

Executive Office of the Governor



Office of The Chief Inspector General



**Eighth Annual Report
To the Governor**

Fiscal Year 2001 – 2002

September 30, 2002

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 eighth 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, 2002, we issued 4 audit reports and 3 investigative reports.

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

Sincerely,

Derry Harper
Chief Inspector General



**EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002**

TABLE OF CONTENTS

INTRODUCTION

Technology	2
Audit Initiatives	2
Investigative Initiatives	3
Public/Private Partnerships	4
IG Responsibilities	4

INVESTIGATIVE ACTIVITY

Investigative Complaints	5
Annual Investigative Productivity	5
Investigation Summaries	7

AUDIT ACTIVITY

Reports Completed	15
Individual Audit Headings	15 – 19
Audit Advisory Assistance	19
Coordination with Outside Organizations	21
Local Government Financial Emergencies	22
Risk Assessment/Audit Plan	25
Appendix 1	27



**EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002**

INTRODUCTION

The Office of Chief Inspector General is required by statute to prepare an annual report. This is the eighth annual report since the IG statute was enacted in 1994 and the fourth 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.

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 each respective agency’s purchasing card program. The audit was completed and report issued on December 20, 2001. 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 then made that will benefit the entire state system and not only those agencies reviewed.

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 Director of Investigations with experience from the Florida Department of Children and Families. She has provided great energy to the job and has quickly become a real asset to our office.

Public/Private Partnerships



**EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002**

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.





**EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002**

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 allegations are evaluated, and a determination is made to refer the matter to another agency's Office of Inspector



EXECUTIVE OFFICE OF THE GOVERNOR OFFICE OF THE CHIEF INSPECTOR GENERAL ANNUAL REPORT 2001-2002

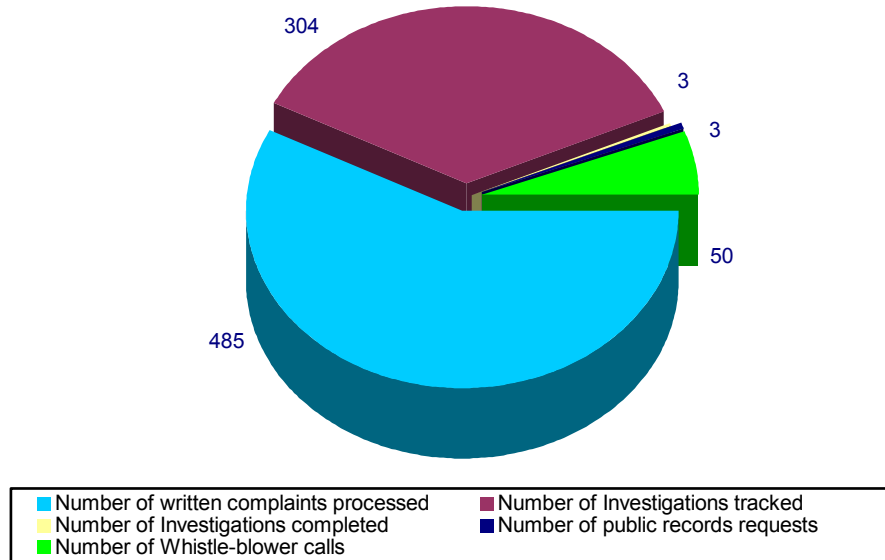
refer the matter to another agency's Office of Inspector General, an outside entity, or to initiate an investigation by our office. Allegations are entered into a computer tracking database. The majority of complaints that are referred to outside agencies are tracked for follow-up responses. We also receive many allegations that 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 investigative activities for the year follows:



Investigative Complaints

During this year we processed 50 complaints from calls on the hotline, as well as 485 written complaints. The majority of these complaints did not meet the Whistle-blower threshold. Of the 535 complaints, we were able to provide assistance or resolve 231 of them. The remaining 304 complaints were referred to the appropriate agencies/entities for handling. In these instances, our office tracked responses and reviewed each one for investigative sufficiency before closure.

Annual Investigative Productivity





**EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002**

Our office completed 3 investigations during the year. The following chart summarizes the allegations and investigative findings.

