

MIKE HARIDOPoulos
President



DEAN CANNON
Speaker



Joint Legislative Auditing Committee

Senator Jim Norman, Chair
Representative Debbie Mayfield, Vice Chair

Meeting Packet
Monday, March 28, 2011
10:15 a.m. to 11:45 a.m.
309 Capitol

AGENDA
JOINT LEGISLATIVE AUDITING COMMITTEE

DATE: Monday, March 28, 2011

TIME: 10:15 a.m. to 11:45 a.m.

PLACE: Room 309 Capitol

MEMBERS:

Senator Jim Norman, Chair

Representative Debbie Mayfield, Vice Chair

Senator Arthenia L. Joyner

Senator Evelyn J. Lynn

Senator Maria Lorts Sachs

Senator Stephen R. Wise

Representative Larry Ahern

Representative Michael Bileca

Representative Daphne D. Campbell

Representative Jeff Clemens

Representative Shawn Harrison

Introduction of Members and Staff

Discussion of Committee Responsibilities

Overview of the Office of the Auditor General: Presentation by David W. Martin, Auditor General

Overview of the Office of Program Policy Analysis and Government Accountability (OPPAGA): Presentation by Kathy McGuire, OPPAGA Acting Coordinator

Discussion of a certified petition request, received pursuant to s. 11.45(5), F.S., for an audit of the Village of Islamorada

Discussion of a request for an audit of the City of Lake Worth's Sub-regional Sewer System received from the City of Lake Worth and on behalf of six Palm Beach County municipalities and Palm Beach State College

Presentation of Auditor General Report No. 2011-069, Payroll and Personnel Administrative Processes at Selected State Agencies - Operational Audit

Presentation of OPPAGA Report No. 10-53, Most Local Governments Participating in the Expedited Review Process Report Benefits

**Introduction of Members
and Staff**

2011 – 2012 JLAC MEMBERS

SENATE

Jim Norman, Alternating Chair

R; District 12; Parts of Hillsborough and Pasco
District Office: Tampa
Elected to the Senate in 2010
Hillsborough Co. Commission 1992-2010

Arthenia L. Joyner

D; District 18; Parts of Hillsborough, Manatee & Pinellas
District Office: Tampa
Elected to the Senate in 2006
Served in the House 2000-2006
Attorney

Evelyn J. Lynn

R; District 7; Parts of Clay, Marion, Putnam & Volusia
District Office: Daytona Beach
Elected to the Senate in 2002
Served in House 1994-2002
Legislator, Consultant

Maria Lorts Sachs

D; District 30; Parts of Broward & Palm Beach
District Office: Delray
Elected to the Senate in 2010
Served in House 2006-2010
Attorney, Constitutional Law

Stephen R. Wise

R; District 5; Parts of Clay, Duval, Nassau & St. Johns
District Office: Jacksonville
Elected to the Senate 9/25/01
Served in House 1988-2000
Consultant, Retired Educator

HOUSE

Debbie Mayfield, Alternating Chair

R; District 80; Parts of Brevard, Indian River & St. Lucie
District Office: Vero Beach
Elected to the House in 2008
Marketing Consultant

Larry Ahern

R; District 51; Part of Pinellas
District Office: St. Petersburg
Elected to the House in 2010
Small Business Owner

Michael Bileca

R; District 117; Part of Miami-Dade
District Office: West Miami
Elected to the House in 2010
Entrepreneur

Daphne D. Campbell

D; District 108; Part of Miami-Dade
District Office: Miami Shores
Elected to the House in 2010
Registered Nurse

Jeff Clemens

D; District 89; Part of Palm Beach
District Office: Lake Worth
Elected to the House in 2010
Energy Contracting

Shawn Harrison

R; District 60; Parts of Hillsborough, Pasco
District Office: Temple Terrace
Elected to the House in 2010
Attorney, Business Owner

Joint Legislative Auditing Committee

COMMITTEE OFFICE

Room 876, Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1400

Phone: (850) 487-4110
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E-mail: jlac@leg.state.fl.us

Website: www.leg.state.fl.us/committees/jlac
(can access from House and Senate Committee Pages and Online Sunshine)

STAFF

Kathy DuBose, Acting Coordinator
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Debbie White, CPA, Legislative Analyst
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Cathy Boyett, Administrative Assistant
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Committee Responsibilities

Legislative Auditing Committee Overview

Effective March 2011, the committee is established by joint rule and its membership consists of between five and seven members from each house.¹ [J.R. 4.1(1)(c) & (3)]

In general, the responsibilities of the committee relate to oversight of state and local governments, educational entities, and state funds appropriated to non-governmental entities. A summary of the committee's responsibilities follows.

Committee Responsibilities Related to the Auditor General

- Required to appoint the Auditor General, appointment subject to confirmation by Legislature² [s. 11.42(2) F.S.]
- Authorized to review the performance of the Auditor General [J. R. 4.5(3)]
- Authorized to establish general policies for the Office of the Auditor General [s. 11.45(2), F.S.]
- Authorized to direct the office to conduct an audit, review, or examination of any entity described in s. 11.45(2) or (3), F.S.³ [J.R. 4.5(1)]
- Authorized to investigate any matter within the scope of an audit or examination completed or being conducted by the Auditor General [s. 11.40(4)(a), F.S.]

Committee Responsibilities Related to the Office of Program Policy Analysis and Government Accountability (OPPAGA)

- Authorized to direct the office to conduct an audit, review, or examination of any entity described in s. 11.45(2) or (3), F.S.⁴ [J.R. 4.5(1)]
- Authorized to investigate any matter within the scope of a review completed or being conducted by OPPAGA [s. 11.40(4)(a), F.S.]

Committee Responsibilities Related to Local Governmental Entities

- Authorized to direct the Department of Revenue and the Department of Financial Services to withhold revenue from counties and municipalities that fail to file required financial reports [s. 11.40(5), F.S.]⁵
- Authorized to direct the Department of Community Affairs to proceed with legal action against special districts that fail to file required financial reports [s. 11.40(5), F.S.]
- Required to be notified when a local governmental entity meets or is expected to meet a condition of a financial emergency [ss. 218.503 and 11.45(7)(e), F.S.]
- Authorized to direct audits or reviews of local governments [J.R. 4.5(1)]
- Authorized to investigate any matter within the scope of an audit, examination, or review of a local governmental entity conducted by the Auditor General or OPPAGA [s. 11.40(4)(a), F.S.]

¹ The committee has been created in law since 1967. During the 2011 Legislative Session, the Senate and the House of Representatives passed a reform package which included revisions to laws and joint rules related to the committee. Once the act is approved by the Governor, the language related to the statutory creation of the committee in s. 11.40(1), F.S., will be repealed.

² The committee is not required to appoint an Auditor General unless there is a vacancy in the position.

³ These entities include any governmental entity created or established in law; non-governmental entity that receives state financial assistance; and non-governmental agency, corporation, or person that receives an appropriation by the Legislature.

⁴ Ibid.

⁵ Subsections of s. 11.40 F.S., included in this document, will be renumbered once Senate Bill 1204, passed during the 2011 Legislative Session, is approved by the Governor.

Committee Responsibilities Related to State Agencies

- Within six months of the release of an Auditor General audit or OPPAGA review, most state agencies are required to provide the committee with the status of corrective action taken in response to audit/report findings [s. 20.055(5)(h), F.S.]
- Authorized to direct an audit or review of state agencies [J.R. 4.5(1)]
- Authorized to investigate any matter within the scope of an audit, examination, or review of a state agency conducted by the Auditor General or OPPAGA [s. 11.40(4)(a), F.S.]

Committee Responsibilities Related to School Districts, Charter Schools, and Charter Technical Career Centers

- Authorized to direct the Department of Revenue and the Department of Financial Services to withhold revenue from school districts that fail to file required financial reports [s. 11.40(5), F.S.]
- Authorized to notify the appropriate sponsoring entity of a charter school or charter technical career center for charter schools and charter technical career centers that fail to file required financial reports. The sponsoring entity is then authorized to terminate the charter pursuant to s. 1002.33 and 1002.34, F.S. [s. 11.40(5)(c), F.S.]
- Authorized to direct an audit or review of school districts,⁶ charter schools, and charter technical career centers [J.R. 4.5(1)]
- Authorized to investigate any matter within the scope of an audit, examination, or review of a school district, charter school, or charter technical career center conducted by the Auditor General or OPPAGA [s. 11.40(4)(a), F.S.]

Committee Responsibilities Related to Transparency Florida Website

- Required to report on the progress in establishing the website and make recommendations for enhancement of the content and format of the website; next report due November 1, 2011 [s. 215.985(14), F.S.]

Other Committee Responsibilities and Activities

- Numerous entities are required to submit reports to the committee [numerous sections of law]
- Staff assist government officials and citizens with concerns regarding potential misuse of public funds and other complaints

⁶ The Auditor General is required by law to conduct an annual audit of school districts in counties with a population less than 150,000 and every three years in counties with a larger population.

JOINT RULE FOUR OF THE FLORIDA LEGISLATURE JOINT COMMITTEES

4.1—Standing Joint Committees

(1) The following standing joint committees are established:

- (a) Administrative Procedures Committee.
- (b) Committee on Public Counsel Oversight.
- (c) Legislative Auditing Committee.

(2) No other joint committee shall exist except as agreed to by the presiding officers or by concurrent resolution approved by the Senate and the House of Representatives.

(3) Appointments to each standing joint committee shall be made or altered and vacancies shall be filled by the Senate and the House of Representatives in accordance with their respective rules. There shall be appointed to each standing joint committee no fewer than five and no more than seven members from each house.

(4)(a) The President of the Senate shall appoint a member of the Senate to serve as the chair, and the Speaker of the House of Representatives shall appoint a member of the House of Representatives to serve as the vice chair for:

1. The Legislative Auditing Committee and the Committee on Public Counsel Oversight, for the period from the Organization Session until noon on December 1 of the calendar year following the general election.

2. The Administrative Procedures Committee for the period from noon on December 1 of the calendar year following the general election until the next general election.

(b) The Speaker of the House of Representatives shall appoint a member of the House of Representatives to serve as the chair, and the President of the Senate shall appoint a member of the Senate to serve as the vice chair for:

1. The Legislative Auditing Committee and the Committee on Public Counsel Oversight, for the period from noon on December 1 of the calendar year following the general election until the next general election.

2. The Administrative Procedures Committee for the period from the Organization Session until noon on December 1 of the calendar year following the general election.

(c) A vacancy in an appointed chair or vice chair shall be filled in the same manner as the original appointment.

4.2—Procedures in Joint Committees

The following rules shall govern procedures in joint committees other than conference committees:

(1) A quorum for a joint committee shall be a majority of the appointees of each house. No business of any type may be conducted in the absence of a quorum.

(2)(a) Joint committees shall meet only within the dates, times, and locations authorized by both the President of the Senate and the Speaker of the House of Representatives.

(b) Joint committee meetings shall meet at the call of the chair. In the absence of the chair, the vice chair shall assume the duty to convene and preside over meetings and such other duties as provided by law or joint rule. During a meeting properly convened, the presiding chair may temporarily assign the duty to preside at that meeting to another joint committee member until the assignment is relinquished or revoked.

(c) Before any joint committee may hold a meeting, a notice of such meeting shall be provided to the Secretary of the Senate and the Clerk of the House of Representatives no later than 4:30 p.m. of the 7th day before the meeting. For purposes of effecting notice to members of the house to which the chair does not belong, notice to the Secretary of the Senate shall be deemed notice to members of the Senate and notice to the Clerk of the House shall be deemed notice to members of the House of Representatives. Noticed meetings may be canceled by the chair with the approval of at least one presiding officer.

(d) If a majority of its members from each house agree, a joint committee may continue a properly noticed meeting after the expiration of the time called for the meeting. However, a joint committee may not meet beyond the time authorized by the presiding officers without special leave granted by both presiding officers.

(3) The presiding officers shall interpret, apply, and enforce rules governing joint committees by agreement when the rule at issue is a joint rule. Unless otherwise determined or overruled by an agreement of the presiding officers, the chair shall determine all questions of order arising in joint committee meetings, but such determinations may be appealed to the committee during the meeting.

(4) Each question, including any appeal of a ruling of the chair, shall be decided by a majority vote of the members of the joint committee of each house present and voting.

4.3—Powers of Joint Committees

(1) A joint committee may exercise the subpoena powers vested by law in a standing committee of the Legislature. A subpoena issued under this rule must be approved and signed by the President of the Senate and the Speaker of the House of Representatives and attested by the Secretary of the Senate and the Clerk of the House.

(2) A joint committee may adopt rules of procedure that do not conflict with the Florida Constitution or any law or joint rule, subject to the joint approval of the President of the Senate and the Speaker of the House of Representatives.

(3) A joint committee may not create subcommittees or workgroups unless authorized by both presiding officers.

4.4—Administration of Joint Committees

(1) Within the monetary limitations of the approved operating budget, the expenses of the members and the salaries and expenses of the staff of each joint committee shall be governed by joint policies adopted under Joint Rule 3.2. Within such operating budget, the chair of each joint committee shall approve all authorized member expenses.

(2) Subject to joint policies adopted under Joint Rule 3.2, the presiding officers shall appoint and remove the staff director and, if needed, a general counsel and any other staff necessary to assist each joint committee. All joint committee staff shall serve at the pleasure of the presiding officers. Upon the initial adoption of these joint rules in a biennium, each joint committee staff director position shall be deemed vacant until an appointment is made.

4.5—Special Powers and Duties of the Legislative Auditing Committee

(1) The Legislative Auditing Committee may direct the Auditor General or the Office of Program Policy Analysis and Government Accountability to conduct an audit, review, or examination of any entity or record described in s. 11.45(2) or (3), Florida Statutes.

(2) The Legislative Auditing Committee may receive requests for audits and reviews from legislators and any audit request, petition for audit, or other matter for investigation directed or referred to it pursuant to general law. The committee may make any appropriate disposition of such requests or referrals and shall, within a reasonable time, report to the requesting party the disposition of any audit request.

(3) The Legislative Auditing Committee may review the performance of the Auditor General and report thereon to the Senate and the House of Representatives.

The remaining language in Joint Rule Four (4.6 and 4.7) is not included. It relates to special powers and duties of the Administrative Procedures Committee and the Committee on Public Counsel Oversight.

Florida Auditor General - Overview

Joint Legislative Auditing Committee
March 2011



Constitutional and Statutory Audit Authority

- ❑ Constitution – Article III, Section 2
- ❑ Conduct audits of the public records as authorized pursuant to –
 - Law
 - Concurrent resolution of the Legislature
 - Legislative Auditing Committee
 - Discretionary authority of the Auditor General

March 2011

Florida Auditor General



Audit Divisions

- State Government Audits
 - Don Hancock, CPA, Deputy Auditor General
- Educational Entities and Local Government Audits
 - Ted Sauerbeck, CPA, Deputy Auditor General
- Information Technology Audits
 - Dorothy Gilbert, CPA, Deputy Auditor General

March 2011

Florida Auditor General



Financial Audits

- Audit scope and objectives
 - Express an opinion on the fairness with which the financial statements are presented in conformity with generally accepted accounting principles
 - Determine whether operations are conducted in accordance with legal and regulatory requirements material to the financial statements

March 2011

Florida Auditor General



Financial Audits

- Audit scope and objectives (cont'd)
 - Express an opinion on major Federal program compliance in accordance with the Federal Single Audit Act

March 2011

Florida Auditor General



Operational Audits

- Scope - variable
- Audit objectives
 - Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, contracts and grant agreements

March 2011

Florida Auditor General



Operational Audits

- Audit objectives (cont'd)
 - Examine internal control designed and placed in operation by management to achieve
 - Compliance with applicable legal requirements
 - Economic and efficient operations
 - Reliable financial records and reports
 - Safeguarding of assets
 - Identify and report on weaknesses in internal control

March 2011

Florida Auditor General



State Government Audits

- Financial Statement and Federal Awards Audit
 - State of Florida
 - Includes all state agencies, universities and colleges
- Other Financial Statement Audits
 - Department of the Lottery
 - State Board of Administration – Local Government Investment Pool

March 2011

Florida Auditor General



State Government Audits

□ Operational Audits

- State agencies (Executive and Judicial branch)
- Department of the Lottery
- Wireless Emergency Telephone System Fund
- Florida Clerks of Court Corporation
- Department of Revenue – Ad Valorem Tax Laws
- Citizens Property Insurance Corporation
- Reviews of State Agency Internal Audit Functions

March 2011

Florida Auditor General



Educational Entity Audits

□ Financial Statement, Operational, and Federal Awards Audits

- District school boards (in counties with populations of less than 150,000) -- conducted annually
- District school boards (in counties with populations of 150,000 or more) – conducted triennially

March 2011

Florida Auditor General



Educational Entity Audits

- Financial Statement Audit
 - Universities
 - Colleges
- Operational Audits
 - Florida School for the Deaf and the Blind
 - Universities
 - Colleges

March 2011

Florida Auditor General



Educational Entity Audits

- Attestation Engagements (Operational)
 - Florida Education Finance Program – District school boards

March 2011

Florida Auditor General



Local Government Audits

- Operational Audits
 - Local Government Financial Reporting System
 - Summary of Audit Findings and Financial Trends
 - Local governments; district school boards; and charter schools
 - Review of Audit Reports
 - Local governments; district school boards; and charter schools

March 2011

Florida Auditor General



Information Technology Audits

- Operational audits of major State IT systems, examples -
 - FLAIR
 - FLORIDA System
 - UI program
 - SUNTAX
 - MyFloridaMarketplace

March 2011

Florida Auditor General



Information Technology Audits

- Audit support for financial and operational audits
 - State agencies
 - Universities
 - Colleges
 - District school boards

March 2011

Florida Auditor General



Special Audits

- Audits directed by the Legislative Auditing Committee
 - Municipalities
 - Local referendum
 - Other
- Audits requested by local governments

March 2011

Florida Auditor General



Rules of the Auditor General

- Applicable to audits of
 - Local governments
 - District school boards
 - Charter schools
 - State Financial Assistance
 - Nonprofit and for-profit entities

March 2011

Florida Auditor General



Audit Reports Issued

November 1, 2009, through October 31, 2010

- Over 190 audit reports -
 - State of Florida financial statement and Federal awards audits
 - Financial statement audits of Department of the Lottery and SBA Local Government Investment Pool
 - Financial statement audits of all universities and colleges and 51 district school boards
 - 65 operational audits of State agencies, educational entities, local governments, and information technology systems
 - 24 audits of reported student populations by school districts

March 2011

Florida Auditor General



Statutory Recommendations

Section 11.45(7)(h), Florida Statutes

- Amend Section 218.39, Florida Statutes, to specify the financial statements to be used to determine whether an entity meets the audit threshold.
 - Audit Manager: Marilyn D. Rosetti, CPA

March 2011

Florida Auditor General



Statutory Recommendations

Section 11.45(7)(h), Florida Statutes

- Amend Sections 218.503, 1011.051, and 1011.64, Florida Statutes, to replace the term “unreserved” with current accounting terminology.
 - Audit Report Nos.: 2011-027 and 2011-028
 - Deputy Auditor General: Ted J. Sauerbeck, CPA

March 2011

Florida Auditor General



Statutory Recommendations

Section 11.45(7)(h), Florida Statutes

- Consider amending Section 218.39, Florida Statutes, to encourage local governments to address audit findings.
 - Audit Report Nos.: 2010-133, 2011-027, and 2011-028
 - Audit Manager: Marilyn D. Rosetti, CPA

March 2011

Florida Auditor General



Statutory Recommendations

Section 11.45(7)(h), Florida Statutes

- Consider amending Section 1009.53(5), Florida Statutes, to require biennial, rather than annual, audit of the Bright Futures Program or require an audit only when an institution expends more than a threshold dollar amount.
 - Deputy Auditor General: Ted J. Sauerbeck, CPA

March 2011

Florida Auditor General



Statutory Recommendations

Section 11.45(7)(h), Florida Statutes

- Consider amending Section 16.53(7), Florida Statutes, to clarify the statutory minimum fund balance allowable in the Legal Affairs Trust Fund.
 - Audit Report No.: 2010-200
 - Audit Manager: Jane H. Flowers, CPA

March 2011

Florida Auditor General



Statutory Recommendations

Section 11.45(7)(h), Florida Statutes

- Consider amending Section 455.2281, Florida Statutes, to provide the Department of Business and Professional Regulation flexibility in setting fees that are commensurate with unlicensed activity regulation costs and risks.
 - Audit Report No.: 2010-045
 - Audit Manager: Christi Alexander, CPA

March 2011

Florida Auditor General



Statutory Recommendations

Section 11.45(7)(h), Florida Statutes

- Consider revising Section Section 280.071, Florida Statutes, as needed to establish an active, functional Qualified Public Depository Oversight Board.
 - Audit Report No. 2010-049
 - Audit Manager: Christi V. Alexander, CPA

March 2011

Florida Auditor General



Statutory Recommendations

Section 11.45(7)(h), Florida Statutes

- Internal controls
 - Consider amending Section 20.05, Florida Statutes, to establish in law the responsibility of each agency head for the maintenance of internal controls.
 - Deputy Auditor General: Donald R. Hancock, CPA

March 2011

Florida Auditor General



Questions?

March 2011

Florida Auditor General





OPPAGA

The Legislature's Policy Research Office

Joint Legislative Auditing Committee
March 28, 2011

Kathy McGuire, Acting Coordinator

Florida Legislature Office of Program Policy Analysis & Governmental Accountability

Overview

- Who we are
- How we can help provide the information you need

Florida Legislature Office of Program Policy Analysis & Governmental Accountability

2

What is OPPAGA?

**A non-partisan office of
the Legislature
that provides data,
evaluative research, and
objective analyses to assist
legislative budget and policy
deliberations**

Florida Legislature Office of Program Policy Analysis & Government Accountability

3

Where do we fit in?

