

**Executive Office of the Governor**



Office of The Chief Inspector General



**Seventh Annual Report  
To the Governor**

Fiscal Year 2000 – 2001

September 10, 2001

Honorable Jeb Bush  
Governor of Florida  
The Capitol  
Tallahassee, FL 32399-0001

Dear Governor Bush:

I am pleased to submit to you our annual report, which is required by the Inspector General Act of 1994, Section 20.055(7), Florida Statutes. This is our seventh annual report since passage of the Act.

The work of the Office of the Chief Inspector General this period dealt largely with issues raised by you, the Whistle-blower's Hotline, and concerned citizens throughout the state.

Our efforts have identified important areas for improvement, and have recommended or suggested corrective action to address them. During the year ended June 30, 2001, we issued two audit reports, two advisories, and forty-seven investigative reports.

We appreciate the support you, the Lt. Governor and other senior staff members have given to us.

Sincerely,

Marcia G. Cooke  
Chief Inspector General



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### INTRODUCTION



The Office of Chief Inspector General is required by statute to prepare an annual report. This is the seventh annual report since the IG statute was enacted in 1994 and the third of the Bush-Brogan administration.

Over a year ago, we adopted a three-word mission statement —“promote government integrity.” Over the past year we worked hard to carry out our mission. I am pleased to report that over the last twelve months this office has achieved its mission to promote responsible government.

### Technology

We continue to provide audit and investigative assistance to the Office of the Governor, as well as, the agencies and programs under the jurisdiction of the Governor. This office, in conjunction with Inspectors General at other agencies under the jurisdiction of the Governor, worked and developed a number of technological initiatives and strategies that will enable the Inspector General community to expand the level of service provided within each agency and to operate more effectively in today’s workplace environment.

### Audit Initiatives

The Office of Chief Inspector General in conjunction with seven other agencies under the jurisdiction of the Governor formed an interagency team to audit information system consultant contracts. The audit was part of the continuing effort to assist state agencies contracting with private enterprises. The audit was completed and report issued on October 17, 2000. I believe that this methodology will serve the state well in the future. It allows us to look at the way systems are implemented on a statewide basis instead of how it works in a particular agency. Recommendations are



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then made that will benefit the entire state system and not only those agencies reviewed. A disk was provided with each hard copy of the report.

### Investigative Initiatives



We continued to receive investigative support from other state agencies, which allowed the investigative staff to address a number of issues on a timely basis.

We also hired a new Deputy Director of Investigations with experience from the Florida Department of Law Enforcement. She has provided great energy to the job and has quickly become a real asset to our office.

Also, a new Whistle-blower Coordinator was brought on board. He is attending graduate school at Florida State University at night and is running the hotline during the day. He has developed a good "telephone manner" and is effective in tracking the complaints.

### Liaison Activities

The Chief Inspector General continued serving on the Executive Council of The SAFE (Strikeforce Against Fraudulent Enterprises) initiative. The Florida Public Private Partnership Summit on Fraud was held on September 28, 2000, in Tallahassee, Florida. The purpose of the summit meeting was to discuss Florida's current and anticipated fraud problems and initiate a stronger partnership between the public and private sector to combat this problem. The cooperation between the private and public sectors is an integral part of the SAFE initiative. The SAFE database <http://www.fdle.state.fl.us/safe/search/admin.asp>, which allows the speedy exchange of information concerning fraud and financial crimes committed against the people of the state of Florida, became available to Summit participants in November 2000. The database became accessible to the public in January 2001.



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The Executive Council is finalizing the plans for a statewide call center. The "Fraud in Florida" Report will be published in September 2001.

## **Public/Private Partnerships**

Public/Private partnerships have become an accepted method of getting much of the government's work done. The concept is sound but the implementation is not yet perfected. We have identified concerns during reviews concerning adequacy of monitoring of program accomplishments. There has been inadequate guidance on the appropriate uses of state funds. An appropriate balance has not yet been reached between "government hands off" and "adequate accountability" through "guidance and adequate monitoring." We continue to learn with each new exposure and entity with which we come in contact.

## **IG Responsibilities**

The IG Act has a broad range of responsibilities for the Chief Inspector General. In addition to being Inspector General for the Executive Office of the Governor, we also have additional responsibilities dealing with all the agencies, which come under the direct supervision of the Governor. These responsibilities include: providing leadership on preventing and detecting fraud and abuse; investigating and auditing; coordinating Whistle-blower's Hotline activities; monitoring Inspectors General activities; and conducting special investigations and management reviews at the request of the Governor.

