

***Department of Management Services
Office of Inspector General
Annual Report for Fiscal Year 2021-2022***



September 30, 2022

Pedro Allende
Secretary

Sarah Beth Hall
Inspector General



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Ron DeSantis, Governor
Pedro Allende, Secretary

September 30, 2022

Pedro Allende, Secretary
Department of Management Services
4050 Esplanade Way
Tallahassee, Florida, 32399-0950

Melinda Miguel, Chief Inspector General
Executive Office of the Governor
1902 The Capitol
Tallahassee, FL 32399-0001

Re: OIG Annual Report for Fiscal Year 2021-2022

Dear Secretary Allende and Chief Inspector General Miguel:

In accordance with section 20.055, Florida Statutes, I am pleased to present the Annual Report for the Office of Inspector General (OIG). This report reflects the activities and accomplishments of the OIG for Fiscal Year 2021-2022.

We remain committed to the goals of the Department of Management Services and to our work to provide a central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency.

If you have any questions or require additional information, please contact me. Thank you for your continued support of our efforts.

Respectfully submitted,

A handwritten signature in blue ink that reads "Sarah Beth Hall".

Sarah Beth Hall
Inspector General

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INTRODUCTION

An Office of Inspector General (OIG) is established in 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, Florida Statutes (F.S.), defines the duties and responsibilities of agency inspectors general. The statute requires that the OIG submit an annual report, no later than September 30 of each year, summarizing the office activities during the preceding state fiscal year. This report includes, but is not limited to:

- 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.
- A summary of each audit and investigation completed during the reporting period.

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

MISSION STATEMENT

The mission of the OIG is to promote effectiveness, efficiency, and quality within the Department. The OIG provides independent reviews, assessments, and investigations of Department programs, activities, and functions to assist the Department in accomplishing its overall mission. Additionally, the OIG offers consulting services to assist management in their efforts to maximize effectiveness and efficiency.

DUTIES AND RESPONSIBILITIES

Section 20.055, F.S., outlines the following OIG duties and responsibilities. The OIG's duties and responsibilities include:

- Advise in the development of performance measures, standards, and procedures for the evaluation of state agency programs.

- Assess the reliability and validity of the information provided by the state agency on performance measures and standards, and make recommendations for improvement, if necessary, before submission of such information pursuant to section 216.1827, F.S.
- Review the actions taken by the state agency to improve program performance and meet program standards and make recommendations for improvement, if necessary.
- Provide direction for, supervise and coordinate audits, investigations and management reviews relating to the programs and operations of the state agency.
- Conduct, supervise or coordinate other activities carried out or financed by the 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.
- Keep the Chief Inspector General and Department Secretary informed concerning fraud, abuses, and deficiencies relating to programs and operations administered or financed by the agency, recommend corrective action concerning fraud, abuses, and deficiencies, and report on the progress made in implementing corrective action.
- Ensure effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies with a view toward avoiding duplication.
- Review, as appropriate, rules relating to the program and operations of the agency and make recommendations concerning their impact.
- Ensure that an appropriate balance is maintained between audit, investigative, and other accountability activities.
- Comply with the *Principles and Standards for Offices of Inspector General* as published and revised by the Association of Inspectors General.

The OIG also has the responsibility of conducting external compliance audits of payroll and personnel records of participating agencies in the Florida Retirement System in accordance with section 121.193, F.S.

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 Department. The organizational independence of the Inspector General helps to ensure that audits, investigations, and other activities are performed independently.

Pursuant to state statute, the OIG has full, free, and unrestricted access to all Department activities, records, data, properties, functions, and personnel necessary to effectively carry out its responsibilities.

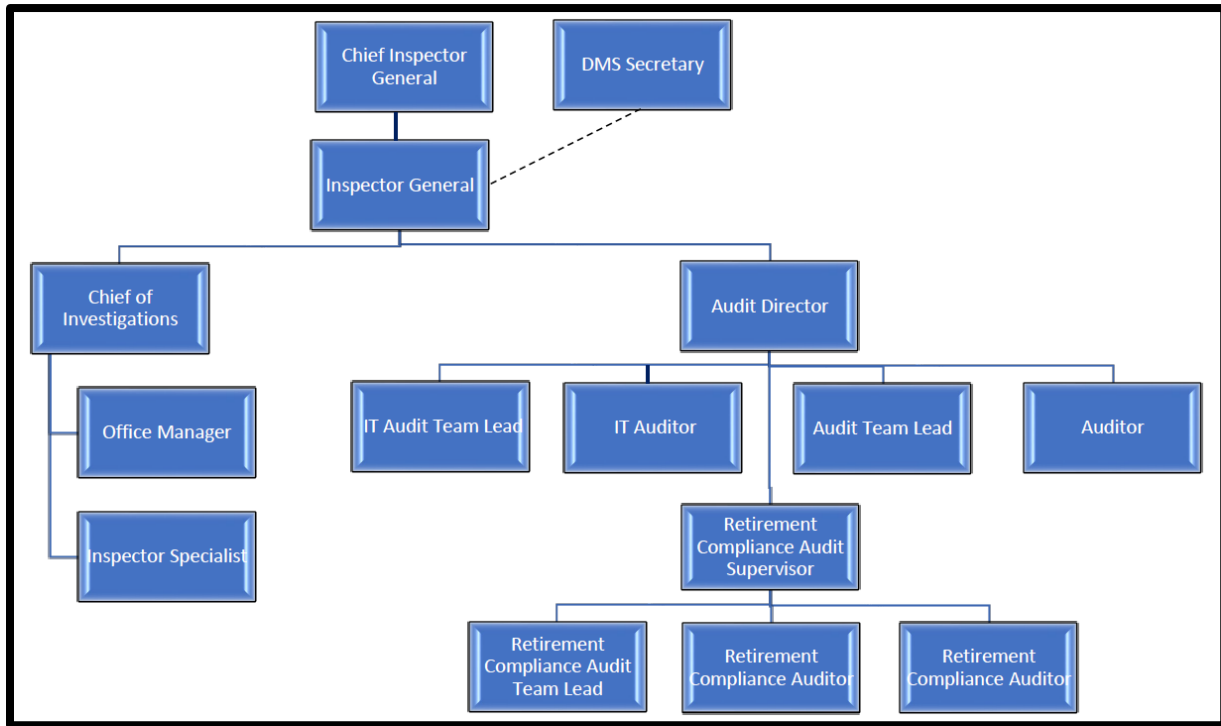
PROFESSIONAL STANDARDS AND CODE OF ETHICS