- **Joint office that reports to
leadership of the House
and Senate**
- **Work directed by law,
leadership, and JLAC**

Florida Legislature Office of Program Policy Analysis & Government Accountability

4

How we can help

- **Research on approved topics**
- **Resources for answering constituent questions**
- **Updates on key issues**

Florida Legislature Office of Program Policy Analysis & Government Accountability

5

Research Approved Topics

- **Published reports**
- **Research memoranda**

- **Requests to presiding officers or JLAC**

Florida Legislature Office of Program Policy Analysis & Government Accountability

6

Published Reports

- **Performance or policy reviews**
- **66 reports in 2010**
- **Focus on making government better, faster, cheaper**

Florida Legislature Office of Program Policy Analysis & Government Accountability

7


Published Reports

- **Options or recommendations**
- **Since 1998, state has saved over \$827 million by acting on these recommendations and options**

Florida Legislature Office of Program Policy Analysis & Government Accountability

8

Published Reports

- New “PolicyCasts” 
- Progress Reports
 - About 2 years later
 - Have issues been resolved?
 - 71% implemented

Research Memoranda

- Address specific questions of members and committees
- Generally provided through briefings or memoranda
- Expect to provide around 120 this year

Constituent Questions

GPS (Government Program Summaries)

- **Who do I call for child support information?**
- **What happens if my child has been arrested?**
- **How are doctors regulated?**

Constituent Questions

GPS (Government Program Summaries)

- **Online encyclopedia of 200+ key state programs**
- **Descriptions, contacts, and links to related and evaluative reports and websites**

Member Key Issues

Breaking News and Research

- OPPAGA Reports & PolicyCasts
- *The Florida Monitor Weekly*
- Monthly E-Alerts
- Twitter

Member Key Issues

The Florida Monitor Weekly

- A weekly electronic newsletter highlighting new policy research and articles of interest to members



Member Key Issues

Monthly E-Alert

- Monthly update on all OPPAGA reports recently released, about to be released, and in progress



Office of Program Policy Analysis & Government Accountability
January 2010

OPPGAGA
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Program Report to Issue	Continuation of Program of Financial Accountability of Governmental Accounting, and Public Accounting and Finance Reporting and Audit
Program Report to Issue	Final of Day Periodic Financial Report for Accounting and Finance of the Government and Public Accounting and Finance Reporting and Audit
Program Report to Issue	Continuation of Program of Financial Accountability of Governmental Accounting, and Public Accounting and Finance Reporting and Audit
Program Report to Issue	Continuation of Program of Financial Accountability of Governmental Accounting, and Public Accounting and Finance Reporting and Audit
Program Report to Issue	Continuation of Program of Financial Accountability of Governmental Accounting, and Public Accounting and Finance Reporting and Audit
Program Report to Issue	Continuation of Program of Financial Accountability of Governmental Accounting, and Public Accounting and Finance Reporting and Audit

Member Key Issues

Twitter

- Announce all reports, *Florida Monitor Weekly*, E-Alerts, and news through Twitter



Contact OPPAGA

Call us

- Main office number - (850) 488-0021
- Contact list for policy area staff directors

Visit us on-line

www.oppaga.fl.gov

oppaga

Key Legislative Contacts



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Key Legislative Contacts by Area

Criminal Justice

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Attorney General	Justice Administrative Commission	PRIDE
Capital Collateral Regional Counsels	Juvenile Justice	Public Defenders
Correctional Medical Authority	Law Enforcement	State Attorneys
Corrections	Parole Commission	State Courts System

Government Operations

Kara Collins-Gomez, Staff Director ▪ Office: (850) 487-4257 ▪ Email: collins-gomez.kara@oppaga.fl.gov

Agriculture and Consumer Services	Fish and Wildlife Conservation	Revenue
Business and Professional Regulation	Governor's Office	State
Citrus	Highway Safety and Motor Vehicles	State Board of Administration
Community Affairs	Management Services	Transportation
Environmental Protection	Military Affairs	Water Management Districts
Financial Services	Public Service Commission	Workforce Innovation

Education

Tim Elwell, Staff Director ▪ Office: (850) 487-9228 ▪ Email: elwell.tim@oppaga.fl.gov

Board of Governors	Lottery
Community Colleges	Non-Public Institutions
Education	School Districts
Florida College System	State Universities

Health and Human Services

Jennifer Johnson, Staff Director ▪ Office: (850) 488-1023 ▪ Email: johnson.jennifer@oppaga.fl.gov

Children and Family Services	Health Care Administration
Elder Affairs	Persons With Disabilities
Health	Veterans' Affairs



OPPAGA Reports Published in 2010

Report No.	Report Title by Agency (Publication Date)
Administration, State Board of	
10-60	<i>The Florida Growth Fund Added Investments in 2010, but It Is Still Too Early to Assess Total Economic Impact</i> (December 2010)
10-19	<i>Florida Retirement System Funds and Investment Returns Declined with the Economy; the SBA Reports That Its Investment Strategy Is Designed to Withstand Losses</i> (February 2010)
Board of Governors of the State University System	
10-41	<i>Increased Accountability and Oversight of University Centers and Institutes Is Needed</i> (May 2010)
10-37	<i>Supplemental Report: Profiles of State University Health Centers</i> (April 2010)
10-14	<i>Since Implementing Statutory Changes, the State Board of Nursing Has Approved More Nursing Programs; the Legislature Should Address Implementation Issues</i> (January 2010)
10-01	<i>Most AA Graduates Pursue Baccalaureate Degrees, but Many Lack Information About Articulation Policies</i> (January 2010)
Business and Professional Regulation, Department of	
10-21	<i>Options to Modify Harbor Pilot Oversight Could Improve Regulation and Rate Setting</i> (February 2010)
10-20	<i>Limited Data Is Available Regarding Number of Mandatory Homeowners Associations; Options Exist for Information Gathering and State Oversight</i> (February 2010)
10-03	<i>DBPR Increased Unlicensed Construction Enforcement Efforts; Electronic Submission Could Improve Complaint Processing</i> (January 2010)
Children and Families, Department of	
10-47	<i>DCF and Lead Agencies Have Made Progress in Reducing Barriers to Successful Adoptions</i> (July 2010)
10-40	<i>Insufficient Information Available to Fully Assess the Success of the Self-Directed Care Program</i> (April 2010)
10-30	<i>DCF Has Improved Some Aspects of Independent Living Program Oversight; Other Long-Standing Problems Remain</i> (March 2010)
10-10	<i>Profile of Florida's Medicaid Home and Community-Based Services Waivers</i> (January 2010)
Community Affairs, Department of	
10-58	<i>Few Local Governments Have Adopted Optional Recreational Surface Water Use Policies</i> (November 2010)
10-53	<i>Most Local Governments Participating in the Expedited Review Process Report Benefits</i> (September 2010)
10-25	<i>Pinellas County Should Track Fire and EMS Costs to Set Benchmarks, Control Costs, and Evaluate Alternative Service Delivery Models</i> (February 2010)
Corrections, Department of	
10-66	<i>Pretrial Release Programs' Data Collection Methods and Requirements Could Improve</i> (December 2010)
10-39	<i>Zero Tolerance Policy Rescinded and Alternatives Implemented to Address Technical Violations</i> (April 2010)
10-27	<i>Intermediate Sanctions for Non-Violent Offenders Could Produce Savings</i> (March 2010)
10-08	<i>Pretrial Release Programs' Compliance With New Reporting Requirements Is Mixed</i> (January 2010)

Report No.	Report Title by Agency (Publication Date)
Education, Department of	
10-65	<i>Profile of Florida's Public Workforce Education Program Providers by Service Area</i> (December 2010)
10-63	<i>Colleges Perform Slightly Better Than School Districts in Career Education; Neither Clearly Outperforms in Adult Education</i> (December 2010)
10-62	<i>Consolidating Workforce Education Would Bring More Uniformity; Mixed Results on Whether Evidence Supports Other Stakeholder Arguments</i> (December 2010)
10-61	<i>School Districts and Colleges Share Responsibility for Workforce Education; Duplication Is Minimal</i> (December 2010)
10-57	<i>Steps Taken to Improve the VPK Program; Additional Actions Needed To Increase Program Accountability</i> (November 2010)
10-56	<i>Many Florida Programs Enhance Students' Career and College Readiness</i> (November 2010)
10-55	<i>Juvenile Justice Students Face Barriers to High School Graduation and Job Training</i> (October 2010)
10-52	<i>DOE Improved the Statewide Course Numbering System; Oversight and Accuracy Issues Remain</i> (September 2010)
10-51	<i>Legislature Clarified Responsibility for Educating Exceptional Students in Residential Facilities</i> (August 2010)
10-49	<i>Florida Colleges and Universities Are Addressing Textbook Affordability</i> (July 2010)
10-48	<i>Steps Taken to Improve FACTS; Better Information on Postsecondary Student Use Is Still Needed</i> (July 2010)
10-43	<i>University Implementation and State Oversight of Common Program Prerequisites Has Improved</i> (May 2010)
10-36	<i>Some Progress Made in Monitoring Services for Gifted Students; Additional Steps Needed</i> (April 2010)
10-35	<i>Profile of Changes to Florida's Public Career Education Program Offerings</i> (April 2010)
10-34	<i>School Districts and Florida College System Institutions Frequently Change Their Career Education Programs</i> (April 2010)
10-26	<i>Florida Should Not Use the Targeted Occupations Lists as the Sole Criteria to Fund Career Education Programs</i> (March 2010)
10-24	<i>Funding Model for Career and Adult Education Is Reasonable but Needs Some Improvements</i> (February 2010)
10-18	<i>Public Career Education Programs Differ From Private Programs on Their Admission Requirements, Costs, Financial Aid Availability, and Student Outcomes</i> (January 2010)
10-12	<i>911 Call Center Training in Florida Varies; Options Exist for Creating Minimum Standards</i> (January 2010)
10-07	<i>Youth Entering the State's Juvenile Justice Programs Have Substantial Educational Deficits; Available Data Is Insufficient to Assess Learning Gains of Students</i> (January 2010)
Elder Affairs, Department of	
10-33	<i>The State Could Consider Several Options to Maximize Its Use of Funds for Medicaid Home and Community-Based Services</i> (March 2010)
10-23	<i>The Alzheimer's Disease Waiver Program Does Not Delay Nursing Home Entry More Effectively Than Other Waivers and Costs the State More Per Participant Than Most Waivers That Serve Similar Persons</i> (February 2010)
10-09	<i>Number of For-Profit Hospices Has Grown; Current Measures and Standards Are Not Sufficient to Assess Hospice Quality</i> (January 2010)
Executive Office of the Governor	
10-05	<i>Biotechnology Clusters Developing Slowly; Startup Assistance May Encourage Growth</i> (January 2010)
Financial Services, Department of	
10-06	<i>Public Adjuster Representation in Citizens Property Insurance Corporation Claims Extends the Time to Reach a Settlement and Also Increases Payments to Citizens' Policyholders</i> (January 2010)
Health Care Administration, Agency for	
10-32	<i>Enhanced Detection, Stronger Sanctions, Managed Care Fiscal Safeguards, and a Fraud and Abuse Strategic Plan Are Needed to Further Protect Medicaid Funds</i> (March 2010)
Highway Safety and Motor Vehicles, Department of	
10-02	<i>Motor Vehicle Electronic Filing System Is Beneficial But Stronger Oversight Needed</i> (January 2010)

Report No.	Report Title by Agency (Publication Date)
Judicial System	
10-54	<i>Without Changes, Expansion Drug Courts Unlikely to Realize Expected Cost Savings</i> (October 2010)
10-11A	<i>Clerk and Court State Funded Court-Related 2009-10 Fiscal Year Budget Information</i> (January 2010)
10-11	<i>Little Duplication in Court-Related Services; Clerk/Court Cooperation Should Be Improved</i> (January 2010)
Juvenile Justice, Department of	
10-42	<i>Steps Taken to Improve Juvenile Justice Direct-Care Staff Screening and Training</i> (May 2010)
10-38	<i>Redirection Saves \$51.2 Million and Continues to Reduce Recidivism</i> (April 2010)
Lottery, Department of the	
10-17	<i>Lottery Jackpots, Retailer Density, and Advertising Drive Transfers to Education</i> (January 2010)
10-16	<i>Lottery Profits Flat; Increasing Retailer Outlets Is Critical to Increasing Sales</i> (January 2010)
Management Services, Department of	
10-46	<i>Florida Retirement System Pension Plan Valuation Met Standards</i> (June 2010)
10-31	<i>The Legislature Could Consider Several Options for Modifying State Employee Compensation</i> (March 2010)
10-29	<i>FRS Defined Contribution Plan Costs Are Typically More Predictable; the Fiscal Impact of Requiring New Employees to Enroll in the Plan Is Influenced by Many Factors</i> (March 2010)
10-28	<i>DROP Could Be Improved by Defining Its Purpose, Standardizing Requirements, and Ensuring That Benefits Are Equitably Funded</i> (March 2010)
10-15	<i>Several Options Are Available for Modifying the Florida Retirement System's Class Structure to Reduce System Costs</i> (January 2010)
Multi-Agency	
10-44	<i>State's Food Safety Programs Have Improved Performance and Financial Self-Sufficiency</i> (June 2010)
10-13	<i>2009 Annotated Listing of Legislative Recommendations</i> (January 2010)
10-04	<i>Some Alternative Work Arrangements Can Reduce Costs and Provide Employee Benefits</i> (January 2010)
Persons with Disabilities, Agency for	
10-45	<i>APD Waiting List Process Now More Useful for Planning and Budgeting; Multi-year Plan Still Needed</i> (June 2010)
Program Policy Analysis and Government Accountability, Office of	
10-59	<i>2010 Annotated List of Legislative Recommendations</i> (December 2010)
Public Service Commission	
10-50	<i>The PSC Has Enhanced Its Consumer Services and Participation in Florida's Lifeline Program Has Substantially Increased</i> (July 2010)
Revenue, Department of	
10-64	<i>Time and Costs Are Increasing for Counties to Complete the Value Adjustment Board Process</i> (December 2010)
10-50	<i>The PSC Has Enhanced Its Consumer Services and Participation in Florida's Lifeline Program Has Substantially Increased</i> (July 2010)
10-22	<i>Florida Has Made Limited Progress in Streamlining Business Processes; One-Stop Portals of Benefit to Some Other States</i> (February 2010)

OPPAGA Reports Published in 2011

Report No.	Report Title by Agency (Publication Date)
Administration, State Board of	
11-10	<i>Compared to Other States, the Pension Plan Is Better Funded, Incurs Lower Investment Fees, and Has Fewer Trustees: Investment Returns Are Average</i> (February 2011)
Board of Governors of the State University System	
11-09	<i>The Board of Governors Has Developed a Funding Formula and Uniform Reporting Procedures for Medical Education Programs</i> (February 2011)
Education, Department of	
11-11	<i>State-Funded Mentoring Program Performance Mixed: Take Stock and Best Buddies Do Well</i> (March 2011)
11-08	<i>Students with Developmental Disabilities Have Limited Postsecondary Options; A New Institution Would Expand Choices but Require Additional State Funding</i> (February 2011)
11-07	<i>Summary of OPPAGA Reports Examining Workforce Education Programs and Legislative Options</i> (February 2011)
11-05	<i>Several States Offer High School Diploma Options to Address Students' Needs and Future Goals</i> (January 2011)
11-04	<i>Completing Adult Education Programs Improves Students' Employability, But Program Completion Rates are Low</i> (January 2011)
11-02	<i>Special Facility Construction Projects Appear Needed, but Have Excess Capacity</i> (January 2011)
Executive Office of the Governor	
11-01	<i>Few Businesses Take Advantage of Enterprise Zone Benefits; the Legislature Could Consider Several Options to Modify the Program</i> (January 2011)
Health Care Administration, Agency for	
11-03	<i>Profile of Florida's Medicaid Home and Community-Based Services Waivers</i> (January 2011)
Lottery, Department of the	
11-12	<i>Lottery Profits Decline; Options Available to Enhance Transfers to Education</i> (March 2011)
Multi-Agency	
11-13	<i>Centralizing Aviation Operations and Implementing Cost-Saving Strategies Could Reduce State Spending</i> (March 2011)

STAFF ANALYSIS

Date: March 22, 2011

Subject: Certified Petition Requesting an Audit of the Village of Islamorada by the Auditor General.

Analyst

Acting Coordinator

White ^{JW}

DuBose ^{JD}

I. Summary:

The Honorable Harry L. Sawyer, Jr., Supervisor of Elections for Monroe County, notified the Legislative Auditing Committee of a certified petition requesting an audit of the Village of Islamorada by the Auditor General. Pursuant to s. 11.45(5), F.S., 20 percent of the 5,079 electors (1,016 electors) needed to sign the petition in order for the committee to direct the audit. Mr. Sawyer verified that 1,021 electors signed the petition, which surpasses the amount required by Florida law. Consequently, the Committee is required by law to direct the Auditor General to conduct an audit of the Village.

II. Present Situation:

Current Law

Joint Rule 4.5(1) provides that the Legislative Auditing Committee may direct the Auditor General or the Office of Program Policy Analysis and Government Accountability (OPPAGA) to conduct an audit, review, or examination of any entity or record described in s. 11.45(2) or (3), F.S.¹

Section 11.45(2)(a), F.S., provides that the Auditor General shall conduct audits of records and perform related duties as prescribed by law, concurrent resolution of the Legislature, or as directed by the Legislative Auditing Committee.

Section 11.45(3)(a), F.S., provides that the Auditor General may, pursuant to his or her own authority, or at the discretion of the Legislative Auditing Committee, conduct audits or other engagements as determined appropriate by the Auditor General of the accounts and records of any governmental entity created or established by law.

¹ This language is also in s. 11.40(3), F.S. (2010). Currently, SB 1204 amends s. 11.40, F.S., and deletes this language. This bill has been passed by the Senate and the House of Representatives and ordered enrolled.

Section 11.45(5), F.S., provides that the Legislative Auditing Committee shall direct the Auditor General to conduct an audit of any municipality whenever petitioned to do so by at least 20 percent of the registered electors in the last general election of that municipality. After completion of the audit, the Auditor General shall determine whether the municipality has the fiscal resources to pay for the audit. The municipality shall pay the cost of the audit within 90 days after the Auditor General's determination that the municipality has the available resources. If the municipality fails to pay the cost of the audit, the Department of Revenue shall withhold certain revenues sufficient to pay the cost of the audit.

Section 11.45(2)(l), F.S., provides, in part, that the Auditor General shall conduct a follow-up to his or her audit report on a local governmental entity no less than 18 months after the release of the report to determine the local governmental entity's progress in addressing the findings and recommendations contained in the report.

Background

Islamorada, Village of Islands, Florida, is a municipal corporation created by the Legislature in 1997 by ch. 97-348, L.O.F., as amended by chs. 98-518 and 2000-408, L.O.F. The Village is governed by a five-member council, with each council member elected from and representing the Village at large.² The council elects a mayor and vice mayor annually from its membership.³

The Village provides a variety of services, including general government, building and code enforcement, planning and zoning, public safety (fire protection and emergency medical services), public works, parks and recreation, and solid waste collection. In addition, the Village operates a recreational marina, a wastewater utility, and a stormwater utility.⁴

Review of the Village's Financial Audit Report for the Fiscal Year Ended September 30, 2009

- The auditors issued an unqualified opinion on the financial statements for each fiscal year.
- There were no prior or current year audit findings.
- The Village did not meet any of the financial emergency conditions described in s. 218.503(1), F.S.
- The Village reported total revenues of \$21,087,856, total expenditures of \$22,874,982, and total other financing sources of \$1,483,030 in its governmental funds, resulting in a negative change in fund balances of \$304,096 from the previous year. Total unreserved fund balance at fiscal year-end was \$3,792,544.
- The Village reported total operating revenues of \$1,175,531 and total operating expenses of \$2,210,385 in its Enterprise Funds (marina, wastewater utility, and

² Section 5(1)(a) of ch. 97-348, L.O.F.

³ Section 5(3)(a) of ch. 97-348, L.O.F.

⁴ Letter of Transmittal included in the Comprehensive Annual Financial Report for the fiscal year ended September 30, 2009.

stormwater utility). Net assets at fiscal year-end totaled \$22,400,741, an increase of \$7,946,681 from the previous year. Total restricted net assets at fiscal year-end was \$5,366,413. Total unrestricted net assets at fiscal year-end was a negative \$226,403, comprised of negative balances of \$2,738; \$172,198; and \$51,467 in the marina fund, wastewater utility fund, and the stormwater utility fund, respectively. The Village reported bonds outstanding of \$8,041,247 in its Enterprise Funds.

III. Effect of Proposed Request and Committee Staff Recommendation:

The law (s. 11.45(5), F.S.) requires the Committee to direct the Auditor General to conduct an audit of the Village when petitioned to do so by 20 percent of the electors. Committee staff recommends that the Committee authorize the Auditor General to determine the scope and timing of the audit and allow him to conduct the audit as audit resources are available, consistent with his work plan and so as not to jeopardize the timely completion of statutorily mandated assignments.

IV. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The Village of Islamorada is responsible for the cost of the audit. After the audit is completed, the Auditor General is required to determine whether the Village has the financial resources available to pay for the audit. If the Auditor General determines that the Village does have the resources, he will forward the cost of the audit to the Village for payment. The Village is required to pay the cost of the audit within 90 days. If the Village fails to pay for the audit within that time, the Auditor General is required to notify the Department of Revenue. The Department of Revenue is then required to withhold from that portion of the distribution pursuant to s. 212.20(6)(d)6., F.S., which is distributable to such municipality, a sum sufficient to pay the cost of the audit and shall deposit that sum into the General Revenue Fund of the state.

V. Related Issues:

The statement at the top of the petition from the citizens of Islamorada read: "Due to continuing and growing concerns regarding financial mismanagement, we, the undersigned voters, request an audit of our municipality, Islamorada, Village of Islands, Monroe County by the Florida Auditor General's Office pursuant to s. 11.45(5), Florida Statutes. The emphasis will be on the wastewater fund revenues and expenditures, competitive bidding

for goods and services, and appropriate uses of restricted funds and grants." A note from two citizens was also included at the top of the petition.⁵

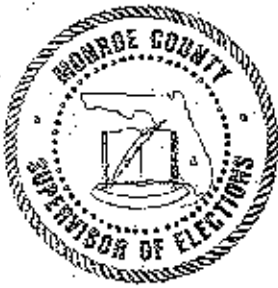
The group of citizens that organized the petition drive forwarded a list of concerns to the Committee related to the Village, which included:

- Wastewater accounting: Reports available to council members and public lack clarity and details.
- Wastewater assessment issues: Is the assessment methodology used to allocate debt service costs to assessment areas and taxpayers fair and equitable? Also general concerns regarding level assessments – who should pay for what services?
- Competitive bidding procedures: Is the Village complying with state law and council ordinance?
- Is a written policy manual available?
- Tangible personal property issues: (1) Is the Village's inventory policy being followed?; (2) is the use of Village-owned vehicles appropriate?; and (3) Is Village-owned property disposed of properly?
- Financial decision-making of council: Discussions do not always include issues such as ongoing maintenance, replacement, utilization costs, etc.
- Can affordable housing funds be used for wastewater services?
- Are funds being invested to earn the best interest while waiting for a project?
- Auditor selection process for the annual audit (Comprehensive Annual Financial Report).
- Separation of duties related to financial controls.
- Accounting records are not always provided to the public in a timely fashion.
- Budgetary Controls: (1) Detailed budget information is not made available to council members or the public during the year or during budget sessions; (2) Are controls in place appropriate to protect tax dollars?; and (3) Are procedures related to the final budget amendment process appropriate?
- Building department fees.
- Legal costs.
- Public records availability.

Since some of the above-noted concerns address policy issues rather than audit issues, the Auditor General should be allowed to determine the scope of the audit, taking into consideration the concerns of the citizens.

This staff analysis does not reflect the intent or official position of the requestor.

⁵ See letter dated January 26, 2011, received from the Supervisor of Elections, Monroe County, Florida.



HARRY L. SAWYER, JR.
Supervisor of Elections

Monroe County, Florida
www.keys-elections.org

January 26, 2011.