CASE NUMBER	ALLEGATIONS	FINDINGS
200203270001	Abuse of Position	Inconclusive
200112060001	Abuse of Position	Substantiated
200107060001	Mismanagement	Unsubstantiated

Selected Investigation Summaries

The following case summaries provide an overview of the investigations conducted by our office. They also show the findings and program recommendations made as a result of our investigations, if applicable.

FLORIDA LOTTERY-ABUSE OF POSITION Case Number 200203270001

Allegations:

On March 27, 2002, the Office of the Chief Inspector General and the Florida Lottery Inspector General received an anonymous complaint outlining allegations against Florida Lottery's Director of Security. Specifically, the complaint alleged that the Director of Security needed training to meet minimum job qualifications; that he was receiving unapproved perquisites; that he made unreimbursed personal telephone calls; that he had an unusual relationship with a Lottery vendor; that he shot up a safety wall at the Law Enforcement Academy; and, that he used a female agent as his personal assistant and chauffeur.

Investigative Findings:

Our office, in conjunction with the Florida Lottery Office of Inspector General, initiated an investigation to determine whether the allegations were credible. Documents relating to the subject were gathered to include travel records, telephone records, timesheets, employment/hiring information, and other administrative records to support specific allegations.



**EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002**

Investigative Findings: (Cont.)

Investigative activity also included interviews with nineteen individuals. Prior to completion of the investigation, however, the Director of Security resigned his position with the Florida Lottery and the investigation was closed. At the time of closure, investigative activity was incomplete, therefore, the findings were inconclusive.

***FLORIDA COMMISSION ON HUMAN RELATIONS-ABUSE OF POSITION
Case Number 200112060001***

Allegations:

On December 10, 2001, the Office of the Chief Inspector General received allegations of a possible conflict of interest on the part of a Commissioner with the Commission on Human Relations (FCHR) and Provider Technologies, Inc. (PTI), a company contracted with the FCHR to provide professional technology consulting services for a new internal case management system that the FCHR wanted to develop. The allegations included a conflicting employment/contractual relationship, misuse of position, and unauthorized compensation from the provider.

Investigative Findings:

Our investigation substantiated that on several occasions, the Commissioner acted on behalf of PTI while carrying out his official duties as a Commissioner for the FCHR. Evidence also indicated that the Commissioner represented PTI's interests before the FCHR by helping PTI obtain a contract with the FCHR. It was further substantiated that the Commissioner misused his position as a public officer by representing the FCHR in financial transactions without authorization. The allegation that the Commissioner attempted to receive unauthorized compensation from PTI could not be conclusively established. It should be noted that on May 6, 2002 the Commissioner submitted his resignation to Governor Jeb Bush, effective that same date.

Program Recommendations:

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



EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002

Program

**Recommendations:
(Cont.)**

All current and new employees of the FCHR receive training in regards to issues such as conflicts of interest and Ethics Commission reporting requirements.

All current and new employees of the FCHR should receive an updated employee regulation manual that specifically addresses such issues as conflicts of interest and Ethics Commission reporting requirements.

All current and new employees of the FCHR be required to acknowledge receipt of both training in the above area as well as receipt of the FCHR's updated employee regulation manual.

***DEPARTMENT OF JUVENILE JUSTICE-
MISMANAGEMENT
Case Number 200107060001***

Allegations:

On July 4, 2001, the Office of the Chief Inspector General received an anonymous complaint alleging that the Department of Juvenile Justice, Inspector General's Office, Internal Audit Section, had violated the newly developed "Service First" program and that members of the audit section, including the Director of Audits, did not have any experience.

**Investigative
Findings:**

A review was conducted of the State of Florida applications for all current members of the audit staff. Each audit member's reported work experience was reviewed to determine if these employees met the minimum qualifications for the position they filled under Career Service guidelines.

Our investigation determined that the Bureau of Internal Audit in the Office of Inspector General did not violate the newly adopted "Service First" initiative. While factors such as placing Department employees facing layoff and the transition from Career Service to Select Exempt Service (SES) status made this situation unique, it was determined that the hiring, recruitment, and placement of individuals in audit section



**EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002**

**Investigative
Findings:
(Cont.)**

recruitment, and placement of individuals in audit section positions was in compliance with personnel rules as administered through the Department of Management Services (DMS). As such, no recommendations were warranted.