Pursuant to section 20.055, F.S., the OIG complies with the *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 Department Administrative Policy HR 07-105 *Code of Ethics*. Internal audits are conducted in accordance with the current *International Standards for the Professional Practice of Internal Auditing (Standards)* and the Code of Ethics as published by the Institute of Internal Auditors, Inc.

OIG ORGANIZATIONAL STRUCTURE AND STAFFING

The OIG consists of the Inspector General and 12 staff positions. The OIG is organized into two sections: Investigations and Internal Audit. The OIG’s organizational structure as of June 30, 2022, is shown in the diagram below.

OIG Organizational Chart



OIG Staff Qualifications and Certifications

OIG personnel are highly qualified and bring various backgrounds and expertise to the Department. The collective experience spans a variety of disciplines including audit, accounting, investigations, and information technology.

Staff Professional Certifications

OIG staff members continually seek to enhance their abilities and contributions to the office and the Department. Many staff members have obtained certifications that demonstrate their knowledge, motivation, and commitment to the profession. The accomplishments of the staff in obtaining professional certifications represent significant time and effort by each staff member, reflecting positively on the individuals as well as the Department. During the fiscal year, OIG staff held numerous professional certifications. The *Professional Certifications* table details the types and number of certifications held by OIG staff.

| Professional Certifications | No. |
|---|-----|
| Certified Inspector General (CIG) | 3 |
| Certified Inspector General Auditor (CIGA) | 4 |
| Certified Inspector General Investigator (CIGI) | 2 |
| Certified Internal Auditor (CIA) | 2 |
| Certified Information Systems Auditor (CISA) | 2 |
| Certified Information Systems Security Professional (CISSP) | 1 |
| Certified Fraud Examiner (CFE) | 1 |
| Certified Management Accountant (CMA) | 1 |
| Certified Public Manager (CPM) | 1 |
| Florida Certified Contract Manager (FCCM) | 4 |
| Notary Public | 4 |
| Project Management Professional (PMP) | 1 |
| Problem Management Professional | 1 |

Staff Professional Affiliations

OIG staff members participate in several professional organizations to maintain proficiency in their areas of expertise and certification. These associations allow them to establish and advance professional networks and participate in professional development activities. OIG staff members are affiliated with the following professional organizations that support audit and investigation activities:

- Association of Inspectors General (National and Local);
- The Institute of Internal Auditors, Inc. (National and Local);
- Association of Government Accountants (National and Local);
- ISACA (National and Local);
- Institute of Management Accountants;
- Association of Certified Fraud Examiners;
- Florida Society of Certified Public Managers; and
- The Florida Bar.

Continuing Professional Education

The *Standards* and the *Principles and Standards for Offices of Inspector General* as published and revised by the Association of Inspectors General; require internal auditors to maintain their

professional proficiency through continuing education and training. Additionally, OIG staff performing investigations must meet minimum training standards as required by the Commission for Law Enforcement Accreditation, Inc.

OIG personnel complete training each year to improve knowledge and skills in audits and investigations. The OIG staff remains committed to seeking professional excellence through continued training and development to ensure the highest quality of service to our customers.

INVESTIGATIVE ACTIVITY

Section 20.055, F.S., details investigative duties of the OIG. The OIG shall initiate, conduct, supervise, and coordinate investigations designed to detect, deter, prevent, and eradicate fraud, waste, mismanagement, misconduct, and other abuses. The OIG is required to:

- Receive complaints and coordinate all activities of the agency as required by the Whistle-blower’s Act, pursuant to sections 112.3187-112.31895, F.S.
- Receive and consider the complaints that 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 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 other inquiries free of actual or perceived impairment to the independence of the Inspector General or the OIG. This shall include freedom from any interference with investigations and timely access to records and other sources of information.

Complaints and Requests for Assistance

The Investigations Section processed 189 new complaints or requests for assistance. The complaints or requests for assistance were received from private prison inmates, current and former state agency employees, independent contractors, the general public, other state agencies, the Office of the Chief Inspector General, and anonymous tips.

The Investigations Section received complaints or requests for assistance from many sources including mail, telephone, email, and in person. The complaints or requests for assistance were categorized as detailed in the following table.

| Complaints or Requests for Assistance Categories | |
|---|---|
| <i>Department Policy</i> | Complaints associated with Department employee personnel concerns or regarding various Department contractor concerns. |
| <i>Florida Department of Corrections (FDC) Prisons</i> | Complaints associated with health and safety violations, policy violations, or conduct of FDC prison staff. The FDC OIG has purview over the FDC correctional institutions. |

| | |
|----------------------------------|--|
| Florida Retirement System | Complaints associated with members’ customer service concerns, policy and rule concerns, and potential fraud. |
| People First | Complaints associated with customer service concerns, the People First system, and the Florida Has A Right to Know database. |
| Private Prisons | Complaints associated with health and safety violations, policy violations, or conduct of private prison staff or contractors. The Department contracts with the following private prisons across Florida: Bay Correctional Facility; Blackwater River Correctional Facility; Gadsden Correctional Facility; Graceville Correctional Facility; Lake City Youthful Offender Facility; Moore Haven Correctional Facility; and South Bay Correctional Facility. |
| Other | Complaints not within the OIG’s jurisdiction; information provided wherein no investigative review or engagement was required. The allegations involved private businesses or other state agencies. |

Complaints or Requests for Assistance Dispositions

All complaints or requests for assistance were categorized, indexed, and assigned a case number for tracking and follow-up. Additionally, all complaints were assessed to determine if the complainant and the nature of information disclosed met the qualifications stated in sections 112.3187-112.31895, F.S., (Whistle-blower’s Act). The Investigations Section performed detailed determinations on 20 complaints. Of the 20 complaints, 1 met the provisions of the Whistle-blower’s Act.



