

EXECUTIVE OFFICE OF THE GOVERNOR



OFFICE OF THE CHIEF INSPECTOR GENERAL



**AUDIT OF THE OFFICE OF TOURISM, TRADE, AND ECONOMIC DEVELOPMENT'S MANAGEMENT
OF THE FUNDING AND PROGRAM AGREEMENTS WITH ENTERPRISE FLORIDA, INC.**

JULY 1, 2007 THROUGH DECEMBER 31, 2008

AUDIT NUMBER - 2009-09

JUNE 23, 2009



CHARLIE CRIST
GOVERNOR

STATE OF FLORIDA

Office of the Governor

THE CAPITOL
TALLAHASSEE, FLORIDA 32399-0001

www.flgov.com
850-488-7146
850-487-0801 fax

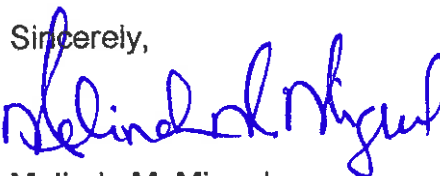
June 23, 2009

The Honorable Charlie Crist
Governor of Florida
The Capitol
Tallahassee, FL 32399-0001

Dear Governor Crist:

Enclosed is Audit Report No. 2009-09 detailing the findings from the audit of the Office of Tourism, Trade, and Economic Development's (OTTED) management of the Funding and Program Agreements with Enterprise Florida, Inc. for the period July 1, 2007, through December 31, 2008. The OTTED's response to the audit findings and recommendations is included in this report.

I am available to discuss this report with you at your convenience.

Sincerely,


Melinda M. Miguel
Chief Inspector General

MMM/lnb

Enclosure

cc: Eric Eikenberg, Chief of Staff
Dale Brill, Director, OTTED
David Martin, Auditor General

**AUDIT OF OFFICE OF TOURISM, TRADE, AND ECONOMIC DEVELOPMENT'S MANAGEMENT OF
THE FUNDING AND PROGRAM AGREEMENTS WITH ENTERPRISE FLORIDA, INC.
FOR FISCAL YEARS 2007-2008 AND 2008-2009**

INTRODUCTION

The Office of Tourism, Trade, and Economic Development (commonly referred to as OTTED) within the Executive Office of the Governor coordinates and administers various programs and activities in areas including business recruitment, creation, retention, and expansion; workforce development; minority and small business development; rural community development; retention of military bases; and promotion of international trade.

Enterprise Florida, Inc. (Enterprise Florida) is a not-for-profit corporation created by Section 288.9015, Florida Statutes, and was incorporated on February 18, 1993 as a public-private partnership to serve as the State's principal economic development organization. The partnership is intended to provide a means by which the private sector and government assume joint responsibility for the design and delivery of public programs and services. Section 14.2015, Florida Statutes, establishes the relationship between OTTED and Enterprise Florida.

OTTED annually receives legislative appropriations for grants and aids¹ programs and economic development projects. During the audit period, OTTED entered into Funding and Program Agreements (Agreements) with Enterprise Florida to administer the following:

- Grants and Aids Appropriations
 - Military Base Protection Program
 - Defense Infrastructure Program
 - Defense Reinvestment Program
 - Rural Infrastructure Program (a/k/a Regional Rural Development Grants)
 - Rural Strategic Marketing Plan
 - Florida International Business Expansion Initiative
 - Florida Trade and Exhibition Center
 - SE Japan Association
 - SEUS/Japan, Florida-Korea & Florida-China Association Conference
- Economic Development Projects Appropriation
 - CAMACOL²

OTTED monitors Enterprise Florida's activities and disburses appropriated funds quarterly in accordance with terms of the Agreements. The Agreement amount for Fiscal Year 2007-2008 was \$7,400,000 and for Fiscal Year 2008-2009, the amount was \$13,000,000, amended to

¹ "Grants and aids" means the appropriation category used to fund contributions to units of government or nonstate entities to be used for one or more specified purposes or activities. In addition, "Grants and aids to local governments and nonstate entities-fixed capital outlay" means the appropriation category used to fund grants to local units of governments or nonstate entities for the acquisition of real property (land, buildings, including appurtenances, fixtures and fixed equipment, structures, etc.); additions, replacements, major repairs, and renovations to real property which materially extend its useful life or materially improve or change its functional use; and operating capital outlay necessary to furnish and operate a new or improved facility.

² The Latin Chamber of Commerce of the United States.

\$12,229,547 in the 2009 Legislative Special Session. Enterprise Florida, in consultation with OTTED, selects the sub-recipients of the funds and determines the grant award amount, except where the General Appropriations Act identifies a specific entity and funding amount. Enterprise Florida administers the grant agreements with the sub-recipients to carry out the programs' objectives and disburses grant funds.

