Florida Department of State
Annual Report 2014-2015

Ken Detzner
Secretary

John L. Greene
Inspector General

Divison of Corporations

Division of Elections

Division of Cultural Affairs

Division of Historical Resources

Division of Library and Information Services

All Florida residents are touched in some way by the programs, services, and activities of the Department of State.

August 31, 2015

Ken Detzner
Secretary of State
Florida Department of State
R. A. Gray Building
500 South Bronough Street
Tallahassee, FL 32399-0250

Ms. Melinda Miguel, Chief Inspector General
Office of the Governor
The Capitol, Suite 1902
Tallahassee Florida 32399

Dear Secretary Detzner and Chief Inspector General Miguel:

I am pleased to submit our Annual Report on the activities of the Office of Inspector General (OIG) for the fiscal year ended June 30, 2015 as required by Section 20.055(8)(a), Florida Statutes, which summarizes accountability activities.

The value and services of the OIG can never be fully reflected in the annual report. The tangible results such as policies audited, management reviews, employees disciplined and complaint referrals can be readily reported. However, our intangible services and deterrent effect are not evident in an annual report. As you read this report, I hope you will recall the broad spectrum of services we provided the department and the professionalism of the OIG team that provides these services.

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

Sincerely,

John L. Greene, CIA, CIG, CGAP, CGFM
Inspector General

TABLE OF CONTENTS

TABLE OF CONTENTS (Continued)

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

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

The Office of Inspector General (OIG) mission is to promote accountability, integrity, and efficiency for the citizens of Florida by providing objective, timely audit and investigative services. The OIG conducts independent and objective audits, investigations, as well as review of agency issues and programs to assist the Florida Department of State (Department) in accomplishing its mission.
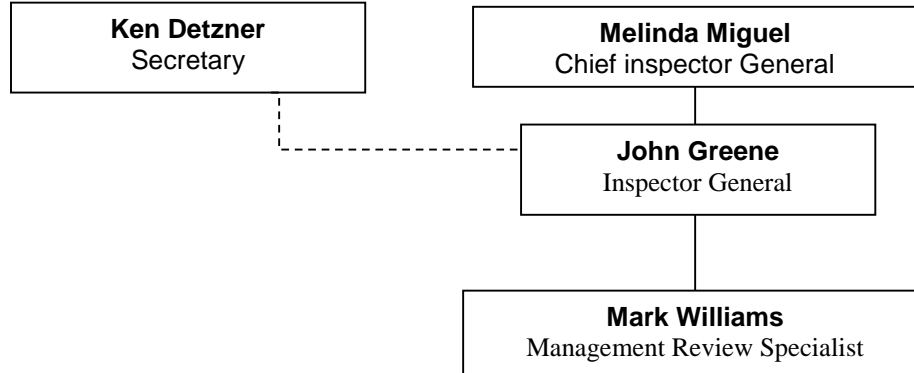
OIG DUTIES AND RESPONSIBILITIES

- Advise in the development of performance measures, standards, procedures for the evaluation of state agency programs
- Assess the reliability and validity of the information provided by the Department on performance measures and standards and make recommendations for improvement, if necessary
- Review actions taken by the Department to improve program performance, to meet program standards, and, if necessary, make recommendations for improvement
- Provide direction for, supervise and coordinate audits, investigations and management reviews relating to the programs and operations of 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, its programs and operations
- Keep the Secretary and Chief Inspector General informed concerning fraud, abuse, and deficiencies relating to programs and operations administered or financed by the Department; recommend corrective action concerning fraud, abuse, and deficiencies, and report on progress made in implementing corrective actions
- Ensure effective coordination and cooperation between the Auditor General, federal auditors and other governmental bodies with a view toward avoiding duplication
- Review, as appropriate, rules relating to the programs and operations of the Department and make recommendations concerning their impact
- Ensure that an appropriate balance between audit, investigative, and other accountability activities
- Comply with the Principles and Standards for Offices of Inspector General as published and revised by the Association of Inspectors General
- Receive complaints and coordinate Department activities as required by the Whistleblower's Act and/or the Chief Inspector General

ORGANIZATION AND STAFF

The Inspector General reports to the Chief Inspector General and is under the general supervision of the Secretary as prescribed by statute and has unrestricted access to all

Department activities and records. The OIG currently consists of two full-time professional positions as detailed below.

