



Florida Department of State  
**Annual Report**  
**FY 2018-2019**  
Office of Inspector General



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## Executive Summary

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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 Florida Department of State (Department) OIG staff during Fiscal Year (FY) 2018-2019.

- Conducted one audit containing eight findings and eight recommendations.
- Reviewed and processed 163 Single Audit Reports.
- Opened 566 investigative cases.
- Closed 565 investigative cases, with two of those cases containing substantiated allegations and one case referred to law enforcement.



## 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 Florida Department of State, the Secretary of State oversees a large state agency with many tasks and responsibilities.

The Florida 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.

### MISSION

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.



## **STATUTORY AUTHORITY**

The specific duties and responsibilities of the OIG, per section 20.055, F.S., include the following:

- Provide direction for, supervise, and coordinate audits, investigations, and management reviews relating to the programs and operations of the agency.
- Conduct, supervise, and coordinate other activities carried out or financed by the agency to promote economy and efficiency, and prevent and detect fraud and abuse in programs and operations.
- Keep the agency head informed concerning fraud, abuses, and deficiencies relating to programs and operations; recommend corrective action; and report on the progress made in implementing corrective action.
- Advise in the development of performance measures, standards, and procedures for the evaluation of agency programs.
- Assess the reliability and validity of the information provided on performance measures and standards, and make recommendations for improvement.
- Review actions taken to improve program performance and meet program standards, and make recommendations for improvement.
- Ensure that an appropriate balance is maintained between audit, investigative, and other accountability activities.
- Ensure effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies.
- Review rules relating to the programs and operations of the agency and make recommendations regarding their impact.

## **ORGANIZATION**

The OIG is under the direction of an Inspector General who reports directly to the Chief Inspector General (CIG) within the Executive Office of the Governor. OIG staff members collectively carry out audit, investigative, and accreditation responsibilities. Both audit and investigative activities are conducted in accordance with *Principles and Standards for Offices of Inspector General* (green book), published by the Association of Inspectors General.



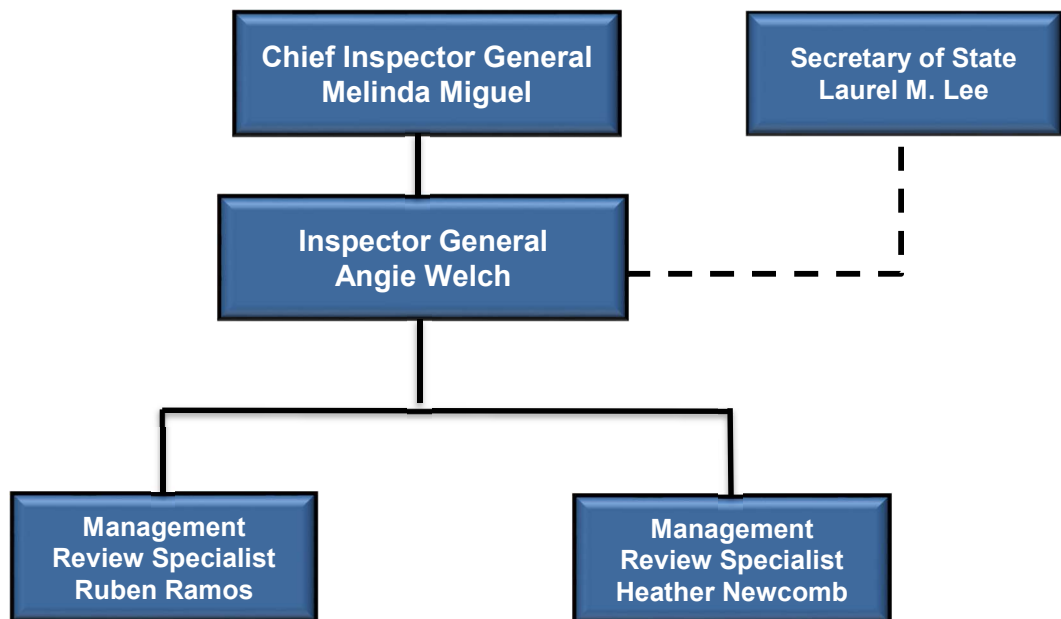
The **audit function** provides independent, objective assurance, and consulting services designed to add value and improve FDOS's operations. Audit activities include conducting audits, management reviews, special projects, and consulting activities. Audit engagements are conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors (IIA), and where appropriate, *Generally Accepted Government Auditing Standards* (GAGAS), published by the United States Government Accountability Office.

