

OFFICE OF INSPECTOR GENERAL



Ken Detzner
Secretary

Florida Department of State Annual Report 2015-2016



John L. Greene
Inspector General



Division 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.



FLORIDA DEPARTMENT *of* STATE

RICK SCOTT
Governor

KEN DETZNER
Secretary of State

August 2, 2016

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, 2016 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,

A handwritten signature in green ink that reads "John L. Greene".

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

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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.

INTRODUCTION

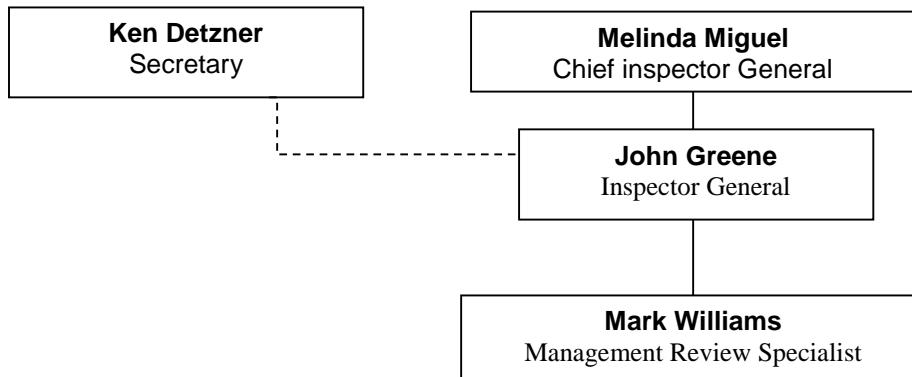
The Office of Inspector General (OIG) mission is to promote accountability, integrity, and efficiency for the citizens of Florida by providing objective, timely audit and investigative services. The OIG conducts independent and objective audits, investigations, as well as review of agency issues and 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.



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 Endowments Awarded to Miami Art Museum of Dade County dba PAMM and Museum of Fine Arts of St. Petersburg Report Number 2016-10

The OIG conducted an assurance engagement on endowments awarded to the Miami Art Museum of Dade County Association, Inc. dba PAMM, and Museum of Fine Arts of St. Petersburg. This engagement was performed as part of the OIG's mission to promote accountability, integrity and efficiency for the citizens of Florida by providing objective, timely audit and investigative services and to enhance processes for contract monitoring. The purpose of the examination was to assess if there is adequate support for the expenditures on the interest earned on the endowments and state matching shares, verify that the endowments and state matching amounts were invested and not used as collateral or otherwise subject to a lien, and verify the interest earned on Cultural Endowment Program Trustee Organization Annual Reports.

During this engagement we examined documentation relative to the financial information on endowments awarded to the Miami Art Museum of Dade County Association, Inc. dba PAMM (3 state matching shares for a total endowment of \$1,800,000) and Museum of Fine Arts of St. Petersburg (three state matching shares for a total endowment of \$1,800,000) for Fiscal Year 2013 and Fiscal Year 2014.

As a result of this assurance engagement, we were able to determine the following:

- Interest reported on Cultural Endowment Program Trustee Organization Annual Reports was verified
- Interest earned was expended in accordance Cultural Endowment Program Guidelines and Application and Trust Agreements
- Endowments and state matching funds were properly invested and the investment balance never went below the total endowment amount
- Endowments were not used as collateral or otherwise subject to a lien

Coordination with External Audit Organization

During Fiscal Year 2015-16, the OIG coordinated activity with the Auditor General (AG) and the Department of Financial Services (DFS). As shown below the AG issued a report that required the Department to respond to the findings and recommendations and DFS issued an audit letter that required the Department to provide a corrective action plan which addresses how these deficiencies will be corrected for future contracts. In addition, the OIG coordinated activity with Office of Program Policy Analysis and Government Accountability(OPPAGA) where no formal letter or report was issued by OPPAGA.

