



FLORIDA DEPARTMENT OF

management  
SERVICES

We serve those who serve Florida

# Office of Inspector General

Annual Report  
Fiscal Year 2017-2018

Retirement  
Human Resource Management  
People First  
State Group Insurance

State Purchasing  
Real Estate Development  
Telecommunications  
Specialized Services

**TABLE OF CONTENTS**

INTRODUCTION..... 3

MISSION STATEMENT ..... 3

DUTIES AND RESPONSIBILITIES..... 3

INDEPENDENCE..... 4

PROFESSIONAL STANDARDS AND CODE OF ETHICS ..... 5

OFFICE OF INSPECTOR GENERAL ORGANIZATION AND STAFFING..... 5

SUMMARY OF ACTIVITIES FOR FISCAL YEAR 2017-2018..... 7

    INVESTIGATIONS SECTION ..... 7

    INTERNAL AUDIT SECTION ..... 10

        PROGRAM AUDIT UNIT ..... 10

        RETIREMENT COMPLIANCE AUDIT UNIT ..... 18

## **INTRODUCTION**

Section 20.055, Florida Statutes (F.S.), establishes an 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. Section 20.055, F.S., also outlines the specific duties of each Inspector General, including the duties and responsibilities for carrying out auditing and investigative activities. Additionally, section 20.055, F.S., specifies that each Inspector General shall prepare an annual report no later than September 30 of each year, which summarizes the activities of the office during the prior fiscal year, and includes:

- A description of activities relating to the development, assessment, and validation of performance measures;
- A description of significant abuses and deficiencies relating to the administration of programs and operations of the agency disclosed by investigations, audits, reviews, or other activities during the reporting period;
- A description of the recommendations for corrective action made by the Inspector General during the reporting period with respect to significant problems, abuses, or deficiencies identified;
- The identification of each significant recommendation described in previous annual reports on which corrective action has not been completed; and,
- A summary of each audit and investigation completed during the reporting period.

This annual report is presented to the Secretary of the Department of Management Services and the Executive Office of the Governor's Chief Inspector General to comply with statutory requirements and to provide department staff and interested parties with information on the Office of Inspector General's progress in accomplishing its mission.

## **MISSION STATEMENT**

The Office of Inspector General's mission is to promote effectiveness, efficiency and quality within the Department of Management Services. The Office of Inspector General provides independent reviews, assessments, and investigations of department programs, activities and functions to assist the Department of Management Services in accomplishing its overall mission.

## **DUTIES AND RESPONSIBILITIES**

In accordance with section 20.055(2), F.S., the Inspector General's duties and responsibilities include:

- Advising in the development of performance measures, standards, and procedures for the evaluation of state agency programs;
- Assessing the reliability and validity of the information provided by the state agency on performance measures and standards, and making recommendations for improvement, if necessary, before submission of such information pursuant to section 216.1827, F.S.;
- Reviewing the actions taken by the state agency to improve program performance and meet program standards and make recommendations for improvement, if necessary;
- Providing direction for, supervising, and coordinating audits, investigations, and management reviews relating to the programs and operations of the state agency, except that when the Inspector General does not possess the qualifications specified in subsection (4), the director of auditing shall conduct such audits;
- Conducting, supervising, or coordinating other activities carried out or financed by that state agency for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations;
- Keeping the agency head or, for state agencies under the jurisdiction of the Governor, the Chief Inspector General informed concerning fraud, abuses, and deficiencies relating to programs and operations administered or financed by the state agency, recommending corrective action concerning fraud, abuses, and deficiencies, and reporting on the progress made in implementing corrective action;
- Ensuring effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies with a view toward avoiding duplication;
- Reviewing, as appropriate, rules relating to the programs and operations of such state agency and making recommendations concerning their impact;
- Ensuring that an appropriate balance is maintained between audit, investigative, and other accountability services; and,
- Complying with the *General Principles and Standards for Offices of Inspector General* as published and revised by the Association of Inspectors General.

## INDEPENDENCE

In accordance with section 20.055(3), F.S., the Inspector General shall be under the general supervision of the agency head for administrative purposes, shall report to the

Chief Inspector General, and may hire and remove staff within the Office of Inspector General in consultation with the Chief Inspector General, but independently of the agency. The organizational independence of the Inspector General helps to ensure that audits, investigations, and other activities are performed independently.

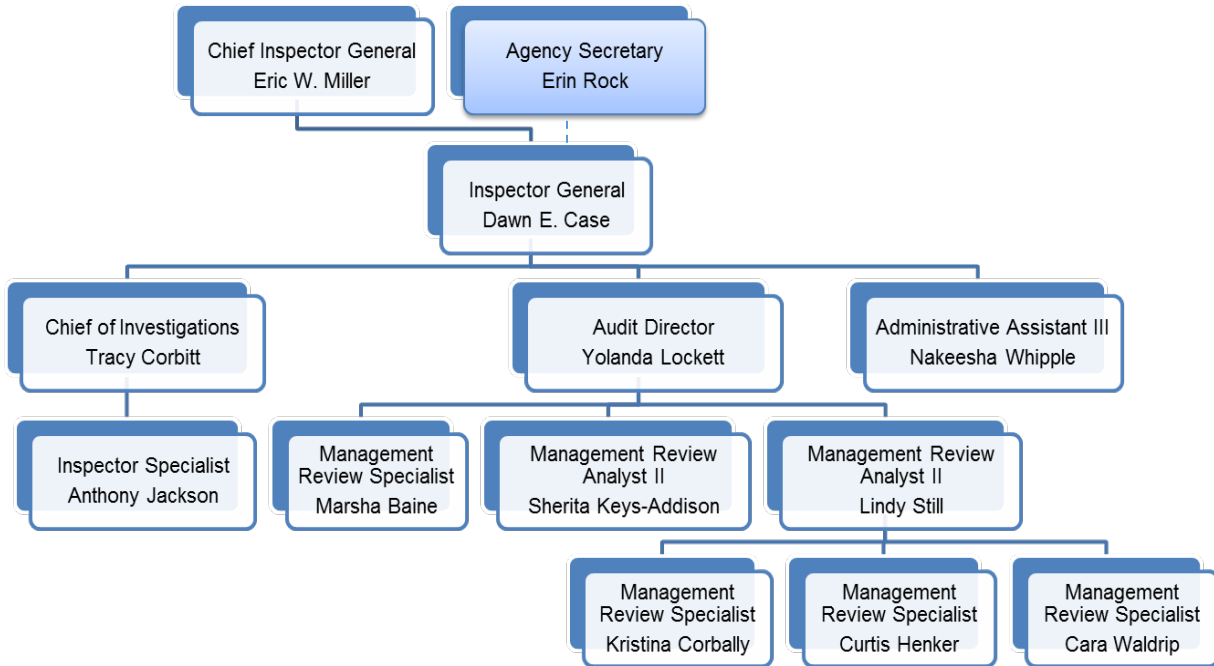
**PROFESSIONAL STANDARDS AND CODE OF ETHICS**