Future Investigative Initiatives

During the year ended June 30, 2002, the investigations unit relied heavily upon investigative support from other state agencies. This was due to the vacant Director of Investigations position for the majority of the fiscal year and a vacant administrative assistant position for half of the year. With the unit fully staffed now, the number of investigations initiated or completed is already equal to that of the year presented in this report.

In addition to increased investigative activity, the investigations unit will focus on the following investigative initiatives for the Fiscal Year 2003:

The development and implementation of investigative best practices for adoption by agency inspectors general;

The enhancement of tracking and monitoring of recommendations to management by agency inspectors general to ensure proper resolution of substantiated misconduct or program deficiencies;

The development of survey instruments for completion by agency management personnel to measure support and assistance by inspectors general functions and implement steps as appropriate to enhance both;

The shared utilization of investigative resources as needed between agency inspectors general staff for critical investigations to ensure timely completion.



EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002

AUDIT ACTIVITY

Reports Completed

During the fiscal year 2001-2002, we completed 4 audit reports. We also provided significant management assistance in effectively implementing the Single Audit Act.

FLORIDA SPACE AUTHORITY FOLLOW-UP AUDIT - Report Number 2002-05, issued June 17, 2002

Summary:

The Office of the Chief Inspector General performed a follow-up to audit #2000-02 of the Florida Space Authority (FSA) previously known as the Spaceport Florida Authority. The follow-up audit covered the period October 1, 2000, through January 31, 2002. The audit objectives were to evaluate actions taken in response to the original audit findings and also to review payroll and single audit compliance.

Since our initial audit, FSA has experienced significant staff turnover and a change in leadership, organizational name and structure, and strategic direction. We observed a new approach in modifying and developing internal controls. This has resulted in a significant improvement in implementing control systems. FSA responded aggressively to an alleged misappropriation of assets by making several positive modifications to internal control systems. Several control systems show great improvement; however, others need further attention.

Original Finding:

1. A new inventory system and some asset control procedures had been instituted, however additional work is essential to ensure adequate internal controls.

Recommendation:

Continue strengthening controls over asset acquisition and recording. Develop controls ensuring asset inventory system is current, complete, and accurate. Train cost center managers on asset management responsibilities.



EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002

Original Finding:

2. Significant improvement was made in the travel reimbursement process.

Recommendation:

Review travel policies and procedures for clarity. Train authorized travelers on travel reimbursement policies and travel voucher preparation. Train managers to review and approve travel vouchers.

Original Finding:

3. Purchasing and payment approval improved although additional work is needed.

Recommendation:

Train employees on importance of proper purchasing procedures and internal controls in light of the alleged asset misappropriation.

Original Finding:

4. Compliance with purchasing quotation requirements showed no improvement.

Recommendation:

Enforce purchasing policies and procedures.

New Finding:

1. New payroll processing procedures and controls were effectively implemented and well executed. However, controls over time recording, general ledger posting, and job costs reconciliation were incomplete or not followed.

Recommendation:

Review internal control structure over time recording, general ledger posting, and job costs and develop policies and procedures to strengthen the controls. The controls established should ensure FSA appropriately records payroll information in the accounting system, follows all applicable labor laws, and FSA policies.

New Finding:

2. Personnel file maintenance was inadequate, and some personnel policies were vague and inconsistently applied.

Revise policies and procedures to ensure FSA maintains



EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002

Recommendation:

accurate and current employee personnel information, follows provider contracts, and IRS rules on qualified retirement plans. Human resource policies should clearly address personnel issues for all employee classes.

New Finding:

3. FSA did not adequately monitor subrecipient activities.

Recommendation:

Develop a policy requiring the use of the Florida Single Audit Act Checklist for Non-State Organizations – Recipient/Subrecipient vs. Vendor Determination (FSAA_CL2) to appropriately identify subrecipients. The policy should also require all contracts with subrecipients to contain the standard contract audit language developed by the Auditor General, thereby meeting FSA's requirement to inform subrecipients of their responsibilities under the Act.

Establish a system for following-up on subrecipient audit reports and findings. The system should require each subrecipient to develop a corrective action plan (CAP) to address audit findings. The CAP should be approved by FSA and reviewed periodically with the subrecipient to determine corrective actions taken.

Develop policies and procedures requiring the review of all quarterly deliverables received from FSRI and FCSFC for accuracy and reasonableness. The policies and procedures should also require FSA, on a sample basis, to trace information provided by FSRI and FCSFC to original documentation to verify its validity and reliability.