The **investigative function** receives complaints, conducts investigations, and coordinates activities required by the Florida Whistle-blower's Act (sections 112.3187-112.31895, F.S.). In addition to green book standards, investigative work is conducted in accordance with accreditation standards set forth by the Florida Commission for Florida Law Enforcement Accreditation (CFA).

As of June 30, 2019, the OIG was comprised of three positions, as follows:

- Inspector General
- Management Review Specialist - Auditor
- Management Review Specialist - Lead Auditor / Investigator

### ORGANIZATIONAL CHART Florida Department of State Office of Inspector General





## Staff Qualifications

OIG staff members possess a range of backgrounds and experience in a variety of disciplines including accounting, auditing, investigations, program evaluation, and project management. OIG staff members continually enhance their professional skills by attending continuing education, maintaining professional certifications, and actively participating in a number of professional organizations.

### PROFESSIONAL TRAINING

OIG staff members must complete the following training requirements:

- Per IIA standards, internal auditors must enhance their knowledge, skills, and other competencies through continuing professional education (CPE).
- Per green book standards, OIG staff performing investigations, inspections, evaluations, reviews, or audits should complete at least 40 hours of CPE, every two years, that directly enhance the person's professional proficiency.
- Per CFA OIG accreditation standards, investigation members must receive a minimum of 40 hours of continuing professional education every two years, with at least 12 hours in subjects directly related to their primary responsibility.

### PROFESSIONAL CERTIFICATIONS

Professional certifications require significant time and effort to attain. These certifications demonstrate professional competence, proficiency, and commitment to the profession. During the reporting period, OIG staff members collectively maintained the following certifications:

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





## PROFESSIONAL AFFILIATIONS

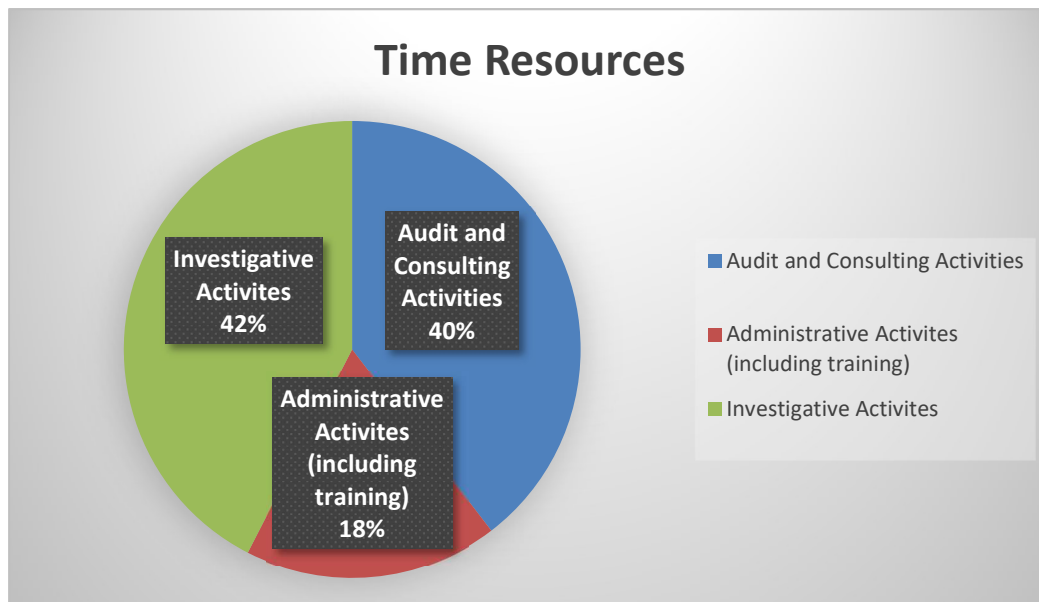
Membership and participation in professional organizations help staff members establish and advance professional networks, participate in professional community activities, and obtain continuing professional education. During the 2018-2019 fiscal year, OIG staff members collectively maintained membership or participation with the following organizations:

- Association of Inspectors General
- The Institute of Internal Auditors
- The Association of Certified Fraud Examiners
- Commission for Florida Law Enforcement Accreditation
- America Institute of Certified Public Accountants
- Institute of internal Controls



## OIG RESOURCE ALLOCATION

The chart below depicts a breakdown of how the OIG resources were allocated during the 2018-2019 fiscal year\*.



\*Excludes OIG Staff Leave and Holidays





## Internal Audit Section



Per section 20.055(6), F.S., each inspector general shall review and evaluate internal controls necessary to ensure the fiscal accountability of the state agency. The inspector general shall conduct financial, compliance, electronic data processing, and performance audits of the agency and prepare audit reports of his or her findings. Below is a summary of the audit activities conducted by the OIG during the 2018-2019 fiscal year.

### Division of Corporations Registrations Section Audit Report No. A-1819DOS-01, issued June 2019

The objectives of the audit were to determine whether operations performed in the Registration section are efficient and effective as implemented, Department hiring procedures are being followed when filling employee vacancies within the section and the section was in compliance with selected Florida Statutes.



Based on the results of the audit, we determined current operating procedures within the Registration section are generally effective; however, operations are not efficient. Efficient processes perform in the best possible manner with the least waste of time and effort. Improvements can be made within the section to achieve these results. The following findings and recommendations were included in the audit report.

#### ***Finding One: Written Policies and Procedures have not been established***

Policies and procedures for performing the duties and responsibilities within the Registration section have not been established and provided to employees. In discussing the section's policies, procedures and training with staff, four of five employees (two of which were new to the section) indicated they had not been provided sufficient procedures to perform their job duties.

We recommend management develop written policies and procedures for performing responsibilities within the section. These procedures should include instructions for performing job duties and responsibilities which support management's expectations for achieving the section's business objective.

We further recommend management consider developing a training program which includes training manuals, training videos and other reference documentation to help



ensure consistency in the training of employees. Training manuals should explain the employee's role in the daily operations of the section, communicate how to perform job duties and provide clear management expectations.

***Finding Two: Monitoring of Workloads***

At the end of the work day, employees are responsible for emailing work completed numbers to section supervisors; however, according to section management, supervisors have not been tracking or monitoring the work completed by employees nor reviewing the work for accuracy (with the exception of 1 probationary employee). As a result, they are unable to determine the timeliness/number of documents processed, nor are they able to determine the quality of the work being performed, both of which are performance plan expectations for employees.

We recommend management take steps to ensure work assigned to and completed by employees is accurately tracked and monitored to determine performance expectations are being met. Additionally, management should implement quality assurance procedures to determine work complies with statutory requirements and division expectations.

***Finding Three: Monitoring of Overtime Work***

Since July 2018, Registration section employees and certain Division of Corporations employees were approved for overtime (OT) work. Employees were approved for 2 hours of OT during the work week and 10 hours on Saturdays. Overtime was allowed per the Division's Workload Action Plan which requires overtime when a section's batch work is more than 5 days behind for 3 consecutive days.

