



FLORIDA DEPARTMENT of

management  
SERVICES

We serve those who serve Florida

# Office of Inspector General

Annual Report  
Fiscal Year 2015-2016

Retirement  
Human Resource Management  
People First  
State Group Insurance

State Purchasing  
Real Estate Development  
Telecommunications  
Specialized Services



Rick Scott, Governor

Chad Poppell, Agency Secretary

September 30, 2016

Chad Poppell, Secretary  
Department of Management Services  
4050 Esplanade Way, Suite 285  
Tallahassee, FL 32399-0905

Melinda Miguel, Chief Inspector General  
Executive Office of the Governor  
The Capitol  
Tallahassee, FL 32399-0001

Secretary Poppell and Chief Inspector General Miguel:

It is an honor to submit the 2015-16 Annual Report for the Florida Department of Management Services (DMS) Office of Inspector General as required by section 20.055, Florida Statutes.

The Office of Inspector General continues to serve the department by assisting management in accomplishing its values, vision and mission. This report provides information on our key accomplishments and activities for the fiscal year of 2015-16. It also outlines our goals and objectives as we begin fiscal year 2016-17.

The activities outlined in our work plan for fiscal year 2016-17 address the significant programs and initiatives of DMS. We have reserved approximately 20 percent of internal audit time for management assistance projects, including those that may be requested by either of your offices. The annual work plan portion of the report includes planned projects for the fiscal year 2016-17 and our projected activities for the next two fiscal years. Our work plan is risk-based to provide the most effective coverage of the department's programs, processes, systems and contracts with outside entities. Surveys and meetings with key department managers and a review performed by the Office of Inspector General's staff provide the basis for our risk assessment.

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

Respectfully submitted,

Yolanda Lockett  
Interim Inspector General and Audit Director

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## Introduction

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

This annual report is presented to the Secretary and the Chief Inspector General to comply with statutory requirements and to provide department staff and interested parties with information on the OIG's progress in accomplishing its mission.

## Mission Statement

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

## Duties and Responsibilities

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

- Keep the department Secretary informed of and recommend corrective action for fraud, abuse and deficiencies relating to agency programs and operations; monitor and report to the Secretary progress made in implementing corrective action;
- Review rules relating to agency programs and operations;
- Ensure that an appropriate balance is maintained between audit, investigative and other accountable activities;
- Comply with the General Principles and Standards for Offices of Inspectors General as published by the Association of Inspectors General;
- Perform Level II background screening activities for incoming department employees and some contractors' employees.

## Internal Audit Section

The Retirement Compliance Audit unit's major function is as follows:

- Conduct *Compliance Audits* in accordance with section 121.193, F.S., to assess external agencies' compliance with statutes and rules pertaining to participation in the Florida Retirement System

(FRS). This activity includes providing technical assistance to agencies as they work to meet FRS participation and report requirements.

The Program Audit unit's major functions are as follows:

- Conduct Performance Audits to ensure the effectiveness, efficiency and economy of department programs. Elements of financial, compliance and information systems audits are often included within the scope of such audits;
- Provide Management Assistance Services to advise management on emerging issues and concerns;
- Perform Consultant Services to partner with and assist management by providing advisory and related services aimed at adding value to the department and improving the department's governance, risk management and control processes;
- External Audit Coordination of audits conducted by the Auditor General, Office of Program Policy Analysis and Government Accountability (OPPAGA) and other oversight units;
- Conduct Follow-ups to findings and recommendations made internally by the OIG and externally. The follow-up could be conducted as a specific audit or a follow-up with management; and
- Assist management with the development of Performance Measures and assess the reliability and validity of the department's information on performance measurement and standards.

## Internal Investigation Section

- Receive complaints and coordinate all activities of the agency as required by the Whistleblower's Act; for complaints that do not meet the criteria for an investigation under the Whistleblower's Act, conduct, supervise or coordinate such inquiries, investigations or reviews, as appropriate;
- Guide, supervise and coordinate investigations related to department programs and operations;
- Initiate, conduct, supervise and coordinate investigations designed to detect, deter, prevent and eradicate fraud, waste, mismanagement, misconduct and other abuses in state government.

## Foundational Obligations

### Internal Audit Section

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

Audits are conducted in accordance with the current International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors, Inc. Financial audits may be subject to the

generally accepted auditing standards promulgated by the Auditing Standards Board, a division of the American Institute of Certified Public Accountants. Office of Inspector General Audit Reports are submitted to the department Secretary and the Auditor General. They are then distributed to the Office of the Chief Inspector General, department managers and others, as appropriate.

## **Internal Investigations Section**

The mission of the Internal Investigations section is to protect Florida taxpayers through independent, fair and objective investigative activities designed to detect, deter and prevent fraud, waste and abuse within department operations.

In fulfilling its mission, the section investigates complaints of department employees' and contractors' alleged violations of law, rule or policy. Department employees, other agencies and the public may file complaints, and the section may receive them in a variety of ways—for example, through regular mail and email, via telephone calls or in person. The section may receive complaints submitted through the Whistleblower's Hotline, the Comptroller's Get Lean Hotline, the Office of the Chief Inspector General and the Governor's Office. The department has a Memoranda of Understanding (MOUs) with several independent agencies to provide them with OIG investigative services.

A thorough fact-finding investigation determines whether an alleged violation of law, rule or policy actually happened. These investigations may include witness(es) and subject interviews, a review of documentation such as department email and internal records, or through observation.

When an allegation is proved by a preponderance of the evidence (greater than 50 percent) that the alleged violation occurred, Internal Investigations publishes a report, and the department uses it, in part, for the basis of any disciplinary or corrective action that needs to be taken. For informational purposes, the section publishes reports of allegations not resulting in proved findings.