New Finding:

4. FSA's quarterly contract deliverables were not always properly collected, documented, verified, and reported.

Recommendation:

FSA's program managers should reconcile quarterly job cost ledgers to information submitted in project status narratives and other reports submitted as quarterly deliverables to OTTED.

FSA should work with OTTED to develop a methodology for collecting and reporting the "Presentations to industry and governmental decision leaders" performance measure which



EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002

governmental decision leaders” performance measure which is reliable and provides an accurate reflection of FSA’s performance. FSA should also develop a system to accurately collect, document, verify, and report all information submitted to OTTED.

AUDIT OF FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY, INSTITUTE ON URBAN POLICY AND COMMERCE GRANT AGREEMENT - Report Number 2001-07, Issued April 2, 2002.

Summary:

The Office of the Chief Inspector General performed an audit of the Florida Agricultural and Mechanical University, Institute on Urban Policy and Commerce (IUPC) Grant Agreement with the State of Florida, Office of Tourism, Trade, and Economic Development (OTTED) for the period December 1, 2000, through June 30, 2001. The audit objective was to evaluate contract compliance and internal control structures as related to the Grant Agreement.

Finding:

1. Ineffective internal controls existed over subgrant process.

Recommendation:

1) Develop written policies and procedures to ensure adequate control over the entire subgrant process. 2) Determine applicable Internal Revenue Code status for desired applicant pool. 3) Create a preliminary review procedure to improve RFP compliant proposals. Permit all applicants a short time period to correct curable proposal deficiencies. 4) Perform a formal evaluation and selection process of only RFP compliant proposals. 5) Maintain all records and document the entire process.

Finding:

2. Contract budget was not followed.

Recommendation:

OTTED should review these items to determine whether program intent was met and funding properly expended. If not, a return of the inappropriate expenditure(s) should be requested.

Finding:

3. Overhead improperly classified as direct costs.



EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002

Recommendation: IUPC should more carefully review charges to ensure they are allowed per contract. We recommend OTTED withhold payment to offset the improper charge.

Finding: 4. IUPC did not comply with Florida Single Audit Act.

Recommendation: Use the new State Project Determination Checklist in conjunction with the new Checklist for Non-state Organizations – Recipient/Subrecipient vs. Vendor Determination to identify state projects (i.e. state financial assistance). Once state projects are identified and assigned a Catalog of State Financial Assistance Number, the recipients should be notified. Visit www.myflorida.com/myflorida/government/governorinitiatives/fsaa/index.html for info.

***GOVERNOR'S COUNCIL ON INTEGRITY
AND EFFICIENCY ROLLUP REPORT OF
MULTI-AGENCY PURCHASING CARD
AUDITS - Report Number 2001-09,
Issued December 20, 2001.***

Summary: Under coordination of the Office of the Chief Inspector General, eight executive agencies performed audits of their respective agencies performed audits of their respective purchasing card programs following identical work plans. Participating agencies and their respective purchasing card charges are listed in Exhibit 1. Auditors from the Department of Juvenile Justice assisted in managing this project.

The objectives of these audits were to determine if agencies complied with laws and guidelines, if management's system of internal controls were adequate, and if purchasing card transactions were properly authorized and recorded. Apart from these audit objectives, we considered certain quantitative data to determine whether the purchasing card program benefited the state.



**EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002**

The scope of these audits included an examination of purchasing policies and procedures, practices and transactions for the period of July 1, 2000 through March 30, 2001. Methodology is included in individual agency reports.

Results:

These audits revealed that, in general, agency cardholders complied with applicable laws and program guidelines, management's systems of internal controls were adequate, and purchasing card transactions were properly authorized and recorded. In addition, purchasing card programs seemed to meet program goals of accommodating small dollar purchases. As shown in Exhibit 2, the majority of transactions (91 percent of charges) were under \$1,000. Transactions greater than \$2,500 accounted for less than 2 percent of the total number of charges but represented over 26 percent of the total amount charged. Major categories of expenditure included Repairs and Maintenance, Office Supplies, and Information Technology as shown in Exhibits 3 and 4.

In some instances, individual agency reports noted non-compliance with certain program rules including improper recording of other capital outlay property, and improper assignment of object codes. Exceptions regarding supporting documentation and compliance with the 10-day processing requirement were also noted.