Ken Detzner	Melinda Miguel
Secretary	Chief inspector General

John Greene
Inspector General

Mark Williams
Management Review Specialist

CERTIFICATION AND TRAINING

The staff brings to the department experience from the private and public sectors with expertise in the areas of accounting, audit, and controllership. Professional certifications held by the staff include Certified Internal Auditor (CIA), Certified Inspector General (CIG), Certified Government Auditing Professional (CGAP), and Certified Government Financial Manager (CGFM). The staff maintains affiliations with the Institute of Internal Auditors, Association of Government Accountants, and the Association of Inspectors General.

The *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors require audit staff to maintain their professional proficiency through continuing education and training. *The Principles and Standards for Offices of Inspector General* as published by the Association of Inspectors General require each staff person to complete at least 40 hours of continuing professional education every two years. All audit and investigative staff shall obtain continuing education and training pursuant to the standards mandated by these organizations and obtain the necessary continuing education and training to retain their professional designation in the "active" status. The staff accomplishes this by attending courses, conferences, seminars, self-study, and in-house training programs throughout the year.

SUMMARY OF ACTIVITIES

The following paragraphs contain a summary of the various activities completed during the fiscal year. The information contained in the Summary of Activities Section of this report was extracted from reports issued by the Department of State's Inspector General and may only disclose essential information.

AUDIT ACTIVITIES

Audit of Financial Information on Seven State Aid to Libraries Grants awarded in Fiscal Year 2013-2014 Audit Report Number 2015-09

The OIG conducted an assurance engagement on State Aid to Libraries Grants awarded in Fiscal Year 2013-2014 to: Northwest Regional Library System, Columbia County Public Library System, Gadsden County Public Library System, Tampa-Hillsborough Public Library System, Lee County Library System, Orange County Library System, and Charlotte County Library System. The purpose of this examination was to assess if there was adequate support for the disbursements of the State Aid to Libraries Grants, assess if there was adequate support for the certified expenditures on the expenditure report, and assess if there was adequate support for the summary financial report for the State Aid to Libraries Grant projects.

During this engagement we examined documentation relative to the financial information on State Aid to Libraries Grants awarded in Fiscal Year 2013-2014 to Bay County Board of County Commissioners on behalf of Northwest Regional Library System(operating grant totaling $62,442), Columbia County Board of County Commissioners on behalf of Columbia County Public Library System(operating grant totaling $14,293 and equalization grant totaling $158,629 for a total grant of $172,922)[1], Gadsden County Board of County Commissioners on behalf of Gadsden County Public Library System(operating grant totaling $16,102 and equalization grant totaling $364,489 for a total grant of $380,591), Hillsborough County Board of County Commissioners on behalf of Tampa-Hillsborough Public Library System (operating grant totaling $971,587), Lee County Board of County Commissioners on behalf of Lee County Library System (operating grant totaling $674,397), Orange County Library System Board of Trustees on behalf Orange County Library System (operating grant totaling $888,331) and Charlotte County Board of County Commissioners on behalf Charlotte County Library System (operating grant totaling $92,371).[2]

We were able to determine the following during this assurance engagement:

- Grant disbursements by the Department were done in accordance with State Aid to Libraries Grant Agreements
- Accounting information provided by the grantees supported the certified expenditures on the expenditure report and the summary financial report
- Grant operating and/or equalization fund expenditures on the summary financial report were spent in accordance with State Aid to Libraries Grant Agreements

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[1] The library was to receive $172,922. This amount represents the grant amount that the library qualified to receive in fiscal year 2013-14. Based upon revised information submitted, the library received an overpayment of $43,743 in grant funds in the previous year. To address the overpayment of grant funds, the grantee was paid $129,179.

[2] The library was to receive $92,371. This amount represents the grant amount that the library qualified to receive in fiscal year 2013-14. Based upon revised information submitted, the library received an overpayment of $643 in grant funds in the previous year. To address the overpayment of grant funds, the grantee was paid $91,728.

