

## **INTRODUCTION**

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### **Staffing**

The Inspector General Act creating the Office of the Chief Inspector General became effective October 1, 1994. The Office is staffed with five positions. Governor Chiles appointed the Chief Inspector General on December 23, 1994, the Director of Investigations on February 1, 1995, and the Director of Auditing on March 13, 1995. One staff member operates our Whistle-Blower's Hotline and one staff member provides administrative services to the office.

Most of our effort through June 30, 1995, has been devoted to reacting to issues from the Whistle-Blower's Hotline, directly from members of the Executive Office of the Governor, concerned citizens, and the organization and staffing of this office under the new act.

### **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.

## **GOVERNOR'S COUNCIL ON INTEGRITY AND EFFICIENCY**

### **Membership**

During this period we worked with the Inspectors General in other agencies by re-establishing the Governor's Council on Integrity and Efficiency (GCIE) through Executive Order 95-267, dated July 17, 1995. The GCIE, chaired by the Chief Inspector General, consists of all the Governor's Agencies IG's, the Deputy Director of the Office of Planning and Budgeting, and on a voluntary basis, IG's from all other State Agencies, the Cabinet, and the Auditor General.

### **Objective**

The purpose of the GCIE is: (1) to identify, review and discuss areas of government wide weakness, accountability, performance, and vulnerability to fraud, waste and abuse; and (2) to develop plans for coordinated government wide activities that attack fraud and waste and promote economy and efficiency in government programs and operations. The GCIE has been meeting monthly and is holding a two-day strategic planning session on October 4 and 5, 1995. The IG Act requires that the Governor be involved with the appointment and removal of IG's and that the Governor be notified in writing at least seven days

prior to an offer of employment and at least seven days prior to the removal of an IG.

## **Appointment of IG's**

We worked with the Governor on an effective way to implement this provision and on May 30, 1995, the Governor issued a memorandum to all Governor Agency Heads dealing with the "Selection Process for Agency Inspectors General" under the Governor. This process calls for the Chief IG's Office to be involved with the Agency Head in screening and interviewing the applicants for an agency's IG position with the final nominee being approved and/or interviewed by the Governor, if necessary, prior to final selection. This process was used in the selection of one IG during this period and, we believe, worked well.

## **What the IG Act Means to the Public**

In an effort to have people understand the new IG Act, we published a pamphlet entitled "Inspector General Act of 1994 - What it Means to the Public."

This publication describes the duties and responsibilities and the independent and objective nature of Inspectors General and their work. It describes what Inspectors General do and how to do what they do, and it describes how the reporting process for the Inspectors General works. We believe that IG's and others can use this publication to introduce themselves and help describe what to expect from an IG visit. It is meant to help reduce some of the

fear and concern which can accompany a visit by an IG Office member.

## **Professional Standards**

The GCIE issued "Professional Standards for the Governor's Council on Integrity and Efficiency." The Standards are to assist the GCIE in establishing a coordinated response as the individual members set out to protect the public's rights to a State Government free from waste, inefficiency and fraud.

## **REVIEWS COMPLETED**

### **FLORIDA INTERNATIONAL AFFAIRS COMMISSION (FIAC)**

## **Expenditure Deficiencies**

A limited review was completed and a report issued on August 30, 1994, on selected FIAC activities. As a result of the review, we identified significant deficiencies in the design, operation and controls for the expenditures of Foundation funds. These included the payment of supplemental compensation and loans to employees and a lack of documentation of expenditures from the Foundation account. Additionally, some travel approved by FIAC for a former employee may not have been for a state purpose and by the most economical way. These matters were discussed with FIAC management and changes were implemented to correct the noted deficiencies.

## **FLORIDA ENTERTAINMENT COMMISSION (FEC)**

### **Objective**

The FEC is a direct support organization to assist the Department of Commerce in the promotion and development of the motion picture, television, video, recording, and related entertainment industries.

This inquiry was made at the direction of Governor Chiles and a report was issued on April 20, 1995. The review covered administrative and management practices; compliance with terms of the contracts; policies and operating procedures; and a method of resolving differences between state guidelines and policies of the FEC.

### **Significant Deficiencies**

Our inquiry into the operations of the FEC disclosed a number of deficiencies. The deficiencies included: (1) Adherence to administrative procedures was lacking; (2) sufficient funds were not expended for advertising and promotion; (3) a financial and compliance audit was not done; (4) untimely agreements and irregular fund disbursements; and (5) inconsistency in audit requirements.

The review resulted in 18 recommendations which were developed to improve the operations of the FEC and the Department of Commerce oversight of the FEC. The areas covered by the recommendations included (1) revising rules, (2) modifying the agreement, (3) changing policy and

procedures manual, (4) making changes in administrative and management activities, and (5) suggesting methods for resolving conflicts.

In a response dated July 28, 1995, the Secretary of Commerce stated that major progress has been made in addressing these issues. He also stated that the Department of Commerce Inspector General is scheduling a formal follow-up to the report prior to December 31, 1995.

## **OTHER SIGNIFICANT IG RESPONSIBILITIES**

### **WHISTLE-BLOWER'S HOTLINE**

#### **Volume of Calls**

During this year we received 671 calls on the hotline. Of the 671 calls, we were able to provide answers immediately for 498 calls. Although the calls related to 39 different organizations or activities in state, local or federal government, 34% of all calls related to two agencies - Health and Rehabilitative Services, 21%, and Corrections, 13%. There were 173 matters sent to 15 different agencies, of which four were opened as Whistle-Blower investigations and four were opened as Non-Whistle-Blower.