Pursuant to section 20.055(2)(j), F.S., the Office of Inspector General complies with the *General Principles and Standards for Offices of Inspector General* as published and revised by the Association of Inspectors General. Staff abide by the Florida Code of Ethics for Public Officers and Employees as codified in sections 112.311-112.326, F.S., the Executive Office of the Governor’s Code of Ethics, and the Department of Management Services Administrative Policy HR 07-105 Code of Ethics. Internal audits are conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the *Code of Ethics* as published by the Institute of Internal Auditors, Inc., or, where appropriate, in accordance with Generally Accepted Governmental Auditing Standards published by the United States Government Accountability Office.

**OFFICE OF INSPECTOR GENERAL ORGANIZATION AND STAFFING**

**Office Organizational Chart**

The Office of Inspector General consists of 11 staff positions. In addition to the Inspector General and Administrative Assistant III, staff positions fall within two sections: Investigations and Internal Audit. The Office of Inspector General’s organizational structure follows:



As of June 30, 2018

### **Staff Professional Certifications**

Members of the Office of Inspector General staff hold the following professional certifications:

- *Certified Inspector General (1)*
- *Certified Inspector General Investigator (3)*
- *Certified Inspector General Auditor (4)*
- *Certified Internal Auditor (1)*
- *Certified Information Systems Auditor (1)*
- *Florida Certified Contract Manager (1)*
- *Notary Public (4)*

### **Staff Professional Affiliations**

Members of the Office of Inspector General staff are affiliated with the following professional organizations:

- Association of Inspectors General (National and Local)
- The Institute of Internal Auditors, Inc. (National and Local)
- Association of Government Accountants (National and Local)
- Information Systems Audit and Control Association (National and Local)
- National Association of State Auditors, Comptrollers and Treasurers

### **Staff Training**

With regard to professional training, the Association of Inspectors General specifies that each staff person performing audits, investigations, evaluations, or reviews should receive at least 40 hours of continuing professional education every two years in areas that directly enhances the staff member's professional proficiency. Additionally, the Internal Audit Section staff enhance their knowledge, skills, and other competencies through continuing professional development in accordance with the Institute of Internal Auditors, Inc. auditing standards.

Office of Inspector General staff attended various training opportunities during Fiscal Year 2017-2018 in areas that enhanced their professional proficiency. Staff attended training sessions that were offered by a number of associations, including but not limited to, the Florida Chapter of the Association of Inspectors General, the Institute of Internal Auditors, Inc., the Association of Government Accountants, and the Florida Department of Management Services.

**SUMMARY OF ACTIVITIES FOR FISCAL YEAR 2017-2018**

During the fiscal year, the Office of Inspector General completed the following activities:

**Investigations Section**

Section 20.055, F.S., outlines the investigative duties and responsibilities for Offices of Inspectors General to include in pertinent part:

- Initiating, conducting, supervising and coordinating investigations designed to detect, deter, prevent, and eradicate fraud, waste, mismanagement, misconduct, and other abuses in state government;
- Receiving complaints and coordinating all activities of the agency as required by the Whistle-blower's Act pursuant to sections 112.3187- 112.31895, F.S.;
- Receiving and considering the complaints which do not meet the criteria for an investigation under the Whistle-blower's Act and conducting, supervising, or coordinating such inquiries, investigations, or reviews as the Inspector General deems appropriate;
- Reporting 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;
- 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 shall include freedom from any interference with investigations and timely access to records and other sources of information;
- Submitting findings when applicable to the subject that is a specific entity contracting with the state or an individual substantially affected, who shall be advised in writing that they may submit a written response within 20 working days after receipt of the findings, and including the response and the inspector general's rebuttal to the response, if any, with the final investigative report; and,
- Submitting, in a timely fashion, final reports on investigations conducted by the Inspector General to the agency head, except for whistle-blower's investigations, which shall be conducted and reported pursuant to section 112.3189, F.S.

**Complaints or Requests for Assistance Received in Fiscal Year 2017-2018**

The Investigations Section receives complaints and requests for assistance via telephone, letter, email, or in person. Each complaint or request for assistance is reviewed to determine if provisions of sections 112.3187-112.31895, F.S., (Whistle-blower's Act)

are met. During Fiscal Year 2017-2018, the Investigations Section received, reviewed and processed 209 complaints or requests for assistance. Of the 209 complaints or requests for assistance, 2 (1%) resulted in internal investigations or reviews; 93 (45%) were referred to management for review or response to the Investigations Section;<sup>1</sup> 95 (46%) were resolved and handled by the Investigations Section with minimal investigative activity necessary; 7 (3%) were resolved and handled by the Office of Inspector General with some investigative activity; 9 (4%) were handled as public records requests; and, 3 (1%) were referred to the appropriate law enforcement entity.

| Type of Complaint or Request Received | Quantity   |
|---------------------------------------|------------|
| Investigations/Reviews                | 2          |
| Management Referral                   | 93         |
| Contacts/Agency Assist                | 95         |
| Office of Inspector General Review    | 7          |
| Public Records Request                | 9          |
| Law Enforcement Referral              | 3          |
| <b>Total</b>                          | <b>209</b> |

### **Complaints or Requests for Assistance Closed in Fiscal Year 2017-2018**

During Fiscal Year 2017-2018, the Investigations Section closed 211 complaints or requests for assistance. Of the 211 complaints or requests for assistance closed, 4 (2%) were internal investigations or reviews; 97 (46%) were referred to management for review or response to the Investigations Section; 95 (45%) were resolved and handled by the Investigations Section with minimal investigative activity necessary; 5 (2%) were resolved and handled by the Office of Inspector General with some investigative activity; 9 (4%) were handled as public records requests; and, 1 (1%) was referred to the appropriate law enforcement entity.

| Type of Complaint or Request Closed | Quantity   |
|-------------------------------------|------------|
| Investigations/Reviews              | 4          |
| Management Referral                 | 97         |
| Contacts/Agency Assist              | 95         |
| Office of Inspector General Review  | 5          |
| Public Records Request              | 9          |
| Law Enforcement Referral            | 1          |
| <b>Total</b>                        | <b>211</b> |

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<sup>1</sup> When the Investigations Section requested a response from management, each management response was reviewed to ensure that all identified issues were addressed.