- Library grant funds reported on the summary financial report were correctly reported in the Grantee's State Single Audit on the Schedule of Expenditures of Federal Awards and State Financial Assistances

Performance Measurement Reviews

The OIG reviewed the 2014-2015 Long Range Program Plan (LRPP) for the Department of State that was submitted in the format prescribed in the budget instructions. We selected and reviewed seven of the performance measures and standards of the Division of Library and Information Services for accuracy, validity, and reliability for fiscal year 2012-2013.

We determined that four of the performance measures were accurate, valid, and reliable. In addition, we determined that the annual increase in the use of public library service performance measures' supporting data was accurate but the supporting data comparison does not provide a valid result if the purpose of the measure is to know if the use of public library services are increasing or decreasing year to year.

Our review of the annual amount of additional information resources available for research by the Division of Library and Information Services measure was not accurate or reliable. The supporting data for this measure supplied to the Division of Library and Information Services by the Department of State's Administrative Code and Register section was inaccurate. In addition, our review of the annual increase in the usage of the division's resources performance measure determined that the data was valid and reliable and since it was a newly established measure, no data reported.

Our review revealed the following proposed recommendations for management to consider implementing:

- We recommend that the Deputy Secretary for Cultural Affairs, Historical Resources, and Library and Information Services and the Director of the Division of Library and Information Services change the way the actual year-to-year change in the use of public library services is calculated. It should compare a running average of prior FY actual numbers to the current FY actual numbers. This result would yield a more accurate representation of the measure and valid indicator in the use of public library services.
- We recommend that Department of State's Administrative Code and Register section staff maintain the supporting records when submitting data related to the annual amount of additional information resources available for research by the Division of Library and Information Services

OTHER AUDIT ACTIVITIES

Follow-Up Report on Corrective Actions Taken in Response to Auditor General

Section 20.055(6)(h), Florida Statutes, requires the Inspector General (IG) to monitor the implementation of the Department's responses to any report on the Department issued by the Auditor General or by the Office of Program Policy Analysis and Government Accountability. The IG shall provide a written response to the Secretary or, for agencies under the jurisdiction of the Governor, the Chief Inspector General on the status of corrective action taken. The IG shall file a copy of such responses to the Legislative Auditing Committee. During the fiscal year, the OIG conducted a review of corrective actions implemented by the Department and issued the following report

Report No. 2015-08: Status Report of Corrective Action for Auditor General Report Number 2014-181 Department of State Voting Systems Standards and Certifications and Prior Audit Follow-up

Florida Single Audit Assistance

The Secretary of State designated the OIG as the organizational unit within the Department responsible for the review of financial reporting packages required by the Florida and Federal Single Audit Acts pursuant to Section 215.97, Florida Statutes, and OMB Circular 133. We reviewed 493 Florida single audits or certificate of exemptions submitted in fiscal year 2014-2015. During this fiscal year, the OIG made many single audit improvements to our single audit process such as:

- Updated the single audit procedure for the OIG
- Updated the single audit checklist

Previously Reported Findings

The Department is still working on corrective action related to Audit Report Number 2014-03 reported in the prior annual report.

INVESTIGATION ACTIVITIES

Investigations

The OIG completed no investigations during this fiscal year.

Complaint Activities

During the fiscal year, we received 244 complaints. We review all complaints received and provided the complainant with suggested contact information of the agency with appropriate jurisdiction. We referred 200 to other agencies not within the jurisdiction of the OIG.

REVIEW ACTIVITIES

State Resource Center Total Recall Review- Assignment Number 2014-07

During this engagement, the OIG determined the following:

- The established internal controls related to the Department's SRC Total Recall system provided reasonable assurance that the program is in compliance with laws, regulation and procedures except that the SRC does not have an adequate process in place to report on missing boxes. The current process does not distinguish between files and boxes, nor does it document the process involved in finding the missing boxes
- Record center boxes are located on the shelf assigned in Total Recall
- Record center boxes delivered to the SRC from agencies are being checked into Total Recall database
- For SRC & Non-SRC boxes the Division is following their procedure in properly preparing them for destruction, properly loading them on the destruction truck and properly updating the Total Recall database relating to destruction
- The vault doors are kept closed
- The Total Recall server tower panel door is kept closed and locked