## **INVESTIGATIVE ACTIVITY**

Many of our investigations begin with allegations that are received on our Whistle-blower's Hotline, or by letter, fax, or e-mail. Our office receives several written complaints, as well as a number of phone calls on the Hotline each day. All



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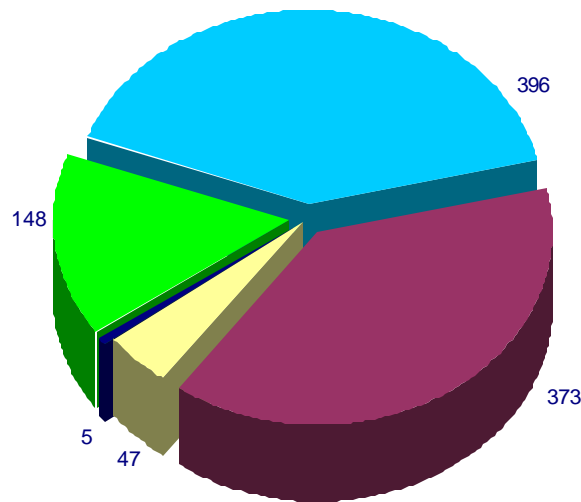
allegations are evaluated, and a determination is made to refer the matter to another agency's Office of Inspector General, an outside entity, or to initiate an investigation by our office. Allegations are entered into a computer tracking database. The majority of complaints that are referred to outside agencies are tracked for follow-up responses. Some allegations received deal with matters such as private companies, federal agencies, or other issues outside the jurisdiction of the Chief Inspector General's Office. In this situation, an attempt is made to provide information to the complainant on the best source to address their concerns. A summary of our Whistle-blower's Hotline activity for the year follows:



### **Whistle-blower's Hotline**

During this year we processed 148 complaints from calls on the hotline, as well as 396 written complaints. The majority of these complaints did not meet the Whistle-blower threshold. Of the 544 complaints, we were able to provide assistance or resolve 171 of them. The remaining 373 complaints were referred to 43 different agencies/entities for handling.

### **Annual Investigative Productivity**



■ Number of written complaints processed	■ Number of Investigations tracked
■ Number of Investigations completed	■ Number of public records requests
■ Number of Whistle-blower calls	



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Our office completed 47 investigations during the year. The following chart summarizes the allegations and investigative findings.

<b>CASE NUMBER</b>	<b>ALLEGATIONS</b>	<b>FINDINGS</b>
9900282	Discrimination	Unsubstantiated
9900311	Misuse of State Funds	Unsubstantiated
9900382	Mismanagement	Unsubstantiated
9900477	Mismanagement	Unsubstantiated
9900515	Mismanagement	Unsubstantiated
9900534	Discrimination	Unsubstantiated
200001130004	Abuse of Position	Unsubstantiated
200002230002	Discrimination	Unsubstantiated
200002230003	Discrimination	Unsubstantiated
200002230004	Discrimination	Unsubstantiated
200002280001	Retaliation	Unsubstantiated
200003010002	Abuse of Position	Unsubstantiated
200003210005	Abuse of Position	Unsubstantiated
200004030001	Conflict of Interest	Substantiated
200004180005	Discrimination	Unsubstantiated
200004210001	Misuse of State Funds	Unsubstantiated
200004240001	Mismanagement	Unsubstantiated
200004240002	Abuse of Position	Unsubstantiated
200005050003	Harassment	Unsubstantiated
200005160001	Abuse of Position	Unsubstantiated
200005220001	Abuse of Position	Unsubstantiated
200006080001	Conflict of Interest	Unsubstantiated
200006090001	Mismanagement	Unsubstantiated
200006150003	Conflict of Interest	Unsubstantiated
200006210006	Mismanagement	Unsubstantiated
200006220001	Discrimination	Unsubstantiated
200006220003	Waste of State Funds	Unsubstantiated
200006230001	Misuse of State Funds	Unsubstantiated
200006290001	Mismanagement	Unsubstantiated
200007060002	Abuse of Position	Unsubstantiated
200007070002	Sexual Harassment	Unsubstantiated
200007100006	Mismanagement	Substantiated
200007130003	Abuse of Position	Unsubstantiated



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(CASE CHART CONTINUED)

CASE NUMBER	ALLEGATIONS	FINDINGS
200007130005	Forgery	Substantiated
200007180002	Conflict of Interest	Unsubstantiated
200007180003	Discrimination	Substantiated
200007280003	Mismanagement	Unsubstantiated
200008030001	Misuse of State Funds	Unsubstantiated
200008210002	Mismanagement	Unsubstantiated
200008290004	Mismanagement	Substantiated
200101160002	Abuse of Position	Unsubstantiated
200101240001	Conflict of Interest	Unsubstantiated
200102060004	Misuse of State Funds	Unsubstantiated
200102090001	Mismanagement	Unsubstantiated
200102270001	Mismanagement	Unsubstantiated
200103010001	Abuse of Position	Substantiated
200103090002	Abuse of Position	Unsubstantiated

## Selected Investigation Summaries

The following case summaries provide a snapshot of the various investigative activity conducted by our office. They also show the findings and program recommendations made as a result of our investigations.