The following table depicts how the Investigations Section closed 175 complaints or requests for assistance received during the fiscal year and 29 complaints or requests for assistance from prior fiscal years.

| Complaints or Requests for Assistance Dispositions | |
|---|--|
| 20 | Referred to other entities such as state and federal agencies and the Chief Inspector General’s office for review and response or action deemed appropriate. Each response was reviewed to ensure that all identified issues were addressed. |
| 97 | Referred to Department division management for review and response or action deemed appropriate. Each management response was reviewed to ensure that all identified issues were addressed. |
| 59 | Addressed by the OIG. The OIG investigated; or received notifications and forwarded the information to Department division management or other agencies; assisted in obtaining information; had no jurisdiction; or due to lack of information closed the complaint. |
| 18 | Referred to law enforcement for incidents that were potential criminal violations. |
| 10 | Processed public records requests. |

Summary of Investigations Closed in Fiscal Year 2021-2022

Case Number 2016.67– Issued: October 2021

The Investigations Section completed a Whistle-blower investigation regarding complaints within a Florida Residential Drug Abuse Program (Program) facilitated in a correctional facility. The Division of Specialized Services, Bureau of Private Prison Monitoring is responsible for oversight and contractual compliance for the private prison system. The complaint alleged the Program had unqualified staff, improper staff to inmate client ratios, falsified Program documentation, inappropriate disclosure of inmate client records, and allowed inmate clients to remain in the Program past approved protocols. The investigation supported one allegation, that the facility failed to maintain adequate staff to inmate client ratios for a two-month period. The other allegations were not supported.

Accreditation

An accreditation program has long been recognized as a means of maintaining and verifying the highest standards. Accreditation is the certification by an independent reviewing authority that an entity has met specific requirements and prescribed standards. In 2009, the Commission for Florida Law Enforcement Accreditation (CFA) expanded its program to include inspectors general offices.



On October 3, 2018, the full CFA voted unanimously to award the certificate of accreditation to the OIG Investigations Section. The accreditation remained in effect for three years at which point, state assessors completed the accreditation review of the OIG Investigations Section. We are pleased to report that on October 7, 2021, the CFA voted unanimously to award the certificate of re-accreditation to the OIG Investigations Section for another three years. The next CFA assessment of the OIG Investigations Section will be in October 2024.

INTERNAL AUDIT ACTIVITY

Section 20.055, F.S., requires the Inspector General to review and evaluate internal controls necessary to ensure the fiscal accountability of the Department. The Inspector General shall conduct financial, compliance, electronic data processing, and performance audits of the agency and prepare audit reports of the findings.

Internal Audit staff perform independent audits, reviews, and examinations to identify, report and recommend corrective actions for areas of inefficiencies, control deficiencies or non-compliance with applicable laws, rules, policies, and procedures. The internal audit activity helps the Department accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Internal Audit Section published six internal audit reports, issued one management review report, and conducted four follow-up reviews. The Internal Audit Section also ensured coordination between the Department program areas and external auditors. During the fiscal year, the Department was the subject of eight external audits conducted by the Auditor General.

Internal Audit Projects

Internal Audit Report No. 2021-44 – Construction Management Audit – Issued: July 28, 2021

The objectives of the audit were to determine if Real Estate Development and Management's (REDM) procurement process for construction contracts was executed in compliance with Florida Statutes, Florida Administrative Code, and DMS policies and procedures; and payments, including contingencies and change orders, for construction contracts were properly approved, supported by adequate documentation, and made in accordance with applicable contract terms.

We found that REDM did not have policies, procedures, or manuals that outline the processes for managing and monitoring construction projects. To address this finding, we made three recommendations to management. Management concurred with our finding and recommendations.

Internal Audit Report No. 2021-85 – Audit of Communications Service Authorizations Billing System – Issued: September 14, 2021

This audit is classified as a confidential report pursuant to section 282.318, F.S. We are not disclosing the results of the audit in this report as the audit is confidential and exempt from the provisions of section 119.07(1), F.S., and is not available for public distribution.

Internal Audit Report No. 2021-87 – TRIRIGA – Issued: October 29, 2021

The purpose of the audit was to determine whether Real Estate Development and Management (REDM) used industry approved general information technology (IT) control practices in the operation and maintenance of TRIRIGA. We found:

- REDM did not assess or monitor its contractors for compliance with information security and regulatory requirements.
- Some former employees' access privileges were not timely removed.
- TRIRIGA user access reviews did not ensure all users' access privileges were appropriate.

To address the findings, we made five recommendations to management. Management concurred with our findings and recommendations and, in some instances, had already begun implementing corrective actions.

Internal Audit Report No. 2022-28 – Audit of Accounts Payable – Issued: April 1, 2022

The objective of the audit was to evaluate Financial Management Services (FMS) controls for recording and reporting accounts payable. The scope of the audit was limited to the accounts payable processes, activities, and transactions assigned to FMS. Based on our review, we determined that FMS consistently:

- Recorded authorized payment requests accurately and retained corresponding supporting documentation;
- Reported the correct transaction dates, which are used to demonstrate compliance with Florida's prompt payment law; and
- Ensured accounts payable were recorded correctly at year-end.

Additionally, we reviewed and determined that assigned user access privileges to FMS' information technology (IT) accounts payable applications were appropriate. However, we determined user access privileges were not timely removed from accounts payable IT applications. To address this finding, we made one recommendation to management. Management concurred with our finding and recommendation.