Our review revealed the following proposed recommendations for management to consider implementing:

- Include a step in the procedures for security reasons that both SRC vault doors should remain closed and locked at all times. The Division is in the process of implementing this recommendation by installing keypad access on both vaults that will keep the vault doors locked at all times
- The SRC only provides agencies a secure storage area for electronic media in the Electronic Records Vault.[3] The Division should develop language to include in their storage agreements with agencies to hold the Department harmless if items are missing
- The warehouse manager should develop an electronic copy of outside agencies employees who have clearance to access the Electronic Media Vault
- The SRC personnel should continue and complete the inventory of the items in the Microfilm Vault
- Remove the actual vault doors combination from the emergency after hours record center access procedure and put into a secure location
- The warehouse manager should develop and maintain a list of department staff who has access to the SRC vaults
- Include a step in the Electronic Media Vault visitor procedure outlining names and titles of SRC staff members that are responsible for handling outside agency visitors to the vault

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[3] The agencies who store items in the vault have a listing of these items. The SRC is responsible for the security of the vault. The SRC does not maintain a record of what is stored there.

- Fix the No Find report in the Total Recall system or create an alternative process to monitor missing record center boxes as an inventory quality control measure

Usage of the Acknowledgement of Use of Information Technology Form & the Access Control Form-Assignment Number 2014-19

During this engagement, the OIG reviewed new employee files for the signed Acknowledgement of Use of Information Technology Resources Policy form (DOSIT-01-04-F001) and we reviewed the access control form data of new, separated, and transferred employees. Our review revealed two findings and recommendations related to the completion of the Acknowledgement of Use of Information Technology form and the access control form as noted below.

Finding No. 1: The Acknowledgement of Use of Information Technology Resources Policy form (DOSIT-01-04-F001) was not consistently being completed by Department new hires.

Objective:
To assess if new Department employees had completed the Acknowledgement of Use of Information Technology Resources Policy form (DOSIT-01-04-F001).

Criteria:
Each new employee with the Department or upon ratification of the Florida Department of State Use of Information Technology Resources Policy is required to read and sign an Acknowledgement of Use of Information Technology Resources Policy form (DOSIT-01-04-F001). This form states that each employee has received the Florida Department of State Use of Information Technology Resources Policy (DOSIT-01-04-08) and agree to comply with the standards contained therein. Each employee understands that failure to comply with this policy may result in disciplinary action up to and including termination and/or criminal prosecution.

Condition Revealed during the review:
Our office determined through a review of new hire personnel files that many new hires had not signed the form. We found that 11 out of 50 reviewed personnel files or 22% contained a signed copy of the form.

Conclusion:
The Acknowledgement of Use of Information Technology Resources Policy form (DOSIT-01-04-F001) is not consistently being completed by Department new hires.

Recommendation:
We recommend that the personnel office as part of new employee orientation have new hires read and sign the Acknowledgement of Use of Information Technology Resources Policy form (DOSIT-01-04-F001). We further recommend that during the upcoming Information Technology security training that all current employees read and sign the

Acknowledgement of Use of Information Technology Resources Policy form (DOSIT-01-04-F001).

Finding No. 2: The access control form has not been consistently utilized when an employee separates from the Department or transfers/promoted within the Department.

Objective:
To assess if the access control form is completed when an employee separates from the Department or any time an employee is transferred or promoted within the Department.

Criteria:
An employee who separates from the Department or terminated from the Department should have their access authorization for the employee's user id canceled through the use of the access control form. When an employee's duties change such as a transfer or promotion require a change in access authorization, an access control form should be completed and submitted to the appropriate staff.

Condition Revealed during the review:
Our office determined through a review of the access control form files that there were many issues with the completion of the access control form. Specifically:

- We found that 18 out of 30 reviewed separated employee files or 60% had an access control form submitted that canceled the employee access.
- We found that 9 out of 25 reviewed transferred or promoted employees files or 36% had an access control form completed that documented a change in access.
- We found during our review that the access control form lacked documentation of what system each employee had access too.