### ***GOVERNOR JEB BUSH'S FORGED LETTER Case Number 200007130005***

**Allegations:**

On July 13, 2000, the Chief of Staff for the Governor advised the Office of the Chief Inspector General that a letter circulating in Washington, D.C. was a forgery. The Chief of Staff advised that neither the Governor nor any other authorized persons had authored or signed the letter on the Governor's behalf.

**Investigative Findings:**

Our office in conjunction with the Florida Department of Law Enforcement (FDLE) conducted an investigation and determined that no individual within the Executive Office of the



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**Investigative Findings: (Cont.)**

Governor authorized the letter and that the Governor did not sign it. A search of computer and email records revealed the letter was not composed on a computer within the Executive Office of the Governor. The letter was also not in the format used by the Executive Office of the Governor. The investigation did determine that a Washington, D.C. based public relations firm hired an individual in Tampa, Florida to obtain ten letters in support of Internet gambling, to include if possible, letters from the Governor and Lieutenant Governor. This individual, in an interview, admitted to forging two letters and affixing the signature of the Governor and Lieutenant Governor to the letters.

***FLORIDA DEPARTMENT OF CITRUS  
Case Number 200007100006***

**Allegations:**

On July 10, 2000, the Office of the Chief Inspector General, Executive Office of the Governor, received a complaint from an employee of the Department of Citrus (FDOC), alleging acts of misconduct and gross mismanagement that were occurring at the Department. During the course of the investigation, this employee submitted a letter to the Chairman of the Florida Citrus Commission, which reported these allegations, as well as, an additional complaint. The allegations included discrimination and harassment by the employee's supervisor; improper recording of attendance and leave reports; misuse of state computers; use of an unlicensed citrus product in a state funded activity; improper transfer of funds between budget items; potential misuse of funds; improper hiring; and improper structuring of a Department sponsored promotion.

**Investigative Findings:**

Our investigation substantiated that the employee's supervisor was improperly reporting attendance and leave and misusing the state computer. We also determined that the supervisor did not meet the minimum educational requirements for his position. We identified two instances where the Department had inappropriately designated purchase orders as "single source" when there were other suppliers available to provide



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**Investigative Findings: (Cont.)**

these services. Our investigation did not substantiate discrimination or harassment of the employee, improper transfer of funds or the use of an unlicensed citrus product.

***FLORIDA DEPARTMENT OF CITRUS  
Case Number 200008290004***

**Allegations:**

During the course of the original investigation at the Florida Department of Citrus (FDOC) the complaining employee made additional allegations that were investigated by our office. The allegations included: Florida Department of Citrus employees failed to obtain adequate sole source justification when executing contracts and issuing purchase orders; FDOC employees failed to comply with the State of Florida and the FDOC's policies and procedures concerning: hiring and promotion practices; circumventing legislative action of salary increases for state employees; and the acceptance of gifts. FDOC employees backdated FDOC documents and failed to provide contract amendment information to the Florida Citrus Commission; FDOC managers did not use funds earmarked by the Florida Citrus Commission for media procurements as instructed by the Commission; FDOC management officials directed a tax auditor not to audit certain Florida Citrus processors. FDOC officials improperly moved budget items, improperly deleted computer files and improperly destroyed FDOC files.

**Investigative Findings:**

Our investigation substantiated that the FDOC failed to obtain adequate sole source justification when processing contracts and purchase orders. The Director of Purchasing and Support Services stated he signed very few sole source justifications because they did not contain complete information. He blamed the lack of adequate information on poor purchase planning and being reactive, not proactive.

We also substantiated that FDOC employees did not comply with hiring policies in the manner in which a position was filled. Further, an employee was denied a salary increase mandated



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**Investigative Findings: (Cont.)**

by the Legislature.

Our investigation substantiated that FDOC employees backdated procurement documents so that payment would not be questioned and circumvented FDOC's policy by not providing contract amendment information to the Citrus Commission. Further, we determined that FDOC managers did not use funds earmarked by the Citrus Commission as intended by the Commission.

Our investigation did not substantiate that the FDOC tax auditor was directed not to audit certain citrus processors. Also, we did not substantiate any inappropriate movement of funds. There was no evidence to show any improper deletion of computer files or inappropriate destruction of records.