## **Summary of Internal Investigations or Reviews Closed in Fiscal Year 2017-2018**

- **Case Number 2017.105**  
On May 5, 2017, the Investigations Section initiated a review into fundraising activities at a private correctional facility. The Investigations Section reported the findings of the fundraising events and made recommendations to management as a result.
- **Case Number 2017.104**  
On May 8, 2017, the Investigations Section initiated an investigation into an allegation that inmate mail was improperly disposed of at a private correctional facility. The Investigations Section determined the allegation was supported. However, the Investigations Section also determined there was insufficient evidence to support who specifically disposed of inmate mail or if inmate mail was intentionally disposed of by any specific person or persons.
- **Case Number 2018.12**  
On July 18, 2017, the Investigations Section initiated an investigation into an allegation that an employee engaged in inappropriate behavior towards a coworker. The Investigations Section determined the allegation was not supported.
- **Case Number 2018.36**  
On August 18, 2017, the Investigations Section initiated an investigation into allegations that two staff made comments of a sexual nature toward a coworker and that a supervisor witnessed such comments but failed to take action. The Investigations Section determined the allegations were not supported.

## **Summary of Recommendations Related to Significant Abuses and Deficiencies Disclosed in Investigations During Fiscal Year 2017-2018**

No significant abuses or significant deficiencies were identified by the Investigations Section.

### **Background Screenings**

The Investigations Section is responsible for conducting criminal background screenings in accordance with sections 110.1127, 435.03,<sup>2</sup> and 435.04,<sup>3</sup> F.S. Criminal background screenings are conducted on all candidates for employment or promotion within the Department of Management Services, or for a limited number of candidates filling certain contracted positions. The Investigations Section also conducts criminal background screenings for agencies affiliated with the Department of Management Services including the Florida Commission on Human Relations, the Florida Division of Administrative

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<sup>2</sup> Section 435.03, F.S., outlines the conditions necessary to conduct a Level 1 criminal background screening.

<sup>3</sup> Section 435.04, F.S., outlines the conditions necessary to conduct a Level 2 criminal background screening.

Hearings, the Florida Public Relations Commission, and the State Board of Administration. As a condition of employment, candidates for employment must pass a Level 2 criminal background screening for positions of special trust. All other candidates for employment must pass a Level 1 criminal background screening.

During Fiscal Year 2017-2018, the Investigations Section processed 772 Level 2 criminal background screenings and 28 Level 1 criminal background screenings.

### Internal Audit Section

The Internal Audit Section consists of two units, the Program Audit Unit and the Retirement Compliance Audit Unit.

### Program Audit Unit

Section 20.055, F.S., outlines the auditing duties and responsibilities for Offices of Inspectors General to include in pertinent part:

- Reviewing and evaluating internal controls necessary to ensure the fiscal accountability of the state agency;
- Conducting financial, compliance, electronic data processing, and performance audits of the agency and preparing audit reports of findings; and,
- Conducting audits 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 published by the United States Government Accountability Office. All audit reports issued by internal audit staff shall include a statement that the audit was conducted pursuant to the appropriate standards.

Program Audit staff perform independent audits, reviews and examinations to identify, report and recommend corrective actions for areas of inefficiencies, for control deficiencies or for non-compliance with applicable laws, policies and procedures. 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.

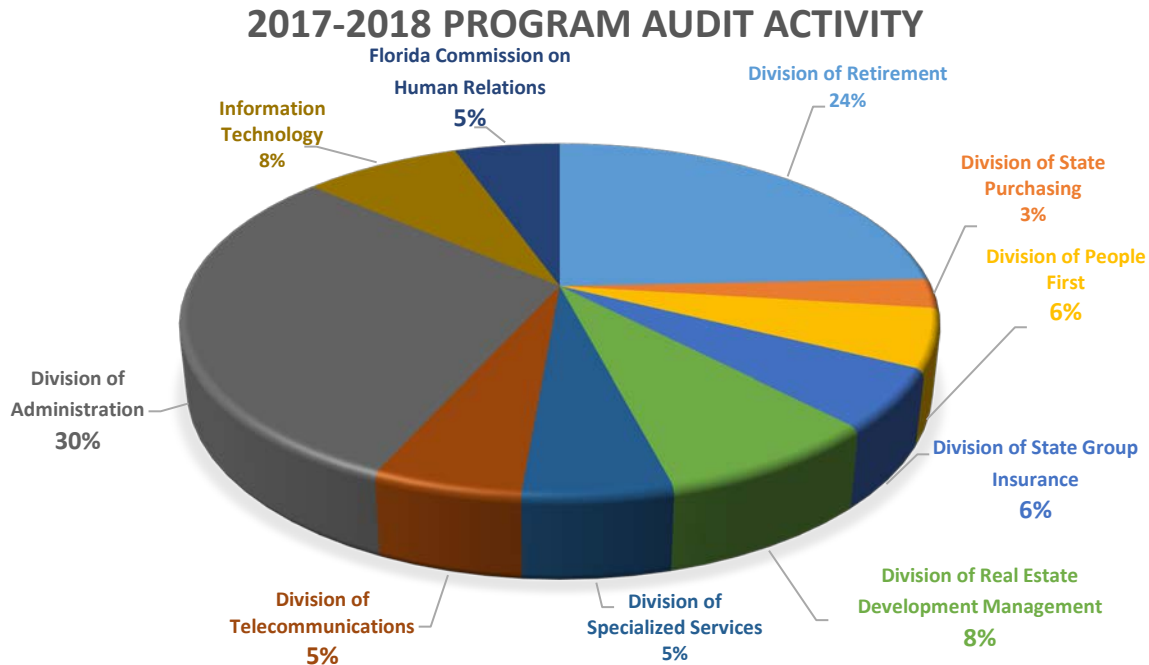
In meeting the statutory duties and responsibilities outlined above, the Program Audit Unit:

- Conducts *Performance Audits* to ensure the effectiveness, efficiency, and economy of department programs;
- Provides *Management Assistance Services* to advise management on emerging issues and concerns;

- Performs *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;
- Coordinates *External Audit* engagements conducted by the Auditor General, Office of Program Policy Analysis and Government Accountability, and other oversight units;
- Conducts *Follow-ups* of findings and recommendations identified in both internal and external audits; and,
- Assists management with *Performance Measures* by assessing the reliability and validity of the department's information on performance measurement and standards.