Conclusion:
The access control form is not consistently being completed on all separated and transferred employees.

Recommendation:
We recommend that the Division of Administrative Services revise the Access Control Policy and redevelop the access control form process that would enable more consistent use of the access control form and identify what systems each employee has access too. Also, we recommend that a security coordinator be established in each division that would be the point person for approving/controlling employee's access to each division's information technology resources.

Usage of the Florida Department of Highway Safety and Motor Vehicles (DHSMV) "Driver and Vehicle Information Database" (DAVID) Review-Assignment Number 2015-05

During this engagement, the OIG determined that that the Division of Elections employees authorized to use the DHSMV DAVID system had signed a Standard of Conduct, had a successful Type II background check completed and the files searched in the DAVID system were done for the appropriate reason.

Review of Link2Gov Contract (formerly known as Metavante)-Assignment Number 2015-10

During this engagement the OIG determined that the Division of Corporations is performing adequate monitoring of transactions handled by Link2Gov, the vendor had proper collateralization of public funds and the vendor had an unqualified opinion that the controls related to the control objective were achieved and operating effectively.

Review of Image API, Inc. Contract-Assignment Number 2015-12

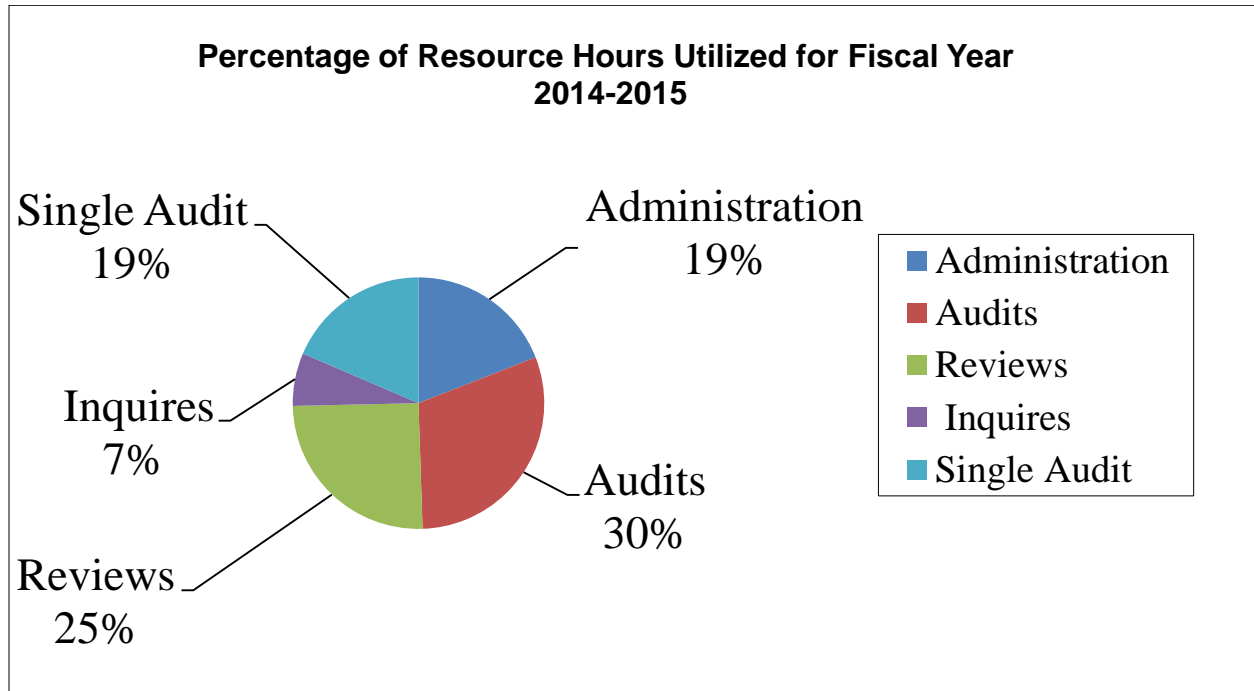During this engagement, the OIG determined the following:

