

OFFICE OF INSPECTOR GENERAL

Ron Russo, Inspector General

ANNUAL REPORT FISCAL YEAR 2013-2014



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



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

September 30, 2014

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, Florida Statute, summarizes the activities and accomplishments for the 12-month period ending June 30, 2014.

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 direct-support organizations, revenue collection procedures, Summer Food Service Program, technology security, Florida State Fair, and our coordination of all external audits yielded corrective actions that reduced opportunities for fraud and increased efficiencies.

Our projects provided valuable and timely information to managers, aiding their decision-making processes. These collaborative efforts with department management continue to build upon the strong relationships we have developed and our mutual commitment to improving department operations.

We conducted 124 investigations statewide, resulting in 31 personnel actions, 10 arrests and several policy modifications. Our investigative activities yielded cost recoveries in excess of \$43,600 resulting from fines, restitution, and administrative costs.

Our pro-active outreach initiatives continue to have a positive impact throughout the department and contribute to decreases in employee misconduct. In partnership with the Office of Agricultural Law Enforcement and the Division of Administration, we are also proud to have developed and presented Active Shooter Awareness training to all members of the department – a first of its kind in state government. This instructional initiative serves as another example of our commitment to ensuring employee safety and awareness.

Finally, I would like to thank you again for your continued support of this office. We look forward to working closely with you and your leadership team as we continue to promote economy, efficiency, and effectiveness and help the department accomplish its critical mission in the years ahead.

Sincerely,

Ron Russo
Inspector General

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"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 this Annual Report, pursuant to the provisions of Section 20.055 Florida Statutes, commonly referred to as the *Inspector General Act*, which covers the period from July 1, 2013 to June 30, 2014. 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.

We conducted 23 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.

The Investigative Section received 308 complaints, resulting in 124 formal investigations, 10 arrests and 31 personnel actions.

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 values 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.

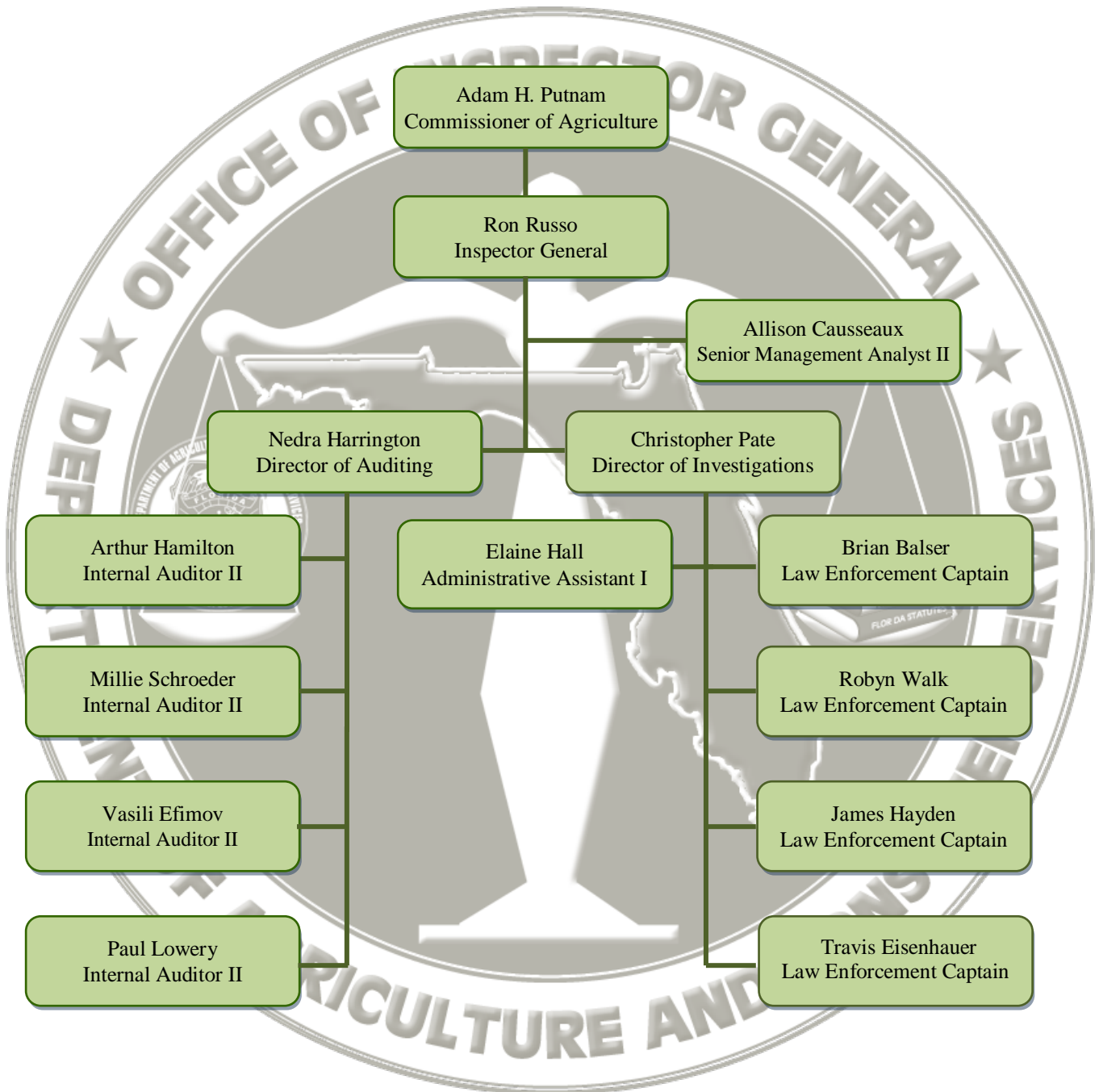
RESPONSIBILITIES

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 department as required by the Whistle-blower's Act, pursuant to ss. 112.3187-112.31895, Florida Statutes.

ORGANIZATIONAL STRUCTURE

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:

- Six 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)

OIG 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 OIG 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.

DEPARTMENT OUTREACH AND TRAINING

The OIG worked with the Office of Agricultural Law Enforcement and the Division of Administration to create Active Shooter Awareness training for the department. This important awareness training was developed and facilitated during six 3-hour training sessions for department management throughout the state. These training sessions proved to be very beneficial and were well received and evaluated by department management. In addition, an Active Shooter Awareness training video was created and posted online for the training of all department employees.

The Investigative Section conducts monthly presentations for the New Employee Orientation program, which is designed to educate employees on the complaint process and the resulting expectations. The OIG also continues to submit articles to the Open Lines newsletter in an effort to highlight different trends or areas of misconduct that employees may face in the workplace.

In addition, Intelligence Bulletins are issued to department management to alert them to issues uncovered during the course of an investigation that may benefit the department or its employees.

INVESTIGATIVE RESPONSIBILITIES

The Investigative Section conducts internal investigations of alleged administrative and criminal misconduct in matters relating to the department. Investigations may be broad in nature, requiring the review of department practices, or may concern only one individual's actions. Complaints can be received from any source, such as department employees, whistle-blower as defined by Section 112.3187, Florida Statutes, business entities regulated by or doing business with the department, or private citizens. All investigations, administrative and criminal, are thoroughly evaluated by sworn law enforcement officers within the OIG.

ORGANIZATION

The Investigative Section conducts state-wide investigations and has offices in Tallahassee and Tampa. The daily operations are the responsibility of the Director of Investigations, the Inspector General's designee, who supervises a team of four Captains and an administrative assistant. The Investigative Section collectively possess over ninety years of law enforcement experience. This combination of experience brings a broad range of knowledge and professionalism to the Investigative Section.

ENHANCING OUR OPERATIONS

Technology advancement in crime detection requires us to maintain proficiency, and such skills are developed through specialized training and years of experience. As such, entirely new and very specialized investigative techniques and tools are required. Therefore, in January 2014, the Investigative Section added a Captain with an extensive background in computer forensics and criminal activity associated with information technology.

Additionally, the OIG enhanced its investigative capabilities by modernizing equipment, such as video surveillance, computer forensics, and Global Positioning Systems (GPS).

ACCREDITATION

The OIG continues to maintain full accreditation status, which was initially awarded in 2010 and reaccredited in 2013 by the Commission for Florida Law Enforcement Accreditation (CFA). The benchmarks of accreditation consist of compliance with 44 significant standards, a detailed onsite CFA file review, and inspection of the facilities. Meeting and exceeding these challenging standards is another testament to the outstanding dedication and professionalism demonstrated by the OIG team.



INVESTIGATIVE PROCESS

The OIG receives complaints and correspondence through a variety of means: letter, telephone, fax, email, online complaints, or in-person. All complaints, questions and requests, whether received from an anonymous complainant or a division, are systematically reviewed and evaluated. In the event the issue is outside the purview of the OIG and does not pertain to the department, the OIG works with the complainant to direct the issue to the appropriate venue. For matters related to the department, depending on the nature of the allegations and the evidence contained in the complaints, investigations may fall into one of the five following categories:

Referral

Complaints and allegations received that do not initially warrant an investigation are referred to the appropriate division director for resolution, often with a request that the

division respond to our office with any action taken. The Referral is a valuable tool by which the OIG is able to ensure that divisions are accountable and responsive to the complainant's concerns.

Preliminary Inquiry

Preliminary inquiries are conducted in circumstances when it is necessary to determine the validity of a complaint and to expand upon initial information to determine if a formal investigation is warranted.

