecoverable using its current resources. To restore the lost data in the interim, the OS drive was rebuilt and Data Protection Management (DPM) was used. During the recovery process, IT discovered that the backup copies on DPM did not include all shares.

The short-term corrective action is to utilize DPM to backup volumes instead of shares. For the long-term corrective actions, FDVA-LG-NAS1 was rebuilt using Redundant Array of Independent Disks (RAID) as of 24 September 2014 in order to increase the probability of recovering lost data and to replace the drives. FDVA is exploring options of obtaining data recovery services.

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

This Annual Report is presented to the Director to comply with statutory requirements and to provide departmental staff and interested parties with information on the Office of Inspector General's progress in accomplishing its mission as defined by Florida law.



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