



JEB BUSH  
GOVERNOR

STATE OF FLORIDA

# Office of the Governor

THE CAPITOL  
TALLAHASSEE, FLORIDA 32399-0001

[www.flgov.com](http://www.flgov.com)  
850-488-7146  
850-487-0801 fax

June 29, 2006

Honorable Jeb Bush  
Governor  
Plaza Level, The Capitol  
Tallahassee, FL 32399-0350

Dear Governor Bush:

Enclosed is Audit Report #2006-7 detailing the findings from our audit of the Office of Film and Entertainment (OFE) performance measures and standards. The audit was conducted by staff of the Chief Inspector General's Office. OFE's response to the audit findings and recommendations has been included at the end of the Report.

If you have any questions or would like to discuss this further, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Derry Harper".

Derry Harper  
Chief Inspector General

DH/lb

Enclosure

cc: Mark Kaplan, Chief of Staff  
Dr. Pamella Dana, Director, OTTED  
Paul Sirmons, State Film Commissioner, OFE  
Mike Hansen, Director, OPB

---

## EXECUTIVE SUMMARY

The Office of the Chief Inspector General performed an audit of the Office of Film and Entertainment (OFE) Performance Measures and Standards for the period July 1, 2004, through June 30, 2005. This audit covered the five OFE performance measures approved by the Florida Legislature and the data submitted by the OFE for Fiscal Year 2004-2005. The objectives of this audit were to determine the validity and reliability of the legislatively approved performance measures and actual data submitted by the OFE.

Our review disclosed that four of the five Legislatively approved measures for the OFE were valid. Due to the lack of documentation, we were not able to determine the validity of one measure. We also found that the data reported for the five measures was not reliable. Details of our findings and recommendations are included below.

## INTRODUCTION

The Government Performance and Accountability Act of 1994, Section 216.013, Florida Statutes, requires that state agencies implement Performance Based Program Budgeting, including establishing performance measures and standards. Section 20.055(2)(b), Florida Statutes requires each agency's inspector general to, "Assess the reliability and validity of the information provided by the state agency on performance measures and standards, and make recommendations for improvement, if necessary..."

To accurately measure program performance, performance measures must be valid and reliable. To be valid, a measure must relate to the objectives of the program. To be reliable, the results of the measurement data collection process must yield the same results on repeated trials and be complete and error free.

The Office of Film and Entertainment (OFE) is a unit within the Executive Office of the Governor (EOG), Office of Tourism, Trade, and Economic Development (OTTED). The OFE, in coordination with the Legislature and the OPB, developed a set of performance measures and related standards. Actual performance measurement data is reported annually. It is the responsibility of the OFE management to ensure the accuracy of the data reported.

**SCOPE AND OBJECTIVE**

In accordance with the Office of the Chief Inspector General’s Audit Plan for Fiscal Year 2005-2006, and per the requirements of Section 20.055(1)(b), Florida Statutes, we have conducted this audit of the (OFE) Performance Measures and Standards. The audit covered the five OFE performance measures approved by the Florida Legislature and the data submitted by the OFE for Fiscal Year 2004-2005.

<b>TABLE 1 - Performance Measures</b>	<b>Standards</b>	<b>2004-2005 Data Reported</b>
1. Related business transaction revenues as a result of the Office of the Film Commissioner’s facilitated leads	\$107,000,000	\$706,000,000
2. Number of qualified leads	500	458
3. Number of liaison and policy development activities	160	179
4. [Number of] Production entities making on-site visits to Florida	100	229
5. Number of projects worked	890	1,213

The objectives of this audit were to determine the validity and reliability of the legislatively approved performance measures and actual data submitted by the OFE.

**METHODOLOGY**

Our audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing published by the Institute of Internal Auditors. We performed analytical procedures and made evaluations of the data sources and collection processes for the performance measures and measurement data. We reviewed applicable statutes; the listing of legislatively-approved performance measures and standards (baselines); the Performance Measure Validity and Reliability Forms used to define each measure and describe the data collection methodology; documentation supporting the reported data; and other documents deemed appropriate to assess the validity and reliability of the performance measures and reported data. In addition, we interviewed relevant staff from units in the Governor’s Office (OFE, OTTED, and the Office of Policy and Budget (OPB)), and the Florida Department of Revenue (DOR).

---

## INTERNAL CONTROLS

Management is responsible for establishing and maintaining an adequate system of internal controls. Internal controls are necessary to provide reasonable assurance that program goals and objectives are met; program resources are used consistent with applicable requirements; program resources are safeguarded against waste, loss, misuse, and theft; and reliable data is maintained and fairly presented in reports. Because of inherent limitation in any internal control system, errors and irregularities may nevertheless occur.