Internal Investigations sends all reports in which a DMS' employee is the subject of the investigation to the department's Secretary, Chief of Staff, Director of Human Resources, Office of General Counsel and the director of the division in which the subject of the investigation is employed. If the investigation involves a complainant who has met the requirements for whistleblower protection, the Internal Investigations section completes the investigation and drafts the report that is subsequently published by the Chief Inspector General in the Executive Office of the Governor. Cases involving criminal activity are referred to the appropriate law enforcement agency, such as the Florida Department of Law Enforcement.

When a complaint is filed without enough specificity to determine whether an investigation should be opened but it is of serious enough nature as to require fact-finding to determine if an investigation is warranted, the section opens a preliminary inquiry case.

The Internal Investigations section may receive complaints that, after analysis, are determined to be below the level requiring an OIG investigation. The section classifies these complaints as management referral cases and sends them to the appropriate division director for handling. The section monitors the case to ensure that the division addresses the complaint.

Department management or other agencies may request assistance from OIG for the Internal Investigations section's expertise in areas such as interviewing and document analysis. Such requests are handled as

management support cases. After Internal Investigations completes the case, the section reports the findings to the requesting entity.

There are times when a vendor or contractor with the department is convicted of a crime that may make the entity ineligible to do business with the State of Florida. When the OIG receives notice of such a conviction, it opens a Public Entity Crime case, gathers information regarding the conviction, and sends the information to the appropriate division within the department.

The Internal Investigations section is responsible for handling background screenings on persons selected for employment with the Department of Management Services, several independent agencies and some vendors. Background screenings involve conducting a criminal record check and may require that the potential employee visit the OIG for fingerprinting.

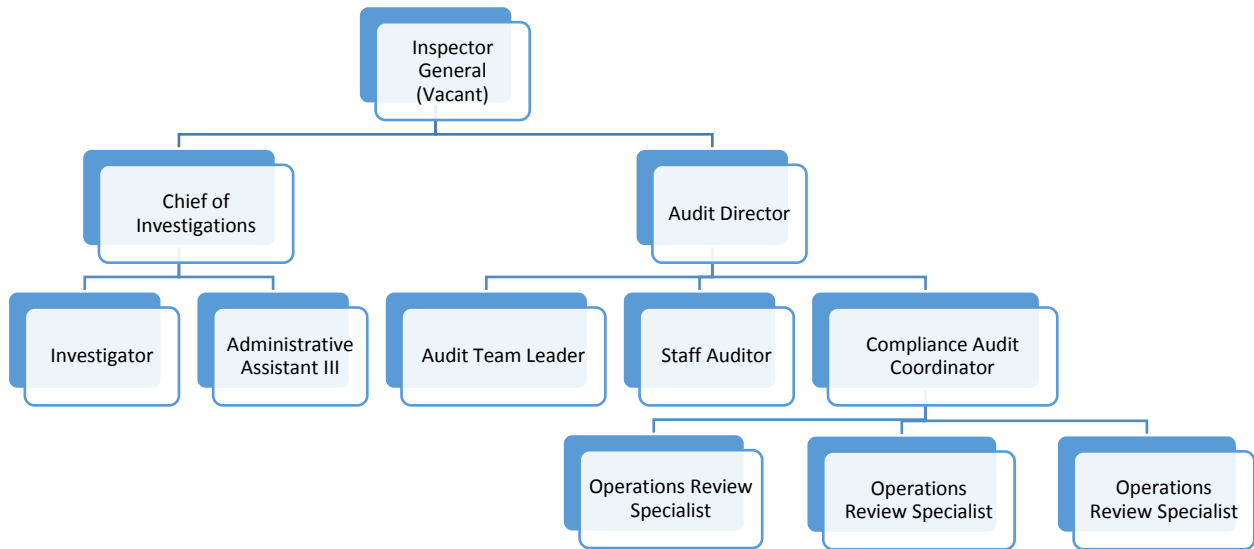
## **Affiliated Entities**

The department uniquely hosts several affiliated entities under its support umbrella, including the Division of Administrative Hearings (DOAH), the Florida Commission on Human Relations (FCHR), the Public Employees Relations Commission (PERC), and the Agency for State Technology (AST), which are also administratively affiliated with the department.

The department routinely enters into MOUs with each affiliated entity to document the support relationships and administrative services provided. During the fiscal year 2015-16, at the request of the Executive Director of FCHR, OIG services with FCHR were formally agreed to in an MOU. The department does not provide OIG support services through an MOU to DOAH or PERC; however, support services are available if requested.

## Office of Inspector General Organization and Staff

To carry out our duties and responsibilities, the Office of Inspector General is organized into two sections: Internal Audit and Investigations. The office has a staff of 11 positions and the organizational structure is shown below:



The Compliance Audit unit (four FTEs) performs the activities authorized by section 121.193, F.S. This unit conducts audits of the payroll and personnel records of agencies participating in the Florida Retirement System. These audits determine the accuracy of reports submitted to the department and assess their degree of compliance with applicable statutes, rules and coverage agreements. Audits are scheduled on a regular basis either as the result of concerns known to exist at an agency or as a follow-up to ensure that agency action was taken to correct deficiencies found in an earlier audit.

Office of Inspector General employees have a wide range of experience in both the public and private sectors. Staff members have supervised and conducted audits or investigations at state and local levels and within the private industry. Office of Inspector General staff have backgrounds and experience in accounting, auditing, law enforcement, program evaluation, management and computer science.

