

Florida Department of State
Annual Report
FY 2017-2018
Office of Inspector General





FLORIDA DEPARTMENT *of* STATE

RICK SCOTT
Governor

KEN DETZNER
Secretary of State

September 10, 2018

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

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

Dear Secretary Detzner and Chief Inspector General Miller:

I am pleased to present the Annual Report for the Office of Inspector General as required by Section 20.055(8), Florida Statutes. The report summarizes the major work activities performed by the office during Fiscal Year 2017-2018.

The Office of Inspector General remains committed in our work with Agency's management and staff to promote efficiency, accountability and integrity. Thank you for your continued support.

Sincerely,

A handwritten signature in blue ink that reads "Angela Welch".

Angela Welch, CPA, CFE, CFF, CICA, CIG
Inspector General

Enclosure

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EXECUTIVE SUMMARY

Section 20.055(8), Florida Statutes, (F.S.), requires the Office of Inspector General (OIG) to complete an annual report by September 30 summarizing the activities performed by the office during the previous fiscal year. The statute requires, at a minimum, descriptions of the following activities:

- ✓ Performance measure development, assessment, and validation.
- ✓ Significant abuses or deficiencies relating to program administration and operations disclosed by investigations, audits, reviews, or other activities.
- ✓ Recommendations for corrective action for significant problems, abuses, or deficiencies identified.
- ✓ Identification of significant recommendations reported in previous annual reports in which corrective action has not been completed.
- ✓ Investigations and audits completed during the reporting period.

The following activities demonstrate significant efforts of the Department of State (Department) OIG staff during Fiscal Year (FY) 2017-2018.

- Conducted one audit containing no findings or recommendations and had one audit in progress at the end of the year.
- Conducted two administrative reviews, one of which was referred to law enforcement and one was referred to management.
- Reviewed and processed 531 Single Audit Reports.
- Opened 158 cases.
- Closed 155 cases, with three of those cases containing substantiated allegations.

AGENCY OVERVIEW



The Office of the Secretary of State was created in 1845, under the Florida Constitution. The main responsibilities of the office included maintaining the state's public records. The Secretary of State also served as the custodian of the state seal, which was impressed on documents to

certify them as official.

As Florida's population grew in the 20th century so did the duties of the Secretary of State. In 1969, the Office of the Secretary of State was merged with several state agencies to form the Florida Department of State. As the head of the Department of State, the Secretary of State oversees a large state agency with many tasks and responsibilities.

The Department of State strives to improve the quality of life for all Floridians. The Department collects Florida's important public records and preserves its rich historical and cultural heritage for the benefit of generations to come. The Department helps to promote economic development and create a competitive business climate for the state through our business friendly corporate filing environment, grant programs that benefit all communities, enrichment of public libraries statewide, and support for events that attract tourism. We contribute to the establishment of a stable and open state government by providing access to information and protecting democracy through the oversight of fair and accurate elections. These services enhance Florida as a state and provide opportunities for our residents and visitors.

OIG MISSION AND OBJECTIVES

The Office of Inspector General's mission is to promote accountability, integrity and efficiency for the citizens of Florida by providing objective and timely audit and investigative services. The OIG conducts independent and objective audits, investigations and reviews of agency issues and programs to assist the department in accomplishing its mission.

