

OFFICE OF THE STATE INSPECTOR GENERAL
FLORIDA DEPARTMENT OF MILITARY AFFAIRS

St. Francis Barracks
P.O. Box 1008
St. Augustine, Florida 32085-1008

September 29, 2016

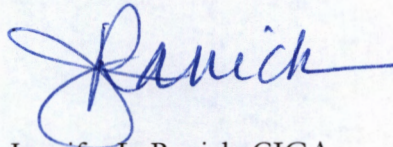
Major General Michael A. Calhoun
The Adjutant General
Department of Military Affairs
St. Francis Barracks
P.O. Box 1008
St. Augustine, Florida 32085-1008

Dear General Calhoun:

In accordance with Florida Statutes, attached, herewith, is the Annual Report, dated September 30, 2016, on the activities of the Office of Inspector General for fiscal year 2015-2016.

We appreciate your support of our organization. If you have any questions, or require additional information regarding the above matter, please contact me at (904) 823-0126.

Respectfully submitted,



Jennifer L. Ranick, CIGA
Chief Internal Auditor
Department of Military Affairs

Distribution:
Melinda Miguel
Chief Inspector General of Florida



DEPARTMENT OF
MILITARY AFFAIRS

The home of the Florida National Guard

OFFICE OF INSPECTOR GENERAL

ANNUAL REPORT FY 2015-2016



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EXECUTIVE SUMMARY

Agency Background

The Florida Department of Military Affairs (Department), headquartered at St. Frances Barracks in St. Augustine, Florida, is composed of the Florida Army National Guard and the Florida Air National Guard. Both branches are administered by the State Adjutant General, an appointee of the Governor of Florida, and fall under the command of the Governor.

The Department provides management oversight of the Florida National Guard, and provides units and personnel ready to support national security objectives; to protect the public safety of citizens; and to contribute to national, state and community programs that add value to the United States of America and to the State of Florida.

Mission Statement and Purpose of Annual Report

This report, required by Section 20.055(8)(a), Florida Statutes, summarizes the activities and accomplishments of the Department's Office of Inspector General during the 2015-2016 fiscal year.

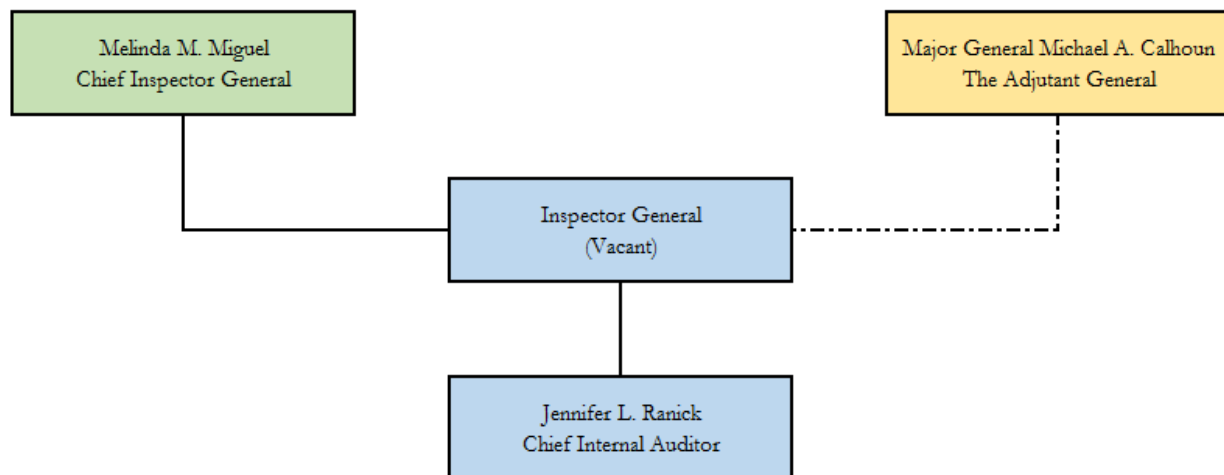
The mission of the Office of the Inspector General is to ensure that the Department of Military Affairs and its employees maintain the highest level of accountability, integrity, efficiency, and compliance within programs and activities.