## Office of Inspector General Staff Certifications

Office of Inspector General staff holds the following professional certifications:

- 2 - Certified Inspector General Investigator**
- 2 - Certified Inspector General Auditors**
- 1 - Certified Internal Auditor**
- 1 - Certified Information Systems Auditor**

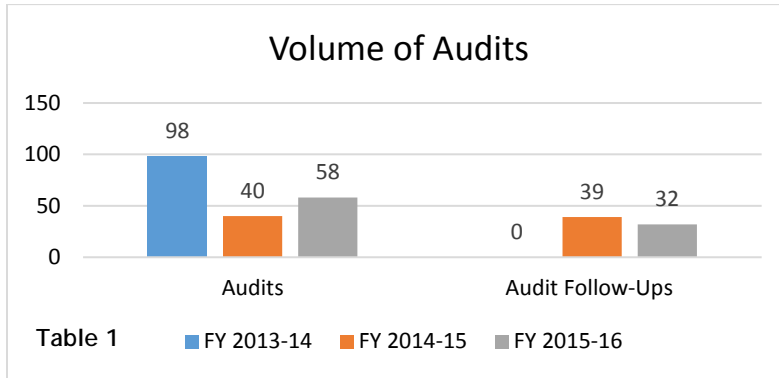


# Summary of Activities for Fiscal Year 2015-16

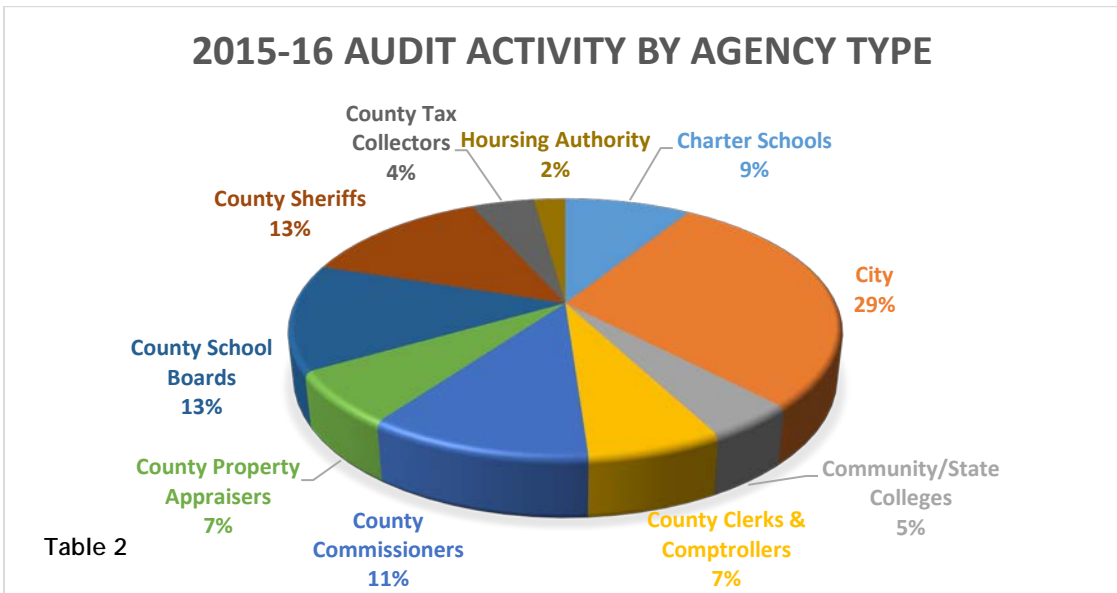
## Internal Audit Section

### Retirement Compliance Audit Unit

During fiscal year 2015-16, the Retirement Compliance Audit Unit completed 58 compliance audits and 32 follow-up audits of local government participants in the Florida Retirement System. These audits resulted in revenue adjustments of \$331,387 to the retirement system trust fund. The audits assess the degree of compliance with applicable statutes, rules, and coverage agreements. The audits shall also determine the accuracy of payroll, personnel and earnings records.



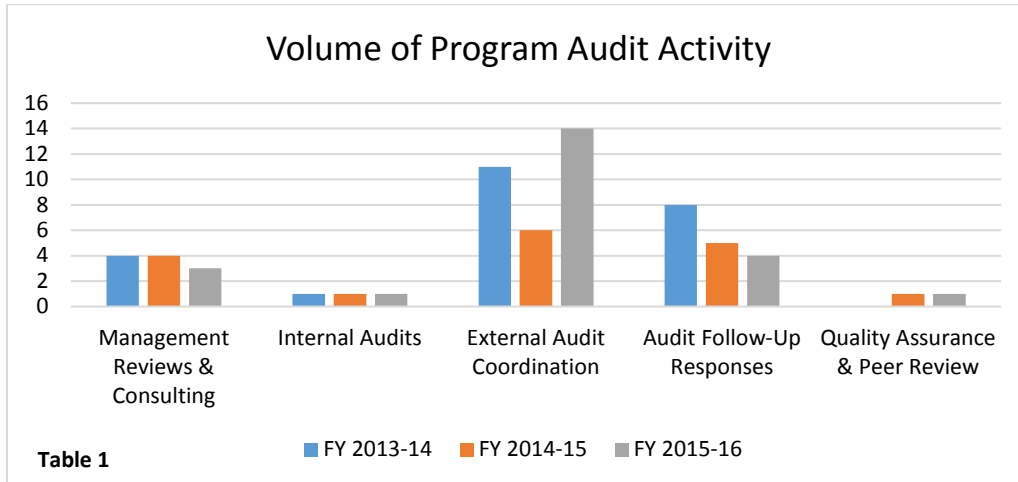
**Table 1:** The chart above shows volume of audits and audit follow-ups over the past three fiscal years.