### **Summary of Program Audit Unit Activities in Fiscal Year 2017-2018**

During Fiscal Year 2017-2018, the Program Audit Unit published three internal audit reports and consulted with management regarding two programs. The Program Audit Unit also ensured coordination between the Department of Management Services and external auditors. During Fiscal Year 2017-2018, five external audits, one assessment, and one evaluation were published by the Auditor General, the Office of Program Policy Analysis and Government Accountability, and the United States Department of Housing and Urban Development.



The chart highlights the level of activity in the Divisions and Affiliated Entities by the Program Audit Unit for Fiscal Year 2017-2018.

## **Audit (Assurance) Projects**

- **Internal Audit Report Number 2017-025 Audit of the Management of Third Party Service Providers**

The objectives of this audit were to provide management with assurances of the following:

- Divisions within the Department of Management Services have adequate and effective procedures and controls for managing service providers (monitoring).
- Procedures and controls in place to manage service providers include recognized best practices and compliance with applicable statutes, rules, regulations, policies and procedures.

The audit also included steps to determine if the Department of Management Services has implemented the recommendations contained in the Department of Financial Services' report, *Agency Contract Management Review*, dated May 21, 2014, and the Auditor General's report number 2015-002, *Contract and Grant Management Processes at Selected State Agencies*, dated July 2, 2014.

The audit concluded that the Department of Management Services' overall service provider management and monitoring processes would be improved by expanding the policies and procedures in the following areas to provide more specific guidance and requirements to the divisions:

- Performing Risk Assessments;
- Developing Monitoring plans;
- Processing Payments;
- Developing Corrective Action Plans and Performing Follow-up; and
- Performing Contract closeout.

Also, the report recommended that management consider implementing procedures to separate some of the duties performed by the contract manager or implement additional control procedures to compensate for areas with limited segregation of duties, review position descriptions to ensure that they contain appropriate and required language for all persons involved in the service provider management and monitoring processes, and implement procedures to ensure that the contract file review is completed and that discrepancies identified are corrected timely.

- **Internal Audit Report Number 2018-045 Physical Security Audit Non-badge Access - A Limited Review**

The objective of this review was to assess the adequacy of the controls and procedures related to access restrictions through keys within buildings 4030 and 4050 located in the Southwood Office Complex, also known as the Capital Circle Office Complex (CCOC).

The results of this audit are confidential and exempt from public record under section 119.071(3), F.S.

- **Internal Audit Report Number 2017-046 Audit of Private Prison Monitoring Process**

The objective of this audit was to assess the effectiveness of the contract monitoring program for the private prisons within the Department of Management Services. The audit objective was accomplished using the following procedures:

- Review of the contract monitoring tool for completeness and effective monitoring methodology;
- Review of contract requirements;
- Review of roles and responsibilities within the monitoring bureau;
- Review of monitoring staff backgrounds and qualifications;
- Benchmark the contract monitoring program against programs used in other states; and,
- Review of monitoring activities and results for each of the selected prisons over the past year.

The audit revealed that the Private Prison Monitoring Bureau of the Division of Specialized Services had implemented one of the more mature contract monitoring systems in the Department of Management Services. The audit noted that the bureau has dedicated onsite contract monitors and that the program has the following key components for an effective system:

- A documented contract with clear expectations to the vendor;
- A documented monitoring plan with written policies and procedures;
- Payments linked to satisfactory performance and the use of consequences for poor performance;
- Access to vendor records and systems for monitors;
- Timely communication with the vendor regarding monitoring results;
- Dispute resolution procedures; and
- Monitoring activities that align with the American Correctional Association, the Department of Corrections and contract requirements and standards.

However, the audit identified the following recommendations to enhance the monitoring process and procedures:

- Risk assessment based monitoring - Implement a formal risk assessment as prescribed by the participant guide to outline the significance of the performance indicators to help management be able to determine the appropriate frequency for assessing vendor performance for the related indicators contained in the Contract Performance Indicator (CPI) tool assessment. Also, identify risk factors and perform a risk assessment for each of the correctional facilities so that the assessment of the vendor's performance will be based on facility specific risks.

- Monitoring plan procedures and evidence - Update the monitoring tool to include more specific procedures to be used in evaluating the indicators. Also, add specific sampling procedures where appropriate and outline requirements for documentation of the results, including where comments are required.
- Position Descriptions - Update all position descriptions for onsite contract monitors so that they are consistent, clear, and compliant regarding current expectations, procedures, and practices.
- Supervisory Review of the Monitoring Results - Implement specific review procedures for all levels of review of the CPI tool assessment process.
- Annual Report to Agency Head – Update the procedural manual to reflect current practices and implementation of an annual report on the overall performance for each correctional facility.
- Training - Consider formal training for new onsite contract monitors and ongoing training to help ensure that required changes in the processes are properly communicated and implemented.
- Objectivity of Assessment – Consider implementing alternate programs to help ensure monitoring results are unbiased and objective.

### **Management Advisory Projects**

- **Ongoing consulting with department management regarding Florida Single Audit Act Requirements**

The objective of this ongoing consulting project is to help ensure compliance with governing directives and to ensure management's awareness of their roles and responsibilities under the Florida Single Audit Act as changes occur in leadership within the Department of Management Services. The following recommendations from the previous fiscal year were reiterated:

- Written policies and procedures;
- Documentation of agreements; and
- Staff training.