The Office of the Inspector General provides a central point for coordination of, and responsibility for, activities that promote accountability, integrity, and efficiency in government. Specific responsibilities include, but are not limited to, the following:

- As deemed necessary, provide advice on the development of performance measures, standards, and procedures for evaluation of Department programs.
- As deemed appropriate, access the reliability and validity of information provided by the Department on performance measures and standards, and, if necessary, make recommendations for improvement thereon.
- Review the actions taken by the Department to improve program performance, and meet program standards and, if necessary, make recommendations for improvement thereon.
- Provide direction for, supervise, and coordinate audits, investigations, and management reviews relating to 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 Adjutant General and the Chief Inspector General informed concerning fraud, abuses, and deficiencies relating to programs and operations administered or financed by the Department, recommend corrective action concerning fraud, abuses, and deficiencies, and report on the progress made, if any, in implementing corrective action.
- Ensure effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies with a view toward avoiding duplication.
- Review, as appropriate, rules relating to the programs and operations of the Department and make recommendations concerning their impact
- Ensure that an appropriate balance is maintained between audit, investigative, and other accountability activities.
- Comply with the General Principles and Standards for Offices of Inspector General as published and revised by the Association of Inspectors General.
- As needed, provide fiscal and technical business advice for Department operations.

Organizational Chart



The Office of the Inspector General is staffed by two individuals: the Inspector General, who performs specific statutory mandated duties, and the Chief Internal Auditor, who performs audits and assists the Inspector General in administrative activities. The Inspector General unexpectedly passed away on December 25, 2015. That position has remained vacant since that date, with the Chief Internal Auditor backfilling. The Chief Internal Auditor is a Certified Inspector General Auditor.

Professional Training

The Association of Inspectors General requires continuing professional education at a minimum of forty hours every two years that directly enhances staff's professional proficiency. Furthermore, the International Standards for the Professional Practice of Internal Auditing and Governmental Auditing Standards require internal audit staff to maintain their professional proficiency through continuing education and training. Each auditor must complete at least eighty hours of continuing professional education every two years.

During the 2015-2016 fiscal year, staff received the benefit from trainings which included:

- Audit Project Management, Risk Assessment, Internal Controls, and Report Writing
- Forensic Accounting
- Fraud
- Ethics
- International Standards for the Professional Practice of Internal Auditing and Governmental Auditing Standards Updates
- Association Meetings

Professional Affiliations

The Chief Internal Auditor has over eighteen years of governmental audit experience. As a Certified Inspector General Auditor, she is affiliated with the following professional organizations:

- National Association of Inspectors General (AIG)
- Florida Chapter of the Association of Inspectors General
- Florida Institute of Certified Public Accountants

INTERNAL AUDIT SECTION

Audit Work Plans and Risk Assessments

Section 20.055(6)(i), Florida Statutes, requires that the Inspector General develop long-term and annual audit plans based on the findings of periodic risk assessments. Standard 2010, International Professional Practices Framework, published by The Institute of Internal Auditors, Inc. (IIA Standards), requires that risk-based plans be established to determine the priorities of the internal audit activity, consistent with the organization's goals. The plan will show the individual audits to be conducted during each year and related resources to be devoted to the respective audits.

An audit plan, dated July 26, 2016, was prepared for work to be performed for the period July 1, 2016 through June 30, 2017. By statute, the plan was submitted to the agency head for approval with copies submitted to the Governor's Chief Inspector General and the Auditor General.

The Chief Internal Auditor conducted a risk assessment that included all programs within the Department of Military Affairs. The risk assessment process is used to evaluate potential work based upon the knowledge of the current events and accumulated knowledge of senior staff to ensure that the Inspector General's mission is met. The risk assessment methodology included:

- Reviewing program objectives, financial information, applicable laws, various reports including internal and external audit reports, and other available program data.
- Inquiring with directorates and key employees regarding the complexity of their operations and obtaining their insight into operations and associated risks.
- Considering the potential for loss or theft of assets, possibility of not meeting program objectives, and whether or not there were any health, safety or welfare issues for the public, employees, clients, users, or recipient of program benefits.
- Ranking the information based on the unit's relative risk factors such as: size of budget and flow of funds; complexity and decentralization of operations; existence of certain internal control elements (i.e., policies and procedures, monitoring systems); experience of management; and the last time the program was audited by the Office of the Inspector General, the Auditor General, or other oversight authority.