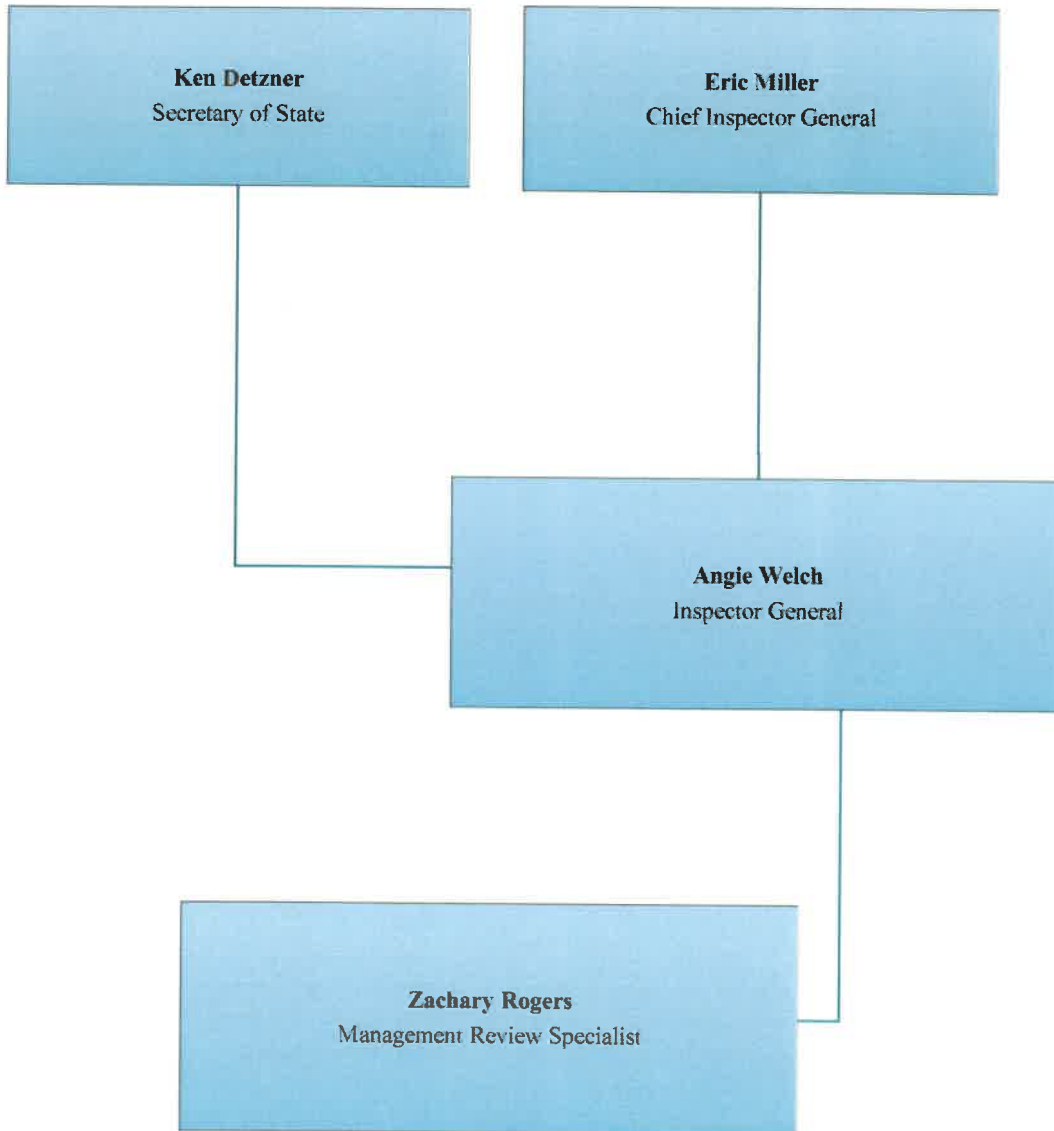
OIG RESPONSIBILITIES

Section 20.055, F.S., establishes the Office of Inspector General within each state agency to provide a central point for coordination of activities that promote accountability, integrity, and efficiency in government. The OIG's responsibilities include:

- Conducts audits, investigations, and management reviews relating to program areas in the Department of State.
- Advise in the development of performance measures, standards, and procedures to improve program performance.
- Keep the Secretary of State and Chief Inspector General informed concerning fraud, waste, abuse and deficiencies in programs and operations, recommend corrective action, and provide progress reports.
- Ensure effective coordination and cooperation between the Auditor General, federal auditors and other government bodies.
- Review the actions taken by the Department of State to improve program performance and make recommendations for improvement.
- Conduct, supervise, and coordinate other activities to promote economy and efficiency and activities designed to prevent and detect fraud and abuse in the Department.