- The Division is following the monitoring and the daily verification process per the general monitoring procedures
- The Division is following the deposit verification process per the general monitoring procedure except that the annual onsite review of Image API, Inc. processes is not documented
- The Division is following the database oversight process per the general monitoring procedure
- The Division is following the daily monitoring procedure and online daily monitoring procedures for the processing of FSTR/UCC transactions
- The Division is receiving the quarterly balance sheets and annual corporate reports per the agreement and updated on any lawsuits filed against Image API, Inc. or any settlement of threatened litigation
- The rewrite of the entire Registry software in C Sharp.NET was completed and implemented prior to the beginning of the third year of the contract

Our review revealed the following proposed recommendations for management to consider implementing:

- The general monitoring procedures, daily monitoring procedures and online monitoring procedures should be reviewed and revised to ensure that all facets of monitoring of Image API, Inc. contract is clearly defined
- The Division should enhance their supporting documentation of some procedure steps
- The Division should perform an annual onsite review of Image API, Inc. processes

RESOURCE HOURS UTILIZED

The chart depicts how the OIG utilized its resources during Fiscal Year 2014-2015.

Percentage of Resource Hours Utilized for Fiscal Year 2014-2015

Single Audit 19%

Administration 19%

Inquires 7%

Reviews 25%

Audits 30%

Legend:
- Administration
- Audits
- Reviews
- Inquires
- Single Audit

Notes to Resource Chart Above:

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

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RISK ASSESSMENT AND WORK PLAN

Both Florida Statutes and professional audit standards require the development of risk based work plans (both short and long term) which consider resource requirements. The OIG currently has two positions. Based on our analysis, staff members will be able to expend approximately 3307 staff hours to work plan engagements. Approximately 300 staff hours needed to complete ongoing projects initiated during the current fiscal year. The remaining 3007 hours programmed for new engagements.

The following contains our proposed work plan provided for your review. Following the table of projects planned for the 2015-2016 fiscal year, we have included a table of projects planned for succeeding fiscal years.

PROPOSED 2015-2016 WORK PLAN AND SELECTION CRITERIA		
Work Plan Project	**Selection Criteria**	**Estimated hours**
Enterprise Audit Plan Projects	State of Florida Inspector's General Enterprise Audit Plan	601
Endowment Grant Audits	Risk Assessment Issue	300
Systems Redevelopment Monitoring	Risk Assessment Issue	520
Performance Measures – 2015-2016	Statutory Compliance -Recurring Work Plan Item	40
Information Technology Controls Review	Risk Assessment Issue	160
Link2GOV Contract review	Risk Assessment Issue	160
Auditor General Audits/Corrective Action	Statutory Compliance -Recurring Work Plan Item	80
Florida Single Audit Program Monitoring	Recurring Work Plan Item	600
OPPAGA Corrective Action Status Reports	Statutory Compliance -Recurring Work Plan Item	40
OIG Risk Assessment	Recurring OIG Work Plan Item	160
Management Requests	Recurring OIG Work Plan Item	121
OIG Corrective Action/Follow-up	Recurring OIG Work Plan Item	80
Conduct Investigations as Needed	Statutory Compliance -Recurring Work Plan Item	120
Quality Assessment Review	Statutory Compliance - Recurring Work Plan Item	25

POTENTIAL OUT YEAR WORK PLAN PROJECTS
Historical Grants
State Aid Library Grants
Public Library Construction Grants
Inventory Process
P-Card Process
Performance Measures
Auditor General Audits/Corrective Action
Florida Single Audit Program Monitoring
OPPAGA Corrective Action Status Reports
OIG Risk Assessment
Management Requests
Conduct Investigations as Needed

ATTACHMENT 1 – Addressee and Distribution List

Ken Detzner, Secretary
Melinda Miguel, Chief Inspector General

Copies distributed to:

Jennifer Kennedy, Assistant Secretary of State and Chief of Staff
John Boynton, Deputy Secretary for Administrative Services, Corporations, and
    Elections
Kerri Post, Deputy Secretary for Cultural Affairs, Historical Resources and Library and
    Information Services
Sherrill F. Norman, Auditor General