Formal Investigation

Formal investigations are a systematic collection and evaluation of evidence that result in a conclusion or finding. Such investigations are conducted in accordance with law, Administrative Policies and Procedures, Principles and Standards for Offices of Inspector General and/or CFA standards, and include violations of law, sexual harassment, discrimination, and Whistle-blower investigations.

Assist Other Agency

These cases involve significant investigative activity in support of another state, federal or local agency.

Intelligence

Information that does not meet the requirements to open a preliminary inquiry but has potential future investigatory or reference value.

BACKGROUND REVIEW

The OIG conducts background reviews of employees in positions of special trust, which are subject to Section 110.1127, Florida Statutes. Employee backgrounds that are found to be in conflict with statutory requirements are brought to the attention of administrative personnel for review and action deemed appropriate. Any issues of misconduct discovered during the background review are formally

investigated. The OIG conducted 287 special trust background reviews.

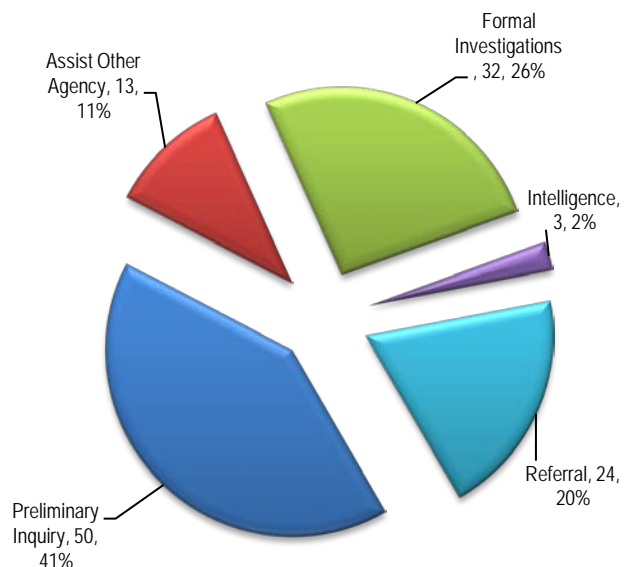
INVESTIGATIVE ACTIVITY

During Fiscal Year 2013-2014, the Investigative Section received 308 complaints from citizens, employees and division directors within the department.

Of those, 124 complaints fell within the OIG jurisdiction, resulting in 35 Formal Investigations, 50 Preliminary Inquiries, 24 Referrals, 13 Assist other Agencies, and 2 Intelligence cases.

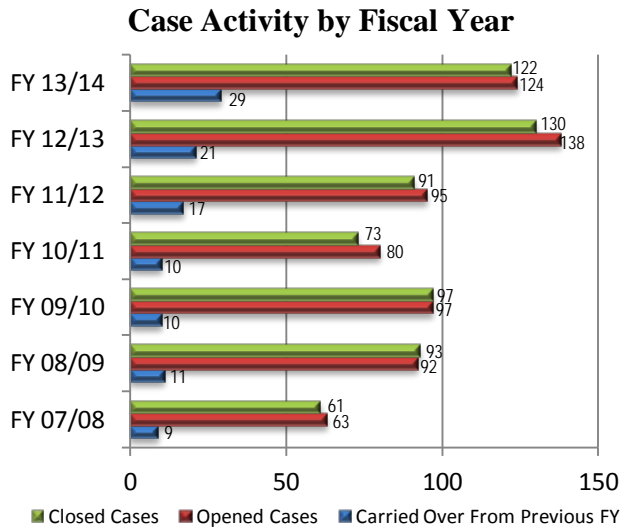
The remaining complaints were determined to be outside the purview of the OIG. Therefore, information was provided to each of the complainants informing them which agency or division could assist them in resolving their complaint.

The following chart reflects the completed investigative activity for Fiscal Year 2013-2014:



INVESTIGATIONS

The following chart represents the historical case activity for the last seven fiscal years:



FORMAL INVESTIGATIONS

When violations occur of Administrative Policies and Procedures 5-3, Disciplinary Policy and Employee Standards of Conduct, the case is referred to as a Formal Investigation. Once the investigative process is completed, the investigation is documented in an investigative report 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.

Administrative Investigations

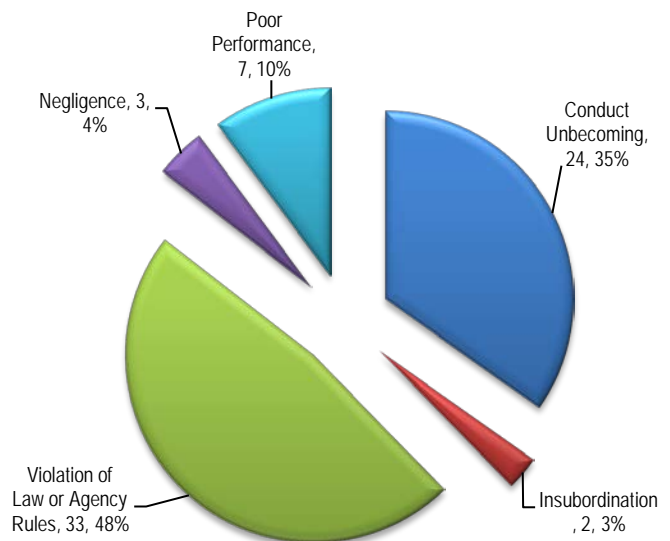
After an administrative case has been completed and approved for closure by the Inspector General, the results are forwarded

to senior management, the impacted division management, and the Bureau of Personnel Management for their review and any action they deem appropriate.

Criminal Investigations

If, during the course of a formal investigation, violations of criminal statutes or federal laws are discovered, the OIG will coordinate with state and federal prosecutors and other law enforcement agencies, when necessary, to appropriately address the violation and pursue formal charges if applicable. During this reporting period, the OIG presented 7 cases for prosecutorial review. Of these, 6 cases were accepted and formal charges were filed. A total of 10 arrests were made this fiscal year, resulting in sentences, including imprisonment, pre-trial intervention, probation, fines, community service, and restitution. Additionally, the Investigative Section obtained and served 9 investigative subpoenas for records and documents and 4 search warrants.

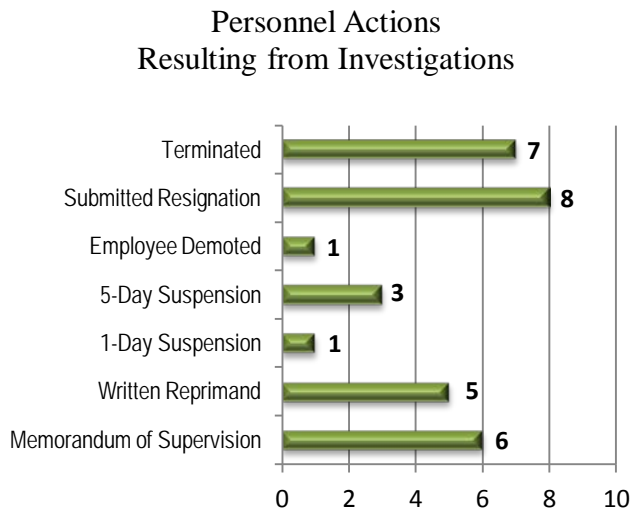
The OIG completed 52 formal investigations statewide. Below is a chart of investigative activity listed by violation category. Several investigations involved multiple findings.



RESTITUTION, RECOVERIES, AND RESULTS

As a result of these investigations, the OIG recovered over \$43,600 from restitution, fines, administrative costs and recovered property.

The following chart reflects personnel actions resulting from investigations.



INVESTIGATIVE CASE SUMMARIES

Of the 122 cases completed during the reported fiscal year, the following is a brief summary:

IG 2013-0011

This investigation concerned allegations that two inspectors were allegedly accepting bribes while inspecting a company. The investigation concluded the allegation against one employee of Violation of Law or Agency Rules, to wit: Code of Ethics was SUSTAINED. An allegation of Violation of Law or Agency Rules, to wit: Code of Ethics against another employee was NOT SUSTAINED. Personnel Action: Employee received a Written Reprimand.

IG 2013-0025

This investigation was initiated after a complaint was received regarding an employee who continually failed to improve

deficiencies in her work performance despite being repeatedly counseled and reprimanded for the deficiencies. The investigation concluded the allegation of Poor Performance was SUSTAINED. Personnel Action: Employee received a 5-day suspension.

IG 2013-0036

This investigation concerned allegations of employee bribery. The investigation concluded the initial allegation of Violation of Law or Agency Rules, to wit: Unlawful Compensation or Reward for Official Behavior was UNFOUNDED. Developed allegations of Poor Performance and Conduct Unbecoming a Public Employee against two employees were SUSTAINED. Personnel Action: Both employees were terminated.

IG 2013-0038

This investigation was conducted after receiving multiple complaints alleging misconduct by a supervisor. The investigation concluded that the allegations against an employee for Poor Performance and Conduct Unbecoming a Public Employee were SUSTAINED. Additionally, the allegation for Violation of Law or Agency Rules, to wit: Code of Ethics was NOT SUSTAINED; and the allegation of Violation of Law or Agency Rules, to wit: False Official Statements, the employee was EXONERATED. Personnel Action: Employee received Written Reprimand.