Internal Audit Report No. 2022-24 – Audit of Information Technology Governance – Issued: April 26, 2022

This audit is classified as a confidential report pursuant to section 282.318, F.S. We are not disclosing the results of the audit in this report as the audit is confidential and exempt from the provisions of section 119.07(1), F.S., and is not available for public distribution.

Internal Audit Report No. 2022-29 – Audit of Departmental Purchasing – Issued: May 13, 2022

The purpose of the audit was to perform a risk-based compliance audit to determine if the Bureau of Departmental Purchasing complies with laws, rules, regulations, policies, and procedures, and evaluate any trends in vendor preference. This audit satisfied the requirements of House Bill 1079, passed during the 2021 Legislative Session, which amended section 287.136, Florida Statutes, to require a periodic risk-based compliance audit of all contracts executed by a state agency to identify any trends in vendor preferences.

Based on our review, we found that there were no trends in vendor preference by DMS. However, we determined that information for 37 contracts was not entered or timely entered into the Florida Accountability Contract Tracking System (FACTS). To address this finding, we made two recommendations to management. Management concurred with our finding and recommendations.

Management Reviews

Management reviews are reviews of Department divisions, programs, or processes that do not require a comprehensive audit. Management reviews result in written reports or letters of findings and recommendations and include management responses as applicable. Management reviews are conducted in accordance with the applicable *Principles and Standards for Offices of Inspectors General*. These reports are distributed internally to the Department Secretary and affected Department management. In addition, select reports are sent to the Chief Inspector General and the Auditor General.

Management Review Report No. 2022-19 – Performance Measure Review – Issued: September 30, 2022

Section 20.055, Florida Statutes, requires the Inspector General to advise in the development of performance measures, assess the validity and reliability of the performance measures, and make recommendations for improvement, if necessary. We assessed the performance measures for Real Estate Development and Management (REDM) and Human Resource Management (HRM).

We determined that all nine of REDM's performance measures were valid and reliable. We also determined that all eight of HRM's performance measures were valid and reliable.

Enterprise Projects

To gain efficiency of working together, the Chief Inspector General and agency Inspectors General meet on a regular basis to discuss and evaluate enterprise issues and projects. Additionally, the OIG assists staff from various OIGs with special requests and provides support for Enterprise projects.

During Fiscal Year 2021-2022, the OIG participated in COVID-19 Agency Coordinated Response calls and provided information related to the response efforts. The OIG also participated in enterprise projects related to cybersecurity and House Bill 1079 audit requirements. Additionally, the OIG coordinated with leadership of various support and program areas of the Department to complete Risk Readiness Reviews (American Rescue Plan Act) internal control questionnaires for the CIG.

Cyber Security Training

Based on efforts of the Chief Inspector General and funding from the Florida Legislature the OIG was able to participate in multiple Cybersecurity webinars and trainings this past fiscal year. These trainings enabled members of the OIG to gain greater Cybersecurity knowledge and skills. Topics included: Cybersecurity Fundamentals; Cybersecurity Bootcamp; Certified in the Governance of Enterprise IT; and Certified in Information Systems Auditing training.

External Audit Coordination

Section 20.055, F.S., requires the OIG to ensure effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies with a view toward avoiding duplication. The OIG is the primary liaison with external entities and is responsible for coordinating and facilitating responses to audits or reviews by those entities. To meet the statutory requirement, the Internal Audit Section coordinates information requests and management responses between external auditors and management and, as requested, assists with scheduling meetings. When the external audit is complete and the preliminary and tentative findings have been issued, the Internal Audit Section coordinates the required management responses.

During the fiscal year, the Internal Audit Section coordinated 8 external audits completed by the Auditor General. The completed external audits contained 19 recommendations to the Department. The *External Audit Coordination Completed* table shown below lists the completed external engagements.

| External Audit Coordination Completed | | |
|---|---|----------------|
| Report Number | Audit Subject | Report Date |
| Auditor General Report 2022-012 | Florida Retirement System and Retiree Health Insurance Subsidy Program Cost-Sharing Multiple Employer Defined Benefit Plans – Schedules of Deferred Outflows for Contributions Subsequent to the June 30, 2020, Measurement Date by Employer | September 2021 |
| Auditor General Report 2022-076 | Florida Retirement System Pension Plan and Other State – Administered Systems – Financial Audit | December 2021 |
| Auditor General Report 2022-080 | Department of Management Services Office of Inspector General’s Internal Audit Activity – Quality Assessment Review | January 2022 |
| Auditor General Report 2022-098 | 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 | January 2022 |
| Auditor General Report 2022-179 | State Data Center Operations – Information Technology Operational Audit | March 2022 |
| Auditor General Report 2022-189 | State of Florida – Compliance and Internal Controls Over Financial Reporting and Federal Awards | March 2022 |
| Auditor General Per Diem Certification Letter | Pursuant to section 957.07, F.S., the Auditor General certified the reasonableness of the Department of Corrections calculations to be used for determining the operating per diem amounts for the Lake City, Gadsden, and South Bay Correctional Facilities. | May 2022 |

| External Audit Coordination Completed | | |
|---------------------------------------|--|-------------|
| Report Number | Audit Subject | Report Date |
| Auditor General Report 2022-203 | Oversight of Private Correctional Facilities – Operational Audit | June 2022 |

Follow-up Activities

Section 20.055, F.S., the *Standards*, and the *Principles and Standards for Offices of Inspector General* require the OIG to establish a follow-up process to monitor and ensure management implemented corrective actions.

During Fiscal Year 2021-2022, the Internal Audit Section performed an internal follow-up review regarding the corrective actions taken by the Department on 54 open findings from 12 prior internal audits. The internal audit follow-up review noted that corrective action plans were incomplete on 40 of the 54 findings. It is the Internal Audit Section’s policy to continue to monitor outstanding findings and recommendations until corrective action has been implemented or until management accepts the risk of not implementing the recommendations.