AG: Report No. 2016-002, dated July 2015 – Department of State Information Technology Operational Audit of the Florida Voter Registration System and Prior Audit Follow-up.

DFS: November 2015 – Audit of selected Department of State contracts and grants active July 1, 2014 through June 30, 2015 and related management activities.

Performance Measurement Reviews

The OIG reviewed the 2015-2016 Long Range Program Plan (LRPP) for the Department of State which was submitted in the format prescribed in the budget instructions. We selected and reviewed six performance measures and standards of Division of Cultural Affairs for accuracy, validity, and reliability for fiscal year 2014-2015.

We determined that five of the performance measures were accurate, valid, and reliable.

Our review determined that performance measure related to the number of web accesses (page view and content download) was valid and reliable. We reviewed the processes, calculations and discussed with division staff of how the performance measure was calculated. After our review of the processes, calculations and discussions with division staff, there was an apparent misunderstanding of which data points were to be used for this measure and which division was to supply the numbers for this measure. If the division had followed the process outlined in the Performance Measure Validity and Reliability description page, the outcome would have been accurate, valid and reliable. By not using all the data points described in the standard, the calculated number comes up extremely short of the actual total using the correct data points.

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

- For the number of web accesses performance measure, we recommend that the Division of Cultural Affairs calculate the data as described in the Performance Measure Validity and Reliability description page which calls for the measure to be calculated using the page views and content downloads. The results using this data will make the measure be accurate, reliable, and valid. In addition, as more yearly data is captured, the division should begin using an average of previous year's data to calculate the performance measure.

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. 2016-12: Status Report of Corrective Action for Auditor General Report Number 2016-002 Department of State Information Technology Operational Audit of the Florida Voter Registration System and Prior Audit Follow-up

Follow-Up Report on Corrective Actions Taken in Response to OIG Audits

Pursuant to Performance Standard 2500-Monitoring Progress of the International Standards for the Professional Practice of Internal Auditing published by the Institute of Internal Auditors, the OIG conducted follow-up review on the current status of actions taken by the Department of State management team in response to the recommendations made by the OIG. During the fiscal year, the OIG issued the following status report on recommendations:

Report No. 2015-15: Status Report on Recommendations for Audit of Financial Information on Three State Historic Preservation Grants awarded in Fiscal Year 2012-2013, Report Number 2014-03

Enterprise Assessment of Single Audit Act Activities Across Selected Agencies

The Executive Office of the Governor, Office of the Chief Inspector General identified Single Audit as an enterprise project. As a result, in accordance with Section 14.32, Florida Statutes, the Executive Office of the Governor, Office of the Chief Inspector General initiated an enterprise project to assess the Single Audit activities. The scope of the review was initially limited to Florida state agencies under the purview of the Governor. After asking to be included, the Florida Department of Law Enforcement (FDLE) was added to the scope of the review. We surveyed the 20 Florida state agencies under the purview of the Governor and Florida Department of Law Enforcement to gather information about the processes and procedures related to Single Audit activities.

The Department of State participated in the survey to gather information about the processes and procedures related to Single Audit activities. The Department of State

Inspector General was a team member of the Single Audit assessment team. The results of the survey and other research conducted for this project was reported by the Executive Office of the Governor Office of Chief Inspector General in Report Number 2016-02 titled “Enterprise Assessment of Single Audit Act Activities Across Selected State Agencies.”

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 2 Code of Federal Regulations(CFR) 200.501. We reviewed 438 Florida single audits or certificate of exemptions submitted in fiscal year 2015-2016. During this fiscal year, the OIG made single audit improvements to our single audit process such as:

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

Fraud Training

The OIG provided one session of Ethics, Employee Misconduct and Contract Crime Awareness on March 31, 2016 to the Division of Cultural Affairs at the Brokaw-McDougall House.

Previously Reported Audit Findings

The OIG did not identify any significant findings reported in prior annual reports for which the department has not taken corrective action.