IG 2013-0048

This investigation concerned allegations regarding an employee working insufficient hours and misusing state equipment. The investigation concluded the allegations against an employee for Poor Performance, Violation of Law or Agency Rules, to wit: False Official Statements, Grand Theft, Use of State-owned, Leased, or Rented Vehicles, Internet and Electronic Mail Usage, and

Conduct Unbecoming a Public Employee were SUSTAINED. Personnel Action: Employee submitted a letter of resignation.

IG 2013-0050

This investigation was initiated after a complaint was received of an employee who battered a co-worker and supervision was aware but failed to properly handle the complaint. The investigation concluded the allegations; Violation of Law or Agency Rules, to wit: Battery, Workplace Violence and Conduct Unbecoming a Public Employee were SUSTAINED. The developed allegation of Negligence against the supervisor was SUSTAINED. Personnel Action: One employee received a 1-day suspension and one employee submitted a letter of resignation.

IG 2013-0058

This investigation concerned allegations that an employee requested and received tuition reimbursement which they were not entitled to. The investigation concluded the allegation of Violation of Law or Agency Rules, to wit: Educational Policy was SUSTAINED. Personnel Action: Employee was issued a Memorandum of Supervision.

IG 2013-0059

This investigation concerned allegations that an employee used a department computer to view inappropriate pictures and programs showing nude or partially clothed persons. The investigation concluded that the allegations of Violation of Law or Agency Rules, to wit: Information Technology Resource Security Policies and Standards and Conduct Unbecoming a Public Employee was SUSTAINED. Personnel Action: Employee was terminated.

IG 2013-0064

This investigation concerned an allegation of excessive force against a law enforcement officer. The investigation concluded that the

allegation of Violation of Law or Agency Rules, to wit: Adult Arrest Procedures was EXONERATED.

IG 2013-0067

This investigation concerned allegations that an internal audit uncovered missing licensing fees linked to an employee. The investigation concluded the allegations of Violation of Law or Agency Rules, to wit: theft and failing to report an arrest; and Conduct Unbecoming a Public Employee were SUSTAINED. Personnel Action: The employee submitted a letter of resignation.

IG 2013-0068

This investigation concerned allegations of inappropriate conduct by a law enforcement officer while working an authorized off-duty assignment. The investigation concluded the allegation of Conduct Unbecoming a Public Employee was SUSTAINED. Personnel Action: The employee submitted a letter of resignation.

IG 2013-0070

This investigation was initiated after a former employee filed a complaint against his former supervisor alleging the health and safety of employees were put at risk by the supervisor's actions. The investigation concluded that the allegation for Negligence was NOT SUSTAINED.

IG 2013-0074

This investigation concerned an allegation of inappropriate conduct by an employee. The investigation concluded the allegation of Conduct Unbecoming a Public Employee was SUSTAINED. The investigation concluded that the allegation of Violation of Law or Agency Rules, to wit: Sexual Harassment was NOT SUSTAINED. Personnel Action: Employee received Written Reprimand.

IG 2013-0077

This investigation concerned allegations regarding the possible falsification of reports by an inspector. The investigation concluded the allegations for Poor Performance, Conduct Unbecoming a Public Employee, and Violation of Law or Agency Rules, to wit: Florida Statutes 837.06 False Official Statements was SUSTAINED. Personnel Action: Employee was terminated.

IG 2013-0078

This investigation concerned an allegation that an employee fraudulently applied for and received unemployment benefits from the Department of Economic Opportunity. The investigation concluded the allegation of Violation of Law or Agency Rules, to wit: Fraud was NOT SUSTAINED.

IG 2013-0085

This investigation concerned allegations of misconduct by a supervisor. The investigation concluded the allegation of Conduct Unbecoming a Public Employee was SUSTAINED. Additionally, the allegation for Poor Performance was NOT SUSTAINED; and the allegation for Violation of Law or Agency Rules, to wit: False Official Statement was UNFOUNDED. The investigation further concluded that the developed allegation of Insubordination was SUSTAINED. Personnel Action: Employee received a Memorandum of Supervision.

IG 2013-0086

This investigation concerned allegations that an employee failed to disclose pre-employment arrests and was wanted for outstanding arrest warrants. The investigation concluded the allegation of Violation of Law or Agency Rules, to wit: False Official Statements was SUSTAINED. Personnel Action: Employee received a Written Reprimand.

IG 2013-0092

This criminal investigation was conducted after receiving a request to investigate reports of missing property and fuel. The investigation concluded the allegations of Violation of Law or Agency Rules, to wit: Falsifying Pawn Records and Dealing in Stolen Property was SUSTAINED. Personnel Action: Employee submitted a letter of resignation.

IG 2013-0097

This investigation concerned allegations that a supervisor was inappropriately targeting an employee for termination. The investigation concluded the allegation of Conduct Unbecoming a Public Employee was NOT SUSTAINED.

IG 2013-0105

This investigation concerned allegations that an employee made inappropriate comments to a member of the public while conducting state business. The investigation concluded the allegation of Conduct Unbecoming a Public Employee was SUSTAINED. Personnel Action: The employee received a demotion.

IG 2013-0111

This investigation concerned an alleged theft of department equipment. The investigation concluded the allegation against a former employee of Violation of Law or Agency Rules, to wit: Grand Theft was SUSTAINED.

IG 2013-0115

This investigation concerned allegations that an employee had misused a state vehicle and falsely claimed work hours. The investigation concluded the allegations of Violation of Law or Agency Rules, to wit: Assignment and Use of State-owned Vehicles, and Poor Performance were SUSTAINED. Personnel Action: Employee submitted a letter of resignation.

IG 2013-0117

This investigation concerned allegations that an employee displayed inappropriate, disrespectful, and embarrassing behavior during meetings with the public. The investigation concluded the allegations of Conduct Unbecoming a Public Employee and Violation of Law or Agency Rules, to wit: Personal Security and Acceptable Use (Technology Resources) were SUSTAINED. Additionally, the allegation of Insubordination was NOT SUSTAINED. Personnel Action: The employee was terminated.

IG 2013-0118

This investigation concerned allegations that an employee engaged in confrontations with co-workers where verbal threats of physical harm were made. The investigation concluded the allegations of Violation of Law or Agency Rules, to wit: Workplace Violence and Conduct Unbecoming a Public Employee were SUSTAINED. A developed allegation of Conduct Unbecoming a Public Employee against another employee was SUSTAINED. Personnel Action: One employee was issued a Memorandum of Supervision and one employee was terminated.

IG 2013-0121

This investigation concerned allegations of an altercation which occurred between employees and escalated into conduct constituting a violation of department policy. The investigation concluded the allegation of Conduct Unbecoming a Public Employee was SUSTAINED. Personnel Action: Employee was issued a Memorandum of Supervision.

IG 2014-0002

This investigation concerned allegations that an employee used a department computer to access websites containing inappropriate images. The investigation concluded the

allegation Violation of Law or Agency Rules, to wit: Personal Security and Acceptable Use (Technology Resources) was SUSTAINED. Personnel Action: Employee received a 5-day suspension.

IG 2014-0007

This investigation concerned allegations that an employee used a department computer to access websites containing pornographic material. The investigation concluded the allegation of Violation of Law or Agency Rules, to wit: Personal Security and Acceptable Use (Technology Resources) was SUSTAINED. Personnel Action: Employee received a 5-day suspension.

IG 2014-0015

This investigation concerned allegations that an employee failed to follow proper procedures and falsified documents in the process. The investigation concluded the allegations of Negligence and Violation of Law or Agency Rules, to wit: Falsifying Records were SUSTAINED. Personnel Action: The employee submitted a letter of resignation.

IG 2014-0018

This investigation concerns allegations that an employee provided false information surrounding a vehicle accident. The investigation concluded the allegation of Conduct Unbecoming a Public Employee was NOT SUSTAINED. The developed allegation of Violation of Law or Agency Rules, to wit: Failing to Notify Law Enforcement after a Vehicle Accident was EXONERATED.

IG 2014-0032

This investigation was initiated into the arrest of an employee by the Florida Highway Patrol. The investigation concluded the allegation of Violation of Law or Agency Rules, to wit: Driving Under the Influence was SUSTAINED. Personnel

Action: Employee received a Written Reprimand.

IG 2014-0034

This investigation concerned allegations that an employee made inappropriate comments of a potentially threatening or harassing nature directed at co-workers. The investigation concluded the allegations of Conduct Unbecoming a Public Employee was SUSTAINED, and the developed allegations of Conduct Unbecoming a Public Employee against two additional employees were also SUSTAINED. Personnel Action: One employee was terminated. Two employees were issued a Memorandum of Supervision.