The *Internal Follow-up Reviews Completed* table shown below lists the 12 prior internal audits included in the follow-up review.

| Internal Follow-up Reviews Completed | |
|--------------------------------------|---|
| Original Report Number | Audit Subject |
| Internal Audit Report No. 2017-25 | Management of Third-Party Service Providers |
| Internal Audit Report No. 2020-36 | Cybersecurity with a Focus on Malware |
| Internal Audit Report No. 2020-56 | Enterprise Disaster Recovery |
| Internal Audit Report No. 2020-57 | Department’s Revenue and Accounts Receivable Processes |
| Internal Audit Report No. 2020-65 | State Data Center’s Use of the State Term Contract for Information Technology Staff Augmentation Services |

| Internal Follow-up Reviews Completed | |
|--------------------------------------|--|
| Original Report Number | Audit Subject |
| Internal Audit Report No. 2020-69 | Remote Desktop Protocol |
| Internal Audit Report No. 2021-39 | Office of Supplier Diversity |
| Internal Audit Report No. 2021-41 | MyFloridaNet-2 Contract Management |
| Internal Audit Report No. 2021-44 | Construction Management |
| Internal Audit Report No. 2021-56 | Division of State Group Insurance’s Revenue and Accounts Receivables Processes |
| Internal Audit Report No. 2021-85 | Communications Service Authorization Billing System |
| Internal Audit Report No. 2021-87 | TRIRIGA |

In accordance with section 20.055, F.S., the Internal Audit Section monitors the implementation of Department responses and planned corrective actions to findings and recommendations made in reports issued by the Auditor General or by the Office of Program Policy Analysis and Government Accountability (OPPAGA). The OIG is required to provide a written report to the Chief Inspector General on the status of planned corrective actions no later than six months after an Auditor General or OPPAGA report is published. A copy of the report is also provided to the Joint Legislative Auditing Committee and the Department Secretary.

During the fiscal year, 3 external audits required follow-up activities. The *External Audit Follow-Up Reviews Completed* table details the external audit follow-up reviews that the Internal Audit Section completed during the fiscal year.

| External Follow-up Reviews Completed | | |
|--------------------------------------|---|----------------|
| Original Report Number | Audit Subject | Date Completed |
| Auditor General Report No. 2021-112 | Follow-up to Department of Management Services Selected Administrative Activities and Prior Audit Follow-up | 7/28/2021 |

| External Follow-up Reviews Completed | | |
|--------------------------------------|--|----------------|
| Original Report Number | Audit Subject | Date Completed |
| Auditor General Report No. 2021-182 | Follow-up to State of Florida - Compliance and Internal Controls Over Financial Reporting and Federal Awards | 9/30/2021 |
| Auditor General Report No. 2022-080 | Follow-up to Department of Management Services Office of Inspector General's Internal Audit Activity | 6/21/2022 |

Significant Outstanding Recommendations from Prior Annual Reports

Section 20.055, F.S., requires the identification of each significant recommendation described in previous annual reports on which corrective action has not yet been completed. The significant outstanding recommendations from prior annual reports are detailed in **Appendix A: Outstanding Recommendations** of this report.

RETIREMENT COMPLIANCE AUDIT ACTIVITY

The Retirement Compliance Audit Unit is assigned to the Internal Audit Section of the OIG. Section 121.193, F.S., outlines the Department's responsibilities related to the conduct of external compliance audits of payroll and personnel records of participating agencies in the Florida Retirement System. The Department has delegated Section 121.193, F.S., responsibilities to the Retirement Compliance Audit Unit. This section further states:

- Audits under this section shall be made to determine the accuracy of reports submitted to the Department 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 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 shall review the agency's 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.

Summary of Retirement Compliance Audits for Fiscal Year 2021-2022

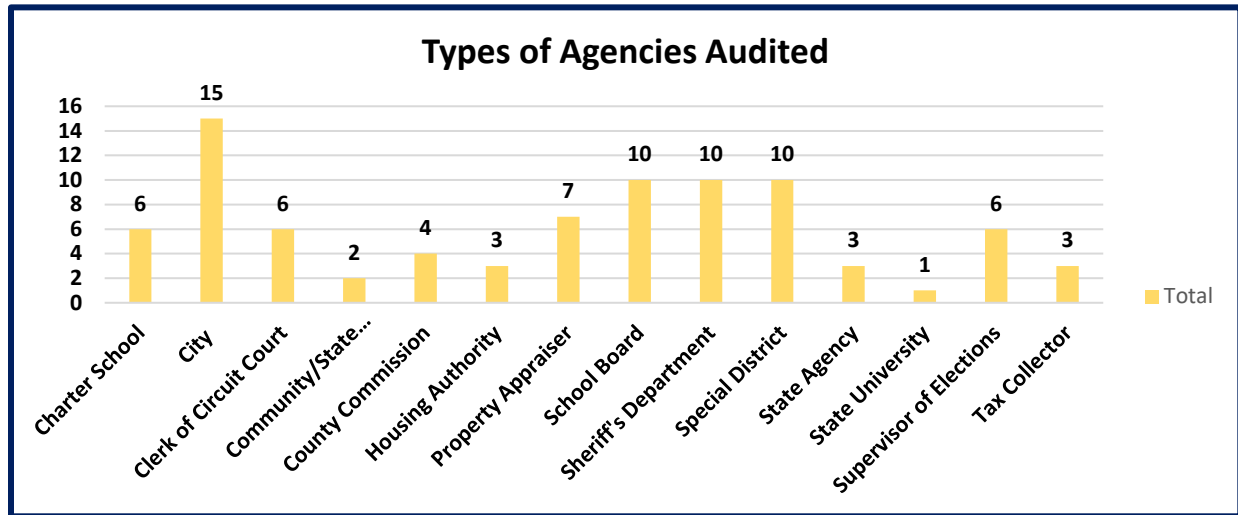
The Retirement Compliance Audit Unit completed 86 compliance audits of agencies participating in the Florida Retirement System. These audits assessed the degree of compliance with applicable statutes, rules, and coverage agreements and determined the accuracy of payroll, personnel, and earnings records.