Overtime work is not being monitored to determine accountability of workload and OT paid. Lack of accountability increases the risk for errors and/or misappropriations to occur and not be detected in a timely manner. Additionally, when accountability is reduced the risk for inefficiencies to occur in the registration process increases. When inefficiencies occur in the process, there is an increased risk the workload action plan will be ineffective.

We recommend management develop OT procedures to use when the workload action plan is in effect. These procedures should include monitoring and oversight of the work being performed, determining the classification/position of employee allowed to work OT and establishing accountability for workloads and OT paid to maximize the efficiency and effectiveness of the workload action plan

***Finding Four: Business Filing Inefficiencies***

The Business Filing System used by the Division of Corporations is a trifurcated system which requires each document be input into 3 separate supplementary applications before being filed. The time and effort expended to perform this process when compared to the volume of documents received is inefficient.



We recommend management evaluate processes and procedures for filing documents within the Division of Corporations. The evaluation should include not only investing in a new Business Filing system but also looking at existing processes within the Division to determine areas performing similar functions which might be combined to achieve efficiencies. Additionally, management should consider reviewing processing procedures within the Registration section to determine whether improvements can be made to reduce redundancies within the process.

***Finding Five: Volume of Calls Answered / Processing Document Inefficiencies***

Budget shortages have required call center duties be absorbed by all sections within the Division of Corporations. Regulatory Specialists within the Registration section are required to file documents and answer phone calls as part of their daily responsibilities. The time and effort to perform this process when compared to the volume of calls received is inefficient.

We recommend management evaluate processes and procedures for employees answering phones and filing documents within the Division of Corporations. The evaluation should include looking at existing processes within the Division to determine how to better manage those responsibilities to achieve efficiencies. Additionally, management should review the types of calls being received within the division and determine whether changes to the website could be made so the public is better able to navigate the website to find information themselves rather than calling into the division.

***Finding Six: Workload Action Plan-Workload Distribution***

The DOC Workload Action Plan was established to provide long-term and short-term solutions to reduced staffing and increased workloads within the Division. Generally, this means when there becomes a 15-day backlog (statutory timeframe allowed to reject documents), the workload action plan is implemented and overtime work is required.

It appears the workload distribution and priority processing of documents received by the division have not currently been analyzed to determine efficiencies in the process and the impact it has on the workload action plan. We recommend management re-evaluate the workload distribution process to determine who benefits from the priority processing of documents, the impact priority processing has on the section's workload and the cost efficiencies which might be gained from either discontinuing the practice or requesting legislation to authorize charging an expedited fee for priority processing.

***Finding Seven: Recruitment and Selection***

The Recruitment and Selection policy is not being consistently followed when hiring positions within the Registration section. Three hiring packages were reviewed to determine whether Department recruitment and selection procedures were being followed when filling employee vacancies within the Registration section. The hiring packages selected consisted of employees hired in each of the three levels of positions within the section, License Issu/Elec & Corp Recd Spv II, Regulatory Specialist III and Regulatory Specialist II.



We recommend management take steps to ensure hiring supervisors are trained and familiar with the Department Recruitment and Selection policy. Additionally, we recommend Human Resources review hiring packets prior to employment offers to ensure policies have been followed and equal opportunity has been given to all qualified candidates.

***Finding Eight: Non-Compliance with Section 605.0210(2), Florida Statutes***

The section is not in compliance with Section 605.0210(2), F. S. A notice of change is not being sent to email and/or mailing addresses when records are filed which change those addresses. The notice of change is sent to the prior email and/or mailing address on file to indicate a change has been made; however, the current address is not advised of the change.

We recommend management take steps to ensure the notice of change requirements mandated under Section 605.0210(2), F. S. is implemented and followed.

## Schedule IX

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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 Measure Review

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Section 20.055, F.S., requires the inspector general to advise in the development of performance measures, assess the performance measures for validity and reliability, and if necessary, make recommendations for improvement prior to submission of the measures.