As part of our audit, we evaluated the internal controls over the data sources and collection of performance measures and measure data submitted by the OFE. Our findings and recommendations for improving internal controls over the capturing and collection of performance measures and standards are presented in the Findings and Recommendations section of this Report.

## BACKGROUND

### The Office of Film and Entertainment

The OFE is governed by Sections 288.1251 – 1258, Florida Statutes, and is responsible for developing, marketing, promoting, and providing services to the state's entertainment industry. The State Film Commissioner heads the OFE which has two offices – one in Tallahassee and the other in Los Angeles, California. The OFE staff work closely with the 54 independent local film office set up throughout the state to promote the entertainment industry. The OFE and independent local film offices continually contact production company management to establish leads with the goal of bringing major productions to Florida.

### OFE Performance Measures

In accordance with Section 288.1258, on January 1, 2001, the Film in Florida Tax Exemption Law went into effect. This law provides an upfront sales and use tax exemption on purchases and rental of equipment and services to qualified production entities conducting motion picture and television business activity in Florida. To receive the tax exemption certificate, production entities are required to provide specific budget, employment, and other historical economic data regarding the size and scope of the production entity to the DOR using the Taxpayer Application for Tax Exemption Certificate. In accordance with Section 288.1258(2)(c), Florida Statutes, the OFE, in conjunction with the DOR and local government entertainment industry promotion entities, is required to develop a standardized application form for use in approving qualified production companies to receive the certificate of exemption. Further, Section 288.1258(5), Florida Statutes, requires the OFE to "...keep annual records from the information provided on taxpayer applications for tax exemption certificates beginning January 1, 2001. . . .In addition, the office [OFE] shall maintain data showing annual growth in Florida-based entertainment industry companies and entertainment industry employment and wages. The Office of Film and Entertainment shall report this information to the Legislature by no later than December 1 of each year." Based on these requirements, the Legislature approved the Fiscal Year 2004-2005 measures and standards and OFE reported actual data as shown in Table 1 of this Report.

---

## Data Source Documents and Collection Methodology

Based on the methodology described in the Performance Measure Validity and Reliability Forms, the OFE should use the following sources and collection methodology to capture their performance measurement data:

- *ACT!* - The ACT! Database is an automated tracking system, which captures production information based on telephone interaction between the production companies and OFE staff. This data is to be aggregated with information from various other sources to obtain the data to be reported for the OFE performance measures. In October 2005, the OFE contracted with Reel-Scout to develop a web-based data system. In May 2006, training in the data input and maintenance of the Reel-Scout data system began. While the new system is being developed, the OFE continues to use the ACT! Database.
- *Certificates of Tax Exemption Database* – This web-based automated database, maintained by the DOR, contains information from the Taxpayer Applications for Tax Exemption Certificates, which are completed by production companies doing business in Florida. Data elements include the type of production and an estimate of how much each company plans on spending in Florida while working on the production.
- *30-Day Production Outlook Report* – Each month the independent local film offices throughout Florida are asked to complete a 30-Day Production Outlook Report, identifying the production companies they are working with that month and the progress of each production. The OFE is to compare the 30-Day Production Outlook Report to the Contact Reports in the ACT! Database and assess whether production activity is increasing or decreasing and whether the leads recorded in the ACT! Database materialize into a production at the local level.
- *Quarterly/Annual Statistical Reports* – These Reports are to be submitted to the OFE by each local film office. They provide a variety of information including the number of leads (contacts), revenues generated by the production companies, number of film festivals attended, and other production activity.
- *Bi-Annual Industry Assessment* – Every other year the OFE commissions a statewide industry economic assessment to be conducted by an outside consultant. This Report is intended to measure the activity, vitality, growth, and challenges of the film and entertainment industry. The latest assessment was conducted in 2003 using data compiled from 2001 through 2002 production and non-production activities.

## FINDINGS AND RECOMMENDATIONS

### FINDING 1 – Assessment of Validity

A valid measure is defined as one that relates to the objectives of the program. Based on the criteria established in Section 288.1258, Florida Statutes, we determined the following measures are valid indicators of the performance of the OFE and the Florida Tax Exemption Program:

- *Related business transaction revenues as a result of the Office of the Film Commissioner's facilitated leads*
- *Number of qualified leads*

- *Number of liaison and policy development activities*
- *[Number of] Production entities making on-site visits to Florida*

OFE staff was unable to provide the Performance Measure Validity and Reliability Form for the *Number of projects worked* performance measure. Because the title of this measure is not specific, without the Form, we did not have the information necessary to determine the validity of this measure.

**We recommend** OFE staff locate the missing Form. If they determine the Form does not exist, **we recommend** the OFE prepare the Form.