**Program Recommendations:**

As a result of our investigation we made the following recommendations:

The Inspector General of the FDOC should report directly to the Florida Citrus Commission.

The FDOC should develop a policy on the acceptance, use and reporting of promotional gifts.

The FDOC should provide all contract amendments to the Commission for their review.

The FDOC should develop a policy concerning the retention of e-mails.

The FDOC should adopt procedures to ensure compliance with its policy on employee recruitment/selection procedures.



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**OFFICE OF THE JUDGE OF  
COMPENSATION CLAIMS**  
**Case Number 200103010001**

**Allegations:**

On February 27, 2001, the Chief Judge of the Office of Compensation Claims advised the Office of the Chief Inspector General that a secretary in the West Palm Beach Office had been using State equipment and time in assisting a former Judge of Compensation Claims in the former Judge's private mediation service. In addition, other allegations surfaced including time and attendance irregularities, violation of dual employment policies, acceptance of gifts, solicitation of gifts from law firms doing business with the Office, and improper use of state telephones.

**Investigative  
Findings:**

Our investigation substantiated that the secretary had performed administrative duties for the former Judge using state equipment and had done personal work on state equipment in the past. She also advised she had worked for law firms without filing the proper dual employment paperwork. She had accepted donations from law firms who do business with the Office for her daughter's sports team. Another employee admitted using the state telephone to make numerous long distance calls to her family. We did not substantiate any time and attendance irregularities.

**Program  
Recommendations:**

Following our investigation, we recommended that all employees of the Office receive ethics training concerning conflicts of interest, acceptance of gifts, and the proper use of state equipment. We also recommended that an administrative structure be put in place at the Office and that new Judges of Compensation Claims receive orientation training.



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***DEPARTMENT OF JUVENILE JUSTICE  
Case Number 200007070002***

**Allegations:**

On July 7, 2000, the Inspector General for the Department of Juvenile Justice (DJJ-IG) requested that the Office of the Chief Inspector General (CIG) conduct an investigation into a complaint of sexual harassment by an employee of the DJJ-IG's office. It was alleged that a supervisor had made inappropriate comments on two occasions to a subordinate.

**Investigative Findings:**

Our investigation determined that in one instance the supervisor had made a casual remark to the subordinate but later apologized to her. The subordinate accepted the apology and thought nothing further of the incident. His actions in the second incident also did not rise to the level of sexual harassment as defined by the Florida Administrative Code.

**Program Recommendations:**

During the course of our investigation, we determined that the procedures for filing an informal sexual harassment complaint were not followed. We therefore recommended that the Equal Employment Opportunity Office within DJJ provide complainants a thorough briefing on the procedures at the time of their complaint. We also recommended the supervisor be given DJJ Basic Supervisor Skills training.

***HUMAN RIGHTS ADVOCACY COMMISSION  
Case Number 200007180003***

**Allegations:**

On July 18, 2000, the Office of the Chief Inspector General received a written request for investigation, referred from the Department of Children and Families (DCF). The Executive Director for the Florida Drop-in Center Association, Inc., alleged that a member of the District 5 Human Rights Advocacy Committee made racial remarks.



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**Investigative Findings:**

Our investigation determined that the member of the District 5 Human Rights Advocacy Committee made racial remarks. The member resigned his position when confronted with the allegations.

**Program Recommendations:**

We recommended that management, during orientation of new employees, place emphasis on appropriate conduct and the adherence to such.

***CORRECTIONAL PRIVATIZATION  
COMMISSION  
Case Number 200004030001***

**Allegations:**

On April 3, 2000, the Office of the Chief Inspector General received a complaint from the Florida Police Benevolent Association, Inc., alleging that the Executive Director of the Correctional Privatization Commission (CPC) may have violated the provisions of Chapter 957, Florida Statutes (F.S.), (Correctional Privatization Commission Act) when he took an honorarium from a company who is a bidder to the CPC. Additionally, it was alleged that a former employee of the CPC violated the provisions of Chapter 957, F.S., in that he accepted employment with the Corrections Corporation of America within two years after leaving his employment with the CPC.

**Investigative Findings:**

Our investigation determined that the Executive Director did not violate the provisions of Chapter 957, F.S., by accepting an honorarium from the company. However, we substantiated that he violated the provisions of Section 112.3149 (6), F.S., in that he failed to report the receipt of the honorarium related expenses within the prescribed time. We also substantiated that the former employee violated the provisions of Chapter 957, F.S., in that he accepted employment with the Corrections Corporation of America within two years after leaving his employment with the CPC.



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**Program  
Recommendations:**

As a result of our investigation, we recommended that the Department of Management Services (DMS) should exercise oversight over the CPC and provide dedicated legal support to the CPC.