Some agencies permit the purchase of Other Capital Outlay (OCO) and other large dollar items (greater than \$2,500) with the purchasing card. For agencies that allow such purchases, it is critical that these transactions are properly recorded in the state's accounting records including the agency's master property inventory list. By maintaining an updated master inventory list, management can ensure that state assets are properly recorded, tagged for inventory, and safeguarded against loss.

Agency procedures require accounts payable staff perform monthly reconciliations. Purchasing staffs are required to review receipts to ensure compliance with purchasing rules. In some cases, required reviews were not documented. Without timely reconciliation, management may not be



EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002

aware of improper approvals.

State of Florida Purchasing Card Program Guidelines for State Agencies and agency purchasing card program guidelines require that purchasing card transactions must be processed within 10 working days. Unpaid transactions are reported in the *Purchasing Card Unpaid Aged Charge Report* for charges posted in the FLAIR and unpaid for 8 days or more.

**Non-Audit
Considerations**

Separate from the individual audits, agency auditors reviewed quantitative data on expenditures, staffing, and purchasing card activity-related revenues prior and subsequent to implementation of the purchasing card program. From the data, we could not determine whether the program had benefited the state. For future programs of this type, agencies should develop procedures and systems for measuring and evaluation the impacts of such changes.

***PURCHASING CARD AUDIT - Report
Number 2001-06, Issued October 22, 2001.***

Summary:

The Office of the Chief Inspector General performed an audit of the purchasing card program within the Executive Office of the Governor (EOG) during the period July 1, 2000, through March 31, 2001. The audit objectives were to determine if the EOG complied with relevant laws, rules, policies and guidelines; if management's system of internal controls was adequate to ensure effective and efficient use of agency resources; and if purchasing card transactions were properly authorized and recorded. Audits following the same work plan were performed concurrently at seven other executive agencies.

During our audit period, there were 551 purchasing card transactions. We tested 50 transactions (9%) based on a sample stratified by transactions less than \$1,000 (24 transactions), transactions greater than \$1,000 but less than \$25,000 (11 transactions), transactions greater than \$25,000, and transactions with object codes for information technology, construction, and capital repairs greater than \$1,000 (15 transactions). See Exhibit 4 for transaction analysis.



EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002

transactions). See Exhibit 1 for transaction analysis.

Finding:

1. Six transactions sampled (\$3,032.04) were not classified to the proper object code. Of these transactions, one was improperly classified to an OCO object code. Transactions were not always properly reviewed for correct expenditure object codes. Incorrect classifications misstate the financial statements and therefore, do not provide an accurate detail of expenditures for management and budget purposes.

Recommendation:

The expenditure object code classification(s) for each purchasing card transaction should be reviewed for correctness.

Finding:

2. The purchasing card policy requires a receipt, containing the merchant's name, dates of purchase, list of goods, and price, to be submitted with the Purchasing Card Payment Form to the administrator as supporting documentation of the purchase. Four transactions sampled (\$2,507.25) did not contain a proper invoice or receipt. The vendor did not provide an invoice or receipt, resulting in reliance on information prepared by the cardholder.

Recommendation:

Every purchasing card transaction should contain documentation other than the Purchasing Card Payment Form detailing the cost of the purchase. Acceptable documentation, in lieu of an invoice or receipt, includes a printout of the checkout screen for an Internet purchase, a copy of the contracted price list for a purchase on state contract, or a packing slip if the cost of the purchase is designated.

Finding:

3. The purchasing card policy, with respect to IT requests, is not consistent with current practice.

The purchasing card policy states an IT request is required for a purchasing card payment under the same circumstances as would be required if a requisition were used. The purchasing policy, for requisitions, requires an IT request for information technology purchases greater than



**EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002**

\$1,000.

The administrator does not require an IT request if the Chief Information Officer (CIO) of the EOG has approved the transaction via e-mail or signature on the Purchasing Card Payment Form. The administrator also does not require an IT request when the purchase is for ordinary information technology supply items such as toner or cleaning cartridges. Therefore, it is unclear when an IT Request is required.

Recommendation:

The purchasing card policy should be revised to require the CIO's approval via an IT request, e-mail, or signature on the Purchasing Card Payment Form for information technology purchases greater than \$1,000 (excluding ordinary supply items such as toner and cleaning cartridges).