- **Consulting with department management regarding the remediation of audit findings**

The objective of this consulting project was to help ensure previous external audit findings from the 2016-2017 Auditor General's Integrated Retirement Information System (*IRIS*) Operational Audit were addressed. Management implemented additional procedures to ensure the findings were addressed.

### **External Audit Coordination**

The Program Audit Unit coordinates information requests and management responses between external auditors and department management. The Program Audit Unit also assists with scheduling meetings between external auditors and department management as requested. When the external audit is complete and the preliminary and

tentative report has been issued, the Program Audit Unit provides coordination services for the required responses by management for external audit reports.

In Fiscal Year 2017-2018, the Program Audit Unit coordinated five external audits completed by the Auditor General, one performance assessment by the United States Department of Housing and Urban Development, and one evaluation by the Office of Program Policy Analysis and Government Accountability. The completed external audits contained one recommendation to the Department of Management Services and the performance assessment noted eight recommendations for the affiliated agency.

| <b>External Audit Coordination Completed</b>                               |  |                    |
|--|--|--------------------|
| <b>Report Number</b>   | <b>Audit Subject</b>   | <b>Report Date</b> |
| Auditor General Report 2018-14   | Florida Retirement System and Retiree Health Insurance Subsidy Program Cost-Sharing Multiple Employer Defined Benefit Pension Plans – Schedules of Deferred Outflows for Contributions Subsequent to the June 30, 2015, Measurement Date by Employer | 08/31/2017         |
| Auditor General Report 2018-065  | Florida Retirement System Pension Plan and Other State - Administered Systems – Financial Audit  | 12/15/2017         |
| Auditor General Report 2018-077  | Department of Management Services - Integrated Retirement Information System (IRIS) - Information Technology – Operational Audit   | 12/21/2017         |
| Office of Program Policy Analysis and Government Accountability Memorandum | Evaluation of the current private prison operational contract for Gadsden Correctional Facility  | 12/28/2017         |
| Auditor General Report 2018-085  | 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   | 01/11/2018         |
| Auditor General Report 2018-189  | State of Florida - Compliance and Internal Controls Over Financial Reporting and Federal Awards  | 03/28/2018         |
| Fair Housing Assistance Program Agency Report                              | Florida Commission on Human Relations Housing and Urban Development Performance Assessment   | 05/02/2018         |

### **Follow-up Reviews**

During Fiscal Year 2017-2018, the Program Audit Unit published four six-month status reports of corrective actions taken by the Department of Management Services on audit findings and recommendations issued by the Auditor General. It is the Program Audit Unit's policy to continue to monitor outstanding recommendations until corrective action has been implemented or until management accepts the risk of not implementing the recommendations. The Program Audit Unit performed two other internal audit follow-up

reviews regarding the corrective action taken on prior internal audit report findings. The follow-up reviews noted that corrective action plans were incomplete on 16 of the 33 findings.

| <b>Program Audit Unit<br/>Follow-up Reviews Completed</b> |  |                       |
|---|--|-----------------------|
| <b>Original Report Number</b>                             | <b>Audit Subject</b>   | <b>Date Completed</b> |
| Auditor General Report 2017-101                           | Department of Management Services - Integrated Retirement Information System (IRIS) - Information Technology – Operational Audit | 07/24/2017            |
| Internal Audit Report 2016-8787                           | 12-Month Follow-up to Audit of Department Cash Receipts Process  | 09/06/2017            |
| Auditor General Report 2017-180                           | State of Florida - Compliance and Internal Controls Over Financial Reporting and Federal Awards                                  | 09/25/2017            |
| Auditor General Report 2017-214                           | Department of Management Services and the Commission on Human Relations – Operational Audit                                      | 12/29/2017            |
| Internal Audit Report 2017-07                             | 12-Month Follow-up to Physical Security Audit  | 05/02/2018            |
| Auditor General Report 2018-077                           | Department of Management Services - Integrated Retirement Information System (IRIS) - Information Technology – Operational Audit | 06/13/2018            |

**Summary of Recommendations Related to Significant Abuses and Deficiencies Disclosed in Internal Audits During Fiscal Year 2017-2018**

No significant abuses or significant deficiencies were identified by the Program Audit Unit.

**Summary of Significant Recommendations Pending Corrective Action in Fiscal Year 2017-2018**

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. The findings presented in Internal Audit Report Number 2016-8787 Audit of Department Cash Receipts Process remain open. However, due to the Auditor General’s Operational Audit of Department of Management Services, which includes this function, the follow-up on the status of these findings are pending the outcome of that audit.



## **Performance Measurement and Department of Management Services Key Performance Indicators**

None of the performance measures contained in the department's Long-Range Program Plan document or the department's key performance indicators were modified during the fiscal year. Therefore, the Program Audit Unit did not perform a separate review of performance measures. During the internal audits, any related key performance measures and standards were reviewed as a part of the audit.

## **Internal Quality Assurance Review**

In order to provide reasonable assurance that the Program Audit Unit's work conforms to the International Standards for the Professional Practice of Internal Auditing and internal policies and procedures, the internal quality assurance program is ongoing and includes continuous supervision and internal reviews. The Auditor General is responsible for conducting external assessments of the Program Audit Unit every three years in accordance with section 11.45, F.S.

During this fiscal year, as a part of the Program Audit Unit's internal quality assurance program, the work papers of one audit (Internal Audit Report Number 2017-025, ***Audit of the Management of Third Party Service Providers***) were reviewed for compliance with auditing standards and internal audit policies and procedures. The report noted only minor documentation recommendations that have already been addressed. In addition, an internal audit quality assurance assessment was performed which concluded that the Program Audit Unit generally complied in all material aspects with the *International Standards for the Professional Practice of Internal Auditing* and section 20.055, F.S. This report identified areas of improvements that have already been addressed.

## **Risk Assessment and Planning for Fiscal Year 2018-2019**

The Program Audit Unit's annual work plan is based on the results of the annual risk assessment. The Program Audit Unit collaborated with the Strategic Planning and Project Management Office (SP&PMO) to facilitate management's participation in the annual risk assessment process. Sections for each division were co-led by the SP&PMO and the Program Audit Unit. The purpose of developing the annual work plan is to identify, select and plan the allocation of resources for the upcoming fiscal year. Consideration is given to activities related to the development, assessment, and validation of performance measures during the planning phase. The Program Audit Unit's goal is to provide, as efficiently as possible, the greatest level of assurance and consulting services to the department. Based on current staffing, the Program Audit Unit has allocated approximately 3,447 hours for projects during Fiscal Year 2018-2019.