#### **Purpose**

The investigations that are completed during the year will be reported in the report of the Agency Inspector General which performed the investigation. Our

role is to maintain the hotline, receive and review complaints, and coordinate, monitor and review complaint handling activities with the agencies.

## **LOCAL GOVERNMENT FINANCIAL EMERGENCIES**

A unit of local government is in a state of financial emergency when any of the following conditions set forth in Section 218.503, Florida Statutes, is met.

### **When an Emergency Exists**

- (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) *Budget deficits for 2 successive years.*

*(e) Noncompliance of  
the local government  
retirement system with  
actuarial conditions  
provided by law.*

## **Governor's Authority**

## **IG Involvement**

The statute calls for the Governor to be notified when such a condition exists and gives the Governor authority to implement such measures as:

(a) *Requiring approval of the local unit's budget by the Governor.*

(b) *Authorizing a state loan to the unit of local government and providing for repayment of same.*

(c) *Prohibiting a unit of local government 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 unit of local government, in which inspections and reviews the appropriate local officials shall cooperate.*

(e) 1. *Establishing a financial emergencies board to oversee the activities of the local government.*

The Chief Inspector General works closely on these issues with the Deputy Director, Office of Planning and Budgeting, and the Staff Director, Joint Legislative Auditing

Committee. We obtain audit reports and other financial information and provide advice and assistance to local governments to help overcome their financial problems. At the present time there are 13 units of local government that we are monitoring under the requirements of Section 218.503, Florida Statutes.

### **ESCAMBIA COUNTY DERIVATIVE AND FINANCIAL ISSUE**

#### **Estimated \$24 Million Loss**

Upon being appointed Chief Inspector General effective December 23, 1994, the first issue faced was being advised by the Escambia County Board of County Commissioners that at a special Commission Board meeting the evening of December 22, 1994, the Board had been advised by its County Comptroller Joe A. Flowers that of a total Escambia County Investment Fund of \$105 million, \$46 million had been invested in derivatives and as of December 22, 1994, Escambia County was facing a loss in the derivative account of \$22 to \$24 million. The estimated loss in the derivative account which Escambia County Comptroller Flowers had given to his Board of County Commissioners twelve days earlier on December 10, 1994, was \$10 million. Thus, Comptroller Flowers revised upward loss estimate of \$22 to \$24 million at the December 22, 1994, Board meeting had serious immediate financial ramifications for Escambia County.

Governor Chiles was immediately informed of this new Escambia County financial revelation, as was the Office of Planning and Budgeting Deputy Director, General Counsel and Legislative Auditing Committee. A team was assembled to assess the situation and a formal request was made on January 8, 1995, for the State Attorney, First Judicial Circuit, to impanel a Grand Jury to determine whether any violations of law had occurred. The Chief Inspector General by request of the State Attorney made an additional request for audit support staff from the Auditor General, which was immediately made available to the State Attorney.

### **Comptroller Resigned**

On March 27, 1995, Joe A. Flowers, County Comptroller, submitted his resignation to the Governor effective March 31, 1995. On March 31, 1995, the Governor appointed Jim Moye, Deputy Comptroller from Orlando, Florida to be Comptroller of Escambia County effective April 3, 1995.

### **Law Changes Authority**

During the 1995 Legislative Session HB 2733 (Chapter 95-529, Laws of Florida) became law and took effect on August 1, 1995. That law repealed Chapter 73-455, Laws of Florida, which provides for division of duties of the Clerk of the Circuit Court and County Court and the County Comptroller and election, duties, and compensation thereof. Under the revised Special Act, all the duties of the Comptroller reverted to the Clerk of the Court on August 1, 1995.

**Escambia County  
Comptroller  
Indicted**

Escambia County Comptroller Joe Flowers, who resigned March 31, 1995, was indicted June 7, 1995, by the Grand Jury of the First Judicial Circuit on four counts: (1) purchasing mortgage securities which he was not authorized by law to purchase; (2) holding monies in accounts on behalf of Escambia County which were not open for bid to all qualified depositories in the county and by failing or refusing to accept the highest and best bid for deposit of said monies; (3) entering into "reverse repurchase agreements" with several brokerage firms whereby he "sold" securities in the name of Escambia County and later "repurchased" the same securities at a higher price; and (4) entering into lease-purchase agreements with Unisys Leasing Corporation, to acquire computer and imaging systems, contrary to the requirements of Section 125.031, Florida Statutes.

The Legislative Auditing Committee was kept fully informed of all developments in this matter. In a letter dated July 28, 1995, County Comptroller Jim Moye advised Governor Chiles that the final derivatives loss to Escambia County appears to be \$14 million and that the credit rating for Escambia County is also in better shape with the derivatives out of the County's portfolio. This county's financial condition has stabilized within the preceding eight months.

## **COORDINATION WITH OUTSIDE ORGANIZATIONS**

During the 1994-95 fiscal year the Auditor General and Office of Program Policy Analysis and Governmental Accountability issued 5 reports which included activities under jurisdiction of the Executive Office of the Governor. These reports are:

### **Auditor General**

Report No. 12398 dated August 29, 1994 -  
**Operational Compliance Audit of the  
Executive Office of the Governor**

Report No. 12471 dated April 19, 1995 -  
**Review of the Office of the Chief Inspector  
General/Internal Audit Function of the  
Executive Office of the Governor**

Report No. 12530 dated June 21, 1995 -  
**Operational Compliance Audit of the State  
of Florida Executive Office of the Governor**

Report No. 12565 dated June 30, 1995 -  
**Report on the Audit of the Federal Financial  
Assistance Programs of the State of Florida**

### **Office of Program Analysis and Governmental Accountability**

Report No. 94-03 dated September 12, 1994 -  
**Performance Audit of the International  
Activities of the State of Florida**