**Advisory Memorandum issued September 2018**

The Department's 2018-2019 Long Range Performance Plan included 17 performance measures. Of the 17 measures, eight were new measures proposed in the 2017-2018 plan. Our review consisted of determining whether the data sources and methodologies provided reasonable assurance that the eight new performance measures were valid and reliable. For this review, we defined:

**Validity** - The appropriateness of the measuring instrument in relation to the purpose for which it is used.



**Reliability** - The extent to which the measuring procedure yields the same results on repeated trials and data is complete and sufficiently error free for the intended use.

Five of the eight performance measures assessed were found to be reliable and valid. One of the eight measures was found to be not valid. Specifically, the measure was not derived from a data source that appropriately reflected the performance of the Division. Three of the measures were found to be not reliable. One measure was based on a calculation which was consistently applied; however, the data used to perform the calculation was based on projected rather than actual confirmed data. The remaining two measures were based on calculations which contained errors not identified through monitoring or oversight of the reporting process. Weaknesses in the performance measure reporting processes have been discussed with management and recommendations for improvement have been made to help ensure the validity and reliability of the Department's performance measures.

## **Annual Risk Assessment and Work Plan**

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OIG conducted a risk assessment in order to identify the Department's programs and activities, and evaluate the risk associated with those activities. Section 20.055(6)(i), F.S., requires the OIG to develop annual and long-term audit plans based on the findings of periodic risk assessments. Additionally, IIA standards require internal audit activities be based on a documented risk assessment, undertaken at least annually. The risk assessment was conducted via management survey, meetings, emails and discussions with appropriate management or their designees.

Based on the results of the risk assessment, the OIG developed its 2019-2020 Annual Plan (plan). The purpose of the plan is to identify, select, and plan the allocation of resources for the upcoming fiscal year. The overriding consideration during the development of the plan is to provide the greatest benefit to the Department with the OIG's limited resources. The annual and long-term audit projects in the plan reflect areas of higher risk as well as management priorities identified through the risk assessment process. The plan was completed and approved by the Florida Secretary of State on June 13, 2019.

## **Single Audit Review**

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Section 215.97, F.S., and Title 2 Code of Federal Regulations (CFR) Part 200 require each recipient/subrecipient that expends the threshold amount of \$750,000 or more in federal or state financial assistance during its fiscal year to undergo a single audit.



The Department is responsible for reviewing subrecipient financial reporting packages (single audit reports) to the extent necessary to determine whether timely and appropriate corrective action has been taken with respect to audit findings and recommendations pertaining to financial assistance received from the Department. During the 2018-2019 fiscal year, the OIG reviewed approximately 163 single audit reports

## External Projects

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Pursuant to section 20.055(2)(g), F.S., the OIG is responsible for ensuring effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies with a view toward avoiding duplication.

The Internal Audit Section (IAS) assists the Department by coordinating audits and reviewing 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 the 2018-2019 fiscal year, the OIG coordinated or assisted with the following external activities:

### **Auditor General**

The following audits were initiated or completed by the Auditor General during the 2018-2019 fiscal year:

- Statewide Financial Statement Audit for the Fiscal Year Ended June 30, 2018
- Operational Audit of the Department for the period July 1, 2017 through January 31, 2019



## Accreditation

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The Commission for Florida Law Enforcement Accreditation (CFA) establishes investigative standards, oversees an accreditation program, and awards accreditation to Offices of Inspectors General within the State of Florida that attain specific standards for investigations.

Being an accredited agency means the work products of the OIG's investigative function meets or exceeds the highest professional standards promulgated for Offices of Inspectors General. The benefits of accreditation include improved agency transparency, enhanced quality and consistency of investigations, and establishment of policies and procedures for investigative activities.