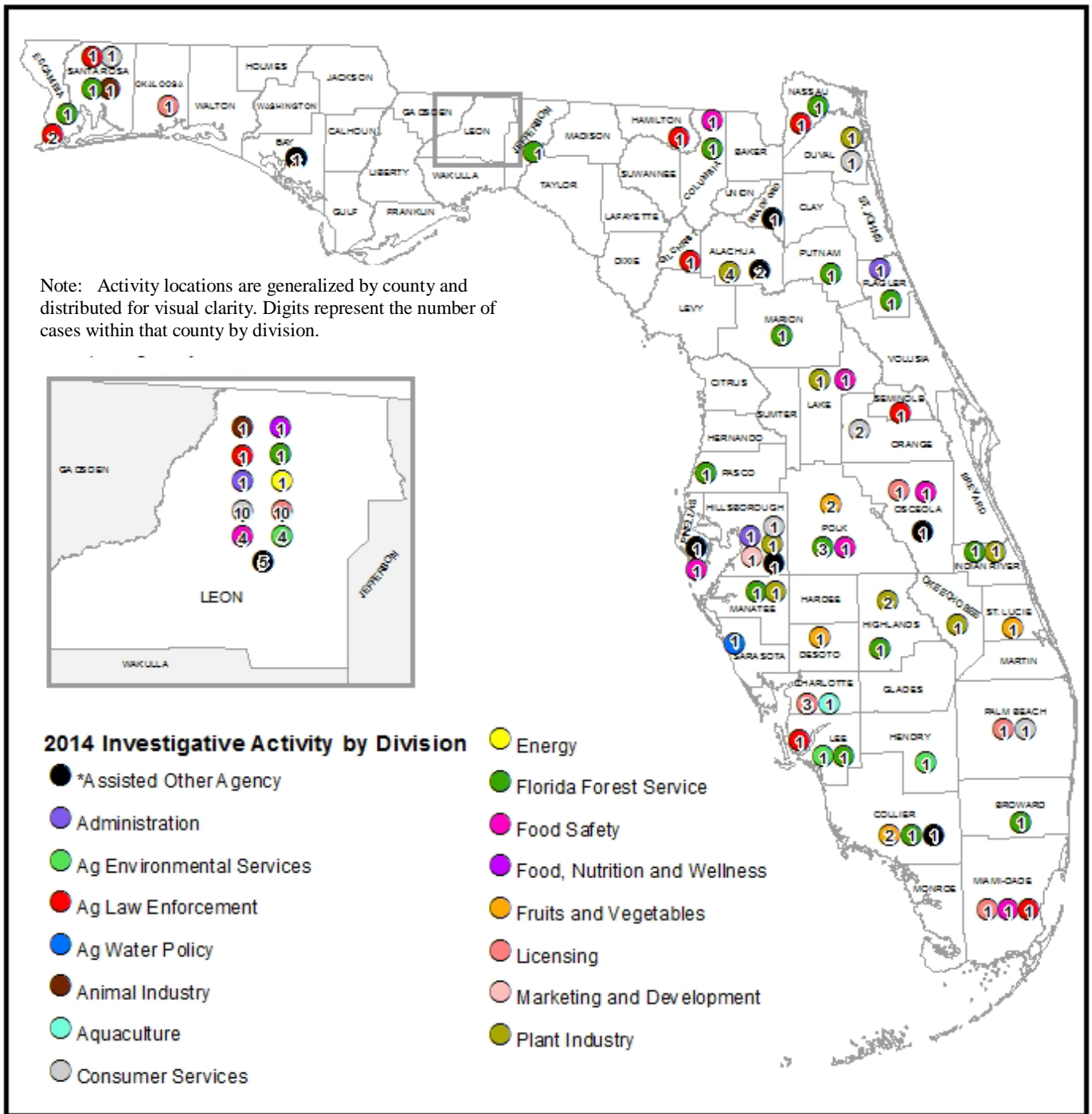
IG 2014-0043

This investigation concerned allegations that an employee took items from a company without purchasing them. The investigation concluded the allegations of Violation of Law or Agency Rules, to wit: Theft, and Conduct Unbecoming a Public Employee were SUSTAINED. Personnel Action: The employee submitted a letter of resignation.

INVESTIGATIONS

STATEWIDE INVESTIGATIVE ACTIVITY

The following map displays all of the statewide investigative activities for Fiscal Year 2013-2014.



AUDIT SECTION

“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 s. 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.

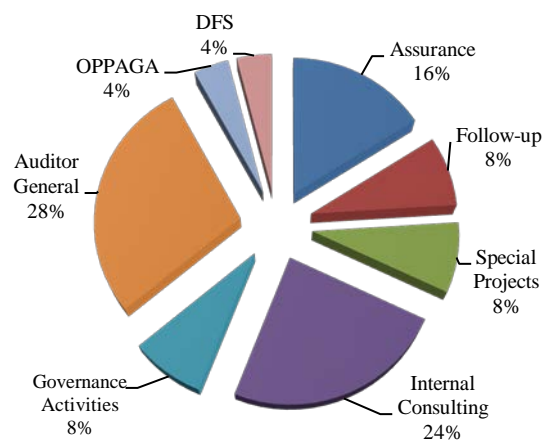
Proficiency

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.

Audit Activity FY 2013-2014



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; and
- Continues to improve audit techniques, tools, and technology.

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

Additionally, pursuant to s. 20.055, Florida Statutes, the Audit Section is evaluated every three years by the Auditor General’s Office.

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 and any ad-hoc management assistance that might be requested during the year).

The auditors have been assigned as liaisons to specific divisions and offices. This assignment allows greater involvement and more timely communications between the OIG and department management.

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, 2013. Audit plans are developed by performing an agency-wide risk assessment, which included the development and distribution of surveys to division and office directors to obtain their input. The audit plan is viewable on the department's website at www.FreshFromFlorida.com.

INTERNAL ASSURANCE SERVICES



The OIG completed four (4) assurance projects and two (2) follow-up projects during Fiscal Year 2013-2014, covering user account reviews for mission critical department applications; the department's revenue collection process; the Forestry Arson Alert Association, Inc.; the Florida State Fair; and an operational audit of the Office of Energy. The OIG also initiated an audit of the Food Safety Laboratories, which will be completed during Fiscal Year 2014-2015.

Audit of User Account Reviews for Mission Critical Applications

(Report Number: IA 1314-01)

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

CONFIDENTIAL

BASED ON THE PROVISIONS OF SECTION 282.318, FLORIDA STATUTES, SECURITY OF DATA AND INFORMATION TECHNOLOGY RESOURCES, THE RESULTS OF THIS AUDIT ARE CONFIDENTIAL AND EXEMPT FROM THE PROVISIONS OF SECTION 119.07(1), FLORIDA STATUTES.

Audit of Department's Revenue Collection Process

(Report Number: IA 1314-02)

The objective of this audit was to evaluate select internal controls regarding the department's revenue collection process. This audit focused on areas previously identified in the Auditor General's report concerning Revenue Collection Process and Selected Information Technology Controls. The scope for this audit was 52 revenue types distributed among the divisions that collect revenue on behalf of the state of Florida. The audit focused on segregation of duties, deposit timeliness, and the performance of reconciliations.

SEGREGATION OF DUTIES

Issue: For the Division of Aquaculture's Resident Apalachicola Bay Oyster Harvesting Licenses, the duties for two employees include receiving and recording payments during the off-season from July 1 to May 16; however, the duties are segregated during the peak season. In addition, the division does not adequately account for pre-printed licenses. The assignment of incompatible duties combined with a lack of accountability for pre-printed licenses makes it impossible to verify that a payment was received for all licenses issued.

For the Florida Forest Service, incompatible duties are assigned to employees for five revenue types (Forest Product Timber Sales, Non-FFS Timber Sales, Fire Suppression Fees, Prescribed Burning Assistance Fees, Presuppression-Fireline Plowing Fees). The incompatible duties center on the invoicing, reconciling, receiving and recording processes. Due to staffing constraints at the various forest centers, the division's ability to separate these duties is limited.

For the Division of Marketing and Development's Produce Dealer Licenses, one employee authorizes and records adjustments, and performs reconciliations.

Recommendations: For the divisions of Aquaculture, Florida Forest Service and Marketing and Development, incompatible duties should be separated to the extent feasible. Where it is not feasible to separate

these duties, the divisions should establish sufficient management oversight to ensure that errors, anomalies, or theft will not be concealed from timely detection and resolution.

The Division of Aquaculture should develop procedures to establish accountability for pre-printed licenses to ensure revenue was collected for all licenses provided to license holders. The procedures should include proper handling and destruction of licenses that were not issued to the license holder.

Issue: For the Division of Animal Industry's six revenue types, the division has two employees with the responsibility of recording payments and adjustments, and reconciling subsidiary records. To mitigate the risk, for:

- Contagious Equine Metritis Service Fees, the manager reviews all adjustments and the monthly reconciliation reports. However, documentation of the review is not maintained.
- Diagnostic Laboratory Fees and Veterinary Inspection Certificate Fees, the manager reviews all deposits prior to depositing and reviews the monthly reconciliation reports. Documentation to support the review of deposits is maintained; however, documentation for the review of the monthly reconciliation is not maintained.

Recommendation: For the Division of Animal Industry's Diagnostic Laboratory Fees and Veterinary Inspection Certificate Fees, the division should ensure management reviews that are performed to compensate for the assignment of incompatible duties are sufficiently documented.

Issue: For the Division of Marketing and Development's State Farmer's Market Rent,

the division has eight employees located throughout the various State Farmers' Markets whose duties include recording payments and adjustments, preparing deposits and reconciling subsidiary records to FLAIR. To mitigate this risk, the division office (in Tallahassee) receives documentation from each farmer's market to support their deposits and performs a secondary reconciliation. Each farmer's market has a designated number of rental spaces with an expected amount of revenue. The expected revenue is matched to the revenue received and subsequently deposited.

Recommendation: None.

Issue: For the Division of Fruit and Vegetables' eight revenue types, the division has one employee who records payments and reconciles the subsidiary records. To mitigate the risk, a manager reviews the monthly reconciliations.

Recommendation: None.