INVESTIGATION ACTIVITIES

Investigations

The OIG completed no investigations during this fiscal year.

Preliminary Inquiries

Throughout the fiscal year the OIG conducted four preliminary inquiries in order to determine if a full investigation was necessary under the circumstances.

Complaint Activities

During the fiscal year, we received 313 complaints. We review all complaints received and provided the complainant with suggested contact information of the agency with appropriate jurisdiction. We referred 77 to other agencies not within the jurisdiction of the OIG.

REVIEW ACTIVITIES

Review of Personnel Files- Assignment Number 2015-13

During this engagement, the OIG determined the following:

- The new hire employee files we sampled had the proper documents that the personnel office identified as items maintained in individual employee's personnel file except that, in some instances, the documents were not obtained at the time of hire.
- The employees receiving promotions/demotions we sampled had the proper documents in the employee file to document the personnel action of promotions/demotions. Furthermore, employee personnel files receiving promotions/demotions we sampled had completed and maintained the proper documents that the personnel office identified as items maintained in individual employee's personnel file.
- The current employee files we sampled had the proper documents that the personnel office identified as items maintained in individual employee's personnel file except that, in some instances, the documents were not obtained prior to the review.
- The employees receiving disciplinary actions we sampled had the proper documents in the employee file to document the disciplinary action taken by the Department.
- The employees receiving pay adjustments we sampled had the completed personal actions form and request for salary additive or increase to base rate of pay form in the employee file to document the personnel action taken by the Department.

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

- The personnel office should review its existing controls to ensure the proper documents that the personnel office identified as items maintained in employee's personnel file have been completed and maintained in the individual employee's file.
- The personnel office should perform an annual quality review of employee's personnel files to determine if the proper documents that the personnel office identified as items maintained in employee's personnel file has been completed and maintained in the individual employee's file.

Usage of the Florida Department of Highway Safety and Motor Vehicles (DHSMV) "Driver and Vehicle Information Database" (DAVID) Review-Assignment Number 2016-09

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 Corporation Contract-Assignment Number 2016-17

During this engagement, the OIG determined that:

- The Division performed adequate monitoring of transactions handled by Link2Gov
- The vendor had proper collateralization of public funds
- The Division satisfactorily completed the performance evaluation on Link2Gov within six months of the date of signing the renewal agreement between the Department of State and Link2Gov
- The vendor had an unqualified opinion that the controls related to the control objectives were achieved and operating effectively

OTHER REVIEW ACTIVITIES

Follow-Up Report on Corrective Actions Taken in Response to OIG Reviews

Pursuant to Performance Standard 2500-Monitoring Progress of the International Standards for the Professional Practice of Internal Auditing published by the Institute of Internal Auditors, the OIG conducted follow-up review on the status of corrective actions taken by the Department of State management team in response to the recommendations made by the OIG. During the fiscal year, the OIG issued the following status reports on recommendations:

Report No. 2015-04: Status Report on Corrective Action for Department's Laboratory, Archaeological Conservation-Vault Opening Review- Assignment Number 2014-01

Report No. 2015-16: Status Report on Corrective Action for Department P-Card Procedures Review- Assignment Number 2014-14

Report No. 2015-18: Status Report on Corrective Action for Department's Property Inventory Procedures Review- Assignment Number 2014-08

Report No. 2016-08: Status Report on Recommendations for Usage of the Acknowledgement of Use of Information Technology Form & the Access Control Form- Assignment Number 2014-19