ORGANIZATIONAL STRUCTURE

The Inspector General reports to the Chief Inspector General and is under the general supervision of the Secretary of State, as prescribed by statute, and has unrestricted access to all Department activities and records. As of June 30, 2018, the OIG consisted of the following:



STAFF QUALIFICATIONS AND CERTIFICATIONS

Section 20.055(2)(j), F.S. requires Offices of Inspector General to comply with the General Principles and Standards for Offices of Inspector General as published and revised by the Association of Inspectors General. These standards require OIG staff performing investigations, inspections, evaluations, reviews or audits to maintain their professional competence through continuing professional education. As a result, OIG staff are required every two years to complete at least 40 hours of continuing professional education that directly enhances the person's professional proficiency.

During FY 2017-2018, staff attended trainings which included Florida Certified Contract Managers training, strategies to uncover fraud, accreditation manager training, auditor and auditee relationship, advanced interviewing for investigation and auditing professionals, ethics and compliance program effectiveness, investigative report writing, fraud, leadership training, and social media resources. The opportunities were available through trainings sponsored by the Association of Government Accountants, Association of Inspectors General, Association of Certified Fraud Examiners, American Institute of Certified Public Accountants, International Association for Continuing Education and Training, Institute of Internal Auditors, and various state agencies, including Florida Department of Law Enforcement.

Staff within the OIG are highly qualified and bring a diversity of background experience and expertise to the Department. Staff have experience in auditing, accounting, program evaluation and monitoring, budgeting, personnel management, investigations, grant administration, and local and state agencies' activities. OIG staff continually seek to enhance their abilities and contributions to the office and the Department. Staff members have obtained certifications that demonstrate their knowledge, motivation, and commitment to the profession.

Professional certifications held by OIG staff include:

- Certified Inspector General - 2
- Certified Public Accountant
- Florida Certified Contract Manager - 2
- Certified Inspector General Investigator
- Certified Fraud Examiner
- Certified in Financial Forensics
- Certified Internal Controls Auditor

PROFESSIONAL ORGANIZATIONS

In addition to maintaining professional certifications, OIG staff are active in several professional organizations that support audits and investigations. This participation assists staff in maintaining a high level of proficiency in their profession.

The OIG is affiliated with the following professional organizations:

Institute of Internal Auditors	Florida Chapter of the Association of Inspectors General	National Association of Inspectors General
Certified Fraud Examiners	American Institute of Certified Public Accountants	Institute of Internal Controls

INTERNAL AUDIT SECTION

The purpose and definition of the Internal Audit Section (IAS) is to provide independent, objective assurance and consulting services designed to add value and improve the Department's operations. Internal audits help the Department accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, controls, and governance processing. The IAS duties are outlined in Section 20.055(2)(d) and 20.055(6), F.S. and include conducting financial, compliance, information technology, and performance audits as well as management reviews. Additionally, the IAS reviews and evaluates internal controls necessary to ensure the fiscal accountability of the Department and makes recommendations for improvements of control deficiencies, non-compliance with laws, directives, policies, or agreements.

Audits are conducted in conformance with the Code of Ethics and the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. These reports are prepared and distributed to Senior Management, other applicable Departmental Management, the Auditor General and the Chief Inspector General.

The following activities were performed by the IAS during FY 2017-2018:

SUMMARY OF INTERNAL AUDITS

At the close of FY 2017-2018, the IAS had completed one internal audit engagement and had one audit in progress.