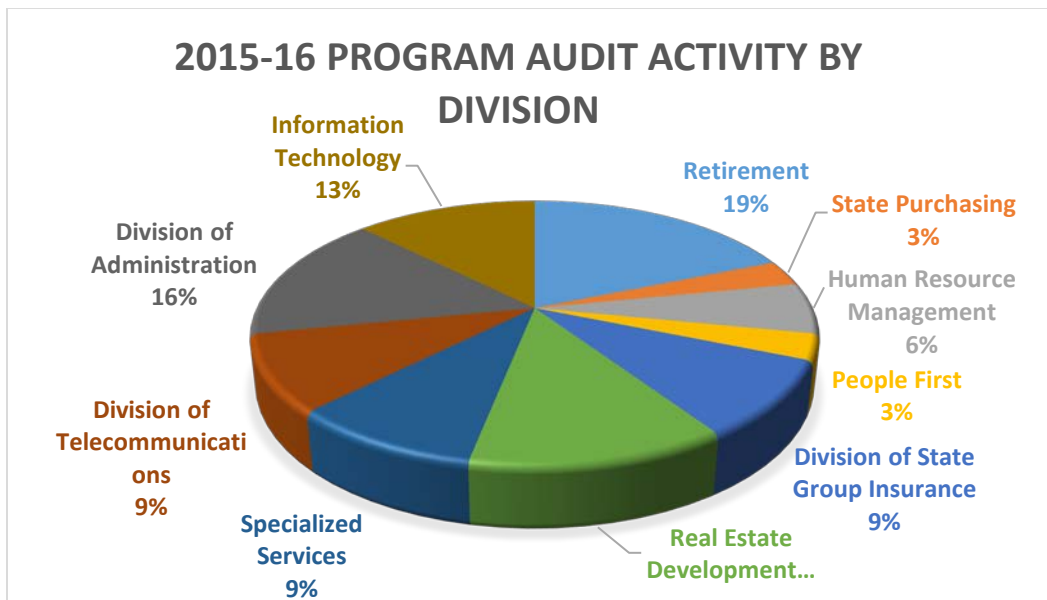
**Table 2:** The chart above shows the percentage of audits completed in fiscal year 2015-16 by agency type. The percentage of activity by agency type is based on the results of the risk assessment.

## Program Audit Unit

During fiscal year 2015-16, the Program Audit Unit coordinated seven external audits and its tri-annual peer review. The unit also performed one internal audit and two internal and external follow-up audits.



**Table 1:** The chart shows the volume of activity for the Program Audit unit over the past three years. The unit has consistently spent much of its time coordinating and following up on external audits. With the diversity of the department, the unit also spends a significant amount of time consulting and assisting program management.



**Table 2:** The chart highlights the level of activity by division for the fiscal year 2015-16.

## **Management Reviews and Consulting**

The Program Audit Unit performed two consulting projects.

- Real Estate New System Development Consulting

The Office of Inspector General continues to consult and partner with the Division of Real Estate Development and Management to ensure that the issues identified in the previous internal and external audits related to the Facilities Accountability Communication Tool (FACT) system are addressed in the current project to replace the system. The Office of Inspector General participated on the implementation project team as an independent consultant to provide management assurance of the goals and objectives as the project is in process.

- Review of People First Vendor's Audit Report

Annually, Internal Audit reviews the Statement on Standards for Attestation Engagements (SSAE 16) Service Organization Controls report to confirm the adequacy of the vendor's internal control environment relative to the systems that DMS relies upon.

## **Performance Audits**

The Internal Audit unit conducted one audit in fiscal year 2015-16. This was an enterprise-wide review of the cash receipts process. The audit objective was to assess the internal controls related to handling and processing DMS cash receipts. Special emphasis was made to determine the risk of fraud. The work was performed in 2015-16, the final report was published on July 12, 2016. All completed reports are available online at the following link:

[http://www.dms.myflorida.com/agency\\_administration/inspector\\_general/publications](http://www.dms.myflorida.com/agency_administration/inspector_general/publications)

## **External Audit Coordination**

The Office of Inspector General coordinates information requests, management responses and assists in meetings between the auditors and management for DMS and affiliated agencies. When the audit is complete and the report has been issued, the OIG provides coordination services for the required responses to preliminary and tentative findings issued by the Office of the Auditor General, Office of Program Policy Analysis & Government Accountability (OPPAGA) and other federal and state oversight agencies. In fiscal year 2015-2016, the OIG coordinated seven external audits issued by the Auditor General and two by other oversight agencies, one of which was incomplete as of June 30, 2016. The completed audits contained a total of seven recommendations to the department or affiliated agencies.

## Office of the Auditor General

Report Number	Audit Subject	Report Date
2016-18	Division of Retirement Integrated Retirement Information System (IRIS) - Information Technology Operational Audit	9/16/2015
2016-21	Schedules of Employer Allocations and Pension Amounts by Employer For the Florida Retirement System Pension Plan and The Retiree Health Insurance Subsidy Program Cost-Sharing Multiple Employer Defined Benefit Pension Plans - Financial Audit FYE 2014	10/9/2015
2016-040	Office of Inspector General's Internal Audit Activity - Quality Assessment Review	11/19/2015
2016-097	Florida Retirement System Pension Plan and Other State - Administered Systems – Financial FYE 2015	02/26/2016
2016-159	Compliance and Internal Controls Over Financial Reporting and Federal Awards FYE 2015	3/29/2016
2016-184	Schedules of Employer Allocations and Pension Amounts by Employer For the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program Cost-Sharing Multiple Employer Defined Benefit Pension Plans FYE 2015	4/8/2016
2016-194	Florida State Employees' Charitable Campaign - Operational	5/27/2016
No Report Number	USAC Audit of Florida DMS (eRate)	6/17/16

### Follow-up Reviews

The Office of Inspector General also coordinated the six-month status of corrective actions taken by the department on any audit findings and recommendations issued by the Office of the Auditor General or OPPAGA. It is the OIG's practice to continue to monitor outstanding recommendations every six months until implementation or until management accepts the risk of not implementing the recommendations. The Office of Inspector General performed two statutorily required follow-up reviews regarding the implementation status of 13 recommendations contained in two Auditor General reports. Five of the 13 recommendations have been implemented and closed. The management action plans related to eight recommendations are still in process.