The OIG's investigative function was awarded its initial accredited status in October, 2018. The accreditation status is valid for three years, with annual reports due January 31<sup>st</sup> of each year. The OIG accreditation function maintains investigative policies and procedures that meet CFA standards, and prepares documented proofs of compliance necessary for the next reaccreditation assessment.

## Internal Investigations and Complaints

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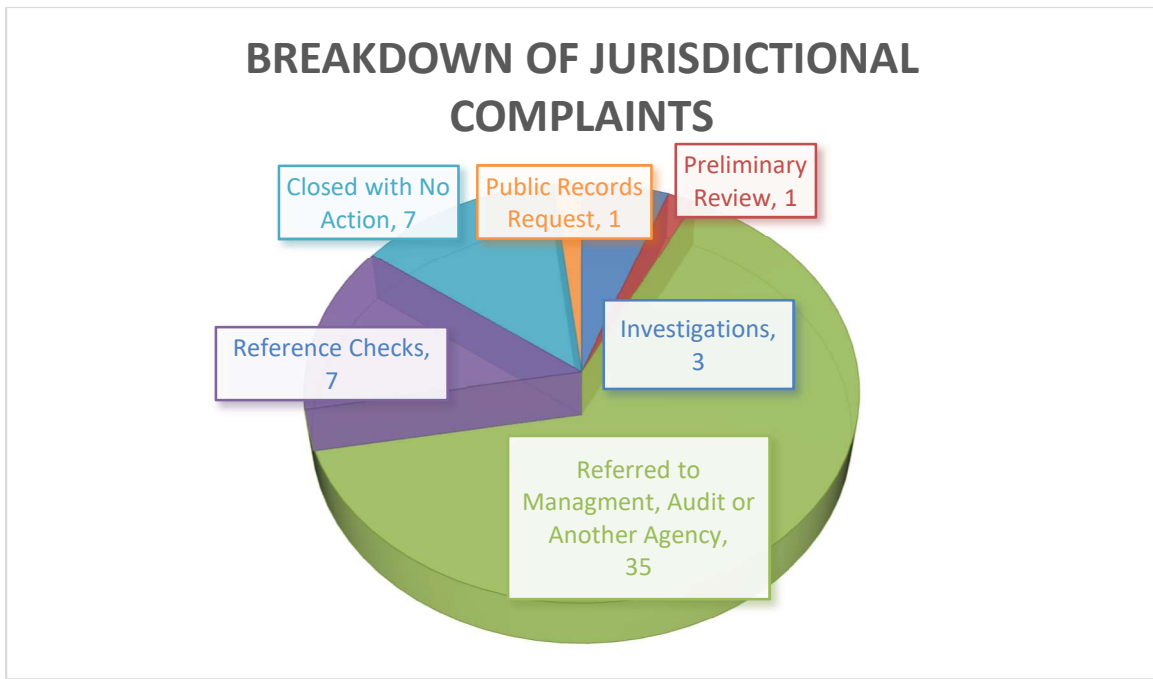
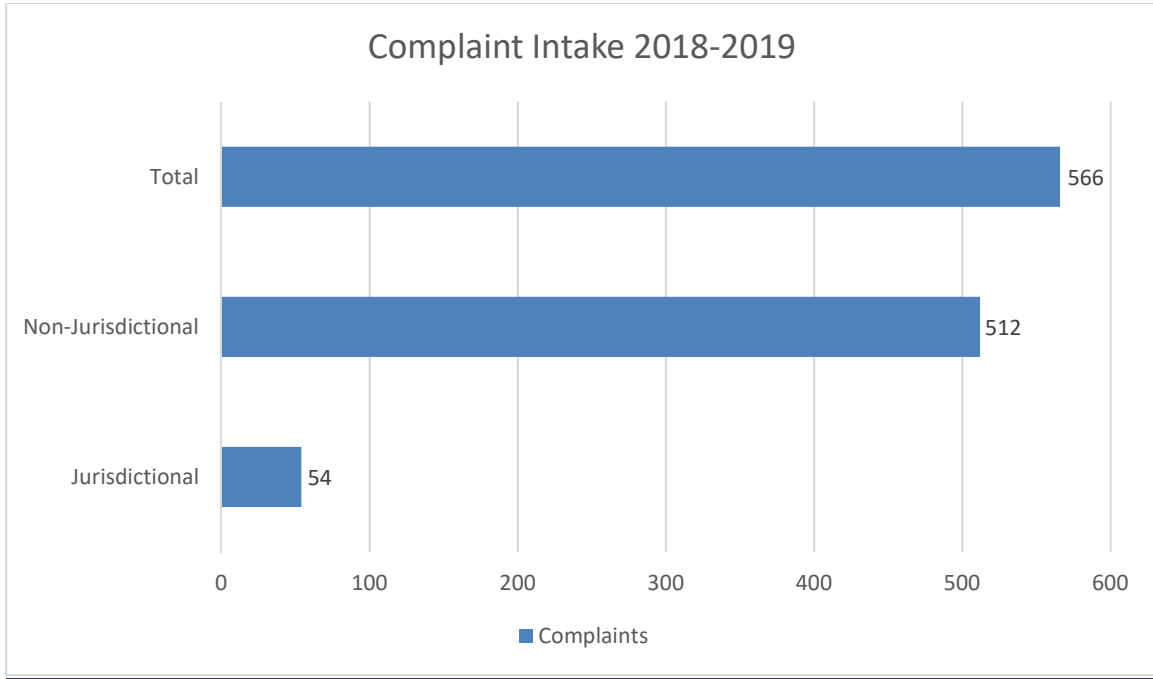
Per section 20.055(7), F.S., each inspector general shall initiate, conduct, supervise, and coordinate investigations designed to detect, deter, prevent, and eradicate fraud, waste, mismanagement, misconduct, and other abuses. The investigative function receives complaints, conducts investigations, and coordinates activities required by the Florida Whistle-blower's Act. Investigative work is conducted in accordance with the *Principles and Standards for Offices of Inspector General*, published by the Association of Inspectors General, as well as the accreditation standards set forth by the CFA.