DEPOSIT TIMELINESS

Issue: The OIG tested 457 transactions totaling \$4,610,153, to determine whether revenue collected by the department was deposited in accordance with Section 116.01(1) Florida Statutes. The OIG determined that all 457 revenue transactions were deposited within the timeframe required in Florida Statutes.

Recommendation: None.

RECONCILIATIONS

Issue: The OIG reviewed documentation to support the performance of reconciliations for the 52 revenue types tested. Our review assessed whether the program area:

- Performed reconciliations of the permits, licenses, etc. issued, or services

provided, as recorded in the program area's subsidiary records, to the deposit recorded in REV or FLAIR.

- Performed reconciliations to ensure that the revenue collected supported the number of permits, licenses, etc. issued, or the services provided.

We determined reconciliations were performed for 50 of the 52 revenue types, or that there were sufficient system controls in place in lieu of a reconciliation. However, a reconciliation was not performed for the remaining two revenue types. The following section provides additional comments regarding our testing on the performance of reconciliations.

The Division of Agricultural Environmental Services was not able to perform reconciliations during our test period, with the exception of the Pest Control License Fees, due to the inability of the subsidiary system to generate the necessary reports. However, during this audit, enhancements were made to the reports which allowed the division to start performing reconciliations.

Although the Division of Aquaculture is performing reconciliations of its Resident Apalachicola Bay Oyster Harvesting Licenses, sufficient controls do not exist to ensure that all licenses issued are accounted for within the subsidiary system. As was previously stated, controls over the pre-printed licenses are not sufficient to ensure that revenue is collected for all licenses issued.

The Division of Consumer Services cannot generate reports to facilitate the performance of reconciliations for eight revenue types. Six of the eight revenue types receive nightly financial downloads from the Bureau of Finance and Accounting's REV system to the DOCS system. The download, along with the supporting documents, are used by

the division to process licenses. The DOCS system has controls to prevent the issuance of a license without receipt of the corresponding revenue.

For the remaining two revenue types, Liquid Petroleum Gas Licenses and Meter/Scale Permits, the division has not reconciled their subsidiary systems to REV or FLAIR due to the difficulties encountered when attempting to match the data captured in the subsidiary systems to the reports generated from the REV or FLAIR systems. The division anticipates that these two revenue types will be migrated into the DOCS system within a year.

The Division of Food Safety (for Food Establishment Permits) cannot generate reports to facilitate the performance of reconciliations. However, the division receives nightly financial downloads from the Bureau of Finance and Accounting's REV system. The download, along with the supporting documents, are used by the division to process permits. The subsidiary system has controls to prevent the issuance of a permit without receipt of the corresponding revenue.

Recommendations: As previously mentioned, the Division of Aquaculture should develop procedures to establish accountability for pre-printed licenses to ensure revenue was collected for all licenses provided to license holders. The procedures should include proper handling and destruction of licenses that were not issued to the license holder.

The Division of Consumer Services should participate in the joint consulting project between the OIG and the Division of Administration (discussed in the following section) to determine whether there is an efficient method in which the reconciliations can be performed.

Joint Revenue Consulting Project: The OIG and the Division of Administration are in the preliminary stage of initiating a joint project to address the department's current reconciliation processes. The intent of the project is to work with the program areas to facilitate the development of more efficient methods for performing the reconciliations required in the department's Administrative Policies and Procedures.

Attendance and Gate Admission Revenue – 2014 Florida State Fair

(Report Number: IA 1314-03)

The objective was to audit the attendance and gate admission revenue for the 2014 Fair.

The scope was the attendance and gate admission revenue of the 2014 Florida State Fair held during the period of February 6 - 17, 2014, including advance gate admission sales occurring prior to the fair's opening and refunds or credits made through February 28, 2014.

The attendance of 382,418 and gate admission revenue of \$2,946,710 for the 2014 Florida State Fair is fairly stated in all material respects.

Follow-up Activities Performed and Status of Corrective Action Taken for Issues Identified During the 2013 Fair.

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Audit of the Forestry Arson Alert Association, Inc.

(Report Number: IA 1314-04)

The objectives of this audit were to evaluate the effectiveness and efficiency of the Association's operations and assess the sufficiency of internal controls in achieving compliance with Florida Statutes, the FFS'

internal policies and procedures, and in safeguarding the assets of the Association. The scope of this audit was operational, administrative and financial activities occurring between January 1, 2013 and December 31, 2013 and select activities which occurred during calendar years 2012 and 2014.

Issue: The Association's bylaws establish its name, purpose, and the responsibilities of its officers. However, the bylaws do not include elements, such as an indemnification clause to limit the personal liability of Board members, the minimum and maximum number of Board members, the member's voting rights, the number of Board members that constitute a quorum, and the term limits for its members.

Recommendation: The Board should consider revising its bylaws to provide an enhanced framework within which the Association should function.

Issue: On February 26, 2014, the Board held a meeting with five of its Board members present. The Board proceeded to vote on such issues as the election of officers and the 2014 budget. With only 5 of the 15 active Board members in attendance during the meeting, a quorum was not present.

Recommendations: The Board should establish the number of members needed to constitute a quorum and ensure that a quorum is present when official decisions are made by the Board. The Board should also evaluate actions that occurred during the meeting to determine whether subsequent review and approval by the Board is warranted.

Issue: The Association did not notice the Board meetings held on July 11, 2012, February 25, 2013 and February 26, 2014, in accordance with s. 120.525, Florida Statutes.

Recommendation: The Board must ensure that all Board meetings are properly noticed.

Issue: The financial activities of the Association are not sufficiently segregated to provide assurance that errors, anomalies or theft will not be concealed from timely detection and resolution. Due to limited staffing, the Association's coordinator collects, records, deposits and reconciles revenue. The coordinator also writes and signs the checks for expenses incurred by the Association.

Recommendation: The Board should implement procedures to separate incompatible duties to the extent feasible. Where it is not feasible to separate these duties, compensating controls should be established to ensure errors or irregularities will be detected in a timely manner. Compensating controls include having an individual, who is not responsible for collecting, depositing, recording or reconciling revenue, perform a detailed review of reconciliations to ensure completeness and accuracy and ensure all revenue received by the Association is deposited.

Issue: The FFS' Fire Manual states, "A field unit can solicit Arson Alert donations for the purpose of arson rewards or special prevention projects within the field unit." However, the FFS' Policy and Procedure 120, Revenue Procedures, does not specifically address how the revenue collected should be documented and subsequently transferred to the Association's coordinator.

Recommendation: The FFS should develop specific procedures for the collection and transfer of donations received by the field units.

Issue: For calendar year 2013, the Association processed 12 expenditures

totaling \$3,430. For two of the expenditures totaling \$266, a receipt or invoice was not available to support the expenditure.

Recommendation: The Board should ensure that sufficient documentation is maintained for all expenditures.

Office of Energy

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

As part of follow-up for the Office of Energy's Operational Audit, dated July 2012, the OIG interviewed Office of Energy (OOE) personnel and reviewed documentation to support the OOE's oversight and administration of grants and the status of the 18 findings contained in the original report.

GENERATION OF DOCUMENTS AND GRANT AGREEMENT FILES

Issue: For the 69 grant agreement files reviewed, the OIG determined that 56 (81%) did not contain current insurance certificates and/or proof of Central Contractor Registration.

Recommendation: The grant managers should ensure that current insurance certificates and CCR documents are obtained and maintained in the grant agreement file.

Status: Corrected. The Office of Inspector General (OIG) reviewed eight grant agreement files. All of the files contained the appropriate insurance certificates and CCR documents.

Issue: For the 77 grant agreement files reviewed, the OIG determined that 42 (55%) did not contain sufficient documentation of e-mail correspondence between the grant manager and the recipient.

Recommendation: The grant manager should ensure that sufficient e-mail correspondence is maintained in the grant

agreement file to adequately document his or her grant administration activities.

Status: Corrected. The OOE initially reported that all email correspondence pertaining to the grant will be placed in the applicable grant agreement file as part of the grant closeout procedures, and the OOE's Policies and Procedures Manual would be revised to reflect this change in policy. However, the OOE made the decision to print and file emails throughout the grant award period.

The OIG did not specifically test for the inclusion of all necessary email correspondence during our review of the grant agreement files; however, we did not identify any noticeable omissions during our review.

Issue: For the 60 grant agreement files reviewed, the OIG determined that 35 (58%) did not contain sufficient documentation to support the grant manager's completion of the monitoring tools.

Recommendation: The grant manager should ensure that completed monitoring tools are maintained in the grant agreement file to adequately support his or her assessment of the recipient's compliance with program requirements.

Status: Corrected. The OIG reviewed eight grant agreement files. All of the files contained completed monitoring tools to support the grant manager's assessment of the recipient's compliance with program requirements.

EXECUTION OF GRANT MONITORING PLAN AND RELATED ACTIVITIES

Issue: The OIG reviewed 70 grant agreement files and determined that in 63 instances (90%), the grant manager did not perform the risk assessment prior to the OOE entering a contract with the recipient.

Recommendation: The OOE should ensure grant managers perform risk assessments in accordance with the OOE's Policies and Procedures. A risk assessment is essential to identifying potential issues that may require a higher level of oversight.