## External Audit Follow-ups Office of the Auditor General

Report Number	Audit Subject	Date Completed
2015-104	Six-Month Follow-up to Department of Management Services - Statewide Law Enforcement Radio System and Prior Audit Follow-Up - Operational Audit	8/20/2015
2016-18	Six Month Follow-up to Division of Retirement Integrated Retirement Information System (IRIS) - Information Technology Operational Audit	3/16/2016

In addition to conducting statutorily required follow-ups, we periodically review unresolved internal audit recommendations. In fiscal year 2015-16, the OIG followed up on nine outstanding internal audit recommendations from two previously issued report. None of the nine recommendations have been implemented.

## Internal Audit Follow-ups

Report Number	Audit Subject	Date Completed
2014-8555	12 Month Follow-up to Audit of Privately Operated Institution's Inmate Welfare Trust Fund	12/11/15
2013-2336	Final Follow-up to SUNCOM Telecommunication Network Operations	5/26/16

### Performance Measurement and DMS Keys Performance Indicators (KPI's)

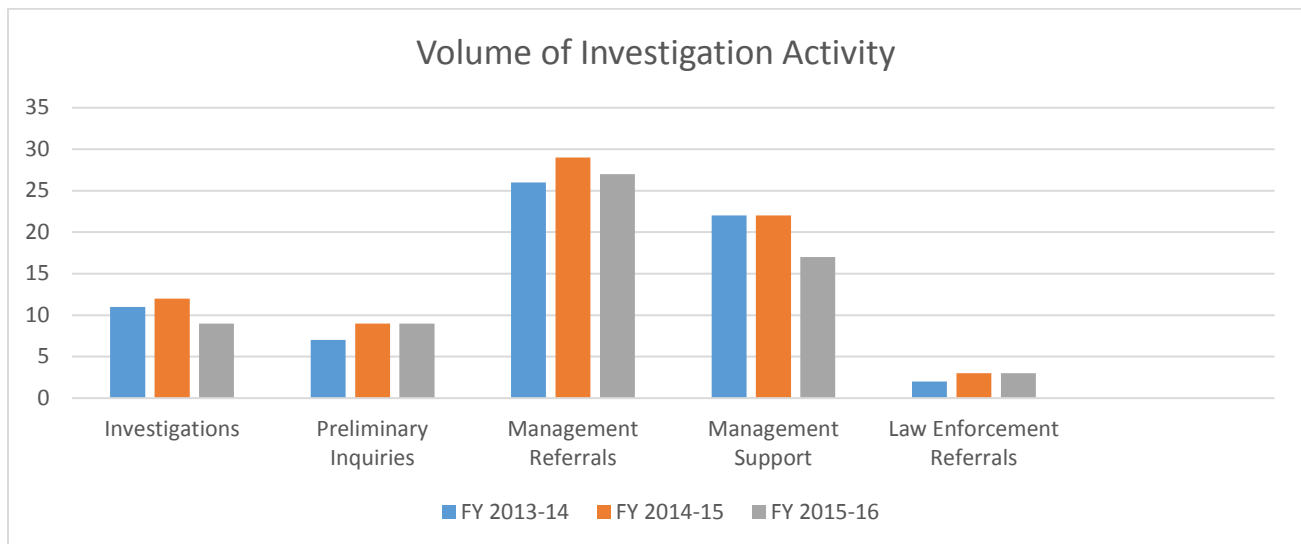
The Office of Inspector General consulted with the project team charged with developing the department's new performance measures and KPI's. Also, the OIG participated in the review of the newly implemented 103 KPI's for reliability and validity. In addition, the OIG assisted management in the development of a self-assessment tool to evaluate the performance measures and KPI's for reliability and validity. No review was required of the performance measures in the in the department's Long Range Program Plan because none were modified during the fiscal year. The Office of Inspector General continues to review and advise department programs on the development of performance measures and standards and to ensure that the department accomplished the recommended revisions. The table below highlights the areas where the OIG has completed the review of a division's KPI's for reliability and validity. The Office of Inspector General was able to use the self-assessment documentation developed to perform this review.

Divisional Area	KPI's Reviewed
Administration	11
State Purchasing	6
Office of Supplier Diversity	6
<b>Total</b>	<b>23</b>

### Quality Assurance Review

During this reporting period, the Office of Auditor General (Auditor General) conducted a peer review of the OIG’s internal audit activity. On November 19, 2015, the Auditor General published Report Number 2016-040, *Department of Management Services’ Office of Inspector General’s Internal Audit Activity, Quality Assessment Review for the Review Period June 2013 through June 2014*. The Auditor General found that the Internal Audit section’s quality assurance program related to DMS’, OIG’s internal audit activity was adequately designed and complied during the review period July 2014 through June 2015 to provide reasonable assurance of conformance with applicable professional auditing standards. Also, they found that the OIG generally complied with those provisions of Section 20.055, Florida Statutes.

### Internal Investigations Section



Case Number 2016.89: An employee was accused of timesheet falsification. The employee resigned prior to conclusion of the investigation; thus, no final disposition was established.

Case Number 2016.44: An employee was accused of sexual harassment by two contracted employees. The employee resigned prior to conclusion of the investigation; thus, no final disposition was established.

Case Number 2016.41: An employee was accused of displaying conduct unbecoming by submitting a falsified timesheet in order to earn overtime. The allegation was proved and the employee resigned in lieu of termination.

Case Number 2016.36: An employee was accused of displaying conduct unbecoming by submitting a falsified timesheet showing performance of work for the State of Florida when the employee was actually working at employment outside state government. The employee was terminated prior to conclusion of the investigation and no final disposition was reached.

Case Number 2016.22: Eight allegations were made against the employee. Four allegations were proved and four were disproved. The employee resigned in lieu of termination.