Complaints and inquiries regarding the Department's activities may be received in-person or via telephone, postal mail, or email. Complaints are also received by referral from the CIG's office. All complaints/inquiries received during the reporting year were reviewed and addressed or forwarded to the appropriate authority.



### Investigative Activities







### Investigative Case Summaries

The following case summaries provide an overview of investigations and inquiries closed during the 2018-2019 fiscal year:

#### **Case II-01-06-2018-043**

Complaint was received from Department staff regarding conduct unbecoming a state employee - violation of agency standards of conduct – engaged in inappropriate behavior of a sexual nature towards an employee and misuse of official position by altering resumes. Based on interviews conducted and evidence gathered the allegation was sustained.

#### **Case II-01-06-2018-063**

Complaint was received from Department staff regarding conduct unbecoming a state employee - violation of agency standards of conduct - engaged in inappropriate behavior of a sexual nature towards an employee and misuse of official position by altering resumes. Based on interviews conducted and evidence gathered the allegation was sustained.

#### **Case II-01-05-2019-002**

Complaint was received from Department staff regarding conduct unbecoming a state employee - violation of agency standards of conduct - using language which is profane, vulgar, offensive or abusive. Based on interviews conducted and evidence gathered the allegation was sustained.

#### **Case II-04-06-2019-003**

Complaint was received from a citizen regarding the subject allegedly altering the registration information of multiple companies without their knowledge. The case was referred to the Florida Department of Law Enforcement.

#### **Case II-01-09-2019-004**

Complaint was received from Department staff regarding conduct unbecoming a state employee - violation of agency standards of conduct - engaged in unwelcome physical contact of a sexual nature towards two employees. Based on interviews conducted and evidence gathered the allegation was sustained.



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