OVERALL CONCLUSION

Through our interviews we determined that the day-to-day working relationship between OTTED and Enterprise Florida is effective in exchanging valuable information; however, based on our review of documentation we determined that enhancements should be implemented by OTTED to ensure a more effective contract administration process. Policies and procedures need to be formalized, the review process for quarterly reports and invoices needs to be improved, and accountability over funds needs to be expanded.

ACKNOWLEDGEMENTS

The Office of the Chief Inspector General would like to extend our appreciation to the management and staff of the Executive Office of the Governor, OTTED and Enterprise Florida, for their assistance and cooperation extended to us during this audit.

SCOPE, OBJECTIVE AND METHODOLOGY

In accordance with the 2008-2009 annual work plan approved by Governor Charlie Crist for the Chief Inspector General's Office, the authority granted in Section 14.2015(3), Florida Statutes, to audit programs of public-private partnerships, and in response to a request from the Director of OTTED for technical assistance, we have conducted this audit of OTTED's administration of the Program and Funding Agreements with Enterprise Florida during the audit period July 1, 2007, through December 31, 2008. The objective of this audit was to evaluate the effectiveness of OTTED's contract administration process for ensuring compliance with provisions, deliverables, and other requirements outlined in the Agreements covering fiscal years 2007-2008 and 2008-2009.

This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors and the *Principles and Standards for Offices of Inspector General* published by the Association of Inspectors General. We reviewed applicable statutes and legislative appropriations along with Agreement documents, quarterly reports, invoices, and other deliverables submitted by Enterprise Florida to OTTED. We interviewed relevant staff from the Executive Office of the Governor, OTTED, and Enterprise Florida. We also analyzed financial data and made evaluations of the contract administration activities.

FINDINGS

OTTED's Agreements with Enterprise Florida specify that payments are to be made to Enterprise Florida in accordance with applicable Florida Statutes and the specific General

Appropriations Act provisions authorizing funds to be released for programs identified in the Agreements. The Agreements specify actual payments shall be made based on projected amounts to be disbursed by Enterprise Florida to sub-recipients in the next quarter.

The payment process is initiated when Enterprise Florida submits its quarterly reports and invoices to OTTED's Agreement administrator. The quarterly reports include the following for each program area: a summary of activities completed during the quarter, amounts requested for payment for the next quarter, a listing of all grant agreements executed during the quarter along with copies of each of the grant agreements, and accounting spreadsheets that identify the status of funds (allocated, spent, and available) for the programs for which payment is being requested. The administrator distributes the summaries of activities to the appropriate program managers in OTTED and instructs them to review the summaries. Upon completion of the program managers' reviews and approval of grant activity, the Agreement administrator notifies the Director of OTTED that the invoices have been approved and the amounts requested are required for the programs.

Through our interviews we determined that the day-to-day working relationship between OTTED and Enterprise Florida is effective in exchanging valuable information; however, based on our review of documentation we determined that enhancements should be implemented to ensure a more effective contract administration function. Our review disclosed the following:

- While OTTED staff verbally described the various aspects of the contract administration process, policies and procedures were not in writing. Having clear, detailed written policies and procedures ensures management's expectations are documented, roles and responsibilities of the Agreement administrator are defined, and program managers have the necessary guidance for reviewing and approving quarterly reports and invoices. Also, having policies and procedures in writing promotes consistency in the review process across program areas, provides more consistent transition in times of staff turnover and vacancies and improves the overall quality of contract administration.
- During our discussions with program managers, we noted that program managers do not receive a copy of the executed Agreements between Enterprise Florida and OTTED and do not always receive Enterprise Florida's executed sub-recipients' agreements to be used in verifying the quarterly reports. These documents describe the scope of work, basis for payment and required deliverables and are essential in monitoring Enterprise Florida's administration of the grant programs and verifying that the grants awarded achieve program objectives. Such information is needed by the program managers so they can be more effective in their review and approval of Enterprise Florida's request for payment and determination of compliance with key provisions of the Agreements.
- Good business practices for contract administration include verification of reported grant activity through on-site visits or other independent verification procedures. The Agreements provide that "OTTED may perform on-site reviews to independently validate any information or reports submitted to OTTED..." Although OTTED and Enterprise Florida personnel communicate on a regular basis regarding Enterprise Florida and sub-recipient grant activities, OTTED staff do not currently perform any reviews of Enterprise Florida's files. Besides providing a means of verifying the accuracy of information reported by Enterprise Florida, such reviews provide greater assurance of Enterprise Florida's compliance with the terms of the Agreements'.