| Entities Audited by the Retirement Compliance Audit Unit | |
|---|----------------------------|
| Agency | Final Report Issued |
| Washington County Supervisor of Elections | 07/01/2021 |
| Sarasota County Property Appraiser | 07/08/2021 |
| City of Orange City | 07/13/2021 |
| City of Port St Joe | 07/19/2021 |
| City of Labelle | 07/19/2021 |
| Union County School Board | 07/19/2021 |
| Florida Polytechnic University | 07/21/2021 |
| City of Live Oak | 07/27/2021 |
| Calhoun County Supervisor of Elections | 07/28/2021 |
| New River Library Cooperative | 08/03/2021 |
| City of North Miami Beach | 08/06/2021 |
| Levy County School Board | 08/16/2021 |
| Bradford County Property Appraiser | 08/18/2021 |
| Gilchrist County Property Appraiser | 08/19/2021 |
| Hendry County Supervisor of Elections | 08/27/2021 |
| Lafayette County Sheriff's Department | 08/27/2021 |
| St Lucie County Tax Collector | 09/09/2021 |
| Children's Services Council of St Lucie County | 09/10/2021 |
| Jefferson County Clerk of Circuit Court | 09/27/2021 |
| 43007 Jefferson County School Board | 09/29/2021 |
| Coral Reef Montessori Charter School | 10/07/2021 |
| Calhoun County Property Appraiser | 10/08/2021 |
| Aucilla Area Solid Waste Administration | 10/29/2021 |
| State College of Florida Manatee-Sarasota | 11/08/2021 |
| Manatee County Housing Authority | 11/16/2021 |
| City of Oak Hill | 11/19/2021 |
| Manatee County School Board | 11/22/2021 |
| Beach Mosquito Control District | 12/07/2021 |
| City of Sunny Isles Beach | 12/21/2021 |
| Glades County Property Appraiser | 12/22/2021 |
| Amelia Island Mosquito Control | 12/27/2021 |
| Hernando County Property Appraiser | 12/28/2021 |
| Jefferson County Property Appraiser | 12/28/2021 |
| City of Jacksonville | 01/03/2022 |
| Franklin County Sheriff's Department | 01/05/2022 |
| Lafayette County Board of County Commissioners | 01/05/2022 |
| Jefferson County Sheriff's Department | 01/07/2022 |
| Gilchrist County Board of County Commissioners | 01/11/2022 |
| Polk County Sheriff's Department | 01/20/2022 |

| Entities Audited by the Retirement Compliance Audit Unit | |
|---|----------------------------|
| Agency | Final Report Issued |
| Liza Jackson Preparatory School | 01/31/2022 |
| Gadsden County School Board | 02/01/2022 |
| Union County Supervisor of Elections | 02/09/2022 |
| City of Springfield | 02/11/2022 |
| Glades County Sheriff's Department | 02/11/2022 |
| Division of Rehabilitation & Liquidation | 02/11/2022 |
| Town of Callahan | 02/11/2022 |
| Holmes County School Board | 02/14/2022 |
| Town of Ponce Inlet | 02/14/2022 |
| College of Central Florida | 02/28/2022 |
| City of Sanford | 02/28/2022 |
| River to Sea Transportation Planning Organization | 03/09/2022 |
| Jefferson County Supervisor of Elections | 03/10/2022 |
| Pinellas County Sheriff's Department | 03/10/2022 |
| Sarasota Military Academy | 03/10/2022 |
| Big Bend Water Authority | 03/10/2022 |
| Leon County School Board | 03/15/2022 |
| Volusia County Law Library | 03/15/2022 |
| City of Mexico Beach | 03/17/2022 |
| Bay County Clerk of Circuit Court | 03/31/2022 |
| Jackson County Tax Collector | 03/31/2022 |
| Hendry County Clerk of Circuit Court | 04/12/2022 |
| Florida Clerks of Court Operations Corporation | 04/20/2022 |
| Okeechobee County Sheriff's Department | 04/20/2022 |
| Taylor County School Board | 04/20/2022 |
| St Lucie County Sheriff's Department | 04/28/2022 |
| New River Solid Waste Association | 05/02/2022 |
| City of Margate | 05/02/2022 |
| Gilchrist County School Board | 05/02/2022 |
| Martin County Clerk of Circuit Court | 05/06/2022 |
| Fort Lauderdale 1 - Charter Schools of Excellence, Inc. | 05/11/2022 |
| Union County Sheriff's Department | 05/20/2022 |
| Union County Housing Authority | 05/23/2022 |
| Madison County Supervisor of Elections | 05/24/2022 |
| Putnam County Board of County Commissioners | 05/26/2022 |
| Cedar Hammock Fire Control District | 05/31/2022 |
| State Board of Administration | 06/08/2022 |
| City of Pembroke Pines Charter Middle School | 06/10/2022 |
| City of Pembroke Pines Charter High School | 06/10/2022 |
| Apalachee Regional Planning Council | 06/10/2022 |
| Bradford County Sheriff's Department | 06/20/2022 |
| Gilchrist County Clerk of Circuit Court | 06/20/2022 |
| City of Lake Helen | 06/20/2022 |
| Washington County Tax Collector | 06/22/2022 |
| Department of Economic Opportunity | 06/24/2022 |
| Santa Rosa County Board of County Commissioners | 06/28/2022 |

| Entities Audited by the Retirement Compliance Audit Unit | |
|--|---------------------|
| Agency | Final Report Issued |
| Liberty County School Board | 06/30/2022 |

The chart highlights the number of external compliance audits completed, by agency type, for Fiscal Year 2021-2022.