**Proved:**

- The employee was accused of displaying poor performance and conduct unbecoming by failing to be reliable, dependable and honest and to observe established work hours, which could cause embarrassment to the state, by taking extended lunch breaks while in a state uniform, driving a state vehicle and submitting a timesheet representing an eight-hour work day.
- The employee was accused of negligence in the performance of job duties, displaying conduct unbecoming and misconduct by instructing subordinates to falsify the accused's vehicle logs and then signing the falsified logs indicating agreement with their contents.
- The employee was accused of negligence in the performance of job duties when the employee's extended lunches allowed for subordinates to sleep during working hours due to the employee's absence.
- The employee was accused of poor performance and conduct unbecoming by allowing a subordinate to submit a falsified timesheet in order to earn overtime.

**Disproved:**

- The employee was accused of negligence in job duties by failing to ensure subordinates claimed leave on their timesheets for time they took off work.
- The employee was accused of negligence in job duties by allowing subordinates to use their state vehicle for personal reasons resulting in falsification of their vehicle logs.
- The employee was accused of negligence in job duties by failing to prevent subordinates from leaving working approximately one half hour early on a regular basis.
- The employee was accused of negligence in job duties by failing to prevent former employees from using state resources at work location.

Case Number 2016.21: An employee received inappropriate racially based voicemails on the cellphone used for business purposes by the employee. The voicemails could be considered conduct unbecoming if left by a state employee. The identity of the callers could not be determined after all logical leads within the purview of the OIG were explored. The case was closed with no further action and a disposition of inconclusive.

Case Number 2016.20: An employee was accused of displaying conduct unbecoming a public employee by making disrespectful comments to coworkers about their supervisor. The allegation was proved and the employee resigned in lieu of termination.

Case Number 2016.19: An employee was accused of conduct unbecoming a public employee and sexual harassment by making unwelcome sexual advances, verbal and physical conduct of a sexual nature, and directed the unwelcome behavior toward others because of their sex. The allegation was proved and the employee terminated.

Case Number 2016.17: An employee was accused of displaying conduct unbecoming and poor performance by leaving the assigned work location to engage in personal activities for extended periods of time and failing to properly record absences from work in People First. The allegation was proved and the employee resigned.

**Cases opened in fiscal year 2014-15, but closed in fiscal year 2015-16:**

Type of Case	Quantity
Management Referral	1
Preliminary Inquiry	1
Management Support	1

**Cases opened and closed in fiscal year 2015-16:**

Type of Case	Quantity
Contacts	23
Investigations	9
Referred to Law Enforcement	3
Management Referral	24
Management Referral to Another Entity	20
Management Support	17
Preliminary Inquiry	10
Administrative Project- Policies and Procedures	1
Public Records Request	1
Whistle-blower Status Review	1

## Summary of Significant Recommendations

### Internal Audit Section

#### Retirement Compliance Audit Unit

The following recommendations were made to a significant number of the agencies who were audited:

- Workers' Compensation Adjustments: Effective 7/1/90, a member is entitled to retirement service credit for the period of time temporary total or temporary partial workers' compensation payments are received provided the employee, upon recovery, immediately returns to active employment for one calendar month or is approved for disability retirement. When these conditions are met, the employer is required to make retirement adjustments if the employee's earnings during this period were reported at less than his/her regular pay rate.

The agency should make workers' compensation adjustments for the employees identified under work period code 88, for the noted periods, if the eligibility requirements for workers' compensation retirement credit were met. Additionally, the agency should review its records and make adjustments for all employees who received workers' compensation indemnity payments for lost wages and met the eligibility criteria for workers' compensation retirement credit.



- **Unreported Employees:** An employee filling a regularly established position should be reported to the Division of Retirement (DOR) for retirement coverage, even if the employee is serving a probationary period. An employee who fills a temporary position in a local agency that will exist longer than 6 months should be reported to the DOR, unless the position is exempt.

The agency should make adjustments to report the employee or employees identified for retirement coverage effective the initial date of hire because they were hired for a period exceeding six calendar months. Or the agency, should make adjustments to report the employee or employees identified for retirement coverage on the first day of the seventh calendar month or on the first day of the month following the month in which the decision was made to extend the position beyond six months, if earlier. Additionally, the agency should review its records and make adjustments for any other employees who were incorrectly excluded from retirement coverage based on the above criteria.

- **Unreported Wages:** All payments that meet the definition of compensation as provided in the Florida Retirement System (FRS) Rules, section 60S-6.001(16)(a), Florida Administrative Code, must be reported for retirement purposes.

The agency should make adjustments to report the employee or employees identified who have received payments that meet the definition of compensation.

### **Program Audit Unit**

The following recommendations were made in the enterprise-wide audit of the department's cash receipt process:

- Financial Management Services (FMS) should update its policies and procedures to ensure adequate internal controls for cash receipts processing and compliance with statutory requirements.
- Management should identify all areas processing cash receipts and evaluate the risk and determine if the cash receipts currently being processed in other divisions should be transferred to FMS.
- Financial Management Services should communicate the updated policies and procedures to divisions and areas processing receipts, and to provide education and training to these areas. It was acknowledged that FMS has already scheduled training in June 2016 for cash receipts processing.
- Financial Management Services should monitor compliance with policies, procedures, and statutes.

### **Internal Investigation Section**

The Investigation section made the following recommendations during the fiscal year:

- The subject of the investigation should reimburse the State of Florida for excess overtime compensation received.
- The Division of Real Estate Development and Management should:
  - Require Grosvenor Building Services management to ensure their employees are aware of attendance requirements and that they are to report any violations by other employees.
  - Require U.S. Security Associates to ensure their security personnel are monitoring DMS and contract employee activities and report any irregularities. The contractor should also ensure security personnel are requiring the employees to sign in and out personally.

- Advise DMS employees what type of issues they are required to report and who they should contact.

## Risk Assessment for Fiscal Year 2016-17

### **Retirement Compliance Audit Unit**

The annual audit schedule is based on the results of the annual risk assessment. The risk assessment consisted of surveying retirement management, surveying actively participating agencies and updating the risk ranking of each agency.