**Retirement Compliance Audit Unit**

Section 121.193, F.S., outlines the Department of Management Services responsibilities related to the conduct of external compliance audits of payroll and personnel records of participating agencies in the Florida Retirement System. This section further states:

- Audits under this section shall be made to determine the accuracy of reports submitted to the Department of Management Services and to assess the degree of compliance with applicable statutes, rules, and coverage agreements;
- Audits under this section shall be scheduled on a regular basis, as a result of concerns known to exist at an agency, or as a follow-up to ensure agency action was taken to correct deficiencies found in an earlier audit;
- Participating agencies shall furnish the Department of Management Services with information and documents that the department requires to conduct the audit and may prescribe by rule the documents that may be requested;
- The Department of Management Services shall review the agencies operations concerning retirement and social security coverage and discuss preliminary findings with agency personnel at the close of an audit; and,
- An audit report of findings and recommendations shall be submitted to department management and an audit summary letter noting any concerns and corrective action shall be submitted to the agency.

The Department of Management Services has delegated the statutory responsibilities outlined above to the Retirement Compliance Audit Unit. The Retirement Compliance Audit Unit is assigned to the Internal Audit Section of the Office of Inspector General.

**Summary of Retirement Compliance Audits for Fiscal Year 2017-2018**

During Fiscal Year 2017-2018, the Retirement Compliance Audit Unit completed 159 compliance audits of entities participating in the Florida Retirement System. These audits assessed the degree of compliance with applicable statutes, rules, and coverage agreements and determined the accuracy of payroll, personnel, and earnings records.

| Entities Audited by the Retirement Compliance Audit Unit |                     |
|--|---------------------|
| Agency   | Final Report Issued |
| Broward County Board of County Commissioners             | 07/17/17            |
| Sarasota County School Board                             | 07/17/17            |
| City of Deerfield Beach                                  | 07/24/17            |
| Alachua County Tax Collector                             | 07/25/17            |
| Bay County Property Appraiser                            | 07/25/17            |
| City of Hollywood  | 07/31/17            |
| Okeechobee County Property Appraiser                     | 07/31/17            |

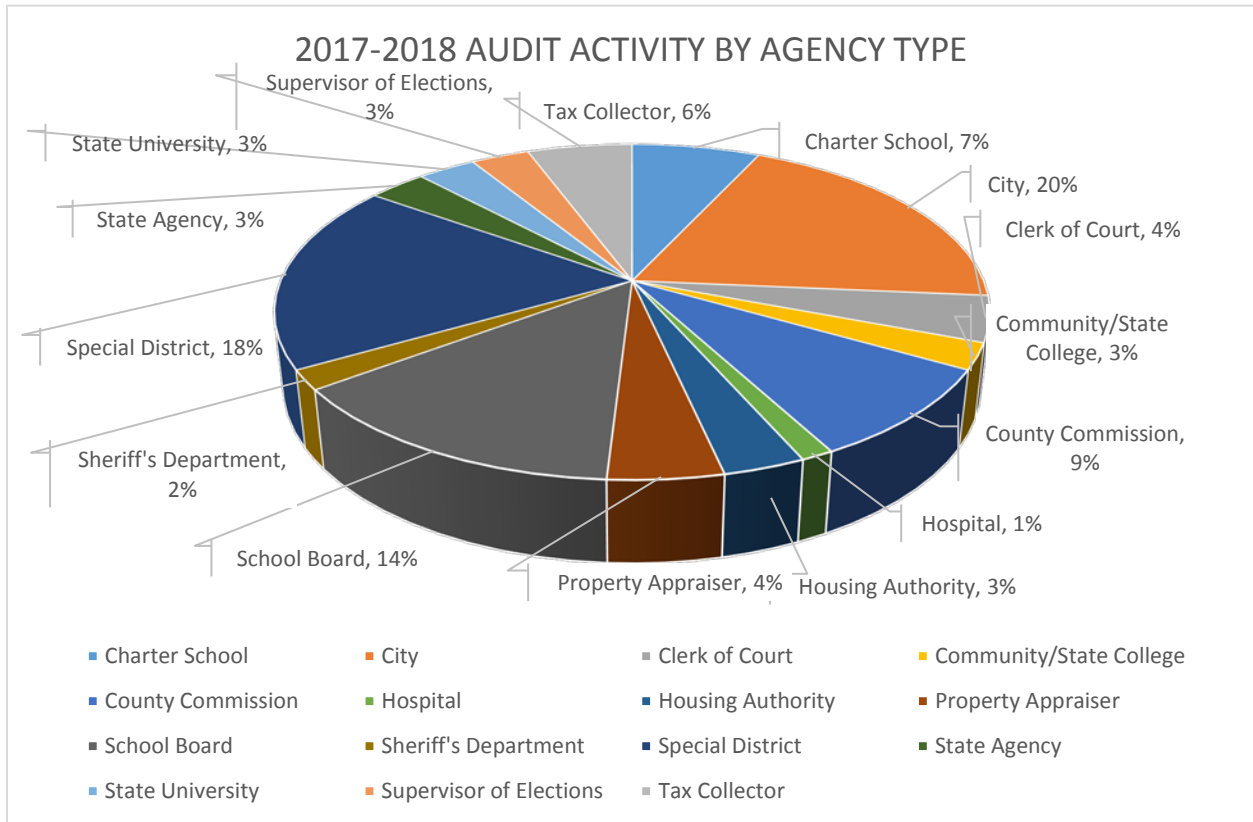
*Florida Department of Management Services  
Office of Inspector General*