Family Readiness

Pursuant to Section 250.5206, Florida Statutes, the Department established a Family Readiness Program Assistance Fund (Program), which is based upon the United States Department of Defense National Guard and Reserve Family Readiness Strategic 2004-2005 initiative. Accordingly, the Program provides funding to support need based assistance for residents of Florida that are dependents of Florida National Guard and United States Reserve Forces, on active duty serving in the

Global War on Terrorism and who are federally deployed or participating in state operations for homeland defense.

Program funds may be used in emergency situations to purchase critically needed services, including, but not limited to, reasonable living expenses, housing, vehicles, equipment or renovations necessary to meet disability needs and health care.

For the reporting period of July 01, 2015 through June 30, 2016, the State of Florida Legislature did not approve funding for the Program; therefore the Program had no transactions for purposes of the statutory required audit or semi-annual review. However, Section 250.5206(6), Florida Statutes, requires the Inspector General of the Department of Military Affairs to conduct a semi-annual review and an annual audit of the program and issue reports thereon. Consequently, a semi-annual letter was issued for the six month period ending December 31, 2015 on March 10, 2016 and a letter was issued for the twelve month period ending June 30, 2016 on July 11, 2016. After discussion with the Chief Inspector General, and because no transactions were conducted by the Family Readiness Program for the aforementioned periods, a formal letter was deemed sufficient to meet the requirement.

Because it is unknown as to whether the State of Florida Legislature will provide funding in the future, the Program is considered dormant until such time when funding is provided. However, because Florida Statute requires the annual audit/semi-annual review to be conducted, the same process will be performed until such time as the statutory requirement is removed.

Performance Measures

As part of our annual audit plan, we conducted a performance measure assessment pursuant to Section 20.055(2), Florida Statutes. We assessed the validity and reliability of six performance measures reported in the Department's 2015-16 and 2016-17 Long Rang Program Plans (LRPP). We discussed the development of performance measures, standards, and procedures for the evaluation of Department programs. An audit of the LRPP was completed and issued on March 7, 2016.

We determined that all six performance measures provided a reliable measure of Department performance. We also determined that all six performance measures provided valid data which supported what was being measured.

We observed an opportunity to improve the performance measure process. The performance measures have remained relatively unchanged through the years. This may have resulted in the Department's working group members and project leaders disregarding immaterial administrative errors in the publication of the LRPP due to familiarity. The Department concurred with the observation and intends on ensuring accuracy in future publications.

State Quartermaster's Property and Accountability Function

The purpose of this audit was to determine the efficiency and effectiveness of the internal controls surrounding the procedures of the State Quartermaster's Property and Accountability Function (PAF),

and to develop recommendations for improvement, if considered necessary under the circumstances. Our objective was to evaluate management's policies, procedures and processes, and conclude, in all material respects, whether they ensure PAF management can effectively manage their activity.

The audit resulted in findings upon which recommendations were discussed with management representatives throughout the audit process. A final audit report was completed and issued on August 21, 2015.