This audit schedule outlines the audits that have been scheduled for the upcoming year. Based on the current staff, the Retirement Compliance Audit Unit expects to have 6,830 hours for audit projects and is expected to complete 475 audits this upcoming year. These audits will be completed as full audits, limited review audits or as a self-assessments completed by the agencies.

### **Program Audit Unit**

The annual work plan is based on the results of the annual risk assessment. The purpose of developing the plan is to identify, select and plan the allocation of resources for the upcoming year. The Office of Inspector General's overriding consideration is to provide, as efficiently as possible, the greatest level of assurance and consulting services to the department.

This plan details product and services that the OIG will deliver. For the upcoming year, the OIG plans to continue devoting the majority of its resources to audits (both external and internal), consulting services and investigations. Based on current staffing, the OIG expects to have approximately 22,300 hours available for projects. The chart below represents an effective allocation of resources between audit, investigative and other accountability activities at DMS.

This table shows allocation of staff resources by category for fiscal year 2016-17.

<b>Allocation of Resources for Fiscal Year 2016-2017</b>			
<b>Category</b>	<b>Hours</b>	<b>Category</b>	<b>Hours</b>
<b>Program Evaluation (Program Audit Unit)</b>		<b>Holidays and Leave</b>	
Vendor Management Audit	1,080	Holidays	880
Physical Security Building 4030	160	Annual Leave and Sick Leave	1,980
Evaluation of Performance Measures and KPI's	240	Other Leave	120
Follow-up on IT Security Program	240	<b>Subtotal</b>	<b>2,980</b>
Internal Control and Business Process Audit of Retirement Operations	520		
<b>Subtotal</b>	<b>2,240</b>		
		<b>Professional Development</b>	
		Staff Development and Staff Meeting	840
<b>Audit Coordination and Follow-up</b>		Professional Training	380
Internal Audits	200	<b>Subtotal</b>	<b>1,220</b>
External Audits	540		
<b>Subtotal</b>	<b>740</b>	<b>Investigation Projects</b>	
		Background Screenings	620
		Agency Investigations	2,250
<b>Internal Process Analyses/Reporting</b>		Investigations Administration	2,040
Annual and Ongoing Risk Assessment and Audit Plan	480	<b>Subtotal</b>	<b>4,910</b>
Audit Process Improvement and Development Changes	320		
<b>Subtotal</b>	<b>800</b>		
		<b>Audit Compliance (Retirement)</b>	
<b>Other Audit Activities</b>		Compliance Audits	5,630
Performance Measures	80	Audit Follow-up	320
Schedule IX Preparation	80	Management Requests, Special Reviews and Projects	160
Single Audit Act	20	<b>Subtotal</b>	<b>6,110</b>
<b>Subtotal</b>	<b>180</b>		
		<b>OIG Administration</b>	
<b>Management Assistance Services</b>			<b>1,980</b>
Reserved for Department Management	580		
Reserved for Chief Inspector General	620		
<b>Subtotal</b>	<b>1,200</b>	<b>Total Hours</b>	<b>22,360*</b>

\* Inspector General position vacant for 3 months.

### Long-Term Plan for fiscal years 2016-17 and 2017-18

The Office of Inspector General's long-term plan is to ensure that its services provide the most benefit to the department. The goal is to achieve and maintain an appropriate balance between audit, investigative and other accountability activities. Each year, audit projects planned but not completed are evaluated for inclusion in the following year's audit plan.

Based on the Fiscal Year 2016-17 Annual Audit Plan, approximately 22,300 work hours will be available for the OIG. Also, the OIG expects to expend the number of hours outlined below for each category during fiscal years 2017-18 and 2019-20.

<b>Activity</b>	<b>Hours</b>
<b>Audit/Program Evaluations</b>	2,240
<b>Compliance Audits</b>	6,110
<b>Investigations</b>	4,290
<b>Management Assistance</b>	1,200
<b>Professional Training and Development</b>	1,220
<b>Audit Coordination and Follow-up</b>	740
<b>Background Screenings</b>	620
<b>Other Audit Activities</b>	180
<b>Internal Process Analyses/Reporting</b>	800
<b>Holidays and Leave</b>	2,980
<b>OIG Administration</b>	1,980
<b>Total Available Hours</b>	22,360

## Other Activities

### Training

Section 20.055, F.S., requires offices of inspectors general to conduct audits and investigations in accordance with professional standards. Specifically, the statute requires that we “comply with the General Principles and Standards for Offices of Inspector General as published and revised by the Association of Inspectors General.” The statute further states, “Audits shall be conducted in accordance with the current International Standards for the Professional Practice of Internal Auditing as published by the Institute of Internal Auditors, Inc., or, where appropriate, in accordance with generally accepted governmental auditing standards.”

The Association of Inspectors General specifies that each staff person who performs audits, investigations, evaluations or reviews should receive at least 40 hours of continuing professional education every two years that directly enhances the person’s professional proficiency.

In addition, the International Standards for the Professional Practice of Internal Auditing (IIA) require internal audit unit staff to maintain their professional proficiency through continuing education and training. Our policy requires that each auditor must complete at least 40 hours of continuing education each fiscal year, as required by IIA standards for Certified Auditors.

Some of the training activities for fiscal year 2015-16 included the following:

- 2015 Certified Inspector General Investigator Institute
- 2016 AGA Government Training Event
- 2016 Certified Inspector General Auditor Institute
- IIA Internal Audit Management
- IIA Raise the Red Flag to Fraud
- Enterprise Risk Management in the Public Sector
- Certified Government Auditing Professional (CGAP) Review Domain I - IV
- Getting to Know the Proposed Changes to the Standards
- Information Systems Audit & Control Association (ISACA) Remediation of Logical Access Control Deficiencies
- Measuring Internal Audit Value and Performance

### Services provided to Affiliated Entities

The Office of Inspector General annually assists the Florida Commission on Human Relations (FCHR) with Federal Housing and Urban Development (HUD) Performance Agreement Audit. In addition, the OIG completed a risk assessment for FCHR to assist the commission in procuring an operational audit as required by their agreement with HUD. The objective of the risk assessment was to outline the key areas of focus for an operational audit.