## **FINDING 2 – Assessment of Reliability**

A reliable measure is defined as one for which the measurement data collection process yields the same result on repeated trials, is complete and error-free. Our review disclosed that the Fiscal Year 2004-2005 measurement data reported for the five OFE performance measures were not reliable. Performance measurement data collection procedures and the data sources are deficient as described below.

- The methodology for each measure, as presented in the Performance Measure Validity and Reliability Forms, requires that the OFE aggregate data contained in two or more of the source documents that are described in the Background Section of this Report. However, there is no guidance as to how the data from the various reports is to be aggregated. This lack of instructions will most likely result in different results each time the data is aggregated.
- ACT! - According to OFE staff, the Database is maintained on two separate computers, one the OFE's California office and the other in the Florida office. The Production Coordinators who maintain the two separate databases discovered they were not linked and were not formatted the same. For example, updates made on one computer were not automatically recorded in the second computer making it difficult for OFE staff to interact with production companies with the most up-to-date information. Also the California office database contained additional fields of information that were not available on the Florida office computer.
- To correct this deficiency, the OFE contracted with Active Contact Solutions, LLC, to combine the two databases into one data table. In April 2005, in an attempt to complete the synchronization process, OFE staff discovered that some of the data had been lost. From that point through September 2005, several attempts were made to recover the lost data but each attempt failed and OFE staff have no assurance that current data is complete and accurate. While efforts are underway to develop a web-based data system to track production activity, the OFE continues to use the ACT! Database.
- The ACT! Database has not provided complete and reliable data since April 2005 when data was lost. Further, although contact information continues to be entered into ACT!, the database does not contain complete information for every production. Data for measures 2, 3, 4, and 5, as identified in Table 1 of this Report, came from this database and it is also listed on the Performance Measure Validity and Reliability Form as a data source for measure 1.

- 
- Certificates of Tax Exemption Database – This database maintained by the DOR contains estimated budgets for production companies' expenditures (which translates into revenues for Florida businesses). The production companies are not required to revise the initial budget figures in the DOR's automated application system to reflect actual amounts spent. Also, the database is not complete. OFE staff indicated that expenditures for multiple productions can be made using the same tax exemption certificate without updating the database for the additional production(s) budgeted expenditures and without contacting OFE. Information regarding actual usage of the tax exemption certificates and the amount of related business transaction revenues generated in the state is only available from the production companies because the DOR does not have a method for capturing such data. Data for measure 1, as identified in Table 1 of this Report, came from this database; however, it is also listed on the Performance Measure Validity and Reliability Forms as a data source for measures 2 and 3.
  - 30-Day Production Outlook Report - The OFE lacks the statutory authority to require local film commissions to submit this report. Consequently, the OFE received a report from only one of the 54 local film offices. Since the report was not consistently submitted, OFE has discontinued its use. No measurement data came from this report even though it is listed as a data source on the Performance Measure Validity and Reliability Form for measure 1.
  - Quarterly/Annual Statistical - This collection of information was attempted but the OFE lacked the statutory authority to require local film commissions to submit this report. Since the report was not consistently submitted, OFE has discontinued its use. No measurement data came from this report even though it is listed on the Performance Measure Validity and Reliability Forms as a data source for measures 1, 2, and 3.
  - Bi-Annual Industry Assessment – The latest assessment was conducted in 2003 of data compiled from 2001 through 2002 production and non-production activity. Due to the vacancy in the State Film Commissioner's position from April 2005 to August 2005, the contract for the performance of the assessment was not executed and the assessment was not conducted in 2005. Even though data was not available, this report is listed on the Performance Measure Validity and Reliability Forms as a data source for measures 1 and 2.

Our review disclosed that the data sources currently used do not capture reliable data. On June 9, 2006, the Governor signed Senate Bill 2548 into law. This legislation, which goes into effect July 1, 2006, will provide an opportunity for the OFE to revise their performance measures and data collection methodologies for Fiscal Year 2006-2007. **We recommend** that the OFE determine whether there are other data sources available that could accurately capture reliable measurement data. If reliable data sources exist, the OFE should amend the current methodologies to include those sources. If data sources are not available, the OFE should meet with OPB staff to explore other alternative methodologies to properly assess the OFE's performance. **We also recommend** that the OFE not report the data for Fiscal Year 2005-2006 but instead report that due to data source limitations, they were not able to properly calculate the measurement data.

**FINAL COMMENTS**

The Office of the Chief Inspector General would like to extend our appreciation to the management and staff of the OFE, OTTED, OPB, and the Florida Department of Revenue for their assistance and cooperation extended to us during our audit.

Audit performed by:

  
Laure N. Boyd, CIA, CGAP  
Audit Administrator

Audit Reviewed by:

  
Kim B. Mills, CPA, CGFM, CIG  
Director of Auditing

Audit Approved by:

  
Derry Harper, CIG  
Chief Inspector General