Summary of Significant Recommendations from Retirement Compliance Audits

During the fiscal year, the Retirement Compliance Audit Unit identified compliance issues in three primary areas: workers' compensation adjustments; unreported employees; and wage reporting. Audit recommendations pertaining to these 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.

The Retirement Compliance Audit Unit made the following recommendations related to workers' compensation adjustments:

- The agency should make workers' compensation adjustments for the employees identified, for the noted periods, if workers' compensation retirement credit eligibility requirements 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.

The Retirement Compliance Audit Unit made the following 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 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.

- *Wage Reporting*

Unreported Wages – All payments that meet the definition of compensation as provided in the Florida Retirement System Rule 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.

The Retirement Compliance Audit Unit made the following 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.

Annual Leave - Retirement contributions are due for all lump sum payments for accumulated annual leave, including general or consolidated leave that is used for both vacation and sickness; except that, if a single lump sum payment for annual leave exceeds 500 hours, a statutory maximum of only 500 hours shall be reported as covered wages with the required contributions.

All lump sum payments of this type must be reported as a separate entry on the agency's retirement report. To ensure that the member receives the correct service credit, lump sum payments for annual leave must be reported with a work period 21 code, rather than

the normal work period code for the member and number of hours the payment represents.

The Retirement Compliance Audit Unit made the following recommendations related to annual leave:

- The agency should cease reporting lump sum annual leave payments as regular wages.
- The agency should report future lump sum annual leave payments separate from the regular salary payments using work period code 21. The number of hours the payments represent should be included in the AL/HRS column of the agency's monthly retirement report.
- The agency should review and update policies and procedures, if necessary, to ensure that lump sum annual leave payments are properly reported.
- The agency should refer to the *Florida Retirement System Employer Handbook*, Chapters 2 and 3, for additional information regarding reporting requirements for retirement compensation and lump sum leave payments.

Wages Reported Under the Wrong Pay Code - Work Period 23 should be used to report all lump sum overtime, compensatory time, reserve time, or holiday time worked if payment is made within 11 months of the month in which the work was performed. Overtime paid during the month in which it is earned should be included with the regular salary payment on the retirement report. If a member uses compensatory time, reserve time or holiday time for leave purposes, it is a continuation of wages and should be included with the regular salary payment on the retirement report.

The Retirement Compliance Audit Unit made the following recommendations related to wages reported under the wrong pay code:

- The agency should cease reporting lump sum holiday payments as regular wages.
- The agency should report future lump sum holiday payments separate from the regular salary payments using work period code 23 for all payments made within 11 months of the month in which the work was performed.
- The agency should review and update policies and procedures, if necessary, to ensure that lump sum holiday payments are properly reported.
- The agency should refer to the *Florida Retirement System Employer Handbook*, Chapters 2 and 3 for additional information regarding reporting requirements for retirement compensation.

Revenue Adjustments to the Florida Retirement System Trust Fund for Fiscal Year 2021-2022

Compliance audits resulted in net revenue adjustments of \$330,820 to the Florida Retirement System Trust Fund. The revenue adjustments made by the audited agency may be for audits completed in prior fiscal years. Forty-one agencies still need to make adjustments based on the findings identified during their retirement compliance audits.

OVERSIGHT ACTIVITIES

The OIG has numerous activities that are classified as oversight. These include OIG risk assessments, OIG work plans, OIG annual reports, internal/external assistance activities, OIG quality assurance and improvement program, and outreach and education activities. During the fiscal year, the OIG performed the following oversight activities.

OIG Risk Assessment, Annual Work Plan, and Annual Report

In accordance with section 20.055, F.S., the OIG develops long-term and annual work plans, based on the findings of a comprehensive annual risk assessment. The annual work plan is approved by the Department secretary and submitted to the chief inspector general and the Auditor General. The OIG is also responsible for preparing an annual report summarizing the activities of the office during the immediately preceding fiscal year.

Internal Audit Section Risk Assessment and Plan for Fiscal Year 2022-2023

The Internal Audit Section's annual work plan is based on the results of the annual risk assessment. The annual risk assessment process includes interviewing executive management and surveying Department division directors and managers to identify areas of risk to the Department and areas of concern for management. The risks are analyzed and ranked to determine the highest risks and priority for audit and review. The purpose of developing the annual work plan is to identify, select, and plan the allocation of resources for the upcoming fiscal year. The Internal Audit Section's goal is to provide, as efficiently as possible, the greatest level of assurance and consulting services to the Department.

Retirement Compliance Audit Unit Risk Assessment and Plan for Fiscal Year 2022-2023

The Retirement Compliance Audit Unit's annual audit schedule is also based on the results of an annual risk assessment. The risk assessment consists of surveying the Division of Retirement management to identify agencies where risks of non-compliance with Florida Retirement Plan requirements is high. Additionally, the Retirement Compliance Audit Unit considers prior and current audit findings, previous audits performed, agency size, and agency type.

Internal/External Assistance Activities

Cybersecurity Incident Response Team (CSIRT)

The CSIRT responds to suspected cybersecurity incidents by identifying and controlling incidents, notifying designated CSIRT responders, and reporting findings to Department management. During the fiscal year, the OIG assisted on CSIRT events and provided input into policies and procedures for the CSIRT.

Legislative Budget Request

The OIG prepared the *Schedule IX: Major Audit Findings and Recommendations (Schedule IX)* for the Department's Legislative Budget Request. The *Schedule IX* is designed to inform decision makers on recent major findings and recommendations found in Auditor General and OIG reports

issued during the current and previous fiscal years. The *Schedule IX* also provides information on the status of action taken to correct reported deficiencies and is cross-referenced to any budget issues for funding needed to implement audit recommendations.

Florida Single Audit Act Activities

The OIG reviews submissions for new Catalog of State Financial Assistance (CSFA) numbers to the Department of Financial Services. Additionally, the OIG assists management and external parties regarding the Florida Single Audit Act processes and requirements.

