

STAFFING

INTRODUCTION

During this fiscal year the staffing complement remained at five positions. On December 14, 1995, our Director of Investigations became the Inspector General at the Department of Health and Rehabilitative Services. This position was filled on June 28, 1996. During this period we borrowed individuals from other Inspector General offices to assist us on projects.

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 IGs, the Deputy Director of the Office of Planning and Budgeting, and on a voluntary basis, IGs 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.

GCIE MEETINGS

Meetings of the GCIE are held each month and are attended by a majority of the agency IGs, including those from the Governor and Cabinet agencies, the universities and Board of Regents, the water management districts, and several independent agencies, as well as the Auditor General. Programs cover subjects of concern to inspector general offices and general information helpful to the performance of their duties.

Statewide Prosecutor Melanie Ann Hines met with all the IGs twice to brief us on the general activities of the ongoing Thirteenth Statewide Grand Jury.

STATEWIDE GRAND JURY

AUDIT DIRECTORS ROUNDTABLE

The Audit Directors Roundtable was established as a sub-unit of the Governor's Council on Integrity and Efficiency. This group is comprised of audit directors of the agencies that participate in the GCIE. The Roundtable was established as a forum for the exchange of ideas among the audit directors, to promote a more unified approach within state government and to encourage discussion of issues confronting audit management and staff.

The IG Act requires that the Governor be involved with the appointment and removal of IGs in the Governor's agencies 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 IGs

This year we worked to effectively implement the Governor's May 30, 1995 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.

During this period, this process was used to select three IGs in the Governor's agencies. We also provided assistance in selecting an IG in an independent agency.

We believe the process has become accepted and is working well.

PLANNING

We had a planning seminar which was facilitated by Lane Hurley, Ph.D., a consultant with the U.S. Department of Education. We identified several issues of significant importance to the IGs and then set up project teams to further develop the issues. Overall, the seminar was successful.

IMPROVING COMMUNICATIONS

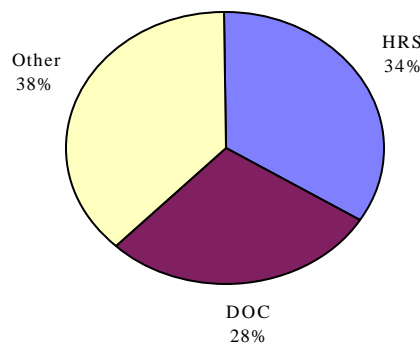
On April 2, 1996, the Chief Inspector General called a meeting which was attended by the Governor, state attorneys, sheriffs, and senior managers of all state law enforcement agencies at the Pat Thomas Law Enforcement Training Academy. A special invited guest was Captain Joe Bowman who has a long association with the Texas Rangers.

WHISTLE-BLOWER'S HOTLINE

OTHER SIGNIFICANT IG RESPONSIBILITIES

During this year we received 731 calls on the hotline. Of the 731 calls, we were able to provide answers immediately for 532 calls. Even though the remaining 199 calls were sent to 21 different agencies for handling, 62% went to just two agencies - Health and Rehabilitative Services (HRS) 34%, and Corrections (DOC) 28%.

VOLUME OF CALLS



The investigations that are completed during the year will be reported in the report of the agency inspector general which performed the investigation.

LOCAL GOVERNMENT FINANCIAL EMERGENCIES

WHEN AN EMERGENCY EXISTS

A local governmental entity is in a state of emergency when any of the following conditions set forth in Section 218.503, Florida Statutes, 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 such 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.*
- (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.*

IG INVOLVEMENT

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 18 local governmental entities that we are monitoring under the requirements of Section 218.503, Florida Statutes, out of the approximately 1000 local governmental entities in Florida.

REVIEWS COMPLETED

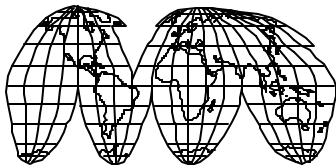


AGENCY FOR HEALTH CARE ADMINISTRATION OFFICE OF INSPECTOR GENERAL (AHCA)

Based on Auditor General Report No. 12572 dated July 18, 1995 and pursuant to a request by the Governor, we started a review of the AHCA IG Office in July 1995. Our primary objective was to determine what work was being done by the Program Integrity unit (which is responsible for detecting Medicaid Fraud) of the IG Office and to determine whether the IG could provide independent and objective oversight of this activity. After some research and preliminary survey work, we briefed the Executive Director of AHCA on the observations we had developed.

ORGANIZATIONAL CHANGE

Following the briefing and discussion, the Executive Director decided to remove the Program Integrity function from the Office of Inspector General and place it in the Division of Medicaid Purchasing. Since this decision accomplished the primary objective, we truncated our review and issued a closing letter dated August 17, 1995 to the General Counsel to the Governor as the requesting official.



FLORIDA INTERNATIONAL AFFAIRS COMMISSION (FIAC), REPORT A9500003, ISSUED OCTOBER 23, 1995

A management review was completed and a report issued on October 23, 1995. Our review focused upon:

OBJECTIVES

1. The business grant awards process,
2. Grant administration, and,
3. Government's responsibility for monitoring the actions of the FIAC and grantees.

RECOMMENDATIONS



ALLEGATIONS

DOAH HEARING

Our review identified concerns and opportunities to improve each of the three areas listed. We made 20 recommendations for improvement. Among the more significant recommendations are that:

1. FIAC develop a standard set of guidelines for the grant application and review process,
2. FIAC should announce meetings and develop agendas far enough in advance for all interested parties to attend,
3. FIAC should perform field visits to insure that grantees are in compliance with grant agreement,
4. FIAC develop methods to measure the success of business grants, and
5. FIAC develop policy and procedures for the operation of the fund account.