Status: Corrected. During the initial audit conducted by the OIG, the OOE's Policies and Procedures Manual indicated that a risk assessment will be performed prior to the OOE entering into a contract with the recipient. However, the OOE indicated it is their policy that the Risk Assessment Worksheet be completed within 90 days of grant execution. The OOE feels that this 90 day timeframe is essential to accurately assess a grantee's level of risk based on the grant manager's communication with the entity. Our review determined that the OOE's Policies and Procedures Manual has been updated to include the current policy regarding the timing of risk assessments.

Our testing of eight grant agreement files determined that risk assessments had been performed for all of the grantees. For three of the grantees, the risk assessment was performed prior to the execution of the grant agreement. For the remaining five grantees, the risk assessment was performed from 8 to 31 days after the grant agreement was executed.

Issue: The OIG reviewed 59 ARRA funded grant agreement files and determined that in 8 instances (14%) the grant manager did not perform an on-site monitoring visit at the frequency dictated by risk assessment results.

Recommendation: The OOE should ensure that grant managers perform on-site monitoring at the frequency established by risk assessment results.

Status: Corrected. The OIG reviewed 8 grant agreement files and determined that

on-site monitoring visits occurred at the frequency established by risk assessment results.

Issue: The OIG reviewed 44 grant agreement files and determined that in 20 instances (45%) the grant manager did not issue the monitoring report within the 30 day timeframe established by the OOE's Policies and Procedures. A similar finding was contained in the Auditor General's Statewide Federal Awards audit for Fiscal Year 2010-2011. On April 27, 2012, the OOE provided an update to the Auditor General regarding corrective action taken to address the finding. The OOE indicated that a grant management spreadsheet had been developed and is being utilized by the OOE to track grant monitoring activities, including the date of the grant manager's on-site monitoring visit and the issuance of the monitoring report. The process also includes a notification alert to the grant manager for upcoming reports.

Recommendation: The OOE should continue to utilize the tracking spreadsheet to ensure monitoring reports are completed and provided to the recipient within the established timeframe. The OIG will evaluate the effectiveness of the tracking system during our six-month follow-up activities.

Status: Partially Corrected. The OIG reviewed eight grant agreement files and determined that in two instances the monitoring report was provided to the recipient within the established timeframe. In six instances, the report was provided in excess of 30 days.

The OOE indicated that the policy of generating, reviewing, and transmitting a monitoring report within 30 days of an on-site monitoring visit represents the ideal situation. However, the OOE also recognizes there may be circumstances that

could prohibit the ability to generate monitoring reports within 30 days. Therefore, the OOE has revised the policies and procedures to allow grant managers to submit a request to the Program Administrator to extend the monitoring report deadline. The request must be in writing and include the justification and/or circumstances to support the request. Extensions for more than 15 days will not be approved without a strong justification and/or extenuating circumstances and will be considered on a case-by-case basis.

RECIPIENT REPORTING AND AUDIT REQUIREMENTS

Issue: For the 76 grant agreement files reviewed, the OIG determined that 41 (56%) recipients did not submit progress reports to the OOE in accordance with the grant agreement. The agreement files did not contain sufficient correspondence to assess the adequacy of actions taken by the grant manager to obtain the progress reports.

Recommendations: The grant manager should increase efforts to obtain progress reports in accordance with the terms of the grant agreement. In addition, all correspondence between the grant manager and recipient should be maintained in the grant agreement file to document activities performed by the grant manager to obtain the reports.

Status: Corrected. The OIG's review of 8 grant agreement files determined that only two of the grantees submitted the progress reports in accordance with the terms of the grant agreement; however, the reports submitted by the remaining grantees were timely.

The OOE conducted on-site visits prior to the date the progress reports were due. Therefore, the OOE would have been aware of the grantee's progress through observations and discussions that occurred

during the on-site visit.

Issue: The OIG's review of grant agreement files determined that the grant manager did not document the receipt and review of audit reports required from recipients. A similar finding was contained in the Auditor General's Statewide Federal Awards audit for Fiscal Year 2010-2011. On April 27, 2012, the OOE provided an update to the Auditor General regarding corrective action taken to address the finding. The OOE indicated an audit letter had been developed to request the required audits from the recipients as well as a spreadsheet to track the receipt of audit reports. In addition, the OOE is currently developing forms and a checklist that will be used by grant managers to complete their review of audit reports. Training of grant managers is also planned to address the audit review process and procedures.

Recommendation: The OOE should continue to utilize the tracking tool and conduct training for grant managers to ensure all required audits of recipients are requested, received and reviewed by the grant manager.

Status: Partially Corrected. The Auditor General performed follow-up activities for this finding during the Federal Awards audit for Fiscal Year June 30, 2013.

During the audit, the Auditor General determined that the OOE has established procedures for obtaining OMB Circular A-133 audits from the recipients that expended \$500,000 or more in Federal funding, as well as requiring OOE staff to review the audit report received. However, the procedures did not include a timeframe in which the audit report reviews were to be completed. The Auditor General also found the OOE maintained audit tracking logs and, in April 2012, sent letters requesting all recipients to provide either an OMB Circular

A-133 audit report or a signed certification stating that the recipient had not expended more than \$500,000 in Federal funding. The Auditor General's examination of the audit tracking log for the 2011-12 fiscal year disclosed that, as of June 30, 2013, the OOE staff had received only 17 audit reports and three signed certifications. In response to the Auditor General's audit inquiry, OOE management stated that actions taken to follow-up with recipients who had not submitted an audit report or signed certification had not been documented.

The Auditor General's examination of the tracking log for the 2009-10, 2010-11 and 2011-12 fiscal years determined that OOE staff had not reviewed the 70 recipient audit reports received as of June 30, 2013 or issued any related management decisions.

On March 11, 2014, the OOE submitted a response to the Auditor General to address the audit findings. In the response, the OOE indicated that procedures are being enhanced to ensure that all recipient audit reports are obtained and reviewed in a timely manner and that efforts to follow-up with recipients are documented in writing. In addition, the OOE is in the process of completing its review of all A-133 audit reports received for fiscal years 2011 and 2012. The OOE will also increase its efforts to obtain any audits that were not submitted previously. Lastly, OOE's approval of payment requests on open grants may be impacted by management decisions requiring corrective action by the recipient. If the grant is already closed, the recipient's receipt of OOE financial assistance may be impacted in the future.

FINANCIAL MANAGEMENT

Issue: The OIG selected invoices totaling \$17,607,163 for 51 recipients to ensure the documentation submitted by the recipient was sufficient to support the cost

reimbursement request and to determine whether the expenditures submitted for reimbursement were in compliance with applicable Florida Statutes and federal regulations. The OIG determined that invoices were not maintained to support expenditures for 7 (14%) recipients totaling \$821,313 (5%).

Recommendation: The grant managers must ensure that sufficient documentation is obtained from the recipient to support all amounts reimbursed and the documentation is maintained in the agreement file.

Status: Corrected. The OIG selected reimbursement requests totaling \$1,391,994 submitted by seven grant recipients. We determined that invoices were contained in the grant agreement files to support the amount reimbursed to the seven grantees.

TRAINING OF STAFF

Issue: Based on documentation obtained from the OOE, we determined that training was provided to grant managers and administrative staff. In addition, as part of training, the compliance officers accompanied the grant managers during on-site monitoring visits.

Recommendation: The OOE should continue its training program to ensure grant managers have the necessary knowledge to administer grants. The training should also include fraud awareness and the “red flags” that may signal fraud on the part of the recipient.

Status: Corrected. The OOE’s grant managers have attended the Advancing Accountability training in accordance with Section 287.057, Florida Statutes. In addition, the grant managers have attended DFS training titled, Contract/Grant Monitoring: Steps for Success. Subsequent to our initial audit, no additional in-house training has occurred.

GRANT MANAGEMENT ENHANCEMENT OPPORTUNITIES

Issue: According to the OOE, all conflict of interest forms are maintained in the application file. However, the OIG could only locate the conflict of interest forms for two of the three evaluators of the EECBG applications. For the SEP, conflict of interest forms could only be located for the Clean Energy applications.

In addition, we determined that the OOE does not require all employees engaged in the administration of grants to sign conflict of interest forms.

Recommendations: The OOE should ensure that all conflict of interest forms are signed and maintained. In addition, the OOE should consider revising its Policies and Procedures to require any staff engaged in the administration of grants to sign a conflict of interest form. The Policies and Procedures should also specify the standard of conduct that is expected and indicate disciplinary actions to be applied for violating those standards.

Status: Corrected. The OOE has implemented the procedure to require all designated grant managers to sign a Grant Manager Designation/Conflict of Interest Certification, which outlines the standard of conduct expected of a grant manager. In addition, the OOE has revised its policies and procedures to address the implementation of this procedure. The OOE’s staff will be subject to disciplinary action and the standards of conduct, as outlined in the department’s Administrative Policies and Procedures and the State Personnel System.

Issue: In April 2010, the OOE developed written Policies and Procedures for Grant Management that focus primarily on the administration of ARRA funded grants. Even though some of the procedures in the

policy are applicable to state-funded grants, the requirements for risk assessments and the monitoring of state-funded grants are not clearly established.

Recommendation: The OOE should develop written policies and procedures to assist in the administration of state-funded grants.

Status: Corrected. The OOE's Policies and Procedures Manual has been updated to remove the focus from administration of ARRA grants to ensure it can be utilized for any type of assistance.

ADMINISTRATION OF INVESTMENT FUNDS

Issue: Although the OOE was able to communicate to the OIG the steps followed during the approval process, the OOE does not have written policies and procedures to document the approval process requirements. In addition, the OOE could not readily provide documents utilized and reviewed during the approval process or the communications with FOF and Florida First Partners staff.