Executive Order 20-44

In February 2020, Governor DeSantis issued Executive Order 20-44 regarding sole-source, public-private agreements and other specific contracts and agreements. As part of the instructions, agencies must submit an attestation form to their Office of Inspector General each year by May 31. The OIG coordinated with Department management to ensure timely submission of the attestation.

OIG Quality Assurance and Improvement Program

The OIG is statutorily required to follow the *Standards*. Standard 1300 requires that the chief audit executive develop and maintain a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit activity. The QAIP consists of both an internal quality assurance program, that is ongoing and includes continuous supervision and periodic self-assessments; and external quality assessments conducted by the Auditor General every three years in accordance with section 11.45, F.S.

Auditor General Quality Assessment Review, Report No. 2022-080 - Issued: January 4, 2022

The Auditor General reviewed the QAIP for the OIG's internal audit activity in effect for the period of July 2020 through June 2021, as well as compliance with specific provisions of Section 20.055, F.S., governing the operation of State agencies' offices of inspectors general internal audit activities. The final report contained an opinion that the QAIP related to the OIG's internal audit activity was adequately designed and complied with during the review period to provide reasonable assurance of conformance to applicable professional auditing standards and the Code of Ethics issued by the Institute of Internal Auditors. The report also stated that the OIG generally complied with those provisions of section 20.055, F.S., governing the operation of State agencies' offices of inspectors general internal audit activities. The next external assessment is scheduled for Fiscal Year 2024-2025.

Outreach and Education Activities

New Employee Orientation

During the Department's new employee orientation sessions, the OIG presents an overview of the roles and responsibilities of the OIG. This presentation is designed to provide new employees with a basic understanding of the OIG and how each employee plays an important role in the identification and prevention of fraud, waste, and abuse within the Department. The

presentation also includes an explanation of the Florida Whistle-blower's Act and how it applies to Department employees.

During the new employee orientation sessions, each new employee is provided an OIG brochure which details the pertinent Department policies and procedures related to the OIG and includes contact information on how to reach the OIG.

Fraud Awareness

The OIG presents fraud deterrence information to internal and external audiences in an effort to identify or prevent significant violations of governing directives. During the fiscal year, the OIG updated their internal website and OIG brochures for distribution to Department employees in order to raise awareness of OIG duties, responsibilities, and how employees can help the OIG to identify fraudulent activity.

APPENDIX A: OUTSTANDING RECOMMENDATIONS

Section 20.055, F.S., requires the identification of each significant recommendation described in previous annual reports on which corrective action has not yet been completed. The significant outstanding recommendations from prior annual reports are detailed below.

OIG Report No. 2017-25: Management of Third-Party Service Providers – Issued: December 29, 2017

The purpose of this audit was to provide management with assurances that Divisions within the Department had adequate and effective procedures and controls for managing service providers; and that the procedures and controls in place to manage service providers included recognized best practices and complied with applicable statutes, rules, regulations, policies, and procedures.

The audit included the following recommendations:

- We recommend that management update policies and procedures regarding monitoring service providers to include specific procedures for performing risk assessments as a part of developing a monitoring plan. In addition, we recommend that these procedures include the criteria and evaluation method for conducting risk assessments as well as requirements regarding the frequency of risk assessments. Including this information in the Department's policies and procedures will help ensure consistency and more effective monitoring of service providers' performance. Also, it will help ensure compliance with the FCCM Participant Guide.
- We recommend that management update policies and procedures related to contract monitoring to include specific guidance and requirements for the following:
 - Preparing a monitoring plan,
 - Frequency of plan update,
 - Documentation and evidence of monitoring activities to be obtained and maintained, and
 - Procedures for validating and verifying service providers' deliverables (i.e., reports and data) and performance independently.

Management should take steps to ensure that the updated policies and procedures include the Department's minimum expectations as well as all requirements outlined in CFO Memo #6 (11-12). Also, we recommend that management provide internal training to division staff to ensure that expectations and requirements are clear.

- We recommend that management update policies and procedures related to payment processing to include specific requirements for timely invoice processing, compliance with related statute regarding contract manager certification, and compliance with rule regarding contract manager delegation. Also, we recommend that management provide internal training to division staff to ensure that expectations and requirements are clear regarding prompt payment, interest penalties, contract manager certification, and delegation of responsibilities.
- We recommend that management update policies and procedures related to contract monitoring to include specific requirements for developing corrective action plans and

performing follow-up to such plans. Management should take steps to ensure that the update includes the Department's minimum expectations. Also, we recommend that management provide internal training to division staff to ensure that expectations and requirements are clear. Finally, we recommend that management consider updating the contract templates to include procedures for ensuring corrective action and follow-up to any required corrective actions.

- We recommend that management update policies and procedures related to contract management and monitoring to include all of the components for closing out a contract as documented in the FCCM Participant Guide. Management should take steps to ensure that this update includes the Department's minimum expectations for closing out contracts. The policies and procedures should ensure that all contract terms and conditions are met, and all outstanding issues have been resolved prior to final payment to the service providers. Also, the procedures should ensure the official contract files contain all necessary closeout documentation. Finally, we recommend that management provide internal training to division staff to ensure that expectations and requirements are clear.
- We recommend that management consider implementing procedures to separate some of the duties performed by the contract manager or implementing additional control procedures to compensate for areas with limited segregation of duties.
- We recommend that Departmental Purchasing management implement procedures to ensure that the contract file review is completed and to ensure the timely correction of any discrepancies.

OIG Report No. 2020-036: Audit of Cybersecurity with a Focus on Malware – Issued: May 8, 2020

The purpose of the audit was to evaluate controls in place for preventing, detecting, and responding to malware within the SDC. The Audit of Cybersecurity with a Focus on Malware is classified as a confidential report pursuant to section 282.318, F.S. We are not disclosing the results of the audit in this report as the audit is confidential and exempt from the provisions of section 119.07(1), F.S., and is not available for public distribution.