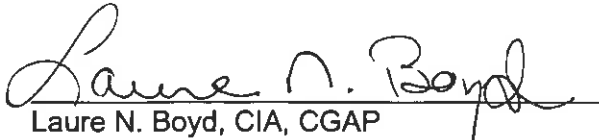
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- OTTED's tracking system for funds disbursed under the Agreements should be enhanced to include a methodology for verifying funds being held by Enterprise Florida and accounting for all appropriated funds. An effective methodology would include the following:
 - Identifying quarterly disbursements made by Enterprise Florida to sub-recipients for all programs for all fiscal years;
 - Identifying quarterly for all programs, the amount of funds not expended in one year from a particular appropriation which were transferred to another year;
 - Identifying quarterly any funds on hand and funds not obligated by Enterprise Florida to a grant agreement for all programs for all fiscal years; and,
 - Specifying a timeframe for Enterprise Florida to return unobligated funds to OTTED.

RECOMMENDATIONS


We offer the following recommendations for improvement of OTTED's contract administration process:

1. OTTED should put policies and procedures for contract administration in writing. The formalized procedures should address the duties and responsibilities of the Agreement administrator and the program managers, specific tasks to be performed in the review of the quarterly report, the methodology for approving invoices for payment, the process for verifying that deliverables are provided in accordance with requirements of the Agreements, and the requirements for documenting contract administration activities.
2. To ensure that the program managers have information available to verify Enterprise Florida's compliance with provisions of the Agreement, the Agreement administrator should ensure that each program manager is provided copies of the Agreement and applicable sub-recipient agreements or, alternatively, a listing of the deliverables required to be submitted by Enterprise Florida before payment can be approved.
3. To independently validate information submitted by Enterprise Florida, OTTED should perform prompt on-site reviews of Enterprise Florida's files related to the Agreements and sub-recipient grant agreements. As an alternative, OTTED should routinely require Enterprise Florida to submit copies of their files to OTTED for prompt, documented review.
4. OTTED should enhance its system for tracking grant program funds through the collection and verification of data, which includes at a minimum those items specified in the finding above.
5. OTTED should establish and implement a policy specifying circumstances and a time frame for Enterprise Florida to return unspent funds to OTTED.

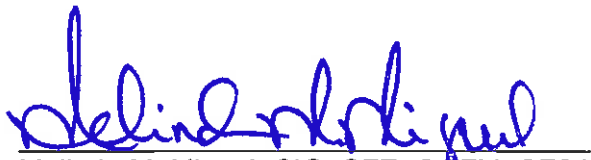
Audit Performed by:


Laure N. Boyd, CIA, CGAP
Audit Manager

Audit Reviewed by:


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

Audit Approved by:


Melinda M. Miguel, CIG, CFE, CGFM, CFSA, PMP
Chief Inspector General



CHARLIE CRIST
GOVERNOR

STATE OF FLORIDA

Office of the Governor

THE CAPITOL
TALLAHASSEE, FLORIDA 32399-0001

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850-488-7146
850-487-0801 fax

June 6, 2009

Ms. Melinda L. Miguel
Chief Inspector General
Executive Office of the Governor, the Capitol
Tallahassee, FL 32399-0001

Dear Ms. Miguel:

Thank you for the opportunity to review and comment on the audit of the Office of Tourism, Trade, and Economic Development's (OTTED) management of the Funding and Program Agreements (Administration Contract) with Enterprise Florida, Incorporated (EFI), for fiscal years 2007-2008 and 2008-2009.

In general, OTTED finds the report to be a sound and thorough evaluation of its Administration Contract with EFI and concurs with the findings. As such, the office notes the suggested enhancements set forth in the "Findings" and "Recommendations" sections and will begin work immediately with EFI to improve the deliverables review process, to underpin the accountability of encumbered and disbursed funds, and to the extent possible, to better formalize the appropriate policies and procedures regarding this contract. As observed during your review, OTTED had already taken steps in anticipation of the need to improve process and procedures. For example, OTTED conducted previous internal reviews in pursuit of continuous improvement. This led to the hiring of additional staff to assist with the implementation of enhancements that were identified. Moving forward OTTED will pursue additional improvements as recommended:

- Program managers will receive copies of the appropriate contracts(s);
- Reviews of the EFI files related to the contract(s) will be documented, and subject to the availability of travel funds, on-site visits will be increased;
- Data relating to grant program funds dispensed to EFI will be verified.

I am personally grateful for the professional manner in which your team conducted the review. If you have any questions or would like to discuss any item in further detail, please feel free to contact me at 850-487-2568.

Sincerely,

Dale A. Brill, Ph.D.
Director
Office of Tourism, Trade and Economic Development
Executive Office of the Governor

cc: Eric Eikenberg, Chief of Staff, Executive Office of the Governor
John A. Adams Jr., President and CEO, EFI
Michelle Dennard, Legal Counsel, OTTED
Michelle Miller, Contract Manager, EFI