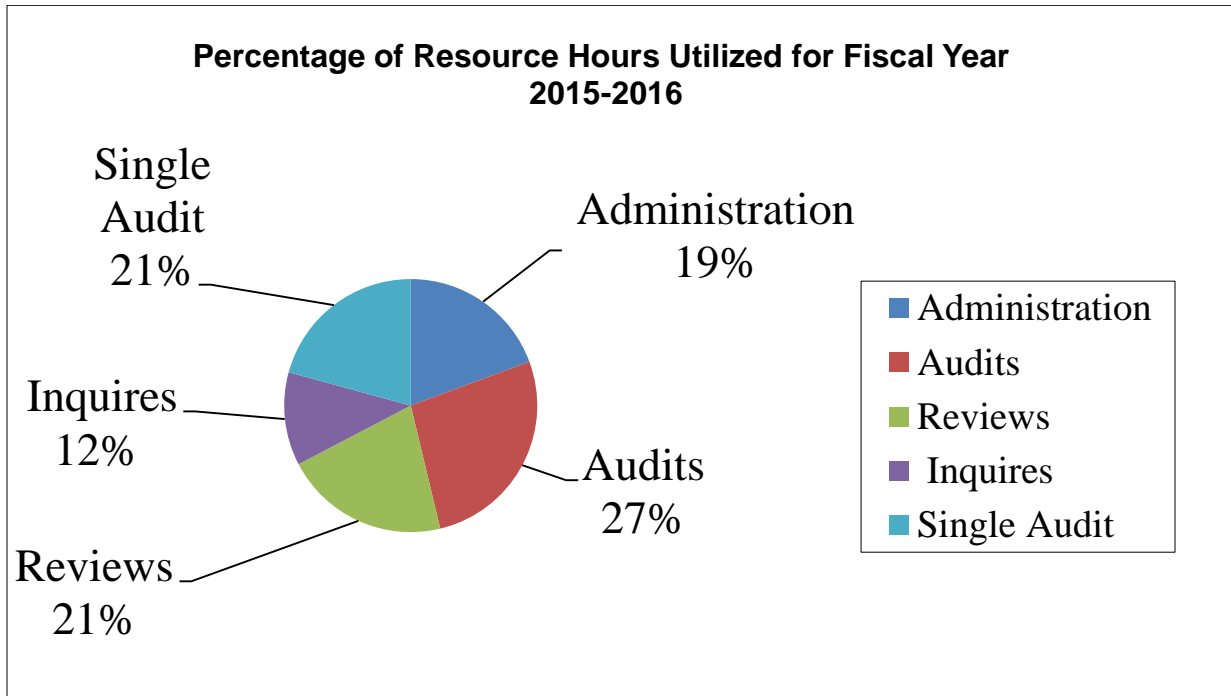
Report No. 2016-15: Status Report on Corrective Action for State Resource Center Total Recall Review- Assignment Number 2014-07

Previously Reported Review Findings

The Department is still working on a corrective action related to Advisory Memorandum 2014-19 reported in the prior annual report.

RESOURCE HOURS UTILIZED

The chart depicts how the OIG utilized its resources during Fiscal Year 2015-2016.



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.

Inquires includes: Hours incurred in performing the Office responsibilities under inquires, reviewing of complaints, and referrals of complaints.

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 2 positions. Based on our analysis, staff members will be able to expend approximately 3343 staff hours to work plan engagements. Approximately 225 staff hours needed to complete ongoing projects initiated during the current fiscal year. The remaining 3118 hours programmed for new engagements.

The following contains our proposed work plan provided for your review. Following the table of projects planned for the 2016-2017 fiscal year, we have included a table of projects planned for succeeding fiscal years.

PROPOSED 2016-2017 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	624
Historical Grant Audits	Risk Assessment Issue	300
Systems Redevelopment Monitoring	Risk Assessment Issue	450
Performance Measures – 2015-2016	Statutory Compliance-Recurring Work Plan Item	80
P-Card Process Review	Risk Assessment Issue	160
Image API, Inc. 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	650
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	154
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	60

POTENTIAL OUT YEAR WORK PLAN PROJECTS
State Aid Library Grants
Mission San Luis-Operations
Laboratory, Archaeological Conservation-Vault Review
Review of Cell Phone Usage
Inventory 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
Kerri Post, Deputy Secretary for Cultural Affairs, Historical Resources and Library and
Information Services
Sherrill F. Norman, Auditor General