Recommendation: The OOE should document written policies and procedures to be followed for the review and approval of proposed Fund investments. The policies and procedures should outline the responsibilities of the grant manager, the documents the grant manager is required to review and for what purpose, the individuals who are required to sign-off on the grant manager's approval decision, and the documentation retention requirements.

Status: Corrected. The OOE's Policies and Procedures Manual has been updated to outline procedures for administering the FOF.

Issue: The OOE did not consistently maintain documentation to support the approval of investments.

- The grant manager stated that the OOE approved investments via e-mails to the Florida Opportunity Fund, Inc., and Florida First Partners. The OOE could not produce the emails showing approval of the Opportunity Summaries or the Investment Memorandums for any of the three approved investments.
- The Investment Memorandum for one of the approved investments was not maintained by the OOE.

In addition, inadequate documentation was observed for three investments:

- Two of the three Opportunity Summary Checklists (used to document the OOE's approval of the Opportunity Summary) were not signed or dated by the grant manager.
- All three of the Investment Memorandum Checklists (used to document approval of the Investment Memorandum) were not signed or dated by the grant manager. Also, two of the three Investment Memorandum Checklists were not completed.

Recommendations: The OOE should maintain all pertinent investment documentation. Pertinent documents include, but are not limited to, Opportunity Summaries, Investment Memorandums and e-mail correspondence. Documents approving the investment opportunities, including sufficient justification of approval, should be maintained along with communication of approval to the appropriate entities. The OOE should also ensure all required approval signatures are obtained.

Status: Corrected. There was one FOF investment that occurred subsequent to our initial audit. Our review of the OOE files determined all pertinent documentation was maintained and the required approvals were obtained.

Issue: The OIG reviewed the due diligence process and supporting documentation maintained by Florida First Partners (FFP) and determined that the process may not be as thorough as the OOE should require or expect. Based upon our observations, the Florida First Partners' due diligence process relies heavily on information provided by the perspective company with limited independent verification or review by Florida First Partners.

Recommendation: The OOE should consider amending its oversight activities to include a review of the supporting documents and data utilized by Florida First Partners in performing their due diligence activities. This will ensure the due diligence performed is sufficient to support Florida First Partner's investment recommendation. This review should be performed prior to the grant manager's approval of the investment.

Status: Closed. Based on discussions with OOE management, the decision was made not to modify the OOE's oversight of the due diligence activities performed by the FFP. Management expressed the grant administration activities currently being performed by the OOE are in line with the activities contained in the grant agreement with the Florida Opportunity Fund, Inc.

ADMINISTRATION OF REBATE PROGRAM

Issue: The OIG identified the following issues in the ENERGY STAR Appliance rebate payments:

- Duplicate rebates were issued for 23 of the 64,224 (0.04%) rebates processed, resulting in an overpayment of \$2,504 out of a total of \$11,323,092 (0.02%) rebate payments.

As a result of the duplicate rebates issued, duplicate recycling bonuses were issued for 11 of the 49,666 (0.02%) bonuses processed, resulting in an overpayment of \$825, out of

a total of \$3,724,625 (0.02%) recycling bonus payments.

Additionally, 3 duplicate recycling bonuses were issued that were not directly related to a duplicate rebate, resulting in an overpayment of \$225.

- Due to pricing errors for 45 rebates, overpayments totaling \$908 were found.

Recommendations: The ENERGY STAR Appliance Rebate program has been completed. However, should additional funds become available, the OOE should evaluate its audit procedures to determine if changes are required to detect processing errors. In addition, the OOE should evaluate its contract with American Express to determine whether overpayments for the ENERGY STAR Appliance Rebate program can be reimbursed to the OOE.

Status: Corrected. Based on our discussions with the OOE, a few months after the rebate program was completed, they realized that duplicate cards had been sent to the rebate recipient. At the same time, the OOE was made aware that five customers were incorrectly denied rebates, totaling \$1,538.85. The OOE contacted American Express (AMEX) and the company offered to compensate the customers at its own expense. Two years later, the OOE became aware that additional duplicate and overpayments to the customer had occurred.

The OOE indicated the \$908 in overpayments was primarily due to one large statewide appliance vendor that printed the sales receipt in such a way that the amount actually paid by the customer was buried within the text and not itemized along with the other expenses. Therefore, the OOE does not consider those errors to be attributable to AMEX. The OOE calculates a remaining balance of \$2,015.15 attributable to AMEX.

The OOE's leadership requested the department's Office of General Counsel review the contract with AMEX to determine whether overpayments made by AMEX to rebate applicants could be reimbursed to the OOE. The General Counsel's office indicated there appears to be no mechanism in the contract for recouping the overpayments other than the provisions in Paragraph 14, regarding actions against AMEX for breach of contract. However, the General Counsel's office does not recommend pursuing a breach of contract lawsuit to recoup the funds, as it is likely that the cost of pursuing the funds in court would exceed the amount of the overpayments.

Issue: The OIG identified the following issues in the ENERGY STAR HVAC rebate payments and the OOE audit process:

- Proof of purchase date documentation was outside of the statutory period for 55 of the 220 (25%) rebates sampled;
- Proof of installation documentation was missing from the application for 76 of the 220 (35%) rebates sampled;
- The mailing date was outside of the statutory period for 6 of the rebates sampled; and
- The OOE determined during their audit that the HVACs may not have been purchased and/or installed within the timeframe required by statute. However, documentation was not maintained to support final resolution.

Recommendations: The ENERGY STAR HVAC Rebate program has been completed; however, should additional funds become available, the OOE should ensure that rebates are processed and paid in accordance with Florida Statutes. In addition, the OOE should maintain all documentation justifying their approval of rebates.

Status: Closed. The OIG did not perform any follow-up activities related to this audit

finding, as there were no additional funds made available for this rebate program.

RETURN ON INVESTMENT

Issue: Our audit determined that there was insufficient data available and/or insufficient progress made within the energy programs to determine their overall investment returns. With respect to our review of the individual grants, some reported progress had been indicated in areas that involve the retrofitting of energy systems. These returns were realized as a result of reductions in greenhouse gases and electric and natural gas consumption, as well as overall dollars saved through increased energy efficiency.

Recommendations: The OOE should ensure all new grant agreements contain clear and measureable ROI reporting requirements.

Additionally, the OOE should consider modifying existing grant agreements to include ROI reporting requirements not currently mandated. These reporting requirements should be in effect for a period of time sufficient to evaluate the success of both state and federal programs.

Finally, the OOE should consider developing a system for collecting, summarizing, analyzing and reporting the projected and actual ROI data at the recipient level.

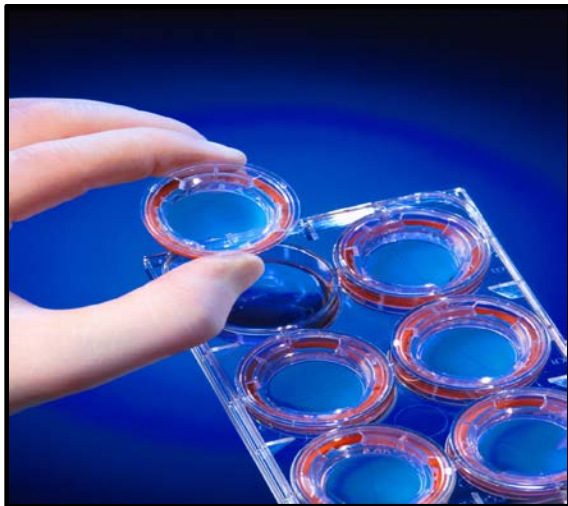
Status: Corrected. The OOE procured a third party vendor to collect ROI data from Florida cities and counties that received ARRA funds directly from the U.S. Department of Energy and take that data along with the data collected by the OOE from ARRA recipients to transform the data for placement on a user-friendly website. The website, which was launched in September 2013, allows state and local governments the opportunity to examine energy projects that offer the greatest

amount of return on investment.

In our communication with the OOE, they indicated that all data collected by the OOE was submitted voluntarily by recipients, as there was no clause in their agreement or contract that required them to submit ROI data to the OOE. The data that is submitted by the recipient is continually being incorporated into the interactive website.

Audit of the Food Safety Laboratories (In Progress)

The objectives of this audit were to evaluate the effectiveness of internal controls established to ensure the accuracy and integrity of laboratory analyses performed. The scope of the audit was non-accredited laboratory methods, as well as raw data back-ups for the period July 1, 2012 to April 22, 2014. In addition, the OIG performed follow-up activities to determine the status of corrective action for issues identified during an internal investigation of the Chemical Residue laboratory.



SPECIAL PROJECTS

The OIG performed two (2) special projects during Fiscal Year 2013-2014.

Food Nutrition and Wellness – Administrative Reviews of School Food Authority

The objective of this project was for the OIG to accompany personnel from the Division of Food, Nutrition and Wellness during their on-site monitoring visit to two sponsors of the Summer Food Service Program (SFSP). The SFSP was established to bridge the gap in nutrition during the summer months by serving nutritious meals to children 18 years and younger while school is not in session.

During the on-site visits, the OIG observed the breakfast services provided at one location and the lunch services provided at the remaining location. Division personnel assessed various activities at the sites, including the temperature range of the meals being served, actual serving times coinciding with the approved times, if acceptable sanitary procedures were being followed, and if the required records were being maintained at the sites.