Joint Legislative Auditing Committee
Room 876 Claude Pepper Building
111 W Madison St.
Tallahassee, FL 32399-1400
Attn: Kathryn DuBose

Dear Ms. DuBose,

PETITION FOR AN AUDIT BY THE AUDITOR GENERAL

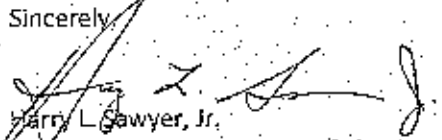
As required by Florida Statutes 11.45(5) The Supervisor of Elections shall certify whether or not the petition contains the signatures of at least 20 percent of the registered electors of the municipality in the last general election of that municipality.

Village of Islamorada last general election (March 9, 2010)
Registered Voters 5,079
20% 1,016
Validated Petitions 1,021 (Report Attached)

At least 20% of the registered voters of the Village of Islamorada as of the last general election have met the certification requirements of the above mentioned statutes.

You may contact my office with any questions or concerns at 305-292-3416.

Sincerely,


Harry L. Sawyer, Jr.
Monroe County Supervisor of Elections

Cc: Village of Islamorada City Clerk, Beverly Raddatz

RECEIVED
FEB 1 - 2011

Date 1/25/2011
 Time 01:48 PM

Harry L. Sawyer, JR
 Supervisor of Elections
Petition Status Report

Monroe County

Petition Id	Petition Short Description	District		Date Petition Opened	Petition Number			
1	Village of Islamorada Audit	MUN	31	22-November-2010	319			
		Signatures Claimed	Sigs checked	<u>Unchecked Signatures</u>	Signatures Required	Valid Sigs	Rejected Sigs including Duplicates	Duplicate Sigs
Batch	1	0	1,103	0	1,016	1,021	82	0
		0	1,103	0	1,016	1,021	82	0

004

Operational Audit of Islamorada

The citizens of Islamorada, Village of Islands, can compel an operational audit by the Auditor General of the State of Florida, through a petition signed by 20% of the registered voters. We ask for your signature on the petition below to help us reach this magic number.

The auditors will be asked to specifically review competitive bidding practices, such as engineers receiving \$60,000 a month, for over 12 months, as "project managers" while little was accomplished. They will determine if there has been improper or illegal transfer of funds between various village accounts, improper or illegal assessments paid for by property owners, improper or illegal spending by staff without council approval, lack of internal controls needed to protect the assets of the community. We have major financial problems that must be identified and fixed.

The audit is requested to protect our citizens, our assets and the integrity of our government's financial system. Please sign and return the petition to Village Audit, PO Box 887, Islamorada, FL 33036 and help bring responsible government to Islamorada.

Thank you, Sue and Jay Miller

Due to continuing and growing concerns regarding financial mismanagement, we, the undersigned voters, request an audit of our municipality, Islamorada, Village of Islands, Monroe County by the Florida Auditor General's Office pursuant to s. 11.45(5), Florida Statutes. The emphasis will be on the wastewater fund revenues and expenditures, competitive bidding for goods and services, and appropriate uses of restricted funds and grants.

Audit Issues: Islamorada, Village of Islands

The audit petition which was signed by 20% of Islamorada's registered voters stated:

Due to continuing and growing concerns regarding financial mismanagement, we, the undersigned voters, request an audit of our municipality, Islamorada, Village of Islands, Monroe County by the Florida Auditor General's Office pursuant to s. 11.45(5), Florida Statutes. The emphasis will be on the wastewater fund revenues and expenditures, competitive bidding for goods and services, and appropriate uses of restricted funds and grants.

The following is an outline of the issues that taxpayers have identified as concerns:

Wastewater

It is undoubtedly the Wastewater issues that lead to the decision to pursue the audit petition effort.

Wastewater Accounting (Wastewater Fund is an Enterprise Fund) – reports available to council and public lack clarity, detail.

Wastewater Assessment issues:

For the North Plantation Key assessment area the village used proforma loan terms until the money was borrowed for those property owners not paying in cash. Concerns exist about the manner in which the debt service has been allocated to assessment areas and taxpayers since the initial assessment.

Assessment methodology – fair and equitable?

Competitive Bidding

Taxpayers have long contended that our local government pays far more for goods and services than neighboring communities in the Keys and more than seems appropriate.

State law clearly spells out when competitive bidding is required. In addition the Islamorada purchasing ordinance requires competitive bidding for goods or services over \$25,000.

Is the Village using appropriate competitive bid procedures to assure cost effective purchases of goods and services?

OTHER MISCELLANEOUS CONCERNS

There are numerous areas of concern that taxpayers question....

Policies and Procedures

Written policy manual?

Tangible Property Inventory policy Policy approved in 2010 – is it followed?

Wastewater assessment policy – “level assessments” – continuing questions about who should pay what

Financial decision-making – When the council has to make decisions about spending taxpayers dollars, they rarely discuss all of the issues : ongoing maintenance, replacement, utilization costs, versus future

Use of Affordable housing funds for wastewater.

Investment of funds Are village funds invested to earn the best interest while waiting for a project?

Annual Audit (CAFR) Auditors Selection Process

Separation of Duties: Many taxpayers fear the village does not provide for an adequate separation of duties, or established documentation to demonstrate financial controls

Accounting Records - They are not always provided to the public in a timely fashion.

Detailed reports The council approves a detailed budget each year but that level of detail for actual revenue and expenditures is never made available to the council or the public during the year or during budget sessions.

Budgetary Controls – are they appropriate to protect tax dollars?

Final budget amendment they do not amend the current year’s budget to reflect the actual incoming fund balances.

Review of Building Department fees

Village owned vehicles

Disposal of Village property

Issues with legal costs

Public Records Availability

STAFF ANALYSIS

Date: March 23, 2011

Subject: Request for an audit of the City of Lake Worth's Sub-regional Sewer System

Analyst

White ^{DW}

Acting Coordinator

DuBose ^{KP}

I. **Summary:**

The Joint Legislative Auditing Committee (Committee) has received a request by the City of Lake Worth, with the support of the City of Atlantis, the Towns of Lantana, Manalapan, Palm Beach, and South Palm Beach, the Village of Palm Springs, and Palm Beach State College, to have the Committee direct the Auditor General to conduct an audit of the City of Lake Worth's Sub-regional Sewer System (System). The City of Lake Worth is currently engaged in negotiated settlement procedures set forth under the Florida Governmental Conflict Resolution Act, Chapter 164, F.S., regarding a payments dispute between the City of Lake Worth and its System Customers.¹

II. **Present Situation:**

Current Law

Joint Rule 4.5(1) provides that the Legislative Auditing Committee may direct the Auditor General or the Office of Program Policy Analysis and Government Accountability (OPPAGA) to conduct an audit, review, or examination of any entity or record described in s. 11.45(2) or (3), F.S.²

Section 11.45(2)(a), F.S., provides that the Auditor General shall conduct audits of records and perform related duties as prescribed by law, concurrent resolution of the Legislature, or as directed by the Legislative Auditing Committee.

Section 11.45(3)(a), F.S., provides that the Auditor General may, pursuant to his or her own authority, or at the discretion of the Legislative Auditing Committee, conduct audits or other

¹ The City of Atlantis, the Towns of Lantana, Manalapan, Palm Beach, and South Palm Beach, the Village of Palm Springs, and Palm Beach State College are collectively referred to as the "System Customers."

² This language is also in s. 11.40(3), F.S. (2010). Currently, SB 1204 amends s. 11.40, F.S., and deletes this language. This bill has been passed by the Senate and the House of Representatives and ordered enrolled.

engagements as determined appropriate by the Auditor General of the accounts and records of any governmental entity created or established by law.

Section 11.45(2)(l), F.S., provides, in part, that the Auditor General shall conduct a follow-up to his or her audit report on a local governmental entity no less than 18 months after the release of the report to determine the local governmental entity's progress in addressing the findings and recommendations contained in the report.

Joint Rule 4.5(2) provides that the Committee may receive requests for audits and reviews from legislators and any audit request, petition for audit, or other matter for investigation directed or referred to it pursuant to general law. The Committee may make any appropriate disposition of such requests or referrals and shall, within a reasonable time, report to the requesting party the disposition of any audit request.

Request for an Audit by the City of Lake Worth and its System Customers

The City of Lake Worth (City) is currently engaged in negotiated settlement procedures set forth under the Florida Governmental Conflict Resolution Act, Chapter 164, F.S., regarding a payments dispute between the City and its System Customers (the City of Atlantis, the Towns of Lantana, Manalapan, Palm Beach, and South Palm Beach, the Village of Palm Springs, and Palm Beach State College). The Florida Governmental Conflict Resolution Act was created to provide an equitable, expeditious, effective, and inexpensive method for resolution of conflicts between and among local and regional governmental entities and with the intent that conflicts between governmental entities be resolved to the greatest extent possible without litigation.³

Pursuant to s. 164.1055, F.S., a joint public meeting was held on January 12, 2011, between the City and its System Customers in an attempt to resolve the payments dispute. All of the entities agreed to request that the Auditor General perform an audit of the System and share equally in the cost of the audit. The City Attorney and the attorney representing the System Customers sent letters dated March 8, 2011, and March 7, 2011, respectively, to the Auditor General requesting the audit. Although the Auditor General has the authority to perform audits of local governmental entities under his own authority, generally his office only conducts such audits when directed by the Committee. Therefore, the Auditor General forwarded the letters to the Committee.

While the City and its System Customers agreed to request that the Auditor General perform an audit of the System, there is disagreement as to the scope of the audit. The City attorney stated that the request from the City Commission is "...for a financial audit⁴, not an operational audit,⁵ of the Lake Worth Sub-regional Sewer System Fund, which is the sole fund for the System."⁶ The attorney representing the System Customers stated that

³ Section 164.102, F.S.

⁴ The primary purpose of a financial audit is to provide reasonable assurance through an opinion (or disclaim an opinion) about whether the financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles. [See Section 1.22 of the *Governmental Auditing Standards (July 2007 Revision)* issued by the Comptroller General of the United States (pages 14-15).]

⁵ The focus of an operational audit is to evaluate management's performance in establishing and maintaining internal controls and administering assigned responsibilities in accordance with laws, rules, regulations, contracts, grant agreements, and other guidelines.

⁶ Letter dated March 8, 2011, from Elaine A. Humphreys, City Attorney, Lake Worth, Florida.

his "...clients would prefer an audit be performed such that all rates and charges being levied by Lake Worth against its subregional system customers can be identified, defined, understood, calculated, and standardized. Therefore...collectively requesting that the Auditor General please perform this type of audit."⁷

Committee staff spoke with the City Attorney and other City staff to obtain clarification on the type of audit being requested by the City. Based on this discussion, the City is requesting an audit focusing on the financial-related issues of the payments dispute, not a financial audit of the System Fund as defined in *Governmental Auditing Standards*. The System Fund is included in the City's annual financial audit required pursuant to s. 218.39, F.S.

While Florida law provides for a local governmental entity to request the Auditor General to conduct an audit of all or part of its operations,⁸ it does not provide for a local governmental entity to request an audit of all or parts of another local governmental entity's operations.

Background

The City of Lake Worth, Florida (City), was incorporated as a municipality in 1913 under ch. 6713, L.O.F.⁹ In 1949, the Legislature abolished the then present City of Lake Worth and created a new City of Lake Worth by ch. 25962, L.O.F. The powers of the City are included in this law, as amended.

The City, located in Palm Beach County, operates under a Mayor-Commission form of government, with a five-member council. The City provides a variety of services, including general administrative, police and fire protection, public works, and parks and recreation. In addition, the City operates seven enterprise activities: electric, water, local sewer, regional sewer, golf course, stormwater, and refuse collection and disposal.¹⁰

As a result of requirements in the U.S. Environmental Protection Agency's Clean Water Act (1972) related to regional facility plans, Palm Beach County was divided into several wastewater treatment and disposal regions. The City is located in the East Central Region of Palm Beach County, along with six other local governmental entities. Five of the local governmental entities, including the City, entered into agreements that resulted in the construction of the East Central Regional Water Reclamation Facility (ECRWF). Currently, the City of West Palm Beach acts as the responsible entity on behalf of the ECRWF Board of Directors for operation of and maintenance and improvements to the ECRWF. The Lake Worth Sub-regional Sewer System is one of five sub-regional sewer systems of the ECRWF and transports the System Customers' wastewater through the City's sub-regional sewer system to the regional sewer system (ECRWF).¹¹

⁷ Letter dated March 7, 2011, from Thomas A. Cloud, Esquire, GrayRobinson, P.A.

⁸ Section 11.45(6), F.S.

⁹ Note 1 to the financial statements included in the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2009 (page 34).

¹⁰ Ibid.

¹¹ System Overview information provided by the City's Water/Sewer Engineer in an e-mail dated March 22, 2011.

Review of the City's Comprehensive Annual Financial Audit Report for the Fiscal Year Ended September 30, 2009¹²

- The City accounts for the operations of the Lake Worth Sub-regional Sewer System in the Regional Sewer Enterprise Fund. The auditors issued an unqualified opinion on the City's financial statements, including the Regional Sewer Enterprise Fund which was accounted for as a major fund¹³ for financial reporting purposes.
- The City reported total operating revenues of \$4,913,736 and total operating expenses of \$5,631,017 in its Regional Sewer Enterprise Fund. Net assets at fiscal year-end totaled \$34,597,244, a decrease of \$779,455 from the previous year. Unrestricted net assets totaled \$21,639,876.
- The City's involvement in the ECRWRF joint venture is described in Note 8 to the financial statements.¹⁴

III. Effect of Proposed Request and Committee Staff Recommendation:

As previously noted, while Florida law provides for a local governmental entity to request the Auditor General to conduct an audit of all or part of its operations, it does not provide for a local governmental entity to request an audit of all or parts of another local governmental entity's operations. Therefore, the scope of the audit should be determined based on the request by the City of Lake Worth, taking into consideration the concerns of the other entities involved

Committee staff recommends that the Committee direct the Auditor General to interview appropriate staff of the City of Lake Worth and its System Customers in order to determine the issues and concerns of the payments dispute related to the City of Lake Worth's Sub-regional Sewer System. Committee staff further recommends that the Committee allow the Auditor General to set the: (1) scope of the audit to address the financial-related issues and concerns, based on the information obtained in the interviews and (2) timing of the audit as audit resources are available, consistent with his work plan and so as not to jeopardize the timely completion of statutorily mandated assignments.

IV. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

¹² The CAFR for the fiscal year ended September 30, 2010, has not yet been issued.

¹³ Per Governmental Accounting Standards Board Statement No. 34, major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least five percent of the aggregate amount for all governmental and enterprise funds. Any other fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users.

¹⁴ Note 8 to the financial statements included in the CAFR for the fiscal year ended September 30, 2009 (pages 54-55).

B. Private Sector Impact:

None.

C. Government Sector Impact:

Section 11.45(6), F.S., states, in part, that whenever a local governmental entity requests the Auditor General to conduct an audit of all or part of its operations and the Auditor General conducts the audit under his or her own authority or at the direction of the Legislative Auditing Committee, the expenses of the audit shall be paid by the local governmental entity. In this case, the City of Lake Worth and its System Customers have agreed to equally share the cost of the audit.

V. Related Issues:

None.

This staff analysis does not reflect the intent or official position of the requestor.
--



OFFICE OF THE CITY ATTORNEY

7 North Dixie Highway · Lake Worth, Florida 33460 · Phone: 561-586-1631 · Fax: 561-586-1750

March 8, 2011

Mr. David W. Martin, CPA
Auditor General
State of Florida
Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Re: Request for Audit

Dear Mr. Martin:

On behalf of the City of Lake Worth (the "City"), the undersigned requests your office to perform a financial audit of the City's Sub-regional Sewer System (the "System") within your authorized duties. The City is currently engaged in the negotiated settlement procedures set forth under Florida Governmental Conflict Resolution Act, Chapter 164, Florida Statutes, regarding a payments dispute between the City of Lake Worth and its System customers, City of Atlantis, Towns of Lantana, Manalapan, Palm Beach, South Palm Beach, Village of Palm Springs and Palm Beach State College (collectively, the "Customers").

As part of that the Chapter 164 process, on January 12, 2011, the governing bodies of these governmental entities conducted a joint public meeting, in an attempt to resolve the dispute. In that official public session, the City of Lake Worth and the Customers jointly agreed to request the State Auditor General located at Palm Beach State College perform an audit of the accounting records of the System. The costs of that audit will be shared equally between the City and the Customers.

The simple language used by the governmental entities in agreeing to make this request of your office was that the "audit" be performed, understanding that the audit was of the operating costs of the System. Nevertheless, the City Commission believes that in the spirit of the governmental entities' agreement for an "audit," this request is for a financial audit, not an operational audit, of the Lake Worth Sub-regional Sewer System Fund, which is the sole fund for the System.

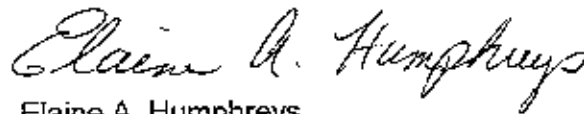
My colleague, Thomas A. Cloud, Esq., who represents the Customers, makes his own request on their behalf, but the breadth of his audit request appears on its face to be much broader than what the City agreed to and what is needed to verify the accuracy of the Customer's payment obligations.

The scope of governmental entities involved in this dispute is broad and there is considerable urgency for all parties in having this dispute resolved. At least for the City, the inability to reach resolution over the System's unresolved and outstanding accounts receivable is a tremendous burden on its finances. I hope your Office will agree to undertake this service. Also, if your Office is able to perform this audit, it would be very helpful if you could provide the parties with an estimate of the time that such an audit

Letter to Mr. David W. Martin, CPA
Auditor General
March 8, 2011
Page 2 of 2

will take. To that end, please feel free to contact me with any questions or concerns you may have regarding this request.

Sincerely,



Elaine A. Humphreys
City Attorney

cc: President Mike Haridopolos, Florida Senate
Speaker Dean Cannon, Florida House of Representatives
Palm Beach County Legislative Delegation
Mayor and Commission, City of Lake Worth
Susan A. Stanton, City Manager
Rebecca M. Matthey, Utilities Director
Thomas A. Cloud, Esq.
Carol Spawn Desmond, Esq.

GRAY ROBINSON
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CLEMSON
KEY WEST
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MELBOURNE
ORLANDO
TALLAHASSEE
TAMPA

Thomas A. Cloud, Esquire

407-244-5624

THOMAS.CLOUD@GRAY-ROBINSON.COM

March 7, 2011

VIA E-MAIL

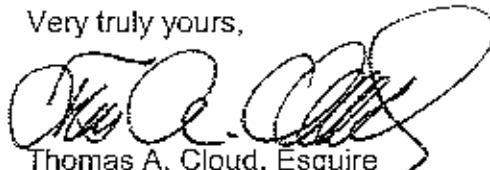
David W. Martin, CPA
Auditor General
State of Florida
Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Re: Request for Audit

Dear Mr. Martin:

Our firm represents certain cities and Palm Beach State College in an interlocal utilities rate dispute. You will be receiving contemporaneously with this letter a letter from the City Attorney for the City of Lake Worth, and a letter from the General Counsel for Palm Beach State College. These local government entities met on Wednesday, January 12, 2011, in an attempt to resolve their differences. The result of that meeting was that all parties agreed to request an audit be performed on Lake Worth's Subregional Sewer System by the Auditor General. Lake Worth operates this system pursuant to contracts with the other entities. While the City of Lake Worth wishes to limit the scope of this investigation to a "financial audit" of "operating costs," my clients do not believe this limited inquiry will answer their questions. My clients would prefer an audit be performed such that all rates and charges being levied by Lake Worth against its subregional system customers can be identified, defined, understood, calculated, and standardized. Therefore, by this letter, we are collectively requesting that the Auditor General please perform this type of audit. My clients are willing to share equally in the costs of this audit. If you have any questions, we would be happy to discuss them with you.

Very truly yours,



Thomas A. Cloud, Esquire

GrayRobinson, P.A.

TAC/jg

David W. Martin, CPA
March 7, 2011
Page 2

cc: President Mike Haridopoulos, Florida Senate
Speaker Dean Cannon, Florida House of Representatives
Palm Beach County Legislative Delegation
Mayor, City of Lake Worth
Mayor, City of Atlantis
Mayor, Town of Lantana
Mayor, Town of Manalapan
Mayor, Town of Palm Beach
Mayor, Village of Palm Springs
Mayor, Town of South Palm Beach
Dennis P. Gallon, Ph.D, President, Palm Beach State College



**PAYROLL AND PERSONNEL
ADMINISTRATIVE PROCESSES
AT SELECTED STATE AGENCIES
REPORT NO. 2011-069**

1

Audit Scope

- ▣ Agencies selected for audit:
 - Department of Agriculture and Consumer Services
 - Department of Corrections
 - Department of Environmental Protection
 - Department of Financial Services
 - Department of Management Services
 - Department of Transportation
- ▣ Established positions at the agencies selected for audit represented 45% of the total established positions in the State Personnel System.
- ▣ Audit field work was conducted in 2009 and selected audit procedures were performed through October 2010.

2

Audit Objectives

- ▣ Overall objectives related to evaluating:
 - The effectiveness of established internal controls.
 - Management's performance in achieving compliance.
 - Management actions to correct findings noted in our prior audit on the People First System.
- ▣ Exhibit A provides a summary of specific audit objectives and results of audit testing.
 - The objectives identified are those normally ascribed to the Payroll and Personnel functions.

Report No. 2011-089

3

Findings and Recommendations

- ▣ Our tests disclosed that with the exception of:
 - Time records submissions and approvals,
 - Management of unused leave credits and payout calculations,
 - Dual-employment authorizations and oversight, and
 - Overtime authorizations,the payroll and personnel administrative infrastructure and controls established by the management of the six agencies were generally effective.

Report No. 2011-089

4

Finding No. 1

- ▣ Procedural deficiencies existed with respect to the monitoring of the timely submittal, review, and approval of employee time records.

Report No. 2011-069

5

Finding No. 2

- ▣ State agencies did not effectively manage compensatory leave credits in accordance with DMS rules and terms of relevant collective bargaining agreements, resulting in large dollar payouts of unused compensatory leave credits upon employees' separation from State employment.

Report No. 2011-069

6

Finding No. 3

- ▣ State agencies had not established policies and procedures addressing unused annual and sick leave (terminal leave) payouts and did not always perform or document the performance of audits of unused leave balances prior to calculating terminal leave payouts.

Report No. 2011-069

7

Finding No. 4

- ▣ Dual employment rules and guidelines were not sufficient to effectively promote compliance with State law.

Report No. 2011-069

8

Finding No. 5

- Contrary to State law, State agencies did not always document that dual employment was properly approved for employees working for more than one applicable State employer. Additionally, to ensure compliance with State laws, rules, and other guidelines, a process is needed whereby State agencies can effectively monitor the dual-employment activities of employees who have been approved to receive compensation from more than one State employer.

Report No. 2011-069

9

Finding No. 6

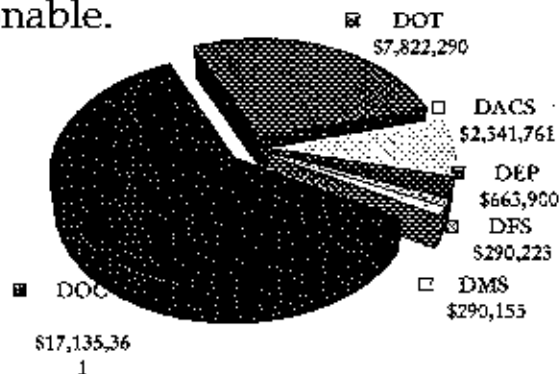
- Some salary payment calculations were incorrect.