***DEPARTMENT OF HEALTH  
Case Number 200004180005***

**Allegations:**

On April 18, 2000, the Office of the Chief Inspector General, received a complaint from an employee of the Department of Health (DOH) Child Care Nutrition Service, alleging that a Bureau Chief, DOH, racially discriminated against her on three separate occasions by not hiring her into positions for which she was qualified.

She also reported that the DOH Office of Equal Opportunity and Minority Health did not adequately investigate her complaint.

**Investigative  
Findings:**

Our investigation determined that there was no evidence to substantiate that the Bureau Chief discriminated against the employee. Further, we could find no proof that the DOH Office of Equal Opportunity and Minority Health did not adequately investigate the employee's complaints. A review of the investigative files disclosed that all of the issues raised by her were appropriately addressed.

**Program  
Recommendations:**

We recommended that the DOH management conduct a review of the Bureau Chief's management style and seek to identify the causative reason for the complaints against him.



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## AUDIT ACTIVITY

### Reports Completed

During the fiscal year 2000-2001, we completed 2 audit reports and 2 management advisory reports. In addition, we assisted another agency Inspector General with one audit, which is included in that Inspector General's annual report. We also provided significant management assistance in effectively implementing the Single Audit Act.

### ***STATE OF FLORIDA INFORMATION TECHNOLOGY CONSULTANT SERVICES CONTRACT AUDIT- Report Number 2000-06, issued October 17, 2000***

#### **Summary:**

The Governor's Chief Inspector General asked agency Inspectors General to evaluate the procurement process on a statewide level. Responding to this request, eight executive agencies chose to examine the environment surrounding the acquisition of information technology (IT) consultant services. Contracting for consultant services is an activity common to all agencies, involves all aspects of the purchasing cycle, involves high-dollar disbursements, and is an increasingly popular method of service delivery. Eight agency audits were published in August and early September 2000, along with a separate audit of State Term Contract procedures conducted by the Department of Management Services (DMS). This report presents a summary of statewide conditions and trends identified in those individual agencies' audits. We found the procurement environment to be a poorly designed collection of confusing guidelines and flawed practices. It included non-competitive vendor selection, poorly written and unenforceable agreements, and weak contract oversight. This resulted in contracts that exceeded timeframes and costs, and sometimes failed to deliver intended services. Additionally, some contractors were compensated at rates significantly greater



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than the salaries of state employees performing similar, routine tasks.

From our review of individual agency audits, we identified six issues with statewide implications that adversely impact procurement, not only for information technology, but for other types of contracted services.

**Finding:**

1. Faulty design and implementation of the most commonly used IT procurement method (State Term Contracts) violated Legislative intent and wasted tax dollars. State Term Contracts, as implemented, discouraged competitive procurement, encouraged agencies to pay higher than necessary service rates, lacked effective policy guidelines, resulted in poorly worded contracts that inhibited sound contract management, and ceded ownership of state-funded intellectual property.

**Recommendation:**

We recommended that any attempt to correct these deficiencies begin by taking an inventory of the diverse collection of laws, rules and procedures currently governing state purchasing. The state should identify and discontinue counter-productive practices that waste tax dollars and inhibit sound contract implementation and enforcement. Some standard contract terms, such as those assigning software ownership to State Term Contract vendors, need to be revisited, as they are not in the state's best interest. Where possible, competition should be restored to the purchasing environment to comply with legislative intent and to ensure that the state receives the best price possible for the services it buys. For whatever process is chosen, a clear set of guidelines should be developed and distributed to enable effective procurement statewide.

**Finding:**

2. Inadequate project planning delayed project completions and escalated costs. Standardized systems for planning the development and maintenance of custom computer applications are needed to ensure their success. Some of the audited agencies lacked these sound planning instruments.



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**Recommendation:**

In their audit reports, both DMS and EOG recognized the need for better IT project planning, and recommended requiring the use of appropriate planning tools. DMS also recommended requiring purchasers to submit a project plan or similar documentation with requests to purchase services. We further recommended implementation of an effective planning methodology for statewide use in applicable IT projects.

**Finding:**

3. The exclusion of top-ranked bidders, coupled with poor documentation of the vendor selection process, damaged the credibility of the procurement process. One agency was unable to justify why it awarded a competitively bid contract, ultimately worth \$1.9 million, to the 15th-ranked bidder.

**Recommendation:**

These lapses constitute more than just flawed documentation. They raise serious questions about the fairness and integrity of the procurement process. In order to allay the appearance of, and potential for, wrongdoing, oversight is needed to ensure that IT contracts are documented as having been awarded in the best interest of the state, and, where applicable, to competitively selected vendors. In this case, further review may be required to determine the exact circumstances surrounding the DCF contract award to the 15<sup>th</sup>-ranked bidder.