| <b>Entities Audited by the Retirement Compliance Audit Unit</b> |                            |
|---|----------------------------|
| <b>Agency</b>   | <b>Final Report Issued</b> |
| Pinellas County School Board                                    | 07/31/17                   |
| Pinellas County Tax Collector                                   | 07/31/17                   |
| Taylor County Sheriff's Department                              | 08/01/17                   |
| Washington County School Board                                  | 08/01/17                   |
| City of Bristol   | 08/02/17                   |
| City of Chattahoochee   | 08/02/17                   |
| Gulf County Supervisor of Elections                             | 08/02/17                   |
| Panama City Port Authority                                      | 08/02/17                   |
| Rainbow Lakes Estates Municipal Service District                | 08/02/17                   |
| Town of Polk City   | 08/02/17                   |
| Monroe County Land Authority                                    | 08/04/17                   |
| Seminole Science Charter School                                 | 08/04/17                   |
| Alachua County Library District                                 | 08/07/17                   |
| Barron Water Control District                                   | 08/07/17                   |
| Lake County Tax Collector                                       | 08/07/17                   |
| Three Rivers Regional Library System                            | 08/07/17                   |
| Citrus County Clerk of Circuit Court                            | 08/08/17                   |
| City of Boynton Beach   | 08/09/17                   |
| City of Green Cove Springs                                      | 08/09/17                   |
| Defuniak Springs Housing Authority                              | 08/09/17                   |
| City of Clewiston   | 08/10/17                   |
| Gilchrist County Supervisor of Elections                        | 08/10/17                   |
| Jefferson County Tax Collector                                  | 08/10/17                   |
| Pasco County Board of County Commissioners                      | 08/10/17                   |
| Town of Sneads  | 08/10/17                   |
| Bay County Tax Collector  | 08/11/17                   |
| City of Cedar Key   | 08/11/17                   |
| Fort Myers Beach Fire Control District                          | 08/11/17                   |
| Jackson County Clerk of Circuit Court                           | 08/11/17                   |
| Volusia County Clerk of Circuit Court                           | 08/11/17                   |
| Hillsborough County Tax Collector                               | 08/15/17                   |
| Jacksonville Port Authority                                     | 08/15/17                   |
| St Augustine-St Johns County Airport Authority                  | 08/15/17                   |
| Bradford County School Board                                    | 08/16/17                   |
| Islamorada, Village of Islands                                  | 08/16/17                   |
| Leon County Sheriff's Department                                | 08/16/17                   |
| City of Apalachicola  | 08/17/17                   |
| City of Center Hill   | 08/17/17                   |
| City of Inverness   | 08/17/17                   |
| Desoto County Clerk of Circuit Court                            | 08/17/17                   |
| Pinellas County Property Appraiser                              | 08/17/17                   |
| Baker County Tax Collector                                      | 08/18/17                   |
| City of Newberry  | 08/21/17                   |
| Franklin County Property Appraiser                              | 08/21/17                   |
| Monroe County Clerk of Circuit Court                            | 08/21/17                   |
| Caring & Sharing Learning School                                | 08/22/17                   |
| Department of Veteran's Affairs                                 | 08/22/17                   |
| Live Oak Housing Authority                                      | 08/23/17                   |
| Nassau County Tax Collector                                     | 08/28/17                   |
| East Flagler Mosquito Control District                          | 08/29/17                   |
| Madison County School Board                                     | 08/29/17                   |
| Levy County Board of County Commissioners                       | 08/30/17                   |
| University of West Florida                                      | 08/30/17                   |

*Florida Department of Management Services  
Office of Inspector General*

| <b>Entities Audited by the Retirement Compliance Audit Unit</b> |                            |
|---|----------------------------|
| <b>Agency</b>   | <b>Final Report Issued</b> |
| Hernando County Board of County Commissioners                   | 09/01/17                   |
| Moore Haven Mosquito Control District                           | 09/14/17                   |
| North Bay Haven Charter Elementary School                       | 09/18/17                   |
| Berkley Charter School  | 09/25/17                   |
| City of Cooper City   | 09/25/17                   |
| Pinellas County Clerk of Circuit Court                          | 09/25/17                   |
| Sebring Airport Authority                                       | 09/25/17                   |
| Franklin County Supervisor of Elections                         | 09/27/17                   |
| Hillsborough County Civil Service Board                         | 09/28/17                   |
| Central High School   | 10/02/17                   |
| City of Vernon  | 10/02/17                   |
| Citrus County Hospital Board                                    | 10/04/17                   |
| Seaside Neighborhood Charter School                             | 10/04/17                   |
| Miami Dade College  | 10/06/17                   |
| City of Jasper  | 10/09/17                   |
| City of New Port Richey   | 10/09/17                   |
| Florida Keys Mosquito Control District                          | 10/09/17                   |
| Central County Water Control District                           | 10/10/17                   |
| Santa Rosa County School Board                                  | 10/19/17                   |
| Duval County School Board                                       | 10/20/17                   |
| Agency for Persons with Disabilities                            | 10/25/17                   |
| City of Freeport  | 10/27/17                   |
| Hillsborough County City-County Planning Commission             | 10/30/17                   |
| Lafayette County Property Appraiser                             | 10/31/17                   |
| Bay County School Board   | 11/01/17                   |
| City of Deltona   | 11/01/17                   |
| Town of Astatula  | 11/01/17                   |
| University of Florida   | 11/07/17                   |
| Walton County School Board                                      | 11/07/17                   |
| Lafayette County Tax Collector                                  | 11/14/17                   |
| North Collier Fire Control & Rescue                             | 11/16/17                   |
| Village of Pinecrest  | 11/16/17                   |
| Gadsden County Sheriff's Department                             | 11/27/17                   |
| Marianna Health & Rehabilitation Center                         | 11/27/17                   |
| Baker County School Board                                       | 11/28/17                   |
| Collier County Property Appraiser                               | 11/28/17                   |
| Indian River County School Board                                | 11/29/17                   |
| River City Science Academy at Mandarin                          | 12/08/17                   |
| River City Science Academy Innovation                           | 12/08/17                   |
| City of Marianna  | 12/12/17                   |
| Okaloosa County School Board                                    | 12/13/17                   |
| City of Coleman   | 12/21/17                   |
| City of Pensacola   | 12/21/17                   |
| Highlands Soil & Water Conservation District                    | 12/21/17                   |
| Indian River State College                                      | 12/26/17                   |
| Okeechobee County School Board                                  | 12/27/17                   |
| Columbia County Board of County Commissioners                   | 12/28/17                   |
| Brevard County School Board                                     | 01/03/18                   |
| Madison County Clerk of Circuit Court                           | 01/05/18                   |
| Charlotte County School Board                                   | 01/17/18                   |
| Martin County School Board                                      | 01/19/18                   |
| City of South Daytona   | 01/23/18                   |
| Sumter County Board of County Commissioners                     | 02/02/18                   |