➤ **DIVISION OF HISTORICAL RESOURCES - Audit of Citizen Support Organization (CSO) Agreement with the Friends of Florida History, Inc.**

The scope of this audit included CSO activities during the period of July 1, 2016, through June 30, 2017, as well as current activities. The objectives were to:

- determine whether the CSO is operating in compliance with the agreement and Section 267.17, F.S.;
- evaluate controls in place over CSO revenues and expenses; and
- determine the level of Department oversight of the agreement and CSO activities.

Results of Review: CSO funds received through revenue from Mission San Luis, donations, endowments investments, and other contributions were used in a manner consistent with the CSO's Fiscal Policy and Procedures.

Recommendation: There were no findings or recommendations; however, a management comment was provided to promote the Division's increased benefits and effective oversight of the CSO. The Division would benefit from the development of specific goals and measurable plans in coordination with the CSO for use of funds to more effectively support the archaeology, museum, folk life, and historic preservation programs of the Division.

The following audit is scheduled for completion during the 2018-2019 Fiscal Year.

➤ **DIVISION OF ELECTIONS - Review of Help America Vote Act Grants**

The purpose of this review is to examine the administration, policies, and procedures of the HAVA grants between the Division of Elections and County Supervisors of Elections.

AUDIT WORK PLANS AND RISK ASSESSMENTS

The Inspector General coordinates the development of an Annual Audit Plan, which identifies areas within the Department scheduled for review, using risk assessment criteria. Both a long-range plan and a one-year plan are included in the Annual Audit Plan.

In the development of the Annual Audit Plan, IAS conducts a risk assessment to identify issues of concern to management, risks pertaining to fraud and misuse of funds, and other governance issues including information technology, and proper financial and performance reporting. The risk assessment process includes conducting meetings, interviews, and surveys with directors of each division and the staff within those divisions.

FEDERAL AND STATE SINGLE AUDIT ACT RESPONSIBILITIES

The Department provides funding and resources from State and Federal funding sources to Florida counties, cities, towns, districts, and many other non-profit organizations within the state. The OIG serves as a liaison with program staff, reviewing independent audit reports and issuing technical assistance to program managers. Independent reports are received from Department of State sub-recipients, either directly through program staff or from the auditee.

The OIG provided technical assistance and guidance regarding compliance with Federal and Florida Single Audit requirements in the following ways for Fiscal Year 2017-2018:

- ❖ Issued 18 reports which contained findings noted to program staff
- ❖ Issued 30 reports which contained no findings relevant to program staff
- ❖ Issued 465 reports which the recipients did not meet the required threshold
- ❖ Issued 18 reports which had no Department expenditures

The total number of Single Audit reports completed for Fiscal Year 2017-2018 was 531.

FOLLOW UP REVIEWS OF EXTERNAL AUDITS

IAS assists the Department by coordinating audits and reviews of reports completed by the Office of Program Policy Analysis and Government Accountability, the Auditor General, and other oversight agencies. IAS reports on the status of the recommendations included in these reports, as required by Section 20.055, F.S. As

the Department's representative on audit-related issues, IAS reviews and distributes the results of audits pertaining to the Federal and Florida Single Audit Acts.

During Fiscal Year 2017-2018, IAS performed a follow-up for:

- **Auditor General Report 2017-195, Department of State Operational Audit of the Division of Corporations, Museum of Florida History, and Selected Administrative Activities**, which included eight findings. Four findings were fully implemented. The remaining findings are being monitored for implementation:
 - The Division was unable to provide sufficient supplementary metadata necessary for an accurate understanding of the structure of, and relationships among, Corporate Filing System data files. The absence of sufficient supplementary metadata precluded a consistent and reliable analysis of the Corporate Filing System data provided by the Division.
 - Corporate Filing System application input edits need improvement to ensure the accuracy and validity of Corporate Filing System data.
 - Data processing controls related to the Corporate Filing System need enhancement to ensure that business entity transaction data is complete, accurate, and valid.
 - As similarly noted in our report No. 2014-181, the Department did not always timely record property acquisitions to Department property records.