Report No. 2011-069

10

Finding No. 7

- The number of overtime hours worked by some DOC employees did not appear reasonable.



Report No. 2011-069

11

Finding No. 8

- State agencies did not always initiate efforts to collect overpayments made to third parties as a result of canceled salary payment warrants or electronic funds transfers (EFTs). Also, DACS did not timely destroy canceled paper warrants in accordance with DFS requirements.

Report No. 2011-069

12

Finding No. 9

- ▣ State agencies did not always document the return of State-owned property items assigned to employees upon the employees' separation from State employment.

**PAYROLL AND PERSONNEL
ADMINISTRATIVE PROCESSES**

AT SELECTED STATE AGENCIES

Operational Audit



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

STATE AGENCY HEADS

The Florida Statutes establish the various State agencies and provide the title and selection process for the head of each State agency. The six State agencies included within the scope of this operational audit and the respective agency heads who served during the period of our audit were as follows:

Department of	Established By Florida Statutes	State Agency Head	Dates of Service
Agriculture and Consumer Services	Section 20.14	Charles H. Bronson, Commissioner	From May 2001
Corrections	Section 20.315	Walter A. McNeil, Secretary James McDonough, Secretary	From February 2008 Through April 2008
Environmental Protection	Section 20.255	Michael W. Sole, Secretary	From January 2007
Financial Services	Section 20.121	Alex Sink, Chief Financial Officer	From January 2007
Management Services	Section 20.22	Linda H. South, Secretary	From January 2007
Transportation	Section 20.23	Stephanie C. Kopelousos, Secretary	From April 2007

Source: Florida Statutes and People First records.

The audit team leader was Megan Evans and the audit was supervised by Jennifer Brown, CPA. Please address inquiries regarding this report to Sheri E. Norman, CPA, Audit Manager, by e-mail at sherie@comptroller.state.fl.us or by telephone at (850) 487-0316.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.mtflorida.com/audgen; by telephone at (850) 487-9175; or by mail at C-74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

SELECTED STATE AGENCIES

Payroll and Personnel Administrative Processes

SUMMARY

This operational audit focused on State agency policies and procedures relevant to payroll and personnel administrative processes; selected personnel information system (People First) controls; payroll functions and budgetary issues; changes to payroll; time records, leave, and attendance; payroll deductions and salary garnishments; salary warrant and electronic funds processing; and On-Demand Payroll and corrections processing. Audit field work was performed at six State agencies: the Department of Agriculture and Consumer Services (DACS), Department of Corrections (DOC), Department of Environmental Protection (DEP), Department of Financial Services (DFS), Department of Management Services (DMS), and the Department of Transportation (DOT). Together, these agencies on an annual basis incur approximately one-third of the salary and benefit payments made by executive branch State agencies.

Our audit tests disclosed that, with the exception of time record submissions and approvals, management of unused leave credits and payout calculations, dual-employment authorizations and oversight, and overtime authorizations, the payroll and personnel administrative infrastructure and controls established by the management of the State agencies included within the scope of this audit were generally effective in accomplishing management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the relevance and reliability of records and reports; and the safeguarding of assets.

TIME RECORDS

Finding No. 1: Procedural deficiencies existed with respect to the monitoring of the timely submittal, review, and approval of employee time records.

UNUSED LEAVE COMPENSATION

Finding No. 2: State agencies did not effectively manage compensatory leave credits in accordance with DMS rules and terms of relevant collective bargaining agreements, resulting in large dollar payouts of unused compensatory leave credits upon employees' separation from State employment.

Finding No. 3: State agencies had not established policies and procedures addressing unused annual and sick leave (terminal leave) payouts and did not always perform or document the performance of audits of unused leave balances prior to calculating terminal leave payouts.

DUAL EMPLOYMENT

Finding No. 4: Dual-employment rules and guidelines were not sufficient to effectively promote compliance with State law.

Finding No. 5: Contrary to State law, State agencies did not always document that dual employment was properly approved for employees working for more than one applicable State employer. Additionally, to ensure compliance with State laws, rules, and other guidelines, a process is needed whereby State agencies can effectively monitor the dual-employment activities of employees who have been approved to receive compensation from more than one State employer.

SALARY CALCULATIONS AND OVERTIME AUTHORIZATIONS

Finding No. 6: Some salary payment calculations were incorrect.

Finding No. 7: The number of overtime hours worked by some DOC employees did not appear reasonable.

WARRANT AND EFT CANCELLATIONS

Finding No. 8: State agencies did not always timely initiate efforts to collect overpayments made to third parties as a result of canceled salary payment warrants or electronic funds transfers (EFTs). Also, DACS did not timely destroy canceled paper warrants in accordance with DFS requirements.

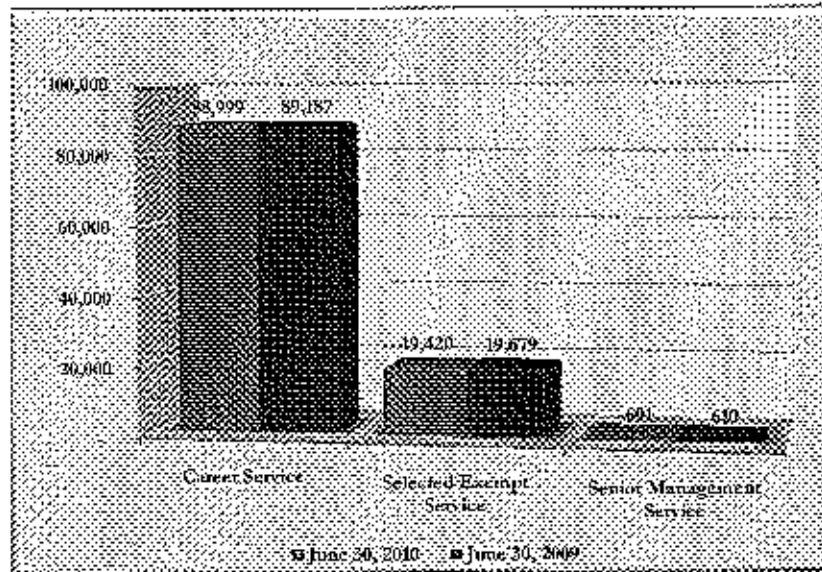
EMPLOYEE OUT PROCESSING

Finding No. 9: State agencies did not always document the return of State-owned property items assigned to employees upon the employees' separation from State employment.

BACKGROUND

Florida's State Government is the largest employer in Florida with 168,654 established positions at June 30, 2009, and 167,797 established positions at June 30, 2010.¹ State employees are included in a variety of different and autonomous personnel systems each having its own set of rules and regulations, collective bargaining agreements, and wage and benefit packages. The largest of the six primary State Government personnel systems, the State Personnel System (SPS), comprises 30 State agencies and other entities within the executive branch of State Government.² As shown in Chart 1, the SPS included a total of 109,476 and 109,020 established positions in the Career Service, Selected Exempt Service, and Senior Management Service pay plans as of June 30, 2009, and June 30, 2010, respectively.

Chart 1
State Personnel System Established Positions by Pay Plan
as of June 30, 2009, and June 30, 2010



Source: SPS Annual Workforce Reports 2008-2009 and 2009-2010.

The Career Service pay plan provides uniform pay, job classification, benefits, and recruitment for the majority of nonmanagement jobs within State agencies. Middle management and professional positions such as bureau chiefs, physicians, and attorneys are included in the Selected Exempt Service pay plan. The Senior Management Service pay plan includes upper management and policy-making jobs.

¹ Department of Management Services, Division of Human Resource Management *State Personnel System Annual Workforce Reports 2008-2009 and 2009-2010*.

² According to the *SPS Annual Workforce Report 2008-2009*, the six primary State personnel systems are the State Personnel System, State Universities, Justice Administration System, State Courts System, the Legislature, and the Florida Lottery.

While the various State agencies have personnel management responsibilities related to their agencies' employees, the Department of Management Services (DMS), Division of Human Resource Management, is responsible for developing and supporting the State's overall human resource infrastructure. DMS responsibilities include managing the SPS, Florida Retirement System, and State group insurance.

To automate the State's human resource functions, DMS contracted with Convergys to establish a personnel information system, People First, for all authorized and established positions in the State service, with the exception of employees of the Legislature.³ People First is a self-service, secure, Web-based application and enterprisewide suite of human resource services. The key components of People First include attendance and leave, employee benefits, personnel data warehouse, human resource management, organizational management, payroll administration, and staffing.

DMS is the functional owner of People First but the self-service functionality of the system is at the State agency and State employee level.⁴ To facilitate the generation of salary payments, People First interfaces with the Department of Financial Services' (DFS) Florida Accounting Information Resource Subsystem (FLAIR) Payroll Component.

The DFS, Division of Accounting and Auditing, Bureau of State Payrolls (BOSP), is responsible for certain centralized payroll functions such as, paying State employees, remitting tax and retirement contributions and withholdings to administering agencies, maintaining and protecting official State employee FLAIR payroll records, and auditing State agencies' payroll-related processes. The BOSP developed a detailed *Payroll Preparation Manual* to provide State agencies with general instructions for preparing and submitting payroll and employee data, as well as schedules, tables, and codes used in the FLAIR Payroll Component. According to DFS, the *Payroll Preparation Manual* is to serve as the administrative authority in the absence of specific rules to the contrary.

State law establishes the State's employment policy and provides requirements and guidelines relevant to the State employee payroll and personnel administrative processes.⁵ Pursuant to law, DMS is to adopt rules as necessary to effectuate the State employment policy, and the Chief Financial Officer (CFO) may adopt rules that include procedures or policies relating to the processing of salary payments.⁶ Table 1 shows DMS and DFS rules applicable to the State payroll and personnel processes.

³ In March 2010, Convergys Corporation announced the sale of its Human Resources Management Division to Northgate.Arisso.

⁴ Section 215.94, Florida Statutes.

⁵ Chapter 110, Florida Statutes.

⁶ Sections 110.1055 and 17.29(1), Florida Statutes.

Table 1
State Payroll and Personnel Rules

Florida Administrative Code Cite	Title
DMS Rules, Chapter 60L-26	<i>Dual Employment and Employment in Excess of One Full-Time Equivalent Position</i>
DMS Rules, Chapter 60L-29	<i>Definitions</i>
DMS Rules, Chapter 60L-30	<i>Personnel Programs and Records</i>
DMS Rules, Chapter 60L-31	<i>Classification Plan</i>
DMS Rules, Chapter 60L-32	<i>Compensation and Benefits</i>
DMS Rules, Chapter 60L-33	<i>Appointments and Status</i>
DMS Rules, Chapter 60L-34	<i>Attendance and Leave</i>
DMS Rules, Chapter 60L-35	<i>Performance Management System</i>
DMS Rules, Chapter 60L-36	<i>Conduct of Employees</i>
DMS Rules, Chapter 60L-37	<i>Savings Sharing Program</i>
DMS Rules, Chapter 60L-38	<i>State Child Care Program</i>
DMS Rules, Chapter 60L-39	<i>Florida State Employees' Charitable Campaign</i>
DFS Rules, Chapter 69L-31	<i>Bureau of State Payrolls</i>

Generally, State agencies use a payroll-by-exception methodology whereby employees, excluding Other-Personal-Services (OPS) employees,⁷ are paid a fixed authorized gross amount for each payroll cycle unless the amount is altered. A payroll-by-exception methodology assumes, absent any payroll action to the contrary, that an employee worked or used available leave for the required number of hours in the pay period. Therefore, a salary payment may be processed absent the submittal and supervisory approval of a record of the employee's attendance and time worked. Notwithstanding this aspect of the payroll-by-exception methodology, State law requires that each State agency maintain, for each agency employee, accurate records of all hours worked and leave approved.⁸

Pursuant to State law, the normal pay period for salaries of State officers and employees is one month and DFS is to issue either monthly or biweekly salary payments by State warrant or direct deposit.⁹ As State law requires, with few exceptions, that persons appointed to positions in State government participate in the direct deposit program as a condition of employment, the vast majority of salary payments are made by DFS by direct deposit via electronic funds transfer (EFT).¹⁰ DFS may also make semimonthly salary payments by direct deposit if requested by an agency head and approved by the Executive Office of the Governor and DFS. Employees working in State agencies on a monthly payroll cycle are paid on the last working day of the month while employees working in State agencies on biweekly payroll cycles are paid every other Friday.

Total State employee salary payments totaled approximately \$6.5 billion for each of the 2008-09 and 2009-10 fiscal years.¹¹ Table 2 shows the number of authorized positions for the 2007-08, 2008-09, and 2009-10 fiscal years and the designated payroll cycle for each of the six State agencies included within the scope of this audit.

⁷ Pursuant to DMS Rule 60L-33.005, Florida Administrative Code, OPS employment is a temporary employer-employee relationship used solely for the completion of short-term or intermittent tasks. OPS employees do not fill established positions nor are they to be assigned the duties of any vacant authorized position.

⁸ Section 110.219(4), Florida Statutes.

⁹ Section 110.113(1), Florida Statutes.

¹⁰ Section 110.113(2), Florida Statutes.

¹¹ Total excludes salary payments made to Department of the Lottery, State Board of Administration, State University System, and legislative employees.

Table 2
Selected State Agencies
Number of Authorized Positions and Designated Pay Periods

Agency	Number of Authorized Positions ^a			Designated Payroll Cycle ^d
	2007-08	2008-09	2009-10	
Department of Agriculture and Consumer Services (DACS)	3,799.75	3,722.75	3,658.75	Biweekly
Department of Corrections (DOC)	28,376.50	28,863.50	30,522.00	Biweekly
Department of Environmental Protection (DEP)	3,621.00	3,614.00	3,558.50	Monthly
Department of Financial Services (DFS) ^a	2,858.50	2,850.50	2,793.50	Monthly
Department of Management Services (DMS) ^b	1,277.00	1,249.00	1,266.00	Biweekly
Department of Transportation (DOT)	7,523.00	7,448.00	7,426.00	Biweekly
Totals	47,455.75	47,747.75	49,274.75	

^a Includes authorized positions in the Offices of Financial Regulation and Insurance Regulation which are subject to the governance of the Financial Services Commission.

^b Includes authorized positions in the Division of Administrative Hearings, Florida Commission on Human Relations, and Public Employees Relations Commission.

Sources:

^c Chapters 2007-72, 2007-326, 2008-1, 2008-152, 2009-1, and 2009-S1, Laws of Florida, *General Appropriations Acts*.

^d People First.

FINDINGS AND RECOMMENDATIONS

As part of our audit, we identified objectives that we considered key to the effective and efficient administration of the payroll and personnel processes. We designed our audit procedures to evaluate the extent to which management at the six State agencies selected for audit had established the necessary infrastructure and controls to ensure the achievement of the objectives. Our audit procedures included an evaluation of the effectiveness of overall State Personnel System (SPS) policies and procedures, as well as selected State agency policies and procedures related to the payroll and personnel administrative processes. We also performed analytical procedures and tested the personnel records and payroll transactions at the State agencies selected for audit.

Our audit tests disclosed that, with the exception of time records submissions and approvals, management of unused leave credits and payout calculations, dual-employment authorizations and oversight, and overtime authorizations, the payroll and personnel administrative infrastructure and controls established by the management of the State agencies included within the scope of this audit were generally effective in accomplishing management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the relevance and reliability of records and reports; and the safeguarding of assets. **EXHIBIT A** presents a summary of the results of our audit testing by objective and, as applicable, includes the number of the finding in which the test results are described in more detail.

Time Records

Each State agency head is ultimately responsible for ensuring that accurate records of all hours worked and leave taken are maintained for each employee of the agency.¹² DMS rules and People First user guides provide the leave and attendance guidelines for employees in the SPS and require, in part, that each State agency:¹³

- Monitor hours worked by employees to ensure proper compensation.
- Monitor overtime to ensure compliance with the Fair Labor Standards Act (FLSA).
- Maintain accurate records of attendance, leave, and overtime worked and compensated.
- Instruct employees in the proper scheduling, use, and recording of leave and attendance, and the proper earning and recording of hours worked including overtime.
- Monitor the actual duties performed by employees to ensure continued appropriateness of overtime designations.
- Assign People First user role codes to designate responsibility for employee time record and leave request approvals.
- Process time records and leave requests for employees.

People First enables State agency management's performance of these functions. The self-service functionality of People First also allows employee completion of time records.

Finding No. 1: Time Record Submittal, Review, and Approval

The payroll process provides for salary payments to be made based on an employee's scheduled contract hours. As discussed in the **BACKGROUND** section of this report, under the payroll-by-exception methodology, unless the applicable State agency takes specific actions to change either the employee's scheduled contract hours or rate of pay, the gross salary payments will be for the same amount from one payroll cycle to the next. While use of the payroll-by-exception methodology provides simplicity and efficiency in processing payrolls, accurate and complete records of employee attendance and leave are required to support the appropriateness of salary payments made.

Utilizing People First, employees are to complete and submit time records that reflect the number of hours worked and leave taken. People First user guides and training materials direct non-OPS employees to submit their time records at the end of their agency's payroll cycle. Once an employee has submitted a time record for a payroll cycle, the designated approver (usually the employee's immediate supervisor) is responsible for the review and approval of the time record. Any errors, omissions, or discrepancies in the attendance and leave reported by the employee are to be resolved by the supervisor and employee.

To assist managers in the identification of missing time records, People First collects weekly data on time records that have not been submitted, approved, or have been approved but require corrective action. Every other week, People First places this data in a cumulative *Missing Time Records* report that is e-mailed to each applicable agency's personnel office.

The *Missing Time Records* reports are made available to State agencies and may be used by each of the agencies to identify time records that have not yet been submitted, reviewed, or approved. Agencies may also use the reports to identify employees who may have been overpaid or underpaid. If overpayments are identified, agencies are to seek

¹² Sections 110.219(4), 110.605(1)(c), and 110.403(1)(f), Florida Statutes.

¹³ DMS Rules, Chapter 60L-34, Florida Administrative Code. *Attendance and Leave*.

reimbursement from the applicable employees. If underpayments are noted, agencies may increase, by the amount underpaid, a subsequent payment to the employee or create a supplemental payment. Once time records are submitted and approved with no errors, the records will no longer appear on subsequent *Missing Time Records* reports.

We found that some additional uniformity in the policies of the individual agencies and some report enhancements would improve the functionality of and level of agency reliance on the *Missing Time Records* reports. Specifically:

- People First user guides do not provide a time frame within which managers should approve time records for non-OPS employees; DMS rules do not address time frames for time record submission; and State agency human resource policies that address employee time record submission vary from agency to agency. For example, DHS policy requires employees to submit time records 5 business days after the end of the payroll cycle while DMS policy requires employees to submit time records by 5:00 P.M. every other Thursday. Thus, many time records that are shown by the *Missing Time Records* reports may be included because the reports were run prior to the time record submittal dates authorized by a particular agency's policy.
- The *Missing Time Records* reports do not provide an aging schedule showing, for each applicable time record, the length of time between the payroll cycle end and the *Missing Time Records* report run date. Absent information showing the age of the exceptions, it was difficult for agencies to differentiate between routine and what may be more significant lengthy delays.
- The *Missing Time Records* reports do not identify the person responsible for approving the time records listed. Information identifying the approver would better facilitate management's monitoring of the processes associated with resolving the exceptions shown by the reports.
- Agency management indicated that inaccuracies had been noted in the *Missing Time Records* reports and, as a result, some agencies had implemented alternative methods for reviewing the timely submittal and approval of time records.

Time records are used to document employee attendance and use of leave, calculate overtime earnings, and adjust salary amounts due to leave without pay. Absent an effective means for monitoring, time records that have not been timely submitted or approved, or that have been approved with corrective actions required, may escape timely detection.

Recommendation: We recommend that DMS clarify in rule, policy, or procedure, the time record preparation, submission, and approval responsibilities of employees and supervisors. Such clarifications should address specific time frames for time record submission and approval. Additionally, to improve the usefulness of the *Missing Time Records* report, we recommend that DMS enhance the report by including an aging of the time records and identifying the responsible supervisors. State agencies should use such information to identify those employees whose time records frequently require corrective actions, are repeatedly missing, or are not timely approved and take appropriate corrective measures.

Unused Leave Compensation

Pursuant to State law and rules, terminating State employees are entitled to compensation at their current rate of pay for unused sick and annual leave balances, subject to specified years of creditable State employment and lifetime maximums applicable to their employment class or pay plan. Certain State employees may also be entitled to payouts for unused compensatory leave credits. Specifically:

Unused Sick Leave

- After at least 10 years of creditable State employment, terminating State employees are to receive payment for a maximum of 480 unused sick leave hours. State agencies are to calculate unused sick leave payouts by

multiplying the employee's final rate of pay by one-eighth of any sick leave hours accrued prior to October 1, 1973, plus one-fourth of any sick leave hours accumulated on or after October 1, 1973.¹⁴

Unused Annual Leave

- Career Service employees are limited to a payout for a lifetime maximum of 240 hours of unused annual leave and, subject to available funds, may elect to receive cash payouts for 24 hours of annual leave each December.¹⁵ At the close of business on December 31 of each calendar year, a Career Service employee's annual leave balance in excess of 240 hours is to be transferred to sick leave on an hour-for-hour basis.¹⁶ State agencies are to calculate lifetime maximum annual leave payouts for Career Service employees by subtracting any previous annual leave payouts made subsequent to May 13, 2001, from the employee's annual leave balance at termination.¹⁷
- Selected Exempt Service employees and Senior Management Service employees are limited to a payout for a lifetime maximum of 480 hours for annual leave and, pursuant to DMS guidelines, the payout is to be calculated by adjusting the employee's annual leave balance at termination for a proration of the current year's annual leave accrual balance.¹⁸ At the close of business on December 31 of each calendar year, a Selected Exempt Service employee's annual leave balance in excess of 480 hours is to be transferred to sick leave on an hour-for-hour basis.¹⁹
- In the event of an employee's death, the limit on lifetime maximum hours do not apply and State agencies are to pay any unused annual leave to the employee's beneficiary or estate.²⁰

Unused Compensatory Leave

- Eligible State employees may also be entitled to compensation at their current rate of pay for certain unused compensatory leave. These payouts may be made at employee separation or, in some instances, periodically in lump sum amounts. The maximum credits that may be accumulated vary based on the type of compensatory leave and applicable employee collective bargaining agreements.

Finding No. 2: Compensatory Leave Credits

Certain State employees may earn compensatory leave for hours worked in excess of the regular work period or during holidays, emergencies, and facility closures. DMS rules include provisions for the accumulation and payment of regular compensatory leave, FLSA special compensatory leave, and special compensatory leave credits. Certain collective bargaining agreements with employee bargaining units also include compensatory leave provisions.²¹ For example, the Florida Police Benevolent Association (FPBA) Security Services Bargaining Unit Agreement is applicable to DOC correctional officers and limits to a maximum of 240 hours the number of special compensatory leave credits that may be accumulated.²² Descriptions of the types of compensatory leave and the provisions contained in the DMS rules and eight collective bargaining agreements applicable to the employees of the six State agencies included within the scope of this audit are included in this report as **EXHIBIT B**.