When competitive procurement is used, agencies should fully document that contracts have been awarded fairly and impartially. Additional emphasis should be placed on requirements for documenting the vendor selection process.

**Finding:**

4. Poorly written contracts lacked deliverables, timelines and security requirements needed for contract enforcement.

**Recommendation:**

We recommended that written agreements contain all elements essential to provide adequate protection for



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the state's interest. Specific deliverables, scopes of work, and definitive timelines must be established and included in the written instrument.

Additionally, the issue of security should be addressed. Whether agencies prepare their own contractual agreements or utilize State Term Contracts, language requiring background checks for vendor staff should be included.

**Finding:**

5. Deficient contract monitoring and payment oversight exposed the State to unnecessary risk of loss.

**Recommendation:**

As it appears that much IT contract work is done at non-centralized locations where specific user needs exist, we recommended that the state establish a program to train and certify IT-specific contract managers and monitor their performance to ensure adequate contract enforcement. One possible model (see DOH report) for enhancing contract management is the system used by the Department of Health. This system to address many of the key contract management issues, including training and certification of contract managers who negotiate contracts, approve deliverables, and monitor contractor performance and compliance with financial audit requirements.

**Finding:**

6. At a significantly higher cost to the state, contracted staff was retained for tasks routinely performed by lower-paid state employees.

**Recommendation:**

We recommended that the state attempt to identify actual costs and value added by contractors supplying long-term staff to fill recurring agency needs. This information should be used as a benchmark for future contract negotiations.

We received a response to our draft report from Tim Frost, Director of Information Systems, on October 11, 2000. The response substantially agreed with our recommendations and proposed actions were included.



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***INFORMATION TECHNOLOGY  
CONSULTANTS ACQUISITION AUDIT-  
Report Number 2000-05,  
Issued September 5, 2000.***

**Summary:**

The Office of the Chief Inspector General performed an audit of the contracting and oversight procedures for Information Technology (IT) consulting services procured by the Executive Office of the Governor (EOG) during the period July 1, 1998, through April 30, 2000. The objective of the audit was to evaluate statutory compliance and the internal control structure. Audits following the same work plan were performed concurrently at seven other governor's agencies. We reviewed the three EOG-related projects under contract during the audit period.

**Finding:**

Lack of Information Systems Development Methodology and project management skills lead to lengthy and incomplete projects.

**Recommendation:**

Mandate use of ISDM for information systems projects by agency and IT consultants. Create and implement policies and procedures for managing information systems projects. Train and/or retain employees with project management skills.

**Finding:**

Security issues were not addressed in consultant agreements. The Director of Information Systems for EOG responded to our audit findings and agreed with same.

**Recommendation:**

Create policies and procedures addressing security issues.

**Audit Advisory Assistance**

**Contractor  
Inappropriately  
Billed Department**

?? The Inspector General at the Department of Juvenile Justice requested that we perform an independent review of a contract between the Department and a contractor. We completed the review and concluded that the contractor had



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inappropriately billed the Department and the excessive amounts should be returned to the Department. We also identified a number of issues, which we believe will improve implementation of this kind of contract in the future. The letter report, number 2001-5 was issued December 28, 2000.

**Problem with Elder Care Provider**

?? We assisted the Department of Elder Affairs (DOEA) with a review of Elder Care Services (ECS), a non-profit agency providing various services to seniors. The review was conducted to ascertain the general financial and administrative practices of ECS due to a complaint received by the DOEA Inspector General. The findings were categorized as follows: financial management, administration, specific contractual issues and governance. The specific findings are detailed in the DOEA report, number 2000-005, issued May 18, 2001.

**Closed out Trade Data Center**

?? We assisted the Office of Tourism, Trade, and Economic Development (OTTED) and Enterprise Florida, Inc., with the close out of the Florida Trade Data Center. We provided general oversight of the dissolution of the FTDC and its assets and liabilities. During the close-out process, we noted that OTTED should review its contracting and monitoring procedures to ensure that each contract or subcontract contains all appropriate and relevant information necessary to administer the contract and that each contracted entity provides adequate, relevant, valid and appropriate deliverables and documentation. The letter report, number 2000-07 was issued March 15, 2001.

**Single Audit Assistance**

?? The implementation of the Florida Single Audit Act has presented many challenges. We provided the Office of Tourism, Trade, and Economic Development (OTTED) training to assist them in their understanding and implementation of the Act. We assisted the OTTED in identifying programs that are subject to the Act. We have reviewed Compliance Supplements submitted by OTTED in conjunction with the Act.