SCHEDULE IX

The OIG prepares the Schedule IX *Major Audit Findings and Recommendations* for the Department's Legislative Budget Request. The Schedule IX informs decision makers on recent major findings and recommendations found in Auditor General and OIG reports issued for the current and previous fiscal years. Additionally, the schedule

provides information on the status of corrective action taken by the Department to correct reported deficiencies.

PERFORMANCE MEASURES

In accordance with Section 20.055(2)(b), F.S., the OIG assessed the performance measures included in the 2018-2019 Long Range Program Plan. The Department had a total of 30 approved performance measures for the 2017-2018 Long Range Program Plan. Two new performance measures were added for FY 2017-2018 in the 2018-2019 Long Range Program Plan.

Of the 32 performance measures included in the 2018-2019 Long Range Program Plan, eight measures were proposed for modification; 21 measures were proposed for deletion; and three were assessed for validity and reliability of data sources and reporting structure.

Of the three measures assessed, the reporting mechanism for one was considered reliable, demonstrating a consistently applied calculation with controls in place to mitigate reported errors. The remaining two measures were also based on calculations consistently applied, but were not considered reliable due to data control weaknesses which could affect measure results. These control weaknesses were addressed with program management and recommendations were made to strengthen controls necessary for reliable reporting.

INTERNAL INVESTIGATIONS

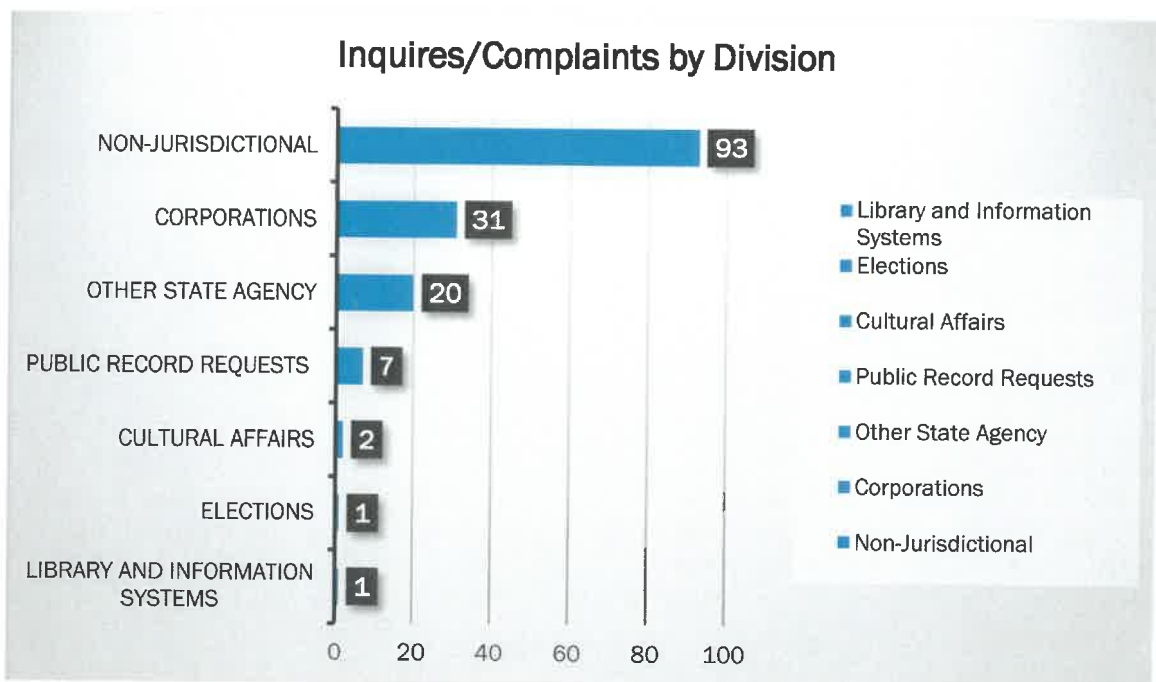