AUDIT ADVISORY ASSISTANCE

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.

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 revised the Checklist for Non-State Organizations and created a Checklist for Single Audit Project Determination and provided training to all state agencies on these checklists. 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.



EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002

Coordination with Outside Organizations

During the 2001-2002 fiscal year the Auditor General (AG) issued three reports and the Office of Policy Analysis and Government Accountability (OPPAGA) issued two reports, which include activities under jurisdiction of the Executive Office of the Governor. These reports are:

Auditor General: Report No. 02-017, dated August 3, 2001 – Review of Local Governmental Entity Audit Reports Prepared by Independent CPA's.

Report No. 02-044, dated September 28, 2001 – The Provision of Victim Services.

Report No. 02-179, dated March 19, 2002 – Review of Local Governmental Entity Audit Reports Prepared by Independent CPA's.

OPPAGA: Report No. 01-62, dated December 2001 – Program Review: Concerns Over Enterprise Florida's Performance, Services to Distressed Areas Point to a Need to Consider Several Alternatives for Its Future Role.

Report No. 02-08, dated February 2002 - Justification Review: Slow Progress Has Been Made in Cleaning Up and Redeveloping Contaminated Brownfield Sites.

Local Government Financial Emergencies

When an Emergency Exists

A local governmental entity is in a state of financial emergency when any of the following conditions set forth in Section 218.503(1), 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.*



EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002

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 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.*
-



EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002

with state requirements.

- (f) *Providing technical assistance to the local governmental entity.*
- (g) *Establishing a financial emergencies board to oversee the activities of the local governmental entity.*
- (h) *Requiring and approving a plan, to be prepared by the appropriate state agency in conjunction with the local governmental entity, prescribing actions that will cause the local governmental entity to no longer be subject to this section.*

Section 218.39(5), F.S., requires that "The Auditor shall notify each member of the governing body of a local governmental entity or district school board for which deteriorating financial conditions exist that 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.

On February 28, 2002 the City of Opa locka, Florida declared it was in a state of financial emergency under applicable state law and requested technical assistance and support from the Governor. On April 26, 2002, the Governor issued Executive Order Number 02-125 mandating that the City enter into an Agreement with the state providing for oversight of the City's financial operations until the financial emergency was resolved. This Oversight included obtaining approval from the Governor of a comprehensive long-range financial plan and approval of the City's annual budget prior to adoption by the City Commission. The Executive Order designated the Office of the Chief Inspector General (CIG) as the lead agency in carrying



**EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002**

out the provisions of the Executive Order.

On May 21, 2002 the state and the City executed the State and Local Agreement of Cooperation (Agreement). The Agreement details the obligations of the City to develop a Five Year Recovery Plan (FRP), procedures for reviewing monthly expenditures and submission of its annual budget for review and approval. The CIG established the Opa-locka Oversight Group comprised of representatives from several state agencies including Environmental Protection, Community Affairs, Revenue, Banking and Finance and the Auditor General. Executive Office staff from OPB, OTTED, Front Porch and the CIG Director of Audit joined with the other representatives an exhaustive analysis of the City's financial operations.

On July 1, 2002 the City submitted the proposed FRP. On July 26, 2002 the Oversight Committee completed its review of the FRP. The City must now incorporate the changes and adopt the FRP. On August 2, 2002 the City submitted its proposed budget. The Oversight Committee is currently reviewing the budget and will recommend changes consistent with the FRP and sound financial management. The City Commission is scheduled to meet on September 10 and September 25, 2002 to vote on the FRP and the annual budget approved by the Oversight Group.

In its February 22, 2002 letter the City asked that the Florida Department of Law Enforcement (FDLE) conduct an "Operational Review of the City's Police Department and assess the pros and cons of having Miami-Dade County assume law enforcement responsibilities within the City". The current budget for the Department is \$3.03 million. At the CIG's request on April 10, 2002 the Florida Department of Law Enforcement (FDLE) conducted an extensive review of the Department's patrol, investigations administration and drug control operations. The review by FDLE was augmented by an independent assessment from the Commission for Florida Law Enforcement Accreditation, Inc. (CFA) completed on July 10, 2002. The CFA, utilizing standards developed by the organization, performed an on-site review of the Department's



**EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002**

overall operational capabilities.