¹⁴ Section 110.122, Florida Statutes.

¹⁵ Section 110.219(7), Florida Statutes. To qualify for the annual leave payout, the Career Service employee must have an annual leave balance of no less than 24 hours after the payout and the employee cannot receive payouts for more than 240 hours over the course of the employee's career with the State, including any annual leave payout received at the time of separation.

¹⁶ DMS Rule 60L-34.0041(4)(a), Florida Administrative Code.

¹⁷ DMS Rule 60L-34.0041(6)(a), Florida Administrative Code.

¹⁸ DMS Rule 60L-34.0041(6)(b), Florida Administrative Code.

¹⁹ DMS Rule 60L-34.0041(4)(a), Florida Administrative Code.

²⁰ DMS Rule 60L-34.0041(6)(a), Florida Administrative Code.

²¹ At the time this audit was conducted, DMS had listed on its Web site ten collective bargaining agreements between the State of Florida and various employee bargaining units.

²² Article 23, Section 1(C), The State of Florida and The Florida Police Benevolent Association, Security Services Bargaining Unit Agreement, effective July 9, 2008, through June 30, 2011.

State agencies use People First to account for the various types of compensatory leave credits earned and used by employees. People First includes four compensatory leave time and attendance codes: regular compensatory leave, FLSA special compensatory leave, special compensatory leave, and special holiday compensatory leave. Periodic payments for accumulated leave credits and payments for unused compensatory leave credits upon an employee's separation are to be recorded in FLAIR using one of three codes: regular compensatory leave in lieu of overtime, special compensatory leave in lieu of overtime, or special compensatory leave.

As noted in EXHIBIT B to this report, there are multiple compensatory leave credit rules and collective bargaining agreement provisions that State agencies must consider when monitoring leave balances and calculating compensatory leave payouts. While DMS had promulgated rules, made collective bargaining agreements available to all State agencies for reference, and provided rule interpretations upon request, the lack of a comprehensive compensatory leave information resource and inconsistent FLAIR and People First compensatory leave codes unduly complicate the effective management of unused compensatory leave credits and the processing of compensatory leave payouts.

As shown in Table 3, according to FLAIR data, during the period July 2007 through January 2009, the six agencies included within the scope of this audit made 5,658 payments totaling approximately \$10.5 million for accumulated compensatory leave.

Table 3
Payouts of Accumulated Compensatory Leave Credits
July 2007 Through January 2009

	DACS	DOC	DEP	DPS	DMS	DOT	Totals
Regular Compensatory Leave							
Number of Payments	-	-	-	2	-	-	2
Number of Hours Paid	-	-	-	111	-	-	111
Amount Paid	-	-	-	\$ 2,731	-	-	\$ 2,731
Special Compensatory Leave in Lieu of Overtime							
Number of Payments	371	54	274	84	106	14	903
Number of Hours Paid	8,574	2,754	6,428	1,593	1,670	677	21,696
Amount Paid	\$130,754	\$ 35,355	\$ 87,662	\$ 33,767	\$22,492	\$ 5,856	\$ 315,686
Special Compensatory Leave							
Number of Payments	169	4,321	101	85	26	120	4,753
Number of Hours Paid	7,776	549,106	3,232	3,502	1,732	3,007	559,355
Amount Paid	\$165,337	\$9,813,594	\$ 67,050	\$ 90,132	\$20,533	\$46,374	\$10,203,220
Total Number of Payments	471	4,375	375	171	132	134	5,658
Total Number of Hours Paid	16,350	542,860	2,660	5,206	3,402	3,684	581,162
Total Amount of Compensatory Leave Paid	\$296,291	\$9,848,949	\$154,512	\$126,630	\$45,025	\$52,230	\$10,521,637

Source: FLAIR.

Our analysis of FLAIR data and review of the DMS rules and applicable collective bargaining agreements identified instances in which additional guidance, rule clarifications, and statutory revisions may be needed with respect to the management and payout of special compensatory leave credit balances. Specifically:

- While maximums are established for purposes of annual and sick leave payouts, Florida Statutes and DMS rules do not specify a maximum balance for the payout or accumulation of special compensatory leave

credits.²³ Of the 4,753 special compensatory leave payouts, 643 were for more than 240 credit hours and totaled \$5.76 million. These 643 payments included 6 payments totaling \$56,147 at DACS, 3 payments totaling \$50,492 at DEP, 2 payments totaling \$8,258 at DMS, 630 payments totaling \$5,663,244 at DOC, and 2 payments totaling \$5,996 at DOT. According to DMS management, many of the large special compensatory leave payouts were the result of a provision in law that permits former Career Service employees to transfer these leave credits when moving to any Selected Exempt Service position.²⁴ For example, employees who voluntarily leave a Career Service position for a Selected Exempt Service position at any State agency will retain all unused special compensatory leave credits. Any unused leave credits are to be paid to the employee upon separation from State employment at the employee's rate of pay at the time of separation, which may be significantly higher than the employee's rate of pay at the time the compensatory leave credits were accrued.

Our analysis of FLAIR data included an examination of the detail records for 18 special compensatory leave payments totaling \$162,988 (4 payments totaling \$12,071 at DACS, 8 totaling \$117,863 at DOC, 2 totaling \$18,174 at DEP, one for \$8,652 at DFS, 2 totaling \$1,411 at DMS, and one for \$4,817 at DOT) made to 15 employees.²⁵ With respect to these payments, we noted that the State agencies were inconsistent in the application of compensatory leave rules and other guidelines. Specifically:

- While the FPBA Security Services Bargaining Unit Agreement limited the accumulation of special compensatory leave credits to 240 hours and included a provision stating that, with 7 days notice, employees "may be required to reduce accumulated special compensatory leave credit balances to a level of 240 hours," DOC allowed 5 correctional officers to accumulate 627, 691, 948, 1,215, and 1,411 hours, respectively. Payouts to these correctional officers ranged from \$12,341 to \$37,625 and included amounts totaling \$89,595 for hours in excess of the 240-hour limit.
- State agencies did not consistently recognize the maximum special compensatory leave credit limits in the collective bargaining agreements when calculating the special compensatory leave payouts. For example, while 2 of 3 law enforcement officers (one each at DEP, DOT, and DFS) covered by the FPBA Law Enforcement Bargaining Unit Agreement were paid for accumulated special compensatory leave credits in excess of the 240 hours specified in the Agreement, the third officer's leave payout was limited to 240 hours. The DEP officer was paid \$16,498 for 513 credit hours, or \$8,780 for hours above the specified limit. The DOT officer was paid \$4,817 for 263 credit hours, or \$422 for hours above the specified limit. When calculating the special compensatory leave payout for the officer at DFS, DFS limited the payout to 240 hours even though the officer had accumulated 435 special compensatory credit hours.
- Absent any provision in DMS rules or applicable collective bargaining agreement, DACS paid \$8,822 to one employee (a seasonal worker) for 315 accumulated special compensatory leave hours. In response to our audit inquiry, DACS indicated that, according to DACS policy, Division of Fruit and Vegetable employees are permitted to accumulate up to a maximum of 480 hours of FLSA special compensatory leave credits within a designated 6-month period. However, given this explanation, the leave payout had been incorrectly recorded in FLAIR as special compensatory leave rather than FLSA special compensatory leave.

Compensatory leave is a useful tool that allows State agencies to utilize staff during periods of need, and then permit those staff to take leave at a more opportune time. Compensatory leave may also preserve salary dollars by providing employees with leave in lieu of overtime payments. However, allowing employees to accumulate large balances of

²³ As shown by EXHIBIT B, the accumulation of special compensatory leave credits is limited to 240 hours by the provisions of three collective bargaining agreements (FPBA Security Services Bargaining Unit, FPBA Law Enforcement Bargaining Unit, and Florida Nurses Association Professional Health Care Unit).

²⁴ Section 110.205(7), Florida Statutes, provides that if an employee is transferred or otherwise moves from the Career Service System into the Selected Exempt Service, all of the employee's unused annual leave, unused sick leave, and unused compensatory leave shall carry forward with the employee.

²⁵ As the On-Demand Payroll System limits the number of credit hours that can be used in any one payment calculation, DOC split the payment for the special compensatory leave into two payments for 3 of the 8 DOC employees.

special compensatory leave credits over long periods of time and then transfer those credits when voluntarily leaving Career Service employment for a Selected Exempt Service position exposes State agencies to increased leave liabilities and may result in large cash payouts upon employee separation. According to DMS rules and guidance, as part of an agency's efforts to manage its leave liabilities, certain employees should be required to use special compensatory leave credits prior to being approved to use other leave types, with the exception of sick leave,²⁶ and Selected Exempt Service employees with special compensatory leave balances should be compelled, upon prior notice, to use all or part of their balances.^{27 28}

Agency Supervisors are responsible for approving compensatory leave credits earned and used and for monitoring employee compensatory leave balances to ensure compliance with applicable laws, rules, and collective bargaining agreement provisions. The lack of a comprehensive compensatory leave information resource and inconsistent FLAIR and People First compensatory leave codes unduly complicate the effective management of unused compensatory leave credits and the processing of compensatory leave payouts and may lead to inconsistencies in the manner in which State agency managers apply compensatory leave provisions.

Recommendation:

- To promote compliance and ensure consistency in the application of rules and relevant collective bargaining agreement provisions by the various State agencies, we recommend that DMS and DFS provide State agencies with detailed comprehensive guidance related to leave payouts and the maximum accumulation limits for the various types of compensatory leave credits. Such guidance should also address the appropriate use of FLAIR and People First compensatory leave codes.
- To prevent large cash payouts upon employee separation from State employment and decrease State agency leave liabilities, we also recommend that State agencies periodically review their employees' compensatory leave balances and identify employees who are accumulating large compensatory leave credit balances or whose compensatory leave credits are approaching the maximum limits set forth in applicable collective bargaining agreements. When appropriate, the agencies should compel the use of accumulated special compensatory leave credits prior to approving employee use of other leave types.
- The Legislature should consider revising Section 110.205(7), Florida Statutes, to either restrict the number of special compensatory leave credits that may be transferred or to require the payment of all accumulated special compensatory leave credits when an employee voluntarily moves from a Career Service pay plan position to a position in another SPS pay plan.

Finding No. 3: Unused Annual and Sick Leave Payouts

In report No. 2007-087, we noted errors in the amounts of unused annual and sick leave (terminal leave) payouts, discrepancies in leave balances at State agencies, and functionality issues with People First leave balance screens. To mitigate the risk of errors when processing terminal leave payouts, we recommended that agencies perform audits of leave balances prior to processing terminal leave payments and that DMS issue guidelines for the proration of annual

²⁶ DMS Rule 60L-34.004, Florida Administrative Code and DMS Rule Interpretation, *SES Employees - Special Compensatory Leave Provisions*, Tracking No. 60L-34-2007-#1, effective May 22, 2007.

²⁷ DMS Rule 60L-34.0044, Florida Administrative Code, and DMS Rule Interpretation, *Compelling Use of Special Compensatory Leave*, Tracking No. 60L-34-2008-#005, effective May 1, 2008.

²⁸ Employees covered by the AFSCME agreement are exempt from being compelled to use special compensatory leave credits earned prior to April 2, 1999, and employees covered by the FPBA Law Enforcement Unit or FPBA Security Services Unit agreements may not be compelled to use any special compensatory leave credits, or to substitute such leave for credits in lieu of requested annual leave, for the first 60 days after the compensatory leave credits in question were earned.

leave for applicable employees. In response to our recommendations, DMS established, effective May 2, 2007, and provided to State agencies via the DMS Web site, Program Guidelines for the proration of annual leave for Senior Management Service and Selected Exempt Service employees.

To evaluate agency controls and to determine whether the unused annual and sick leave payouts were adequately supported, properly calculated, and paid in accordance with applicable laws and rules, we requested agency terminal leave payout policies and procedures for review and examined agency records for 51 terminal leave payouts, totaling \$469,932. The 51 payouts tested included: 10 payouts totaling \$109,116 at DACS, 9 payouts totaling \$70,169 at DOC, 5 payouts totaling \$38,250 at DEP, 9 payouts totaling \$134,120 at DHS, 3 payouts totaling \$53,198 at DMS, and 15 payouts totaling \$65,079 at DOT. Additionally, we reviewed documentation of any leave balance audits performed related to the 51 payouts to determine whether the agencies effectively ensured the proper calculation of the payouts. We noted that:

- Five agencies (DACS, DOC, DEP, DMS, and DOT) had not established written terminal leave payout policies and procedures at the time of our audit request. DMS subsequently established written policies and procedures effective July 2009.
- For the 51 payouts tested:
 - Documentation for 15 terminal leave payouts totaling \$130,778 was not available to evidence that an audit of the leave balances, including identification of prior leave payments, was completed prior to payment. These 15 payouts included 5 payouts totaling \$58,096 at DACS, 3 payouts totaling \$12,353 at DOC, 2 payouts totaling \$47,506 at DMS, and 5 payouts totaling \$12,823 at DOT.
 - DOC made a duplicate payment of \$10,215 to one employee for unused sick leave at separation. Subsequent to our audit inquiry, DOC requested reimbursement from the former employee.
 - For 2 DACS unused annual leave payouts, one for a Selected Exempt Service employee and one for a Senior Management Service employee, DACS did not correctly adjust the unused annual leave balance to prorate the current year's annual leave accrual. As a result, one employee was underpaid \$277 and another employee was overpaid \$1,956.

Many factors can complicate the tracking and updating of State employee leave credits and the calculation of employee lifetime maximum terminal leave payouts including, the use and donation of leave, employee transfers between employment classes or pay plans, the rehire of former State employees, and payments of leave credits utilizing the On-Demand Payroll System. Under such circumstances, the implementation and communication of written policies and procedures may better ensure the calculation of payment amounts that are consistent with the requirements of law.

Recommendation: We recommend that each State agency's procedures be enhanced, as appropriate, to address the terminal leave payout process. Such enhancements should require the performance of leave balance audits prior to processing terminal leave payouts, and documentation of such audits should be retained. We also recommend that State agencies take other appropriate steps, including independent verification of payout calculations, to ensure that terminal leave payouts are accurate and paid in accordance with applicable laws, rules, and guidelines.

In response to this finding, DACS management indicated that documentation for the 5 payouts had been provided. DACS personnel did provide Computation Sheets, which on the first line show "Leave Credits Per Most Recent Record" and then include lines to update the recorded balance to reflect current leave transactions. As noted in the finding, the documentation provided did not demonstrate that the recorded leave balances had been audited prior to payment.

Dual Employment

State law provides that an individual employed by a State agency or by the judicial branch may not fill more than a total of one full-time equivalent established position, receive compensation simultaneously from any appropriation other than appropriations for salaries, or receive compensation simultaneously from more than one State agency unless approved by DMS, or the agency head (if such approval authority has been delegated),²⁹ or by the Chief Justice, during each fiscal year.³⁰ Pursuant to State law, DMS adopted rules delegating to agency heads approval authority for all dual-employment requests.³¹ In considering requests for dual employment, the DMS rules require State agencies to apply the following criteria:

- Compensation must be commensurate with assigned duties.
- A demonstrated need for the proposed action must exist.
- The services must not give rise to the appearance of a conflict of interest or otherwise violate legislative intent.

The DMS rules also require that any State employee seeking employment and compensation from more than one State agency initiate a *Dual Employment and Compensation Request* form (Form DMS/HRM/DUAL). On the *Dual Employment and Compensation Request* form, employees are to certify that the secondary employment will not be within the normal working hours of the primary employment.³² The form instructions also require the secondary employing agency to provide certain information to the primary employing agency and indicate that the primary employing agency has the final approval authority.

For overtime liability determinations, the *Dual Employment and Compensation Request* form requires the relevant State agencies to consider whether: there is no overtime liability as both the primary and secondary employments are excluded for overtime purposes; the secondary employment is voluntary, in a different capacity from the primary employment, and worked on an occasional or sporadic nature; or the position is outside of the SPS. However, if overtime is applicable, the primary and secondary agencies must, considering the nature of the positions involved, agree upon a method for calculating overtime as described on the *Dual Employment and Compensation Request* form and required by the FLSA.³³

DMS provided additional guidance for SPS agencies in the *Dual Employment Guidelines and Procedures for State Personnel System Agencies (Guidelines)*.³⁴ Those *Guidelines* require that, if the dual employment is approved, the primary agency provide the secondary agency with copies of the *Dual Employment and Compensation Request* form and the secondary agency process the secondary employment in the human resource information system. The *Guidelines* further require that

²⁹ Section 216.011(1)(qq), Florida Statutes, defines a "State agency" as any official, officer, commission, board, authority, council, committee, or department of the executive branch of State Government and, for the purposes of implementing Section 19(h), Article III of the State Constitution, includes the judicial branch.

³⁰ Section 216.262(1)(e), Florida Statutes.

³¹ DMS Rule 601-32.003, Florida Administrative Code, *Dual Employment and Compensation*.

³² According to the DMS *Dual Employment Guidelines and Procedures for State Personnel System Agencies*, the primary employment is the employment that has the earliest date of hire. However, OPS employments are to be considered secondary unless both positions are OPS.

³³ The FLSA is codified in Title 29, Sections 201 through 219, United States Code. Section 207 addresses overtime pay and Section 213(a)(1) provides an exemption from overtime pay for employees employed as bona fide executive, administrative, professional, and outside sales employees. Section 213(a)(17) exempts computer systems analysts, computer programmers, software engineers, and other similarly skilled workers. To qualify for exemption, employees generally must meet certain tests regarding their job duties and weekly salary rate.

³⁴ Prior to major revision in June 2009, the *Guidelines* dated September 4, 2003, were in effect.

- Requests for dual employment be reviewed and approved annually by both the primary and secondary employing agencies.
- If either the primary or secondary employment changes, a new *Dual Employment and Compensation Request* form be submitted for approval.

Finding No. 4: Dual-Employment Rules and Guidelines

As noted above, State law requires agency approval, during each fiscal year, for all requests for dual employment and simultaneous compensation from more than one State agency in the executive branch or the judicial branch of State Government.³⁵ DMS rules do not specifically make reference to the judicial branch or define a State agency for the purpose of the rules but require agency approval for all requests for simultaneous compensation of an employee by more than one agency.³⁶

DMS *Guidelines* provided additional guidance for SPS agencies. Those *Guidelines* in effect prior to June 2009, defined dual employment to include the compensation of an employee simultaneously by more than one State employer or State agency within the SPS. The *Guidelines* defined a State employer as the SPS, State University System, Florida Lottery, Florida Legislature, Justice Administration Commission, and the State Courts System. However, DMS revised the *Guidelines* in June 2009 to indicate that the *Guidelines* do not apply to employment with any government employer outside the SPS.

In addition to the guidance in DMS rules and *Guidelines*, four of the six State agencies included within the scope of this audit had established agency dual-employment policies and procedures requiring that a dual-employment request form be initiated by the employee and approved by agency management. While all four of these agencies' policies and procedures required that the approval be performed during each fiscal year, the policies and procedures varied regarding the State employers for which dual-employment approval was required. For example, the DEP and DACS policies and procedures required that a form be completed and approved for dual employment for both SPS and non-SPS State entities, such as the State University System, while the DMS agency policies and procedures restricted the use of such a form to employment at SPS agencies.³⁷ DFS policies and procedures required that a form be completed and executed for "employment by more than one State agency" but did not define a "State agency" or differentiate between non-SPS and SPS agencies.³⁸

Absent guidance that clearly indicates when dual-employment approval is required, State agencies may not ensure that employees submit for agency approval requests for dual employment as required by State law. Lack of such guidance may have contributed to the instances noted in finding No. 5 in which proper approval for dual employment was not obtained and documented.

Recommendation: We recommend that DMS and the various State agencies establish or revise dual-employment policies and procedures to ensure that approval during each fiscal year is obtained by any employee seeking employment at, or compensation from, more than one State agency. To ensure compliance with State law, such policies and procedures should clearly address both the simultaneous compensation from any appropriation other than the appropriations for salaries and the simultaneous compensation from any State agency or the judicial branch of State Government.

³⁵ Section 216.262(1)(e), Florida Statutes.

³⁶ DMS Rule 60F-32.003, Florida Administrative Code.

³⁷ *Dual Employment – Dual Compensation* (No. DEP 401); *Outside Employment, Dual Employment, Compensation, and Other Activities* (DACS Administrative Policies and Procedures No. 5-5); and *Dual Employment Within the State Personnel System* (DMS Policy No. HR-01-112).

³⁸ *Dual Employment and Compensation* (DFS Administrative Policies and Procedures No. 5-04).

Finding No. 5: Dual-Employment Approvals and Management of Dual-Employment Activities

To effectively manage dual-employment activities, State agencies must maintain supplemental files and records related to employees' dual-employment approvals and activities. Table 4 shows, according to the records of five of the six State agencies included within the scope of this audit, the number of employees approved for dual employment during the period July 2007 through January 2009. DOC was not able to provide, in response to our audit inquiries, a complete listing or other comprehensive record of dual-employment approvals.

Table 4
Dual-Employment Approvals in Effect
July 2007 Through January 2009

Agency	Number of Employees with Dual-Employment Approvals
DACS	75
DOC	Not Documented ^a
DEP	96
DFS	5
DMS	11
DOT	41

^a DOC did not maintain a list or other comprehensive record of employees approved for dual employment.

Source: Agency records.

There is not an established mechanism for State agency use that identifies those employees simultaneously receiving compensation from more than one State employer. Accordingly, to determine whether the listings provided by the agencies included approvals for all employees who had simultaneously received compensation from more than one State employer during the period July 2007 through January 2009, we performed analytical procedures of FLAIR payroll data to detect potential instances of dual employment. For the six agencies included within the scope of this audit, we identified 1,008 employees for whom it appeared there were instances of dual employment.³⁹ To test applicable procedures, we selected the records for 43 of these employees.

We determined that all 43 of the employees had been employed by more than one State employer; however, as shown by Table 5, the agencies had not included 21 of the 43 employees on the dual-employment listings provided for our review. Additionally, a *Dual Employment and Compensation Request* form was not available for 19 of the 21 employees. Thirteen of these 19 employees had been dual-employed by another SPS State agency and 6 had been dual-employed by a State University System employer.⁴⁰ For the other 2 employees, the *Dual Employment and Compensation Request* forms provided did not contain evidence of appropriate approval.

³⁹ As not all State employers utilize FLAIR, this analysis would not detect compensation paid by the State entities that do not utilize FLAIR. For example, with the exception of the Florida Agricultural and Mechanical University (FAMU), this analysis would not detect payments made by State universities to employees at the six agencies included within the scope of this audit as, during the audit period, FAMU was the only State university utilizing FLAIR for employee compensation payments.

⁴⁰ As stated in finding No. 4, DMS *Guidelines* were revised in June 2009 redefining dual employment to exclude employment with a State employer outside the SPS.