Aquaculture – Apalachicola Shellfish Center Facility On-site Visit

The objective of this project was to review activities performed by personnel in Apalachicola's regional office to process renewals of Resident Apalachicola Bay Oyster Harvesting Licenses. Our assessment of activities focused on issues identified in the Revenue Collection Process Audit.

On June 24, 2014, OIG staff conducted an on-site visit to the Apalachicola Office. During the visit, staff observed that once all information is entered into the system and payment via check has been received, a

receipt is issued to the licensee. The regional office no longer pre-prints licenses, as this responsibility has now been transferred to the division's headquarters in Tallahassee. The OIG confirmed with the division's headquarters that each night a query is run from the system to obtain a list of all paid licensees. From that list, the division headquarters mails the license to the licensee. This process addresses the segregation of duty issues identified during the audit and ensures revenue is collected for all licenses provided to license holders.

INTERNAL CONSULTING SERVICES

The OIG performs consulting services based on requests from department management, as well as through joint projects with department personnel, which are designed to enhance internal controls or organizational governance. The Audit Section participated in six (6) internal consulting services during Fiscal Year 2013-2014.

Florida Forest Service (Report Number: IC 1314-01)

The OIG received a request from the Florida Forest Service (FFS) management to evaluate the internal controls that establish accountability and physical security over FFS' fuel resources. The scope of this review was the FFS' fueling activities performed through the use of the WEX fuel and maintenance card, bulk fuel facilities and portable fuel tanks.

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Performance Measures – Review of Validity and Reliability Statements

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

The Audit Section reviewed the addition, deletion, or modification of approved measures, standards, and activities for the Fiscal Year 2015-2016 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.

Bronson Animal Disease Diagnostic Laboratory

The overall objectives of this review are to determine the efficiency and effectiveness of laboratory operations and to evaluate how the laboratory compares to southeast states in the areas of organizational structure, salaries and services provided.

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 who suffered financial losses associated with high feed input costs during the 2008 calendar year.

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 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.

EXPENDITURES OF ARRA GRANTS				
Division/Office	Award	Award Amount	Amount* Expended	Percent
Office of Energy	State Energy Program	\$126,089,000.00	\$123,870,756.11	98.24%
Office of Energy	Energy Efficiency & Conservation Block Grant	30,401,600.00	29,424,326.43	96.79%
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	1,698,779.57	90.28%
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 are as of June 30, 2014.

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

GOVERNANCE ACTIVITIES

The Audit Section performed two (2) ongoing governance activities to monitor current information technology issues for the department or 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 a member on the Information Technology Life Cycle Review Panel.

As an advisory member, the Director of Auditing attends panel meetings to participate in discussions concerning issues associated with the development and deployment of new applications, including the infrastructure requirements and the necessary security controls.

Preventative Measures and Communication

The Audit Section utilizes the department's quarterly Open Lines newsletter to communicate our services and deliver audit-related issues. In a previous submission to Open Lines, the Audit Section developed training for all employees concerning operational risks and mitigation techniques. A link to the PowerPoint presentation, Risk and Internal Controls, was included in the newsletter and available online.

In the spring 2014 newsletter, we described our process for developing the annual Audit Plan, including the risk assessment performed through surveys of department management to identify items that could negatively impact the ability to meet program objectives.

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. As such, 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 nine (9) external audits or reviews conducted by federal or state agencies during Fiscal Year 2013-2014.

OFFICE OF THE AUDITOR GENERAL

Financial Statements FY Ending 06/30/13

(Florida's Comprehensive Annual Financial
Report for Fiscal Year Ending 06/30/13)

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 2011-2012 State Energy Program and Child Nutrition

Follow-up
(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 No. FA 12-002: Program management had not implemented certain access security controls for the Child Nutrition Program (CNP) System.

Recommendation: Program management stated that enhancements to CNP System access security controls went into effect on July 11, 2012. We recommend that FDACS ensure that enhancements to the access security controls were properly implemented.

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 No. FA 12-003: 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).

Recommendation: We recommend that FDACS ensure that accurate DUNS numbers are obtained for all existing sponsors and that all required key data elements are timely reported in 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 the 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 No. FA 11-015: Program management did not correctly reimburse one subgrantee.

Recommendation: We recommend program management ensures reimbursements to subgrantees are properly supported.

Corrective Action: Completed. Upon notification to the subrecipient of the overage, the subrecipient 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 No. 12-016: Program management's procedures were not adequate to ensure that all subrecipient audit reports were obtained and reviewed. In addition, program management did not timely review audit reports in order to determine whether management decisions and corrective actions were required.

Recommendation: We recommend that program management enhances its procedures to ensure that FDACS timely receives, reviews, and issues management decisions for subrecipient audit reports.

Corrective Action: Corrected. The OOE developed and implemented an audit monitoring spreadsheet. This tracked requests made to subrecipients concerning the need to submit a copy of the required audit reports, or the need to 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 2012-2013

State Energy Program

(Report Number: AG 2014-173)

Finding No. FA 2013-019: Program management's procedures were not adequate to ensure that all subrecipient audit reports were obtained and reviewed in a timely manner. In addition, program management did not timely review audit reports to determine whether management decisions and corrective actions were required.

Recommendation: The Auditor General recommends program management enhances procedures to require documentation of staff efforts to follow-up with subrecipients that do not timely submit audit reports and to ensure that, upon receipt, subrecipient audit reports are timely reviewed and any related management decisions timely issued.

Corrective Action: Corrected. The Office of Energy's (OOE) Policies and Procedures for Grant Management: Section IV, Reporting, outlines the subrecipient audit review procedures. The policies and procedures require audit reports to be reviewed within five (5) months of receipt to the OOE. Any required management decisions will be issued within six (6) months of receipt, consistent with the requirements of Office of Management and Budget Circular A-133. The OOE re-visited the receipt of subrecipient audits for fiscal years 2011 and 2012 and increased its efforts to obtain any audits that were not submitted previously by searching for required audits on-line or contacting the subrecipients in writing. To date, all applicable subrecipient audits for fiscal years 2011 and 2012 have been received and are under review, and all audit tracking logs have been updated to reflect their receipt. Any management decisions or corrective actions resulting from the OOE's review will impact the subrecipient's receipt of financial assistance in the future.

Multi-Agency Operational Audit Payroll and Personnel Processes

(Report Number: AG 2014-184)

Finding: The department could not provide the required Dual Employment and Compensation Request form for 3 of the 22 forms selected for review. Testing also found that the department did not utilize the FLAIR reports to identify potential dual employment. In response to the Auditor

General's inquiries, department management indicated that both the People First and FLAIR reports were not useful to accurately identify dual hires.

Recommendation: Department management should establish appropriate procedures that provide for the proper submittal and approval of dual employment requests. Additionally, state agencies should utilize available dual employment reports to ensure that the dual employment activities of all applicable personnel have received appropriate consideration in accordance with state law, DMS rules, and other guidelines.

Corrective Action: Corrected. The department obtained reports from DMS to ensure dual employment is up to date. The department tested other report products and found they are insufficient, thus making the special request to DMS the best option.

Finding: State agency and DFS processes and procedures for salary reissuances should be enhanced to avoid overpayments to third parties for miscellaneous post-tax deductions. Additionally, State agencies did not always timely initiate efforts to collect from third parties overpayments made as a result of canceled salary payments.

The report did not contain a finding for the department regarding overpayments to third parties; however it was determined that the department had not established written procedures for recovering overpayments from third parties.

Recommendation: The department should establish policies and procedures regarding salary payment cancellations and reissuances and the recovery of overpayments from third parties.

Corrective Action: Corrected. The Bureau of State Payrolls' (BOSP) manual

has been updated since the completion of the audit to enhance protocols for recovery of third party payments. The department agrees with the BOSP manual and will utilize it as the official practice for this process. Therefore, no additional policy is necessary for the department.

Federal Awards for FY 2013-2014 State Energy Program (Fieldwork in progress)

The objectives of our audit are to express an opinion on the department's compliance with requirements applicable to the State Energy Program and an opinion on whether the state of Florida Schedule of Expenditures of Federal Awards is fairly presented in all material respects in relation to the state's basic financial statements taken as a whole.

Operational Audit (Fieldwork in progress)

The audit will focus on the department's administration of selected inspection programs, the Division of Consumer Service's complaint handling process, and the current status of select findings contained in the Auditor General's report No. 2012-161, Revenue Collection Process & Selected Information Technology Controls.

Operational Audit Surplus IT Property Controls (Fieldwork in progress)

The audit will focus primarily on the effectiveness of controls for the storage and safeguarding of surplus IT equipment awaiting disposal and on the effectiveness of the procedures for removal of confidential or exempt information from the electronic media before the media is made available for re-use or disposal.

OFFICE OF PROGRAM POLICY ANALYSIS AND GOVERNMENT ACCOUNTABILITY (OPPAGA)

2014 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 06/30/13 (Florida's Comprehensive Annual Financial Report for Fiscal Year Ending 06/30/13)

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 included in the statewide financial statements and completion of a management representation letter relating to internal controls over statewide financial reporting.

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 are communicated to management early in the audit process. This results in corrective actions often times being completed prior to the finalization of assurance projects. Additionally, the Audit Section 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 2012-2013 Annual Report have been resolved.

****End of Report****