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**Single Audit  
Guidance**

?? Additionally, we participated in a Single Audit Task Force created to resolve questions and challenges involved in the implementation of the Act. The Task Force is currently revising the Checklist for Non-State Organizations and creating a Checklist for Single Audit Project Determination. We have also worked with the Auditor General, the Department of Banking and Finance, and the Office of Planning and Budgeting within the Executive Office of the Governor to provide guidance as to the applicability of the Act to an agency's program.

**Coordination with Outside Organizations**

During the 2000-2001 fiscal year the Auditor General issued four reports, which include activities under jurisdiction of the Executive Office of the Governor. These reports are:

Report No. 01-148, dated November 2000 – Rural Community Development Revolving Loan Program.

Report No. 01-075, dated December 21, 2000 – Local Government Financial Reporting System.

Report No. 01-080, dated January 2001 – Tax Refund Program For Qualified Target Industry Businesses.

Report No. 01-134, Dated March 25, 2001 – State of Florida – Federal Awards Program.



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## When an Emergency Exists

## Local Government Financial Emergencies

A local governmental entity is in a state of financial emergency when any of the following conditions set forth in Section 218.503, F. S., is met:

- (a) *Failure within the same fiscal year in which due to pay short-term loans from banks or failure to make bond debt service payments when due.*
- (b) *Failure to transfer at the appropriate time, due to lack of funds:*
  - 1. *Taxes withheld on the income of employees; or*
  - 2. *Employer and employee contributions for:*
    - a. *Federal social security; or*
    - b. *Any pension, retirement, or benefit plan of an employee.*
- (c) *Failure for one pay period to pay, due to lack of funds:*
  - 1. *Wages and salaries owed to employees; or*
  - 2. *Retirement benefits owed to former employees.*
- (d) *An unreserved or total fund balance or retained earnings deficit for which sufficient resources of the local governmental entity are not available to cover the deficit for 2 successive years.*
- (e) *Noncompliance of the local government retirement system with actuarial conditions provided by law.*

## Governor's Authority

The statute calls for the Governor to be notified when one or more of the above conditions exist and gives the Governor authority to implement such measures as:

- (a) *Requiring approval of the local governmental entity's budget by the Governor.*
- (b) *Authorizing a state loan to the local governmental entity and providing for repayment of same.*
- (c) *Prohibiting a local governmental entity from issuing bonds, notes, certificates of indebtedness or any other form of debt until such time as it is no longer subject to this section.*
- (d) *Making such inspections and reviews of records, information, reports, and assets of the local governmental*



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- entity, in which inspections and reviews the appropriate local officials shall cooperate.*
- (e) *Consulting with the officials of the local governmental entity and the appropriate state agency regarding any steps necessary to bring the books of account, accounting systems, financial procedures, and reports into compliance with state requirements.*
  - (f) *Providing technical assistance to the local governmental entity.*
  - (g) *1. Establishing a financial emergencies board to oversee the activities of the local governmental entity.*

Section 11.45, F.S., requires that "The Auditor shall notify each member of the governing body of a local governmental entity for which deteriorating financial conditions exist which may cause a condition described in Section 218.503(1), F.S., to occur if actions are not taken to address such conditions." This requirement will put governing bodies on notice that if something is not done they could be entering a state of financial emergency.

## **IG Involvement**

The Chief Inspector General works closely on these issues with the Staff Director, Joint Legislative Auditing Committee, and the Auditor General's Office. We obtain audit reports and other financial information and provide advice and assistance to local governments to help overcome their financial problems. We have formed a financial emergency task force to develop a Rapid Response Team to be ready to assist an entity entering into financial emergency.

During this period we participated in a number of meetings and phone contacts with representatives of local governmental entities who were in a state of financial emergency. As of June 30, 2001, there were 39 local governmental entities that we are monitoring under the requirements of Section 218.503, F.S., out of the approximately 1000 local governmental entities in Florida. (See following chart)



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**Local Governmental Entities  
With Financial Emergencies  
Being Monitored as of June 30, 2001**