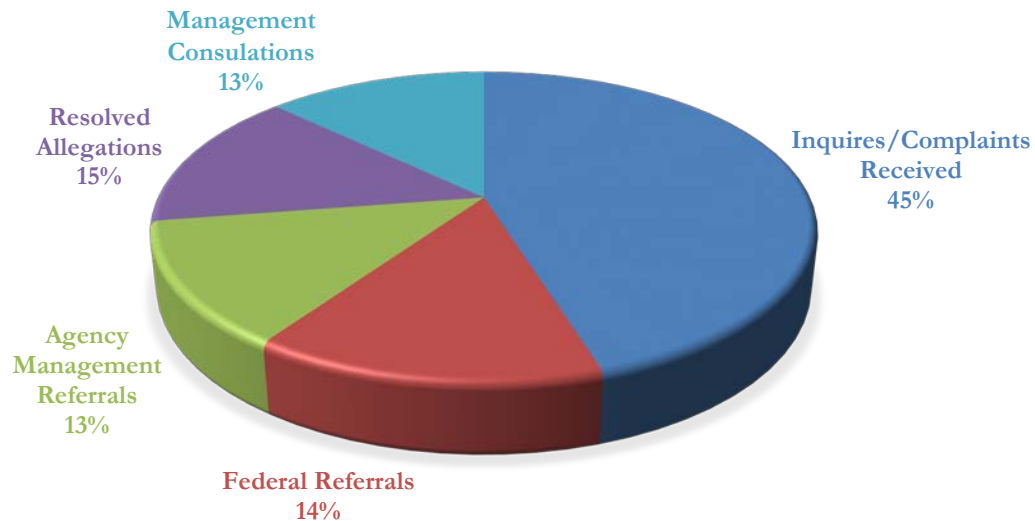
INTERNAL INVESTIGATIONS

The Inspector General is responsible for the management and operation of the Department's internal investigations as they relate to state employees and programs. In addition, the Department has a Command Inspector General who is tasked with all federal investigations relating to the soldiers and airmen themselves. Investigations are designed to deter, prevent, and eradicate fraud, waste, mismanagement, misconduct and other abuses.

The investigative duties and responsibilities of the Inspector General, as defined in Section 20.055(7), Florida Statutes, include:

- Receiving complaints and coordinating activities of the Department in accordance with the Whistle-Blower's Act pursuant to Sections 112.3187-112.31895, Florida Statutes.
- Receiving and considering complaints that do not meet the criteria for an investigation under the Whistle-Blower's Act and conducting, supervising, or coordinating inquiries, investigations, or reviews, as the Inspector General deems appropriate.
- Reporting expeditiously and appropriately to the Department of Law Enforcement or other law enforcement agencies when the Inspector General has reasonable grounds to believe there has been a violation of criminal law.
- Conducting investigations and other inquiries free of actual or perceived impairment to the independence of the Inspector General or the Office of Inspector General. This includes freedom from any interference with investigations, timely access to records, and other sources of information.
- Submitting timely final reports on investigations conducted by the Inspector General to the Chief Inspector General and the Adjutant General, except for whistle-blower's investigations, which are conducted and reported pursuant to Section 112.3189, Florida Statutes.

The chart below depicts the activities conducted throughout the 2015-2016 fiscal year:



During the current reporting period, we performed investigative and consulting services for various activities of the Department. Additionally, we received numerous complaints regarding allegations received by telephone, letter, or e-mail. All received complaints are evaluated to determine if whistle-blower status, in accordance with Sections 112.3187-112.31895, Florida Statutes, the Whistle-blowers Act, is warranted. No complaints received during the reporting period of July 1, 2015 through June 30, 2016 were designated as whistle-blower status. The most significant assistance/consulting services performed and complaints received in a non-whistle-blower status, included, but were not limited to, the following (not in any order of importance):

- Provided management guidance on various issues regarding policy and program administration.
- Entertained in excess of 25 complaints received in writing or by telephone, which were considered minor or were resolved in a timely manner with no formal investigation deemed necessary.
- Investigated and resolved, without the issuance of a formal report, nine allegations concerning the Educational Dollars for Duty (EDD) program, Wauchula Armory, and the Florida Youth Challenge Academy (FLYCA). The EDD and FLYCA programs are both considered in the fiscal year 2016-2017 audit plan.
- Worked with Department Management on various complaints which, based on preliminary survey, were determined to deal specifically with human resources.
- Participated in periodic “Town Hall Meetings” to mitigate adverse employer/employee relationships that may exist or develop.

- Received various complaints which, based upon preliminary survey, were determined to be of a federal nature and, consequently, not within the jurisdiction of the State Inspector General's Office. These matters were referred to the Command Inspector General for his action.
- Prepared statutorily required written response to The Adjutant General on the status of corrective actions taken regarding recommendations included within the Auditor General's reports relating to their Operational Audit of the Department.
- Provided assistance and information to the Chief Inspector General's Office as required and requested.

CONCLUSION

The Office of the Inspector General (Office) is committed to professionalism and promotion of accountability, integrity, efficiency, and compliance within programs and activities. The value and services of the Office can never be fully reflected in the annual report. The palpable results can be readily reported; however, our impalpable services and their effect are not evident. It is an honor and privilege to serve and I am pleased to provide a report on the endeavors of the Department of Military Affairs' Office of the Inspector General for the 2015-2016 fiscal year.

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