Table 5
Summary of Noted Dual-Employment Approval Deficiencies

Agency	Number of Employee Dual-Employment Records Tested	Dual Employment Not Included by Agency on Listing	Dual Employment and Compensation Request Form		
			Not Available	Lacked Required Signatures	Totals
DACS	10	2	2 ^a	1	3
DOC	10	10	8	-	8
DEP	10	5	5 ^b	-	5
DFS	3	-	-	1	1
DMS	5	1	1	-	1
DOT	5	3	3 ^c	-	3
Totals	43	21	19	2	21

^a Both dual employments were with a State University System employee.

^b Three of the 5 dual employments were with a State University System employee.

^c One of the 3 dual employments was with a State University System employee.

Source: Agency records.

Absent a mechanism that identifies those employees simultaneously receiving compensation from more than one State employer, agencies cannot be assured that their employees always properly submit dual-employment requests for management approval. In addition, absent documentation of the proper approval of dual employment, State agencies cannot demonstrate that an employee's compensation was commensurate with the employee's assigned duties, there was a need for the employee to hold more than one position with the State, or the employment did not give rise to the appearance of a conflict of interest or otherwise violate legislative intent. Further, absent a listing or other complete record of employees approved for dual employment, an agency cannot demonstrate that the dual-employment activities of all applicable employees have received appropriate consideration in accordance with State law and DMS rules and *Guidelines* or that an appropriate method for calculating applicable overtime pay has been devised.

Recommendation: We recommend that State agencies take appropriate steps to ensure that dual-employment requests are properly submitted and approved and that comprehensive records documenting all dual-employment approvals be maintained. In addition, we recommend that DMS and DFS, in conjunction with the other State agencies, create a mechanism (e.g., a People First or FLAIR report) to identify those employees who simultaneously receive compensation from more than one State employer.

In response to this finding, DACS management stated that "according to DMS rule interpretation, the two cited as not available should not have been considered a finding since those two employees were dual employed outside of the SPS at a university." At the time of the cited payroll transactions, dual-employment authorization was required for secondary employment at a State university. As stated in finding No. 4, DMS Guidelines were subsequently revised in June 2009 redefining dual employment to exclude employment with a State employer outside the SPS.

Salary Calculations and Overtime Authorizations

Most SPS salary payment calculations are made utilizing a payroll process whereby People First is responsible for certain functions supporting the payroll process, including processing personnel actions and employee time data, and at the end of each pay period, People First transmits payroll data to the FLAIR Payroll Component. However, some

"one-time" salary payment calculations are initiated by the employing agency and processed using a system referred to as the On-Demand Payroll System.

According to FLAIR records, during the period July 2007 through January 2009, approximately 1.8 million salary payments totaling approximately \$2.8 billion were made for the employees (in both authorized and OPS positions) of the six agencies included within the scope of this audit.

Finding No. 6: Salary Payment Calculations

We tested 540 salary payments totaling \$1,109,967 to determine whether the payments were properly calculated, approved, and supported by authorized sufficient time records. Table 6 shows, by agency, the total salary payments population and the total payments selected for testing.

Table 6
Salary Payments Tested
for the Period July 2007 Through January 2009

Agency	Salary Payment Population		Salary Payments Tested	
	Number of Payments	Amount of Payments	Number of Payments	Amount of Payments
DACS	163,290	\$ 218,030,942	95	\$ 153,253
DOC	1,122,732	1,544,953,759	137	266,294
DEP	109,508	258,968,365	87	210,262
DFS	51,790	182,305,173	70	214,859
DMS	41,167	66,181,514	67	151,923
DOT	297,839	526,384,301	84	113,376
Totals	1,786,326	\$2,796,824,054	540	\$1,109,967

Source: FLAIR. Salary payment amounts include payments made to employees in both authorized and OPS positions.

For the 540 salary payments tested, the agencies included within the scope of this audit generally made employee salary payments in the correct amounts based on the number of hours recorded as worked, approved rate of pay, and effective dates of any pay rate changes. However, we identified 11 salary payment errors (7 overpayments and 4 underpayments). The amounts paid in error ranged from an overpayment of \$626 to an underpayment of \$901. Specifically, we noted:

- Four errors for the 95 DACS salary payments tested. For 2 payments, DACS did not record reductions to lead worker additive pay until after the approved effective dates of the changes, resulting in overpayments of \$26 and \$31. For another payment, DACS underpaid the employee by \$157 due to an incorrectly recorded start date. In the fourth instance, an employee who transferred employment from DOC to DACS was underpaid by \$94 due to the use of the lower DACS rate of pay for hours worked at DOC.
- Two errors for the 87 DEP salary payments tested. DEP overpaid one employee \$50 due to an error in calculating the employee's overtime rate of pay and overpaid the other employee by \$16 as a result of entering incorrect flex schedule hours into People First.
- Two errors for the 70 DFS salary payments tested. In one instance, DFS paid an employee for 160 hours of work although the time records showed that the employee only worked 152 hours, resulting in an overpayment of \$80. In the other instance, DFS paid an employee \$904 when, based on the employee's rate of pay and time records, the employee should have been paid \$1,805, resulting in an underpayment of \$901.

- Two errors for the 67 DMS salary payments tested. DMS overpaid one employee by \$40 because, although the employee's pay was adjusted for a change in the rate of pay, the change in the employee's status from part-time to full-time was not taken into account. DMS underpaid the other employee by \$17 due to a delay in implementing an approved pay increase.
- One error for the 84 DOT salary payments tested. DOT overpaid one employee by \$626 as the employee separated from DOT in the middle of the payroll period but was paid based on 80 hours rather than the 40 hours recorded as worked.

Each of the instances noted above resulted from State agency payroll change processing. When payroll changes are processed, additional care should be taken to ensure that the changes are timely made considering the effective date of the change and that the changes made agree with the supporting authorization and time records. Subsequent to our audit inquiries, the agencies began taking actions to resolve the errors noted above.

Recommendation: State agencies should take appropriate measures to ensure that salary payments are accurately calculated based on the applicable rate of pay and actual hours worked. Such measures may include, for all payroll changes, an additional review of the calculations and supporting documentation prior to salary payment issuance.

Finding No. 7: Overtime Authorization

The FLSA provides for the inclusion or exclusion of certain classes of employees defined by the type of work performed. State employees who are eligible for overtime pay pursuant to the FLSA are referred to in DMS rules and guidelines as "included employees." The FLSA requires that, unless otherwise exempted, employees be paid overtime pay at a rate of not less than one and one-half times the regular rate for hours worked in excess of 40 per week.⁴¹ "Excluded employees" are not subject to the FLSA and, therefore, there is no FLSA requirement to pay or otherwise compensate excluded employees for any overtime hours worked.

As part of our audit, we reviewed agency overtime policies and procedures, performed analytical procedures, and examined the records for 64 overtime payments made during the period July 2007 through January 2009 and totaling \$68,719, to evaluate whether overtime payments were reasonable, properly calculated, adequately supported, and authorized. The 64 overtime payments tested included, 10 payments totaling \$20,277 to DACS employees, 20 payments totaling \$13,686 to DOC employees, 6 payments totaling \$7,328 to DEF employees, 8 payments totaling \$15,271 to DFS employees, 10 payments totaling \$7,855 to DMS employees, and 10 payments totaling \$4,302 to DOT employees.

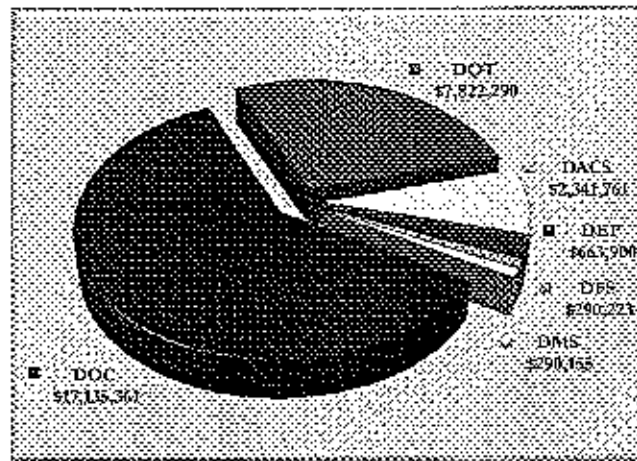
Except as otherwise noted below, we noted that the agencies had established policies and procedures regarding payment for overtime hours worked that, if consistently followed, should ensure that overtime payments are properly calculated and authorized. Also, for the overtime payment records included in our tests, we noted that the employees were properly designated as included employees, the amounts paid were properly calculated based on the rate of pay and number of hours recorded by the employees in People First as worked, and the hours recorded in People First were approved by the employees' direct supervisors or time administrators.

Our analytical procedures disclosed, as shown in Charts 2 and 3, that DOC paid a significantly higher amount of overtime pay for a significantly larger number of overtime hours than the other five agencies.

⁴¹ Title 29, Section 207, United States Code.

Chart 2

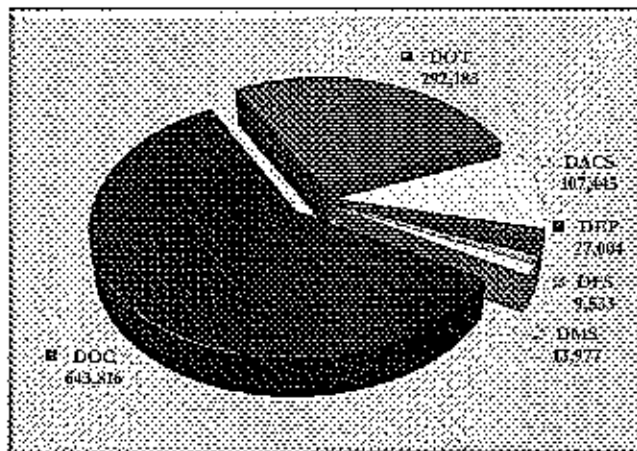
Overtime Payments by Agency
July 2007 Through January 2009



Sources: FLAIR and People First Records.

Chart 3

Overtime Hours by Agency
July 2007 Through January 2009



Sources: FLAIR and People First Records.

Further analysis of the overtime hours worked by the 25 DOC employees with the greatest number of overtime hours disclosed that, during the 19-month period July 2007 through January 2009, the average number of overtime hours recorded by the 25 DOC employees ranged from 44 to 200 hours per month (20 to 93 hours per biweekly pay period) and the rate of overtime pay ranged from \$21.55 to \$55.97 per hour. These DOC employees included nurses and other medical staff. Relative to these employees, we performed additional procedures to attempt to verify the accuracy of the number of work hours recorded and the extent to which the overtime had been authorized in advance. These additional procedures included compiling and analyzing the overtime hours and pay for each of the 25 DOC employees for the expanded 36-month period of July 2007 through June 2010. As shown in Table 7, the total overtime hours for the 25 DOC employees ranged from 1,061 to 5,678 hours. DOC management advised us that the overtime was made necessary by a shortage of nursing staff.

Table 7

**Overtime Hours and Earnings for 25 DOC Employees with the
Greatest Number of Overtime Hours During the Period July 2007 Through June 2010**

	Position	DOC Region	Total Overtime Hours	Overtime Earnings	Regular Salary or Wages Paid	Total Earnings
1	Senior Licensed Practical Nurse	III	5,678	\$ 149,219	\$ 113,060	\$ 259,279
2	Correctional Medical Technician - Certified	II	5,528	142,823	111,720	254,543
3	OPS Senior Licensed Practical Nurse *	II	4,162	147,246	137,258	284,504
4	Senior Licensed Practical Nurse	III	4,014	100,263	106,354	206,617
5	Registered Nurse Specialist/Senior Registered Nurse	III	3,738	158,908	184,487	343,395
6	Senior Licensed Practical Nurse	III	3,541	83,871	100,758	184,630
7	Correctional Medical Technician - Certified	II	3,238	76,530	98,421	174,951
8	Senior Licensed Practical Nurse	II	2,931	74,297	105,261	179,558
9	Senior Licensed Practical Nurse	III	2,919	100,706	143,141	243,847
10	Senior Licensed Practical Nurse	I	2,914	71,772	72,127	143,899
11	Senior Licensed Practical Nurse	II	2,812	74,604	120,772	195,376
12	Registered Nurse Specialist/Senior Registered Nurse	II	2,601	90,856	147,064	237,920
13	Senior Licensed Practical Nurse	III	2,462	53,338	83,678	137,016
14	Senior Registered Nurse	III	2,447	77,045	137,391	214,436
15	Senior Licensed Practical Nurse	I	2,334	53,576	96,404	149,980
16	Registered Nurse Specialist	III	2,366	90,728	159,223	249,951
17	Senior Licensed Practical Nurse	III	2,306	71,213	84,600	155,813
18	OPS Senior Licensed Practical Nurse	III	2,288	75,504	129,366	204,870
19	Registered Nurse Specialist	II	1,911	96,013	223,679	319,692
20	Registered Nurse Specialist/Senior Registered Nurse	II	1,735	72,131	172,646	244,777
21	Registered Nurse Specialist	II	1,663	63,065	157,801	220,866
22	Clinical Associate	III	1,531	85,839	237,841	323,680
23	Senior Registered Nurse	III	1,475	46,591	97,643	144,234
24	Senior Registered Nurse	II	1,214	40,634	209,683	250,317
25	OPS Registered Nurse Specialist	III	1,061	52,493	123,173	175,666
	Totals		69,229	\$2,151,271	\$3,335,565	\$5,486,836

* During 14 months of this 36-month period, this nurse was employed by both DOC and the Department of Children and Family Services (DCFS). In addition to her DOC earnings of \$284,504, she was paid \$30,341 by DCFS.

Sources: People First and HLAIR.

Out analyses and tests disclosed:

- For some employees, the overtime hours worked were clearly excessive. For example,
 - The overtime earnings for 6 employees exceeded \$100,000 and overtime earnings for 3 of these 6 employees exceeded their regular wages during the 36-month period.
 - One licensed practical nurse was paid by DOC a total of \$284,504 in State wages during the period July 2007 through June 2010 and was dual employed for 400 calendar days during that time period. People First time record information for the two agencies at which she was dual employed indicated that the nurse had recorded hours for 399 of the 400 days. While holiday and leave hours had been recorded for 27 of the 399 days, the nurse recorded hours worked for 372 of the 400 calendar days she was dual employed. We also noted that the nurse's dual-employment activities had not been approved by either DOC or the other employing agency, DCFS. As the nurse's dual employment had not been approved, there was no documentation to demonstrate that the two employing agencies considered the applicability of, or agreed upon a calculation method for, overtime pay. (See finding No. 5 for a discussion of improvements needed in the approval and management of State employees' dual-employment activities.)
- In response to our audit request for sign-in logs or other facility access records to corroborate the dates and work hours recorded by certain nurses assigned to Regions I, II, and III, DOC management provided applicable control room log information for Region I and work schedules and daily assignment sheets for

Regions I and II. With respect to Region III records, DOC provided some work schedules and control room logs; however, DOC management also indicated that other requested records had been shredded and that an internal investigation had been conducted related to the nurses' hours reported in Region III. The results of that investigation indicated, in part, that nursing staff had been allowed to work excessive overtime.

- Upon comparison of the selected nurses' People First time records to the control room log information and the work schedules and daily assignment sheets, we noted numerous instances in which the dates and hours worked did not agree. The record differences have been provided to the DOC Inspector General so that additional efforts may be made to determine the accuracy of the time records.
- According to DOC management, a directive was distributed, via e-mail, instructing DOC supervisory staff that no more than 16 hours of overtime per biweekly pay period should be authorized if there was a more cost-effective alternative. In addition, according to a DOC Inspector General report,⁴² for at least one Region III correctional institution, Career Service and OPS nursing staff had been provided blanket approval to work overtime of up to 40 hours per biweekly pay period. However, beyond the 16-hour limit in the e-mailed directive and the 40-hour blanket approval, the DOC had not adopted written policies or procedures requiring of DOC management prior written authorization of overtime work and pay and verification that any overtime shown on time records had been properly authorized.

Absent written policy and procedure governing the authorization and verification of overtime hours worked, overtime may be worked that is not preceded by careful management consideration of workload; the effectiveness, safety, and well-being of State employees and those served when large amounts of overtime are involved; and the economy and fiscal impact of the overtime payments.

Recommendation: DOC should establish written policies and procedures requiring DOC supervisory staff to provide prior written authorization for employee overtime and verify that the overtime shown on employee time records did not exceed the hours authorized. In determining whether overtime should be authorized, we recommend that DOC management analyze the costs and benefits of paying overtime versus hiring additional employees or engaging contractors to perform certain responsibilities, with consideration given to the effectiveness of employees who work excessive hours. In addition, to help in the timely detection of fraud or error, should it occur, agency management should periodically evaluate the reasonableness of the overtime hours being recorded by employees and investigate those instances in which the reported hours may appear unusually large.

Warrant and EFT Cancellations

The DFS BOSP *Payroll Preparation Manual* provides instructions to agencies for processing warrant and EFT salary payment cancellations. Reasons for canceling a warrant or EFT include, but are not limited to, payment of incorrect number of hours, late processing of a salary rate change, duplicate payment, or errors in amounts deducted from the employee's gross pay. Salary payments made by EFT can be canceled electronically. If a salary payment made by paper warrant requires cancellation, the *Payroll Preparation Manual* requires that the canceled paper warrant be destroyed and a record of the destruction be maintained. Salary payments made by paper warrant may also be canceled if the warrant was lost.

Finding No. 8: Salary Payment Cancellations

Every payroll cycle, DFS BOSP sends each State agency a *Duplicate Payments Report* that identifies multiple salary payments issued by the agency to the same employee and a *Supplemental Earnings Report* that identifies rates of pay that exceed the maximum for the corresponding class and pay bands. The agencies are to review the reports for errors

⁴² Report No. R10016, *Review of the Lowell Correctional Institution Nursing Utilization Schedule*.

that may require a salary payment cancellation. If an agency identifies an overpayment, the agency is to initiate the cancellation process using FLAIR. Cancellations are normally processed within 24 hours and the correct payment is generally made through the On-Demand Payroll System.

As shown in Table 8, according to FLAIR records, for the six State agencies included within the scope of this audit, during the period July 2007 through January 2009, there were 2,722 salary payment cancellations, totaling \$1,937,409. Table 8 also shows the number and amount of cancellations included in our audit tests.

Table 8
Summary of Salary Payment Cancellations Populations and
Test Items for the Period July 2007 Through January 2009

Agency	Salary Payment Cancellations			
	Population		Test Items	
	Number of Cancellations	Total Cancellations (in dollars)	Number of Cancellations	Total Cancellations (in dollars)
DACS	327	\$ 158,279	10	\$31,867
DOC	1,629	1,089,686	10	8,088
DEP	205	110,262	10	8,152
DFS	94	110,392	10	13,332
DMS	59	31,740	10	13,852
DOT	408	437,050	10	17,949
Totals	2,722	\$1,937,409	60	\$93,220

Source: FLAIR.

Our tests of 60 salary payment cancellations totaling \$93,220 disclosed that agency controls needed improvement to ensure the timely initiation of overpayment recovery efforts and proper destruction of canceled paper warrants. Specifically, we noted:

- State agencies did not always timely initiate third-party overpayment recovery efforts. State employees may voluntarily authorize deductions from their gross pay be made and paid to third parties such as medical, dental, and life insurance providers; charitable organizations; and the State's Deferred Compensation Program investment providers. Although the dollar amounts for individual deductions may not be significant, the volume of these transactions may be great. Regarding third-party overpayments, we noted that:
 - The *Payroll Preparation Manual* did not include specific guidance for recovering from third parties any overpayments resulting from salary payment cancellations.
 - Of the 60 salary payment cancellations tested, 17 reflected a total of 41 separate voluntary deductions ranging from \$1 to \$350 and totaling \$1,724. For 9 of the 41 deductions, the agencies had not taken timely action to recover from the third parties the amounts paid. These 9 deductions (one each for the employees of DACS, DOC, and DEP for \$3, \$24, and \$18, respectively, and 6 at DOT totaling \$73) totaled \$118. Although the dates for these canceled payments ranged from February 2008 through October 2008, the agencies' recovery efforts were not initiated until subsequent to our audit inquiries in April 2009.
- DACS staff indicated that they were not aware of the *Payroll Preparation Manual* requirement that canceled paper warrants be destroyed and records of the destruction be maintained. As of April 2009, DACS was in possession of 148 canceled paper warrants, totaling \$17,244. The dates of these canceled warrants ranged from August 2002 to April 2009. Subsequent to our audit inquiry, DACS destroyed the canceled warrants and implemented new procedures for documenting the destruction of paper warrants.

Absent timely and appropriate efforts to collect overpayments made to third parties and the proper destruction of canceled paper warrants the State's exposure to loss may not be sufficiently limited.

Recommendation: We recommend that DFS enhance the *Payroll Preparation Manual* to include specific instructions for recovering from third parties any overpayments made as a result of salary payment cancellations. Additionally, we recommend that, when canceling salary payments, State agencies take appropriate action to timely recover from third parties any amounts overpaid.

Employee Out Processing

State agencies are responsible for implementing a process that ensures that, when an employee separates from State agency employment, all State-owned property is returned, access to information technology (IT) systems and resources is deleted, and State credit cards are canceled. State agencies have developed procedures and forms to facilitate and document the out processing of employees. Table 9 lists the forms used during the out processing of employees by the six State agencies subject to audit.

Table 9

Agency Forms Used for Employee Separations

Agency	Form Title and Number
DACS	<i>Employee Separation Report</i> (DACS-01092)
	<i>Employee Separation Asset form</i> (DACS-01347)
DOC	<i>Supervisor Checklist for Separating Employees</i> (DC2-280) ^a
DEP	<i>Certificate of Termination</i> (DEP 54-601)
DFS	<i>Turn-in Checklist</i> (DFS-C2 721)
DMS	<i>Employee Exit Checklist</i> (HR-103-F2) ^b
DOT	<i>Notice of Separation/Resignation</i> (250-005-25)

^a Effective December 2007.⁴³

^b Effective May 2008.

Source: Agency records.

Finding No. 9: Employee Out-Processing Forms and Checklists

As part of our audit, we reviewed applicable records to evaluate whether the six State agencies included within the scope of this audit documented the timely return of all assigned State-owned property, including purchasing cards and other State credit cards, upon employee separation. We also considered applicable dates for terminated employees to determine whether the agencies timely canceled credit card accounts and deleted access to IT resources. We tested records for 60 terminated employees (10 at DACS, 20 at DOC, 10 at DEP, 5 at DFS, 5 at DMS, and 10 at DOT) and noted that two of the six agencies did not always document the return of State-owned property by separating employees. Specifically:

- DOC records for 9 former employees did not contain a *Supervisor Checklist for Separating Employees* (DC2-280) form or alternative documentation evidencing that the employees returned all assigned State-owned property. The positions held by these employees included correctional officer and administrative clerk.
- For 2 former employees, a custodial worker and a Senior Management Analyst II, DMS records did not contain documentation to evidence the return of State-owned property. These 2 employees separated prior

⁴³ Previously, DOC used various exit checklists and property collection procedures.

to the implementation of the DMS procedure requiring use of the *Employee Exit Checklist* (HR 103-F2) form and no alternative documentation was available. Subsequent to our audit inquiry, DMS provided an HR 103-F2 form for one of the 2 employees, dated one year after the employee's separation date.