In its report, The FDLE concluded that the “current operational status of the Police Department is below minimum public safety standards by most known measures of effectiveness”, citing the lack of budgetary resources and fiscal support. FDLE made 25 recommendations for resolving the critical deficiencies. Of these recommendations FDLE identified 11 as requiring immediate action to address the most serious problems and without significant cost to the city. They include discontinuing the practice of providing and maintain automobiles for City Commissioners and staff; conducting a complete evidence inventory, implementing mandatory drug testing of sworn staff, and establishing an accumulated annual leave and sick leave balance policy to eliminate having employees who are leaving the Department from staying on the payroll.

We are continuing our efforts to help the City return to a financially stable condition.

During this period, in addition to our efforts with Opa locka, 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, 2002, there were 49 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)



EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002

**Local Governmental Entities
With Financial Emergencies
Being Monitored as of June 30, 2002**

LOCAL GOVERNMENTAL ENTITIES

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. Cypress Cove Community Development District
8. Deer Island Community Development District
9. Dunes Community Development District
10. Eastpoint Water and Sewer District
11. Fallschase Community Development District
12. Gateway Services District
13. Greenville, Town of
14. Gretna, City of
15. Hampton, City of
16. Harmony Community Development District
17. Hawthorne, City of
18. Hendry County Hospital Authority
19. Heritage Harbor Community Development District
20. Horseshoe Beach, Town of
21. Indian Creek Village
22. Jennings, Town of
23. Lanark Village Water and Sewer District
24. Leon County Educational Facilities Authority
25. Midway, City of
26. Mulberry, City of
27. Noma, Town of
28. Ocean Highway and Port Authority
29. Opa-Locka, City of
30. Pahokee, City of
31. Paxton, City of
32. Performing Arts Center Authority, Broward
33. Plantation Acres Improvement District
34. Ponce de Leon, Town of
35. Port of the Islands Community Development District
36. Quincy-Gadsden Airport Authority
37. Reserve Community Development District
38. Sneads, Town of
39. South Bay, City of
40. St. Lucie County Expressway Authority



**EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002**

41. St. Lucie West Services District
42. Stoneybrook Community Development District
43. Suwannee Valley Transit Authority
44. Tampa-Hillsborough Expressway Authority
45. Union School District
46. Valparaiso, City of
47. Viera East Community Development District
48. Welaka, Town of
49. Westville, Town of
NOTE: Audited financial statements indicate some of these entities are in a technical financial emergency although no financial crisis exists.



**EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002**

Risk Assessment/Audit Plan Fiscal Years 2002 - 2004



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 2002-03 we updated our earlier risk assessment by covering 67 auditable areas or activities and prepared our audit plan for fiscal years 2002 – 2004.

Risk Assessment/Audit Plan Fiscal Year 2002-2004

Audit Area	Audit Year FY 02-03	Estimated Hours	Audit Year FY 03-04
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



**EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002**

**Risk Assessment/Audit Plan
Fiscal Year 2002-2003**

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	<u>720</u>
Total Direct Hours Available (per Auditor)	1,360
x Number of Auditors	x <u>2</u>
Total Direct Hours Available for Audit	2,720

Estimated Hours for Planned Audits

2002-2003 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

2003-2004 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



**EXECUTIVE OFFICE OF THE GOVERNOR
OFFICE OF THE CHIEF INSPECTOR GENERAL
ANNUAL REPORT 2001-2002**

Appendix 1

**STATISTICAL SUMMARY
FISCAL YEAR 1998-2002 ACTIVITIES**

	FY 01-02	FY 00-01	FY 99-00	FY 98-99
Whistle-blower Hotline Calls	50	148	285	568
Reviewed and Processed Auditor General, OPPAGA, and Inspector General Internal Audit Reports	343	299	330	364
Written Complaints Handled	485	396	318	379
Preliminary Investigations Completed	-	-	-	69
Active Investigations Tracked	304	373	401	66
Public Records Request	3	5	6	9
Local Governments with Financial Emergencies Being Tracked at the End of Year	49	39	30	34
Coordination with Auditor General's Office on Reports Covering Executive Office of the Governor Activities	3	4	3	3
Management Reviews/Advisories Completed	-	2	-	8
Investigations Completed	3	47	33	4
Audits Completed	4	2	5	7