| <b>Entities Audited by the Retirement Compliance Audit Unit</b> |                            |
|---|----------------------------|
| <b>Agency</b>   | <b>Final Report Issued</b> |
| Southeast Volusia Hospital District                             | 02/05/18                   |
| Village of Biscayne Park  | 02/15/18                   |
| Putnam County School Board                                      | 02/16/18                   |
| Volusia County School Board                                     | 02/19/18                   |
| City of Carrabelle  | 02/23/18                   |
| River City Science Academy                                      | 02/27/18                   |
| River City Science Academy Elementary                           | 02/27/18                   |
| Department of Elder Affairs                                     | 02/28/18                   |
| Apalachicola Housing Authority                                  | 03/07/18                   |
| Bay County Supervisor of Elections                              | 03/09/18                   |
| Florida International University                                | 03/20/18                   |
| Volusia County Board of County Commissioners (also a follow-up) | 03/20/18                   |
| Space Coast Transportation Planning Organization                | 03/21/18                   |
| City of Monticello  | 03/22/18                   |
| Public Service Commission                                       | 03/22/18                   |
| Walton County Board of County Commissioners (also a follow-up)  | 03/26/18                   |
| Indian River Lagoon Council                                     | 03/28/18                   |
| The Florida Lottery   | 03/28/18                   |
| Collier County Supervisor of Elections                          | 04/16/18                   |
| Collier Mosquito Control District                               | 04/16/18                   |
| Lee County Metropolitan Planning Organization                   | 04/16/18                   |
| Highlands County School Board                                   | 04/18/18                   |
| Nassau County Property Appraiser                                | 04/19/18                   |
| North Springs Improvement District                              | 04/25/18                   |
| Citrus County School Board                                      | 04/27/18                   |
| Seminole County Board of County Commissioners                   | 04/27/18                   |
| Union County Board of County Commissioners                      | 04/27/18                   |
| Polk State College  | 05/07/18                   |
| Okeechobee Soil and Water Conservation District                 | 05/11/18                   |
| Hillsborough County School Board                                | 05/14/18                   |
| Tallahassee Community College                                   | 05/14/18                   |
| Marion County School Board                                      | 05/15/18                   |
| Bay County Board of County Commissioners                        | 05/22/18                   |
| Brevard County Board of County Commissioners                    | 05/31/18                   |
| Florida State University  | 05/31/18                   |
| Escambia County Board of County Commissioners                   | 06/12/18                   |
| Florida A & M University  | 06/12/18                   |
| Lake Shore Hospital Authority                                   | 06/12/18                   |
| Collier Soil and Water Conservation District                    | 06/13/18                   |
| North Florida Transportation Planning Organization              | 06/13/18                   |
| Pinellas County Housing Finance Authority                       | 06/13/18                   |
| Immokalee Fire Control District                                 | 06/14/18                   |
| Miami-Dade Housing Finance Authority                            | 06/18/18                   |
| Palm Beach County Board of County Commissioners                 | 06/19/18                   |
| Madison Creative Arts Academy, Inc.                             | 06/21/18                   |
| Village of Wellington   | 06/27/18                   |



The chart highlights the percentage of external compliance audits, by agency type, for Fiscal Year 2017-2018.

**Summary of Significant Recommendations from External Compliance Audits Completed in Fiscal Year 2017-2018**

During the fiscal year, the Retirement Compliance Audit Unit identified three primary areas in which compliance issues were noted. Audit recommendations pertaining to the following three areas were made to a significant number of participating agencies:

**Workers' Compensation Adjustments**

Effective July 1, 1990, 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.

### Recommendations related to Workers' Compensation Adjustments

- 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.
- 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 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 six months should be reported to the Division of Retirement, unless the position is exempt.

Additionally, Investment Plan members cannot return to employment with a Florida Retirement System participating employer until they have been retired for six calendar months (i.e., six calendar months following the month in which a distribution was taken). If they are reemployed by a Florida Retirement System participating employer within the six calendar month period after taking a distribution (retiring), their retirement will be voided. Additionally, during the 7th to 12th calendar months after retirement, no additional Investment Plan distributions are permitted and they cannot receive Health Insurance Subsidy payments until they either terminate employment or complete a total of 12 calendar months of retirement.

### Recommendations related to Unreported Employees

- The agency should make adjustments to report the employee or employees identified for retirement coverage effective their 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.
- 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.
- The Bureau of Enrollment and Contributions and the State Board of Administration should review the Investment Plan employee identified during the course of the audit to confirm that a violation has occurred. The State Board of Administration will contact the employee and the employer, if needed, regarding the next steps.

- The agency should review its records to identify any other unreported employees who have retired and worked within the first six months of their Investment Plan distribution and contact the State Board of Administration to determine if there are additional reemployment violations.

### **Unreported Wages**

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

An employee filling a regularly established position who performs additional duties for the same Florida Retirement System employer is considered to be filling a regularly established position for the total employment; therefore, all earnings should be reported for Florida Retirement System coverage.

### **Recommendations Related to Unreported Wages**

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

### **Revenue Adjustments to the Florida Retirement System Trust for Fiscal Year 2018-2019**

Compliance audits resulted in revenue adjustments of \$302,506.00 to the Florida Retirement System Trust Fund. The revenue adjustments made by the agency may be for audits completed in prior fiscal years. Forty-seven agencies still need to make adjustments based on the findings identified as a result of their retirement compliance audit.

### **Risk Assessment and Planning for Fiscal Year 2018-2019**

The Retirement Compliance Audit Unit's annual audit schedule is based on the results of an annual risk assessment. The risk assessment consists of surveying retirement management to identify agencies where risk of non-compliance with Florida Retirement Plan requirements is higher. Additionally, Retirement Compliance Audit Unit staff members consider prior and current audit findings, previous audits performed, and agency size and type. Based on current staffing, the Retirement Compliance Audit Unit has allocated approximately 5,942 hours for the completion of 233 audits during Fiscal Year 2018-2019.