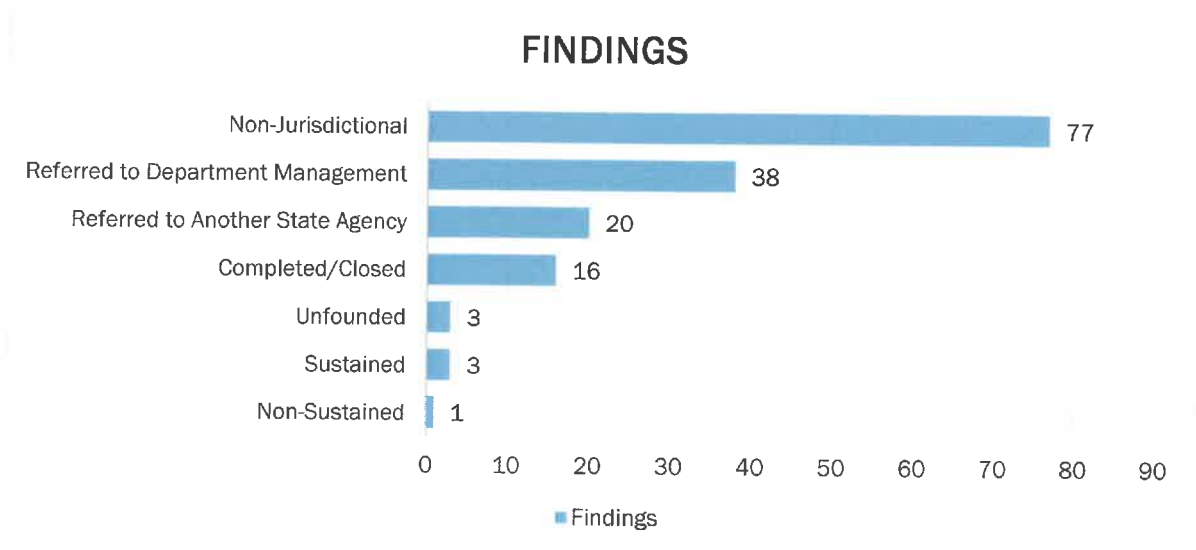
In accordance with Section 20.055(7), F.S., the OIG is responsible for initiating, conducting, supervising, and coordinating investigations designed to detect, deter, prevent, and eradicate fraud, waste, mismanagement, misconduct, and other abuses in the Department. These responsibilities include:

- ❖ Receive complaints and coordinate all activities of the Department as required by the Whistle-blower's Act, Sections 112.3187-112.31895, F.S.
- ❖ Receive and consider the complaints which do not meet the criteria for an investigation under the Whistle-blower's Act and conduct, supervise, or coordinate such inquiries, investigations, or reviews as the Inspector General deems appropriate.
- ❖ Report expeditiously to the Department of Law Enforcement or other law enforcement agencies, as appropriate, whenever the Inspector General has reasonable grounds to believe there has been a violation of criminal law.
- ❖ Conduct investigations and inquiries free of actual or perceived impairment to the independence of the Inspector General or the Inspector General's office. This shall include freedom from any interference with investigations and timely access to records and other sources of information.
- ❖ Submit timely reports to the Secretary of State regarding investigations conducted, except for Whistle-blower investigations, which are reported as required by Section 112.3189, F.S.

Investigations may be initiated based on information received from Department employees, private citizens, other state or federal agencies, or the Whistle-blower's hotline. Most allegations investigated by the OIG concern violations of the Department's Standards of Conduct.