Absent documentation evidencing that all State-owned property items assigned to an employee, including employee badges, access cards, keys, and purchasing and credit cards, were returned upon the employee's separation from employment, State agencies cannot demonstrate proper accountability for and safeguarding of State assets.

Recommendation: We recommend that State agencies reinforce policies requiring the use of forms designed to ensure and document the return of all State-owned property items by separating employees. State agencies should also ensure that this documentation be maintained in the separating employee's personnel file or other identifiable location.

ADDITIONAL MATTERS

As we similarly noted in report No. 2007-087, progress to improve the functionalities of People First continued to be made. Specifically, DMS enhanced State agency personnel training and communication efforts, State agency knowledge and use of People First expanded, the use of manual time records was significantly reduced, and various system enhancements were implemented. Other system enhancements needed to fully resolve the deficiencies noted in report No. 2007-087 were addressed by DMS in an amendment to the contract with the People First contractor, Convergys.⁴⁴

Pursuant to Chapter 2008-152, Laws of Florida, the Office of Program Policy Analysis and Government Accountability contracted for the conduct of an independent study of People First. The study included an analysis of the cost effectiveness and functionality of People First and identified and evaluated potential options for alternative service delivery solutions. The resulting report recommended that the contract with Convergys be renegotiated with all outsourced components remaining outsourced. Subsequent to the conduct of the study, DMS entered into a new contract with Convergys on December 8, 2009.⁴⁵ As a result of the system enhancements included in the renegotiated contract, a new release of the People First System was designed for implementation in July 2010.

During the implementation of the system enhancements, July 9 through July 19, 2010, People First was off-line. As a result, until the upgraded system was made available for agency use on July 19, 2010, State agency personnel were required to manually maintain time records and utilize the On-Demand Payroll System to process any required payroll transactions.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from January 2009 to August 2009, and performed selected audit procedures through October 2010, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for

⁴⁴ Amendment 10, dated May 28, 2008.

⁴⁵ In March 2010, the Convergys Corporation announced the sale of its Human Resources Management Division to NorthgateArizno, a company headquartered in the United Kingdom.

our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit focused on payroll and personnel administrative processes at selected State agencies. The overall objectives of the audit were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the relevance and reliability of records and reports; and the safeguarding of assets.
- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the relevance and reliability of records and reports; and the safeguarding of assets.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

Our audit also included steps to determine whether DMS and applicable agency management had corrected, or were in the process of correcting, all applicable deficiencies disclosed in our report No. 2007-087.

In conducting our audit we:

- Obtained an understanding of State agency policies, procedures, and controls relevant to the payroll and personnel processes through interviews of employees, observations of processes, inspection of records and reports, and recalculation of selected data. Specifically, our audit focused on review of the payroll function, budgetary issues, changes to payroll records, new hires and separations, time records and leave issues, payroll deductions and salary garnishments, dual employment, overtime payments, and the On-Demand Payroll process.
- Obtained an understanding of the role of DMS and the People First System (including the role of Convergys,⁴⁶ the People First contractor) in the State's payroll and personnel processes.
- Obtained and reviewed the applicable reports on controls placed in operation and tests of operating effectiveness prepared for the period July 2007 through January 2009 for *Convergys Corporation Human Resources Information Systems and Related SAP Information Technology General Controls*.
- Considered the results of a recent Information Technology audit (report No. 2010-021) that included the FLAIR Payroll Component and On-Demand Payroll System.
- Obtained an understanding of the roles of State agency staff involved in the payroll and personnel processes and evaluated, for 95 employees (20 at DACS, 25 at DOC, 10 at DEP, 10 at DFS, 10 and DMS, and 20 at DOT), whether assignments for payroll- and personnel-related tasks were appropriate.
- Examined salary payments and related personnel records to evaluate whether the salary payments were made to bona fide employees in authorized positions that had been properly classified as Career Service, Selected Exempt Service, or Senior Management Service pay plan positions; whether salary payments were for the correct number of hours, rate of pay, pay period, and in accordance with the established position salary ranges; and whether annual, sick, and other leave was properly authorized and that applicable leave balances were appropriately adjusted. We tested the records for a total of 117 employees, with 122 salary payments totaling \$314,936, including 21 payments totaling \$27,019 at DACS, 20 payments totaling \$67,803 at DOC, 21 payments totaling \$58,518 at DEP, 20 payments totaling \$82,649 at DFS, 20 payments totaling \$49,612 at DMS, and 20 payments totaling \$29,335 at DOT.
- Compared the position descriptions for and duties assigned to 117 employees (19 at DACS, 19 at DOC, 20 at DEP, 20 at DFS, 19 at DMS, and 20 at DOT) to evaluate whether the position descriptions accurately reflected the duties performed by the employees.

⁴⁶ In March 2010, the Convergys Corporation announced the sale of its Human Resources Management Division to Northgate-Arisso.

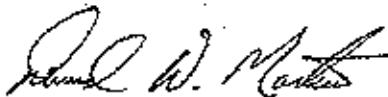
- Reviewed applicable records to evaluate whether new employees met the position requirements and the selected State agencies complied with the guidelines for new hires. We tested the records for a total of 60 employees hired during the period July 2007 through January 2009, including 10 at DACS, 20 at DOC, 10 at DEP, 5 at DFS, 5 at DMS, and 10 at DOT.
- Examined the initial salary payments made to 60 new hires to evaluate whether the payments were made for the correct hours, rate of pay, and pay period, and whether the payments were made in accordance with the established pay ranges. The tested salary payments totaled \$73,181 and included payments totaling \$8,911 at DACS, \$21,879 at DOC, \$13,715 at DEP, \$8,902 at DFS, \$8,469 at DMS, and \$11,305 at DOT.
- Examined records for selected employees with name changes to evaluate whether the employee name changes were properly authorized and approved prior to the change in the payroll and personnel records. We tested the name changes for 31 employees, including 6 at DACS, 5 at DOC, 5 at DEP, 5 at DFS, 5 at DMS, and 5 at DOT.
- Reviewed agency records for 22 overlapped positions, including 3 at DACS, 10 at DOC, 4 at DEP, and 5 at DOT, to evaluate whether the overlapped positions were properly approved and made in accordance with applicable laws, rules, and regulations.
- Reviewed agency records for four shared positions, including two at DACS, one at DEP, and one at DMS to evaluate whether the shared positions were properly approved and made in accordance with applicable laws, rules, and regulations.
- Performed analytical procedures and examined records for selected employees who received salary increases or decreases during the period July 2007 through January 2009 to evaluate whether the salary increase or decrease was properly approved and documented and that accurate and timely changes were made to the payroll records. We tested the records for a total of 106 employees, with salary payments totaling \$242,029, including 21 DACS employees with payments totaling \$50,420, 29 DOC employees with payments totaling \$41,304, 15 DEP employees with payments totaling \$68,841, 16 DFS employees with payments totaling \$56,311, 10 DMS employees with payments totaling \$14,577, and 15 DOT employees with payments totaling \$30,576.
- Evaluated the usefulness of People First *Missing Time Record* reports for resolving issues related to time records identified on the reports as unsubmitted, unapproved, or approved but requiring corrective actions.
- To determine whether the State agencies effectively managed compensatory leave credits and calculated payouts in accordance with applicable DMS rules and collective bargaining agreements, we selected and reviewed the records for 18 payments totaling \$162,988 made to 15 employees. The payments selected included 4 totaling \$12,071 at DACS, 8 totaling \$117,863 at DOC, 2 totaling \$18,174 at DEP, one for \$8,652 at DFS, 2 totaling \$1,411 at DMS, and one for \$4,817 at DOT.
- Examined 51 payouts for unused annual and sick leave totaling \$469,932 made to 23 employees who separated from State employment during the period July 2007 through January 2009, to determine whether the terminal leave payouts were adequately supported, properly calculated, and paid in accordance with applicable laws and rules. The 51 payouts tested included 10 payouts totaling \$109,116 at DACS, 9 payouts totaling \$70,169 at DOC, 5 payouts totaling \$38,250 at DEP, 9 payouts totaling \$134,120 at DFS, 3 payouts totaling \$53,198 at DMS, and 15 payouts totaling \$65,079 at DOT.
- Analyzed payroll records for the period July 2007 through January 2009 to identify employees who received salary payments from more than one State agency during a pay period.
- Examined records to determine whether dual employment had been approved for 43 employees and reviewed the applicable time records for selected pay periods, with salary payments totaling \$152,383, to identify whether the time recorded and payments made were reasonable and in accordance with applicable laws, rules, and regulations. The items tested included 10 at DACS, totaling \$22,339; 10 at DOC, totaling \$73,655; 10 at DEP, totaling \$19,338; 3 at DFS, totaling \$18,082; 5 at DMS, totaling \$7,833; and 5 at DOT, totaling \$11,136.

- Examined the records for 64 overtime payments, totaling \$68,719, to evaluate whether the payments were properly calculated, supported, and authorized. These overtime payments included 10 payments totaling \$20,277 at DACS, 20 payments totaling \$13,686 at DOC, 6 payments totaling \$7,328 at DEP, 8 payments totaling \$15,271 at DFS, 10 payments totaling \$7,855 at DMS, and 10 payments totaling \$4,302 at DOT. Performed additional procedures for the 25 employees at DOC and DOT with the greatest number of overtime hours to determine the reasonableness of the hours recorded.
- For ten selected DOC employees with large amounts of overtime compensation during the period July 2007 through June 2010, compared time recorded as worked in People First to available work schedules, daily assignment sheets, and control room logs for selected dates to determine whether the hours recorded in People First were corroborated by other records of employee attendance.
- Tested 95 On-Demand Payroll transactions, totaling \$718,789, to determine whether such transactions were timely, properly authorized, documented, and calculated. The transactions tested included 20 at DACS, totaling \$129,577; 25 at DOC, totaling \$212,262; 10 at DEP, totaling \$61,954; 10 at DFS, totaling \$132,001; 10 at DMS, totaling \$110,553; and 20 at DOT, totaling \$72,442.
- Examined the records for 60 salary payments (10 at DACS, 20 at DOC, 10 at DEP, 5 at DFS, 5 at DMS, and 10 at DOT) to determine whether payments were made to employees through direct deposit as required by Sections 17.076 and 110.113, Florida Statutes.
- Examined BOSP records for salary garnishments, totaling \$2,925, for 10 employees (one at DACS for \$259; 4 at DOC, totaling \$956; one at DEP for \$361; one at DFS for \$400; one at DMS for \$235; and two at DOT, totaling \$714) to determine whether the deducted amounts were properly authorized, supported, and calculated.
- Reviewed applicable records to evaluate whether employees who separated from State employment during the period July 2007 through January 2009 were timely removed from the payroll and, as applicable, whether all State-owned property, purchasing cards, and other credit cards were returned, and access to IT systems was timely terminated. We tested the records for a total of 60 employees, including 10 at DACS, 20 at DOC, 10 at DEP, 5 at DFS, 5 at DMS, and 10 at DOT.
- Examined the final salary payments for the employees who separated during the period July 2007 through January 2009 to evaluate whether the payments were made for the correct hours, rate of pay, and pay period. The tested salary payments totaled \$75,019 and included payments totaling \$6,277 at DACS, \$15,797 at DOC, \$30,849 at DEP, \$9,640 at DFS, \$6,229 at DMS, and \$6,227 at DOT.
- Performed analytical procedures to identify any instances in which access to FLAIR was not timely terminated upon employee separation.
- Tested 60 warrant and EFT cancellations, totaling \$93,220, to evaluate whether cancellations were timely, properly documented, and recorded and, if applicable, recovery of overpayment was timely initiated. The items tested included 10 at DACS, totaling \$31,867; 10 at DOC, totaling \$8,088; 10 at DEP, totaling \$8,132; 10 at DFS, totaling \$13,332; 10 at DMS, totaling \$13,852; and 10 at DOT, totaling \$17,949.
- Examined the records for 30 salary overpayments, totaling \$28,698, to determine whether the agency timely notified the applicable employee, took timely and appropriate action to recover the overpayment, maintained documentation to evidence agency collection efforts, and, when appropriate, referred uncollected overpayments to DFS for collection. The items tested included 5 at DACS, totaling \$9,191; 5 at DOC, totaling \$4,801; 5 at DEP, totaling \$1,639; 5 at DFS, totaling \$3,771; 5 at DMS, totaling \$4,495; and 5 at DOT, totaling \$4,801.
- Tested 35 salary payments that had been coded to reflect leave without pay to determine whether the leave was timely detected and the employee's pay appropriately adjusted. The items tested included 10 at DACS, 5 at DOC, 5 at DEP, 5 at DFS, 5 at DMS, and 5 at DOT.
- Performed analytical procedures to identify employees with dual employment who were paid in excess of the applicable FICA contribution thresholds and verified that the amount of contributions withheld from the employee, and matched by the State, was in accordance with the applicable laws, rules, and regulations.

- Performed analytical procedures to evaluate agency compliance with salary rate and evaluated agency records regarding the accuracy of the number of authorized, filled, and vacant positions.
- Performed analytical procedures to identify any employees who may have received duplicate payments. We also performed analytical procedures to identify and evaluate any payments made to employees with out-of-State addresses and any payments made to vendors who were also State employees.
- Performed analytical procedures to evaluate the reasonableness of the number of time records approved by a single supervisor and to identify excessive delays between the time record completion and approval date when compared to the payroll date. Also, we analyzed the data applicable to the number of missing time records and made follow-up inquiries regarding the circumstances for the missing time records.
- Performed various other audit procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe those matters requiring corrective actions.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a biennial basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA
Auditor General

MANAGEMENTS' RESPONSES

In response letters dated December 7, through December 9, 2010, the agency heads generally concurred with our audit findings and recommendations. The response letters are included as EXHIBIT C.

**EXHIBIT A
SUMMARY OF OBJECTIVES AND RESULTS OF AUDIT TESTING**

Objectives		Total No.	DACS	DOC	DSP	DFS	DMS	DOY	Finding No(s).
Were positions properly classified as Career Service, Selected Exempt Service, or Senior Management Service pay plan positions?	Tested	117	19	19	20	20	19	20	
	Yes	117	19	19	20	20	19	20	
	No	-	-	-	-	-	-	-	
Were agency assignments for payroll-related tasks appropriate?	Tested	95	20	25	10	10	10	20	
	Yes	95	20	25	10	10	10	20	
	No	-	-	-	-	-	-	-	
Did new employees meet requirements for the position (e.g., education or licensing requirements and background screenings)?	Tested	60	10	20	10	5	5	10	
	Yes	60	10	20	10	5	5	10	
	No	-	-	-	-	-	-	-	
Were changes to personnel and payroll records for employee name changes properly authorized and documented?	Tested	31	6	5	5	5	5	5	
	Yes	31	6	5	5	5	5	5	
	No	-	-	-	-	-	-	-	
Did a current position description exist for the employee that accurately reflected the employee's duties?	Tested	117	19	19	20	20	19	20	
	Yes	117	19	19	20	20	19	20	
	No	-	-	-	-	-	-	-	
Were any overlapped positions properly approved and made in accordance with applicable laws, rules, and regulations?	Tested	22	3	10	4	-	-	5	
	Yes	22	3	10	4	-	-	5	
	No	-	-	-	-	-	-	-	
Were any shared positions properly approved and made in accordance with applicable laws, rules, and regulations?	Tested	4	2	-	1	-	1	-	
	Yes	4	2	-	1	-	1	-	
	No	-	-	-	-	-	-	-	
Was the employee's salary rate within the applicable pay grade limits?	Tested	287	49	69	49	41	34	45	
	Yes	287	49	69	49	41	34	45	
	No	-	-	-	-	-	-	-	
Were salary payments properly supported by records of time worked?	Tested	515	95	132	82	65	60	79	
	Yes	515	95	132	82	65	60	79	
	No	-	-	-	-	-	-	-	
Were annual, sick, and other leave credits properly authorized and recorded?	Tested	188	35	32	31	30	30	30	
	Yes	188	35	32	31	30	30	30	
	No	-	-	-	-	-	-	-	
Were payments for unused compensatory leave balances properly calculated, authorized, and paid?	Tested	18	4	8	2	1	2	1	2
	Yes	7	3	-	1	1	2	-	
	No	11	1	8	1	-	-	1	
Were payments for unused annual and sick leave balances properly calculated, documented, authorized, and paid?	Tested	51	10	9	5	9	3	15	3
	Yes	33	3	5	5	9	1	10	
	No	18	7	4	-	-	2	5	
Were dual-employment activities properly authorized?	Tested	43	10	10	10	3	5	5	4 and 5
	Yes	24	8	2	5	3	4	2	
	No	19	2	8	5	-	1	3	
Were salary payments made only to bona fide employees of the State agency?	Tested	319	53	77	56	43	40	50	
	Yes	319	53	77	56	43	40	50	
	No	-	-	-	-	-	-	-	
Were salary payments properly calculated and for authorized amounts (including any overtime pay earned)?	Tested	540	95	137	87	70	67	84	6 and 7
	Yes	529	91	137	85	68	55	83	
	No	11	4	-	2	2	2	1	
Were salary payments properly recorded in the State's payroll and accounting systems?	Tested	235	40	72	39	27	20	37	
	Yes	235	40	72	38	27	20	37	
	No	-	-	-	-	-	-	-	

EXHIBIT A (CONTINUED)
SUMMARY OF OBJECTIVES AND RESULTS OF AUDIT TESTING

Objectives		Total No.	DACS	DOC	DEP	DFS	DMS	DOT	Finding No(s).
Were salary payments made to employees through direct deposit as required by Sections 17.076 and 110.113, Florida Statutes?	Tested	50	10	20	10	5	5	10	
	Yes	50	10	20	10	5	5	10	
	No	-	-	-	-	-	-	-	
Were deductions for garnishments from salary payments properly authorized and documented?	Tested	10	1	4	1	1	1	2	
	Yes	10	1	4	1	1	1	2	
	No	-	-	-	-	-	-	-	
Were no unauthorized payments made to separated employees for pay periods subsequent to the employees' separation dates?	Tested	50	10	20	10	5	5	10	
	Yes	50	10	20	10	5	5	10	
	No	-	-	-	-	-	-	-	
For those instances in which salary payment errors occurred, did the agency take timely and appropriate action to cancel the warrant or EFT?	Tested	60	10	10	10	10	10	10	8
	Yes	43	9	4	8	6	10	8	
	No	17	1 ^a	6	2	4	-	4	
For those instances in which salary overpayments occurred, did the agency take appropriate action to recover the overpayment?	Tested	30	5	5	5	5	5	5	
	Yes	30	5	5	5	5	5	5	
	No	-	-	-	-	-	-	-	
Were salary payments properly adjusted for instances of leave without pay?	Tested	35	10	5	5	5	5	5	
	Yes	35	10	5	5	5	5	5	
	No	-	-	-	-	-	-	-	
If any dual employments resulted in salary payments in excess of the thresholds for Federal Insurance Contributions Act (FICA) (social security) contributions, was only the appropriate amount withheld and matched by the State?	Tested	20	1	14	2	2	1	-	
	Yes	20	1	14	2	2	1	-	
	No	-	-	-	-	-	-	-	
Did the agency document that employees returned all State-owned property and that employee access to IT systems and other resources (e.g., credit and purchasing cards) was immediately canceled upon the employee's separation from State employment?	Tested	60	10	20	10	5	5	10	9
	Yes	49	10	11	10	5	3	10	
	No	11	-	9	-	-	2	-	
Did the agency comply with its overall agency salary rate and number of authorized positions?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Did agency records accurately reflect the number of authorized, filled, and vacant positions?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Did a process exist to assist State agencies in the identification and resolution of missing or unapproved time records?		Yes ^b	Yes ^b	Yes ^b	Yes ^b	Yes ^b	Yes ^b	Yes ^b	1
Was the number of time records to be approved by a single supervisor reasonable?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Did processes ensure the timely payment of salaries?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Did processes ensure that deductions from salary payments were authorized?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Did processes ensure that deductions from employee salary payments were subsequently paid in the appropriate amounts to the appropriate parties?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Did processes ensure that salary payments were accurately and completely reported to the Florida Retirement System?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Did a process exist to ensure that payroll-related forms and reports were timely prepared and submitted?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	

^a In addition, 148 canceled warrants had not been destroyed by DACS.

^b While agency policies related to the submittal and approval of time records existed and People First provided a *Missing Time Records* report to assist State agencies in the identification of time records that were unsubmitted, unapproved, or approved but requiring corrective actions, some additional uniformity in agency policies and report enhancements would improve the functionality of and level of agency reliance on the *Missing Time Records* reports.

**EXHIBIT B
SUMMARY OF COMPENSATORY LEAVE GUIDANCE AND
COLLECTIVE BARGAINING AGREEMENT PROVISIONS**

	Regular Compensatory Leave Credits	PLSA Special Compensatory Leave Credits (In Lieu of Overtime)	Special Compensatory Leave Credits
Eligible Employees:			
	Excluded Career Service (CS) Employees DMS Rule 60L-34.004(3)(1)	Included CS and Included Selected Exempt Service (SES) Employees DMS Rule 60L-34.006(5)	All CS and SES employees below the Bureau Chief level DMS Rules 60L-34.002(3)(e), 34.003(4), and 34.007(2)(e)
Basis for Earning Credits:			
	Hour-for-hour for time worked in excess of regular work period when an agency activates a payment plan due to an unforeseen circumstance event. DMS Rule 60L-34.004(3)(5)	One and one-half hours for every hour worked in excess of regular work period. DMS Rule 60L-34.006(4)	Time worked during established holidays (CS) or, for all CS and those SES employees below Bureau Chief, flexibly obtained pursuant to Executive Order of the Governor during emergencies. DMS Rules 60L-34.002(4) and 34.007(2)(e)
Limit on Accumulation of Credits per Rule or Collective Bargaining Agreement:			
Florida Administrative Code	240 hours DMS Rule ECL-81.0043(1)	80 hours DMS Rule 60L-34.006(4)(b)	Not addressed (According to DMS, most of these credits are for time worked by CS employees during established holidays. As a general rule, the only time these credits can be paid is when the employee separates or retires from State Government, or moves to a CS position at another State agency.)
American Federation of State, County, and Municipal Employees (AFSCME)	Not addressed	Not addressed	Not addressed
Florida Police Benevolent Association (FPBA) Security Services Unit	Not addressed	Not addressed	240 hours
FPBA Law Enforcement Unit	Not addressed	80 hours	240 hours
Federation of Physicians and Dentists (FPD) SES Physicians Unit	Not addressed	Not addressed	Not addressed
FPD SES Supervisory Non-Professional Unit	Not addressed	Not addressed	Not addressed
Florida State Fire Service Association	Not addressed	Not addressed	Not addressed
State Employees Attorneys' Guild	Not addressed	Not addressed	Not addressed
Florida Nurses Association Professional Health Care Unit	Not addressed	80 hours	240 hours
Payment for Accumulated Credits Per Rule or Collective Bargaining Agreement:			
Florida Administrative Code	<ul style="list-style-type: none"> Subject to DMS-approved agency-wide plan. Plan may include periodic lump sum payments. (According to DMS, most agencies rarely make such payments. Most employees are paid on an "as you go" basis through People First.) Payment to be made at employee's regular hourly rate of pay. Payment of employee separation not addressed. DMS Rule 60L-34.004(3)(5)	<ul style="list-style-type: none"> Payment for all unused credits at the close of business on December 31 and June 30 of each year (or other dates approved by DMS). Payment to be made at employee's regular hourly rate of pay. Upon employee separation, payment for all unused credits. DMS Rules 60L-34.006(4)(d) and (e)	<ul style="list-style-type: none"> Payment to be made at employee's current regular hourly rate of pay. Upon employee separation, payment for all unused credits. DMS Rules 60L-34.004(1), 34.007(1), and 34.003(2)
AFSCME	Not addressed	Not addressed	Not addressed
FPBA Security Services Unit	Not addressed	Not addressed	Not addressed
FPBA Law Enforcement Unit	Not addressed	<ul style="list-style-type: none"> Payment for all unused credits at the close of business on December 31 and June 30 of each year (or other dates approved by DMS). Payment to be made at the employee's regular hourly rate of pay. An employee who separates from the CS, moves to an excluded position, or moves to another State agency to be paid for all unused credits. 	Not addressed
FPD SES Physicians Unit	Not addressed	Not addressed	Not addressed
FPD SES Non-Supervisory Non-Professional Unit	Not addressed	Not addressed	Not addressed
Florida State Fire Service Association	Not addressed	Not addressed	Not addressed
State Employees Attorneys' Guild	Not addressed	Not addressed	Not addressed
Florida Nurses Association Professional Health Care Unit	Not addressed	<ul style="list-style-type: none"> Payment for all unused credits at the close of business on December 31 and June 30 of each year (or other dates approved by DMS). Payment to be made at the employee's regular hourly rate of pay. An employee who separates from the CS moves to an excluded position, or moves to another State agency to be paid for all unused credits. 	Not addressed

Sources: DMS Rules, Chapter 60L, Florida Administrative Code, and collective bargaining agreements with applicable employee bargaining units.