DEPARTMENT OF CORRECTIONS (DOC)
INMATE PAY TELEPHONE CONTRACT
REPORT W9500010, ISSUED FEBRUARY 20, 1996

This report was based upon a Whistle-blower complaint alleging that officials of the Florida Department of Corrections (DOC) had made “fraudulent, arbitrary, illegal, or dishonest” decisions to award a bid for inmate telephone and long distance service at correctional facilities. Additional allegations were made that public records were destroyed by DOC employees and that DOC officials may have committed perjury concerning these documents.

Our investigation showed that an intent to award the contract was made to a firm other than the firm which received the highest number of points. The bid award was protested and went to the Division of Administrative Hearing (DOAH). The Hearing Officer issued a Recommended Order that the award not be given to the firm receiving the intent to award notice. Instead, he said the award should be based upon the evaluations criteria as established by DOC.

The Hearing Officer found that the DOC failed to follow its bid evaluation criteria and in his order related that the original award was made “fraudulently, arbitrarily, illegally, or dishonestly.”

Also, he noted the destruction of public records and the failure of DOC officials to acknowledge that the original evaluation document in question existed prior to the hearing.

CONCLUSIONS

We concluded from our investigation that public records had been destroyed and that copies had been made prior to destruction of the originals. The two records destroyed were the two memos which contained the results of the DOC Evaluation Committee review and making the original recommendation to award the contract.

We also concluded that the Assistant Secretary had not been entirely candid in his testimony during his deposition, when he stated that he did not receive any recommendations about the contract award. A Bureau Chief was also not entirely candid concerning his knowledge about one of the documents that was destroyed.

ACTION TAKEN ON REPORT

As a result of our review, the Chief of General Services and the Assistant Secretary for the Management and Budget have been appointed as an Operation Management Consultant in the Budget Office and the Chief of Admissions and Release respectively. The new positions have less responsibility and do not have any material authority over the procurement of goods or services. Both are compensated based on the new level of responsibility. Four additional internal audits have been undertaken within the Department of Corrections that address various aspects of the bid and procurement process.

**DEPARTMENT OF BUSINESS AND PROFESSIONAL
REGULATION (DBPR) - DIVISION OF ALCOHOLIC
BEVERAGES AND TOBACCO, REPORT A9600002,
ISSUED MARCH 26, 1996**

ALLEGATIONS

The Secretary, Department of Business and Professional Regulation (DBPR), asked us to do this investigation after receiving allegations concerning the management practices of the Director of the Division of Alcoholic Beverages and Tobacco (AB&T), and certain of his senior managers as well as allegations that gifts and gratuities were accepted.

The allegations concerning acceptance of gifts and gratuities were not supported by information developed during the investigation.

Our investigation revealed that the Director and the Division's sworn law enforcement officers did not share the same philosophy. The Director's philosophy was that it is AB&T's duty to encourage licensees to comply with laws, rules, and regulations. He did not believe that punishing licensees for past transgressions was the best way to accomplish this goal. Rather, he believed that AB&T should educate members of the alcoholic beverage industry and reinforce that education as necessary. The sworn law enforcement officers started from a mind set that protecting the public from licensees that break the law calls for sanctions stronger than promised future compliance.

SURVEY RESULTS

A recent survey showed that a majority of the law enforcement officers believed that the Director:

1. Failed to communicate effectively,
2. Made decisions that benefit the alcoholic beverages industry rather than the citizens of the state,
3. Undercut their law enforcement authorities, and
4. Relegated them to non-productive, non-law enforcement tasks. Many of the law enforcement

officers believed that the Director intentionally undercut their authority.

CONCLUSIONS

In light of this difference between the Director and the sworn law enforcement officers, especially as it regards law enforcement authority, it was questionable whether the Director could gain the trust and respect of AB&T's sworn law enforcement staff.

ACTION TAKEN ON REPORT

Subsequent to our investigation, the Director was relieved of his Director's responsibilities and given other responsibilities in DBPR.

ESCAMBIA COUNTY DERIVATIVE AND FINANCIAL ISSUE

Since our last annual report, further developments in this case are that the Honorable Curtis Golden, State Attorney for the First Judicial Circuit of Florida has secured Grand Jury indictments or filed informations covering RICO and securities fraud statutes against five individuals and/or organizations. Trial dates have been set in the First Circuit for dates ranging from October 1996, through May 1997. The case remains open and active.

COORDINATION WITH OUTSIDE ORGANIZATIONS

During the 1995-96 fiscal year the Auditor General issued three reports which include activities under jurisdiction of the Executive Office of the Governor. These reports are:

Report No. 12574 dated July 20, 1995 - Performance Audit of the State of Florida Local Government Financial Reporting System.

Report No. 12774 dated June 25, 1996 - Report on Audit of the Federal Financial Assistance Programs of the State of Florida.

Report No. 12781 dated June 28, 1996 - Operational Audit of the Executive Office of the Governor.

STATISTICAL SUMMARY
FISCAL YEAR 1995-96 ACTIVITIES

	<u>FY95-96</u>	<u>FY94-95</u>
Hotline Calls	763	671
Review and Process Auditor General and Inspector General Internal Audit Reports	361	347
Written Complaints Handled	253	180
Active Investigations Tracked	47	17
Assisting Local Government with Financial Emergencies-Being Tracked at the End of Year	18	13
Coordination with Auditor General's Office on Reports Covering Executive Office of the Governor Activities	3	5
Management Reviews Completed	2	3
Investigations Completed	4	-0-