INVESTIGATIVE ACTIVITIES

The following charts identify the investigative activities that occurred during Fiscal Year 2017-2018:



INVESTIGATIVE CASE SUMMARIES

The following are case summaries for investigations closed during the Fiscal Year 2017-2018:

- ❖ **II-01-06-2017-059** - Complaint was received from Human Resource Management regarding allegations of petit theft. A rash of internal thefts, over a year and a half, had been occurring at the Clifton Building, Division of Corporations. Based on interviews conducted and the evidence gathered, the findings were sustained.
- ❖ **II-01-09-2017-093** - Complaint was received from Human Resource Management regarding allegations of violation of Anti-Discrimination and Harassment Policy and conduct unbecoming of a public employee. The subject was allegedly creating a hostile work environment and made disparaging remarks to Division of Historical Resources staff. Based on interviews conducted and the evidence gathered, the Violation of Anti-Discrimination and Harassment Policy was unfounded and all other findings were not sustained.
- ❖ **II-01-09-2018-007** - Complaint was received from Human Resource Management regarding allegations of violation of Anti-Discrimination and Harassment Policy and conduct unbecoming of a public employee. Several female employees at Mission San Luis came forth to file complaints against the subject. Based on interviews conducted and the evidence gathered, the Violation of Anti-Discrimination and Harassment Policy was unfounded and all other findings were sustained.
- ❖ **II-01-06-2018-010** - Complaint was received from Human Resource Management regarding allegations of violation of Anti-Discrimination and Harassment Policy and conduct unbecoming of a public employee. The subject was giving a Division of Corporations employee an odd amount of unsolicited attention. Based on interviews conducted and the evidence gathered, the Violation of Anti-Discrimination and Harassment Policy was unfounded and all other findings were sustained.

The following are case summaries for administrative reviews closed during the fiscal year 2017-2018:

- ❖ **II-03-07-2017-075** – Complaint was received from the Division of Cultural Affairs staff relating to a grant agreement with Greater Response and Outreach for Underprivileged People, Inc. (GROUP). Based on a review of grant documentation and interviews conducted, concerns over procurement practices, expenditure logs, and progress reports were identified. These concerns were referred to the Department of Financial Services, Office of Fiscal Integrity for further review.
- ❖ **II-03-07-2017-086** – Complaint was received from private citizens related to four grant agreements between the Department and the Monticello Opera House. Based on a review of grant documentation and interviews conducted, it was determined grant expenditures were not adequately supported by appropriate documentation. The results of the review were referred to Division of Historical Resources management to determine action they deemed appropriate.

CONCLUSIONS OF FACT DEFINITIONS

- Exonerated - Alleged actions occurred, but were lawful and proper
- Not Sustained - There is insufficient evidence to prove or disprove that a violation occurred
- Sustained - There is sufficient evidence to justify a reasonable conclusion that the allegation is true
- Unfounded - The allegation is proved to be false, or there is no credible evidence to support it
- Policy Matter - The alleged actions occurred, but were not addressed by Departmental policy
- Non-Jurisdictional - Not within the jurisdiction of the Department of State
- Withdrawn - The cancellation of an investigation, after agreement between Management and the Office of Inspector General that the original complaint

was filed, but no longer warrants review. (Complainant requests withdrawal or is non-responsive to investigative efforts)

- Completed - Closure for background checks, public records requests, preliminary inquiries, investigative reviews, and miscellaneous complaints that do not warrant an investigation

ACCREDITATION

The Department of State Office of Inspector General is seeking accreditation status from the Commission for Florida Law Enforcement Accreditation, Inc. Accreditation is recognized as a means of maintaining the highest standards and professionalism. Accreditation is the certification by an independent reviewing authority that demonstrates an entity has met specific requirements and prescribed standards. To prepare for this, OIG staff established policies and procedures which comply with over 40 accreditation standards provided by the Commission for Florida Law Enforcement Accreditation, Inc. The Department of State had a mock assessment conducted during Fiscal Year 2017-2018 with the initial assessment scheduled for Fiscal Year 2018-2019.



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<http://dos.myflorida.com/offices/inspector-general/>