The Auditor General selected FCHR as a part of DMS’ Operational Audit and the OIG, as a part of the department’s MOU is providing external audit coordination services for this audit.

## Fraud Brainstorming

As a follow up to its risk assessment process, the OIG conducted a fraud brainstorming session with Financial Management Services. The Office of Inspector General plans to continue these sessions on annual basis in key program areas. The following are the objectives of the brainstorming session:

- To provide education on fraud;
- To identify possible fraud schemes in key programs (*more susceptible to fraud*);
- To risk rank identified fraud schemes; and
- To verify the existence of controls for fraud risks.

## Background Screenings

The Office of Inspector General has the responsibility to conduct fingerprinting and review of criminal histories for any employees being hired or promoted within DMS or its affiliated agencies. Additionally, some contractors who are filling positions of special trust are required to have background screenings. Background investigations or fingerprinting of employees in positions of special trust are conducted in accordance with established procedures of the OIG and sections 110.1127 and 435.04, F.S.

The Office of Inspector General is also the custodian of background investigation records. The Office of Inspector General conducts reviews of employees or contractors identified as having a criminal record. The office shares information with the Human Resource Director and the Office of the General Counsel for consideration of appropriate action.

In addition to conducting screenings on DMS employees and some contractors, the OIG performs background screenings for the FCHR, the DOAH and the PERC. During fiscal year 2015-16, the OIG processed almost 989 background screenings.

# Summary of Recommendations Related to Significant Abuses and Deficiencies Disclosed

## Internal Audit Section

No significant abuses were identified. The following deficiencies are highlighted as significant, either based on materiality or pervasiveness.

### Retirement Compliance Audit

#### *Workers' Compensation Adjustments*

Agencies participating in the Florida Retirement System should seek additional education and guidance from the Division of Retirement regarding reporting worker's compensation wages and activity.

### Program Audit Unit

#### *2015 Auditor General Statewide Financial Statement (CAFR) Audit*

**Report Date: 3/29/16**

Auditor General recommended that the FDMS enhance fiscal year-end reporting procedures to ensure the appropriate calculation and reporting of Net investment in capital assets and the restricted component of net position for the applicable internal service funds.

#### *Report Number 2016-15, State of Florida - Compliance and Internal Controls Over Financial Reporting and Federal Awards FYE 2015*

**Report Date: 3/29/16**

Auditor General recommended that the FDSM take actions, as appropriate, to prevent excess fund balances.

#### *Report Number 2016-18, Division of Retirement Integrated Retirement Information System (IRIS) – Information Technology Operational*

**Report Date: 9/16/15**

Auditor General performed an operational audit of the Division of Retirement Integrated Retirement Information System (IRIS) and made four recommendations related to security. These recommendations are confidential pursuant to federal and state law; therefore, are not detailed in this report.

## Internal Investigation Section

See the summary of internal investigation activities for the significant abuses and deficiencies.

## Outstanding Corrective Action from Prior Annual Audit Report

Section 20.055, F.S., requires the identification of each significant recommendation described in previous annual reports on which corrective action has not been completed.

### Internal Audit Section

#### Retirement Compliance Audit

##### Workers' Compensation

Collaborating with Division of Retirement's management to determine effective ways to ensure that agencies are properly reporting workers' compensation adjustments.

#### Program Audit Unit

As of June 30, 2016, there were two audit reports with findings and recommendations described in previous Office of Inspector General annual reports that have significant recommendations open.

**Report No. IA 2014-855 *Bureau of Private Prison Monitoring Inmate Welfare Trust Fund Internal Audit,***  
**Report Date: 12/8/2014**

The auditors determined that the bureau could do the following:

- Establish specific objectives and guidance regarding the program request and budget submission process to help ensure that contractors are submitting program requests that align with allocation, policy and administrative code.
- Develop a process that would allow contractors to submit information electronically regarding revenue receipts and reimbursement requests, thus eliminating the need for data entry by the bureau.
- Update current policy and implement additional guidance and monitoring procedures for monthly and annual reporting.
- Partner with the Department of Corrections to establish an MOU or some other type of agreement that outlines specific roles and responsibilities between the two departments for trust fund management and oversight.

**Report No. IA2013-198 *Internal Audit of Employee Network Access Privileges and Information Technology Devices,***

**Report Date: 05/9/2013**

The Office of Inspector General performed an Internal Audit of Employee Network Access Privileges and Information Technology Devices and made recommendations. These recommendations are confidential pursuant to federal and state law; therefore, are not detailed in this report.



## Internal Investigation Section

There was no significant recommendation described in previous annual reports on which corrective action has not been completed.

## Key Performance Indicators Implemented for the Office of Inspector General

### Customer

Goal 1: Provide world class customer service to the Department of Management Services

Objective 1a: To assist the Department of Management Services' leadership in the identification and management of risks, exposures and violations

Goal 4: Increase the Department of Management Services' management and employee trust

Objective 4a: To improve collaboration and coordination of activities with management

Objective 4b: To educate employees regarding audits and investigations

### Learning & Growth

Goal 2: Maintain and enhance technical competency

Objective 2a: To ensure staff are trained to industry minimum standards

Objective 2b: To ensure staff receive training that results in the enhancement of their technical skills

### Internal Business Processes

Goal 3: Provide work products and services that are timely and accurate

Objective 3a: To complete audit work accurately within budgeted hours

Objective 3b: To complete audit plan on an annual basis

Objective 3c: To minimize the amount of time between the receipt of allegations and the publication of report of investigations

## Distribution List

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