<b>LOCAL GOVERNMENTAL ENTITIES</b>	
1.	Area Housing Commission of Clewiston, LaBelle, and Hendry County
2.	Bowling Green, City of
3.	Caryville, Town of
4.	Central County Water Control District
5.	Crestview, City of
6.	Crossings at Fleming Island Community Development District
7.	Deer Island Community Development District
8.	Dunes Community Development District
9.	Eastpoint Water and Sewer District
10.	Fallschase Community Development District
11.	Gateway Services District
12.	Gretna, City of
13.	Hampton, City of
14.	Hawthorne, City of
15.	Horseshoe Beach, Town of
16.	Indian Creek Village
17.	Jennings, Town of
18.	Lanark Village Water and Sewer District
19.	Leon County Educational Facilities Authority
20.	Miami, City of
21.	Midway, City of
22.	Mulberry, City of
23.	Noma, Town of
24.	North Okaloosa Fire District
25.	Ocean Highway and Port Authority
26.	Pahokee, City of
27.	Performing Arts Center Authority, Broward
28.	Ponce de Leon, Town of
29.	Port of the Islands Community Development District
30.	Reserve Community Development District
31.	Sneads, Town of
32.	South Bay, City of
33.	St. Lucie West Services District
34.	Suwannee Valley Transit Authority
35.	Union School District
36.	Valparaiso, City of
37.	Viera East Community Development District
38.	Welaka, Town of
39.	Westville, Town of



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**Risk Assessment/Audit Plan  
Fiscal Years 2001 - 2003**



A periodic risk assessment is required by Section 20.055(5)(h), F.S., and based upon that assessment, long term and annual audit plans are prepared. The risk assessment is to identify and catalog all auditable activities, to apply certain risk factors, and to assign priorities for audit based upon relative risk identified. For fiscal year 2001-02 we updated our earlier risk assessment by covering 55 auditable areas or activities and prepared our audit plan for fiscal years 2001 – 2003.

**Risk Assessment/Audit Plan  
Fiscal Year 2001-2003**

<b>Audit Area</b>	<b>Audit Year FY 01-02</b>	<b>Estimated Hours</b>	<b>Audit Year FY 02-03</b>
P-Card	2 audits	200	
Urban Institute	1 audit	300	
Follow-up – Spaceport Florida, issued 3/8/00	1 audit	200	
BBIB/BBIC	1 audit	200	
Follow-up – OTTED Contract Monitoring, Issued 9/21/98	1 audit	400	
EFI – Selected Areas	1 audit	400	
Special Projects/Advisory	2	400	
Assistance on Investigations	2	300	
Follow-up – OPB Security, issued 6/24/99	1 audit	100	
Statewide Contract Joint Project	1 audit	220	
EFI-Performance Measure Tracking System [Systems Audit and Validation Audit]			2 audits
Community High Tech – FAMU			1 audit
Visit Florida			1 audit
Sports Foundation			1 audit
Follow-up Information Technology, issued 9/2000			1 audit
Special Projects/Advisory			2
Assistance on Investigations			2



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**Risk Assessment/Audit Plan  
Fiscal Year 2001-2002**

**Resources Available**

Total Direct & Indirect Hours Available per Auditor (52 weeks x 5 days x 8 hours per day)	2,080
Less Indirect Time	
Holidays	80
Vacations	120
Sick Leave	80
Training	40
Administrative	400
Total Indirect Time	720
Total Direct Hours Available (per Auditor)	1,360
x Number of Auditors	x 2
Total Direct Hours Available for Audit	2,720

**Estimated Hours for Planned Audits**

2001-2002 FY		
P-Card (carryover)	2 audits	200
Urban Institute (carryover)	1 audit	300
Follow-up Spaceport, issued 3/8/00	1 audit	200
BBIB/BBIC	1 audit	200
Follow-up OTTED Contract Monitoring, 9/21/98	1 audit	400
EFI Selected Areas	1 audit	400
Special Projects/Advisory	2	400
Assistance on Investigations	2	300
Follow-up OPB Security, issued 6/24/99	1 audit	100
Statewide Project	1 audit	220
2002-2003 FY		
EFI Performance Measures Tracking System [systems & validation audit]	2 audits	800
Community High Tech – FAMU	1 audit	400
Visit Florida	1 audit	300
Sports Foundation	1 audit	220
Follow-up – Information Technology, issued 9/2000	1 audit	200
Special Projects/Advisory	2	400
Assistance on Investigations	2	400



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Appendix 1

**STATISTICAL SUMMARY  
FISCAL YEAR 1997-2000 ACTIVITIES**

	FY 00-01	FY 99-00	FY 98-99	FY 97-98
Whistle-blower Hotline Calls	148	285	568	736
Review and Process Auditor General and Inspector General Internal Audit Reports	299	330	364	402
Written Complaints Handled	396	318	379	481
Preliminary Investigations Completed	-	-	69	38
Active Investigations Tracked	373	401	66	42
Public Records Request	5	6	9	34
Local Government with Financial Emergencies Being Tracked at the End of Year	39	30	34	18
Coordination with Auditor General's Office on Reports Covering Executive Office of the Governor Activities	4	3	3	3
Management Reviews/Advisories Completed	2	-	8	2
Investigations Completed	47	33	4	7
Audits Completed	2	5	7	0