EXHIBIT C
MANAGEMENTS' RESPONSES

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EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES



Florida Department of Agriculture and Consumer Services
CHARLES H. BRONSON, Commissioner
 The Capitol • Tallahassee, FL 32399-0800
www.doacs.state.fl.us

Please Respond to:

December 7, 2010

David W. Martin, CPA
 Auditor General
 111 West Madison Street
 Claude Pepper Building, G-74D
 Tallahassee, Florida 32399

Dear Mr. Martin:

The following comments are provided in response to the preliminary and tentative findings and recommendations in your audit of "Payroll and Personnel Management" in the Department of Agriculture and Consumer Services (DACS).

Finding No. 1: Time Record Submittal, Review, and Approval

Procedural deficiencies existed with respect to the monitoring of the timely submittal, review, and approval of employee time records.

Auditor General Recommendations:

DMS clarify in rule, policy, or procedure, the time record preparation, submission, and approval responsibilities of employees and supervisors. Such clarifications should address specific time frames for time record submission and approval. Additionally, to improve the usefulness of the Missing Time Records report, we recommend that DMS enhance the report by including an aging of the time records and identifying the responsible supervisors. State agencies should use such information to identify those employees whose time records frequently require corrective actions, are repeatedly missing, or are not timely approved and take appropriate corrective measures.

DACS Response:

The Bureau of Personnel Management staff will run a monthly delinquent timesheet report for each division and make contact with any employees that have outstanding timesheets. In addition, starting July 2010, People First updated their system that will not allow an employee to submit a timesheet for the current pay period if any previous timesheets are outstanding.



Florida Agriculture and Forest Products
 Over \$160 Billion for Florida's Economy

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

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 Auditor General
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Finding No. 2: Compensatory Leave Credits

State agencies did not effectively manage compensatory leave credits in accordance with DMS rules and terms of relevant collective bargaining agreements, resulting in large dollar payouts of unused compensatory leave credits upon employees' separation from State employment.

- Of the 4,753 special compensatory leave payouts, 643 were for more than 240 credit hours and totaled \$5.76 million. These 643 payments included 6 payments totaling \$56,147 at DACS.
- Analysis of FLAIR data included an examination of the detail records for 18 special compensatory leave payments totaling \$162,988 (4 payments totaling \$12,071 at DACS). With respect to these payments, State agencies were inconsistent in the application of compensatory leave rules and other guidelines. Specifically:
 - Absent any provisions in DMS rules or applicable collective bargaining agreement, DACS paid \$8,822 to one employee (a seasonal worker) for 315 accumulated special compensatory leave hours. In response to our audit inquiry, DACS indicated that, according to DACS policy, Division of Fruit and Vegetable employees are permitted to accumulate up to a maximum of 480 hours of FLSA special compensatory leave credits within a designated 6-month period. However, given this explanation, the leave payout had been incorrectly recorded in FLAIR as special Compensatory leave rather than FLSA special compensatory leave.

Auditor General Recommendation

DMS and DFS should provide state agencies with detailed comprehensive guidance related to leave payouts and the maximum accumulation limits for the various types of compensatory leave credits.

State agencies should periodically review their employees' compensatory leave balances and identify employees who are accumulating large compensatory leave credit balances or whose compensatory leave credits are approaching the maximum limits set forth in applicable collective bargaining agreements. When appropriate, the agencies should compel the use of accumulated special compensatory leave credits prior to approving employee use of other leave types.

The Legislature should consider revising Section 110.205(7), Florida Statutes.

DACS Response

DACS Bureau of Personnel Management, Attendance and Leave, made a coding mistake. The code, 9111 (special compensation) was used and the code, 9121 (FLSA special compensation) should have been used.

To prevent these mistakes from happening, DACS Bureau of Personnel Management, will develop a quality assurance checklist for the attendance and leave section to follow when processing compensatory leave credits.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
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According to DACS Administrative Policies and Procedures No. 5-1, (section VI, G, 1), "special compensatory leave earned should be monitored by supervisors and used by the employee as soon as it is feasible". Division supervisors have done a satisfactory job in monitoring special compensatory leave. Therefore, DACS does not feel that this is an issue that needs to be addressed at this time.

Finding No. 3: Unused Annual and Sick Leave Payouts:

State Agencies had not established policies and procedures addressing unused annual and sick leave (terminal leave) payouts and did not always perform or document the performance of audits of unused leave balances prior to calculating terminal leave payouts.

To evaluate agency controls and to determine whether the unused annual and sick leave payouts were adequately supported, properly calculated, and paid in accordance with applicable laws and rules, agency terminal leave payout policies and procedures were requested for review and 51 terminal leave payouts agency records were examined, totaling \$469,932. The 51 payouts tested included: 10 payouts totaling \$109,116 at DACS,

- Five agencies, including DACS, had not established written terminal leave payout policies and procedures at the time of the audit request.
- For the 51 payouts tested:
 - Documentation for 15 terminal leave payouts totaling \$130,778 was not available to evidence that an audit of the leave balances, including identification of prior leave payments, was completed prior to payment. These 15 payouts included 5 payouts totaling \$58,096 at DACS.
 - For 2 DACS unused annual leave payouts, one for a Selected Exempt Service employee and one for a Senior Management Service employee, DACS did not correctly adjust the unused annual leave balance to prorate the current year's annual leave accrual. As a result, one employee was underpaid \$277 and another employee was overpaid \$1,956.

Auditor General Recommendation

State agency's procedures should be enhanced, as appropriate, to address the terminal leave payout process. Such enhancements should require the performance of leave balance audits prior to processing terminal leave payouts, and documentation of such audits should be retained. State agencies should also take other appropriate steps, including independent verification of payout calculations, to ensure that terminal leave payouts are accurate and paid in accordance with applicable laws, rules, and guidelines.

DACS Response

DACS records indicated that the personnel office provided the documentation requested for the 5 payouts totaling \$58,096. Notification of receipt along with a satisfactory response from the Auditor General's office is on file in the DACS personnel office.

DACS Bureau of Personnel Management will establish a Written Standard Operating Procedure (SOP), by January 2011, to follow when calculating terminal leave payouts.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

David W. Martin
 Auditor General
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To prevent these mistakes from happening, DACS Bureau of Personnel Management, will develop a quality assurance checklist for the attendance and leave section to follow when processing terminal leave payouts.

DACS Bureau of Personnel Management made mistakes for 2 unused annual leave payouts and because of the miscalculations one employee was underpaid by \$277 and another overpaid by \$1,956. As a result, the two noted employees have been identified and the Bureau of Personnel Management will resolve the payment discrepancies.

Finding No. 4: Dual Employment Rules and Guidelines

Dual-employment rules and guidelines were not sufficient to effectively promote compliance with state law.

DACS policies and procedures require that a form be completed and approved for dual employment for both SPS and non-SPS State entities, such as the State University System, while the DMS agency policies and procedures restricted the use of such a form to employment at SPS agencies.

Auditor General Recommendation

DMS and the various State agencies establish or revise dual-employment policies and procedures to ensure that approval during each fiscal year is obtained by any employee seeking employment at, or compensation from, more than one State agency. To ensure compliance with State law, such policies and procedures should clearly address both the simultaneous compensation from any appropriation other than the appropriations for salaries and the simultaneous compensation from any State agency or the judicial branch of State Government.

DACS Response

DACS Bureau of Personnel Management is in the process of revising its policy and procedure to clearly differentiate between non-State Personnel System (SPS) and SPS agencies.

Finding No. 5: Dual-Employment Approvals and Management of Dual Employment Activities

Contrary to State law, State agencies did not always document that dual employment was properly approved for employees working for more than one applicable State employer. Additionally, to ensure compliance with State laws, rules, and other guidelines, a process is needed whereby State agencies can effectively monitor the dual-employment activities of employees who have been approved to receive compensation from more than one State employer.

Auditor General Recommendation

State agencies take appropriate steps to ensure that dual-employment requests are properly submitted and approved and that comprehensive records documenting all dual-employment approvals be maintained. In addition, we recommend that DMS and DFS, in conjunction with

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
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David W. Martin
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the other State agencies, create a mechanism to identify those employees who simultaneously receive compensation from more than one State employer.

DACS Response

According to DMS rule interpretation, the two cited as not available should not have been considered a finding since those two employees were dually employed outside of the SPS at a university. Since the audit, the one form lacking required signatures has been received from the secondary employer, appropriately signed, and placed on file in both agencies personnel offices.

DACS Bureau of Personnel Management is in the process of revising its policy and procedure to clearly differentiate between non-SPS and SPS agencies.

Finding No. 6: Salary Payment Calculations

Some salary payment calculations were incorrect.

11 salary payment errors were identified (7 overpayments and 4 underpayments). The amounts paid in error ranged from an overpayment of \$626 to an underpayment of \$94. Specifically:

- Four errors for the '95 DACS salary payments tested. For 2 payments, DACS did not record reductions to lead worker additive pay until after the approved effective dates of the changes, resulting in overpayments of \$26 and \$31. For another payment, DACS underpaid the employee by \$157 due to an incorrectly recorded start date. In the fourth instance, an employee who transferred employment from DOC to DACS was underpaid by \$94 due to the use of the lower DACS rate of pay for hour's works at DOC.

Auditor General Recommendation

State agencies should take appropriate measures to ensure that salary payments are accurately calculated based on the applicable rate of pay and actual hours worked. Such measures may include for all payroll changes, an additional review of the calculations and supporting documentation prior to salary payment issuance.

DACS Response

The employee that was incorrectly overpaid for \$26 and \$31 because the Personnel Action Request (PAR) was not completed correctly by the division personnel liaison. DACS Bureau of Personnel Management will provide additional PAR training for personnel liaisons.

An underpayment of \$157 was due to not timely inputting the employee's termination date in the People First system. The Bureau of Personnel Management has taken corrective measures to ensure all separation reports are received in a centralized location within the personnel office. In addition, division personnel liaisons will receive routine email updates to remind them of the importance of the personnel office receiving separation reports on time.

The employee that was underpaid by \$94 was paid correctly by DACS for the 56 hours at the contracted rate. When transferring from DOC to DACS, his rate was not adjusted appropriately by DOC. It appears that he was paid at the DACS lower rate for the DOC hours during that pay period. Therefore, no action is required by DACS.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
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 Page 6 of 6

Finding No. 8: Salary Payment Cancellations

State agencies did not always timely initiate efforts to collect overpayments made to third parties as a result of canceled salary payment warrants or electronic funds transfers (EFTs). Also, DACS did not timely destroy canceled paper warrants in accordance with DFS requirements.

Of the 60 salary payment cancellations tested, 17 reflected a total of 41 separate voluntary deductions ranging from \$1 to \$350 and totaling \$1,724. For 9 of the 41 deductions, the agencies had not taken timely action to recover from the third parties the amounts paid. Of these 9 deductions, one for \$3 was from DACS. Although the dates for these canceled payments ranged from February 2008 through October 2008, the agencies' recovery efforts were not initiated until subsequent to our audit inquiries in April 2009.

DACS staff indicated that they were not aware of the *Payroll Preparation Manual* requirement that canceled paper warrants be destroyed and records of the destruction be maintained. As of April 2009, DACS was in possession of 148 canceled paper warrants, totaling \$17,244. The dates of these canceled warrants ranged from August 2002 to April 2009. Subsequent to our audit inquiry, DACS destroyed the canceled warrants and implemented new procedures for documenting the destruction of paper warrants.

Auditor General Recommendations

DFS enhance the *Payroll Preparation Manual* to include specific instructions for recovering from third parties any overpayment made as a result of salary payment cancellations. Additionally, we recommend that, when canceling salary payments, State agencies take appropriate action to timely recover from third parties any amounts overpaid.

DACS Response

As indicated, the Department destroyed all canceled warrants on hand during the audit and has implemented a SOP for documenting the destruction of canceled paper warrants on a monthly basis. Additionally, the Department will take appropriate action to recover payments to third parties when canceling salary payments.

I appreciate the interest and efforts of your staff and the professionalism they exhibited in helping to improve operations of state government.

Sincerely,



CHARLES H. BRONSON
 COMMISSIONER OF AGRICULTURE

CUB/alt

EXHIBIT C (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF CORRECTIONS



FLORIDA
DEPARTMENT of
CORRECTIONS

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Governor
CHARLIE CRIST

Secretary
WALTER A. McNEIL

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Fax: (904) 922-2848

December 9, 2010

David W. Martin, CPA
Auditor General
Office of the Auditor General
674 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

In accordance with section 11.45(4) (d), Florida Statutes, I am enclosing the Department's response to the preliminary and tentative findings and recommendations contained in the Operational Audit of Payroll and Personnel Management at Selected State Agencies.

This response reflects the specific action taken or contemplated to address the findings cited in your report.

Thank you for the opportunity to review and provide comments. If you have any questions or need additional information, please let me know.

Sincerely,

Chief Walter A. McNeil
Secretary

WAM/ps

Enclosure

cc: Richard D. Davison, Deputy Secretary
Gene Hatcher, Inspector General

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF CORRECTIONS

**RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS,
OPERATIONAL AUDIT OF PAYROLL AND PERSONNEL MANAGEMENT AT
SELECTED STATE AGENCIES**

Time Records

Finding No. 1: Time Record Submittal, Review, and Approval

Recommendation: We recommend that DMS clarify in rule, policy, or procedure, the time record preparation, submission, and approval responsibilities of employees and supervisors. Such clarifications should address specific time frames for time record submission and approval. Additionally, to improve the usefulness of the Missing Time Records report, we recommend that DMS enhance the report by including an aging of the time records and identifying the responsible supervisors. State agencies should use such information to identify those employees whose time records frequently require corrective actions, are repeatedly missing, or are not timely approved and take appropriate corrective measures.

Agency Response: The Department of Corrections concurs with the recommendation that DMS provide guidance and enhanced reporting of missing timesheets. The current missing timesheet report must be run for the entire agency and then converted to an excel file, sorted, saved and routed to the appropriate institution/office for review. It was our understanding that the agency would have the ability to run the missing timesheet report by organizational code which would allow each institution/circuit/bureau to run their respective reports.

Unused Leave Compensation

Finding No. 2: Compensatory Leave Credits

Recommendation: To promote compliance and ensure consistency in the application of rules and relevant collective bargaining agreement provisions by the various State agencies, we recommend that DMS and DFS provide State agencies with detailed comprehensive guidance related to leave payouts and the maximum accumulation limits for the various types of compensatory leave credits. Such guidance should also address the appropriate use of FLAIR and People-First compensatory leave codes.

To prevent large cash payouts upon employee separation from State employment and decrease State agency leave liabilities, we also recommend that State agencies periodically review their employees' compensatory leave balances and identify employees who are accumulating large compensatory leave credit balances or whose compensatory leave credits are approaching the maximum limits set forth in applicable collective bargaining agreements. When appropriate, the agencies should compel the use of accumulated special compensatory leave credits prior to approving employee use of other leave types.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF CORRECTIONS

The Legislature should consider revising Section 110.205(7), Florida Statutes, to either restrict the number of special compensatory leave credits that may be transferred or to require the payment of all accumulated special compensatory leave credits when an employee voluntarily moves from a Career Service pay plan position to a position in another SPS pay plan.

Agency Response: To clarify, the only compensatory leave that has a terminal leave value is special compensatory leave. The Security Services Collective Bargaining Agreement states that an employee may reduce their special compensatory leave credits to 240 hours; however, 60L37-0044 states that employees separating from state government shall be paid for all unused special compensatory leave hours. The rule does not indicate a maximum. Prior to Service First and the changes to People First, the Department of Corrections maintained two concurrent balances: one for special compensatory leave credits that could not exceed 240 hours and another for Holiday Compensatory Leave. This was necessary because there was no way to compensate an included employee who worked on the holiday and was at the maximum of special comp hours. When we went live with People First, a decision was made by DMS that the two balances could be combined and included in one leave balance entitled special comp because they were both compensable. The uniqueness of our agency and the requirements for 24/7 coverage has increased this leave liability in this agency. A policy decision will be evaluated to determine if the agency shall compel employees to use special compensatory leave credits prior to using annual leave (could not compel them to use instead of sick leave).

Finding No. 3: Unused Annual and Sick Leave Payouts

Recommendation: We recommend that each State agency's procedures be enhanced, as appropriate, to address the terminal leave payout process. Such enhancements should require the performance of leave balance audits prior to processing terminal leave payouts, and documentation of such audits should be retained. We also recommend that State agencies take other appropriate steps, including independent verification of payout calculations, to ensure that terminal leave payouts are accurate and paid in accordance with applicable laws, rules, and guidelines.

Agency Response: The Department of Corrections relies on the guidance provided in the DMS leave rules and the Bureau of State Payroll Manual. However, based on this recommendation, the agency concurs with your recommendation and will update the agency "Personnel Operating Procedures" to include a procedure on Unused Annual and Sick Leave Payouts. This agency was hopeful that, through the use of People First for leave payment processing and leave audit reports, we could discontinue the manual audit process.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF CORRECTIONS

The system is programmed to pay in accordance with the applicable laws, rules, and guidelines. A proposal to screen print the applicable leave balances, hourly rate and leave histories for documentation will hopefully be sufficient to meet this requirement.

Dual Employment

Finding No. 4: Dual-Employment Rules and Guidelines

Recommendation: We recommend that DMS and the various State agencies establish or revise dual-employment policies and procedures to ensure that approval during each fiscal year is obtained by any employee seeking employment at, or compensation from, more than one State agency. To ensure compliance with State law, such policies and procedures should clearly address both the simultaneous compensation from any appropriation other than the appropriations for salaries and the simultaneous compensation from any State agency or the judicial branch of State Government.

Agency Response: The Department of Management Services provides Dual Employment Guidelines for agencies that are included in State Personnel System. The Department of Corrections is an agency that is covered under the definition of the State Personnel System and therefore utilizes these guidelines for dual employment approval. The Department of Corrections is not currently required to complete dual employment forms for agencies outside of the State Personnel System (i.e., judicial branch, legislative branch, State University System). If DMS were to revise the Dual Employment Guidelines to include these other entities, this agency would change our process accordingly.

Finding No. 5: Dual-Employment Approvals and Management of Dual-Employment Activities

Recommendation: We recommend that State agencies take appropriate steps to ensure that dual-employment requests are properly submitted and approved and that comprehensive records documenting all dual-employment approvals be maintained. In addition, we recommend that DMS and DFS, in conjunction with the other State agencies, create a mechanism (e.g., a People First or FLAIR report) to identify those employees who simultaneously receive compensation from more than one State employer.

Agency Response: The Department of Corrections concurs that there is a need for a mechanism (in People First or FLAIR) to identify employees who are simultaneously receiving compensation from more than one State employer. If these employees were more easily identified, the agency could ensure that the appropriate forms are completed and approved.

**EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF CORRECTIONS**

Overtime Authorizations

Finding No. 7: Overtime Authorization

Recommendation: DOC should establish written policies and procedures requiring DOC supervisory staff to provide prior written authorization for employee overtime and verify that the overtime shown on employee time records did not exceed the hours authorized. In determining whether overtime should be authorized, we recommend that DOC management analyze the costs and benefits of paying overtime versus hiring additional employees or engaging contractors to perform certain responsibilities, with consideration given to the effectiveness of employees who work excessive hours. In addition, to help in the timely detection of fraud or error, should it occur, agency management should periodically evaluate the reasonableness of the overtime hours being recorded by employees and investigate those instances in which the reported hours may appear unusually large.

Agency Response: The finding has been addressed. On November 2, 2010, Office of Health Services (OHS) institutional staff was notified that overtime hours for nurses have been restricted to no more than 16 hours a week, except in declared emergency situations, when authorization must be sought from the Warden and relevant Regional Personnel. This is being monitored regularly for compliance. In addition, clinical staff (physicians, ARNP's, etc.) who work at the Reception and Medical Center-Emergency Room (the Department's State-licensed 100-bed hospital) have been instructed to not exceed 20 hours a week, unless authorization is given by the Warden and relevant Regional Personnel, again except in declared emergency situations. This is also being monitored regularly for compliance.

Lastly, for more than a year, OHS went through the procurement process to purchase staff scheduling software for nursing to give institutional supervisors a tool to manage staff more effectively and provide better management oversight. The product was purchased this year and is currently in the implementation process.

The Department has begun sending an overtime report (produced by Budget) to Regional Directors and Central Office staff to assist with the monitoring of the overtime hours.

Warrant and EFT Cancellations

Finding No. 8: Salary Payment Cancellations

Recommendation: We recommend that DFS enhance the Payroll Preparation Manual to include specific instructions for recovering from third parties any overpayments made as a result of salary payment cancellations. Additionally, we recommend that, when canceling salary payments, State agencies take appropriate action to timely recover from third parties any amounts overpaid.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF CORRECTIONS

Agency Response: The Department of Corrections concurs with the recommendation that DFS enhance the Payroll Preparation Manual to include specific instructions for recovering from third parties any overpayments made as a result of salary payment cancellations. Based on these instructions from DFS, the Department of Corrections will update personnel operating procedures to provide guidance to agency staff for recovery of funds from third parties for any amounts overpaid.

Employee Out Processing

Finding No. 9: Employee Out-Processing Forms and Checklists

Recommendation: We recommend that State agencies reinforce policies requiring the use of forms designed to ensure and document the return of all State-owned property items by separating employees. State agencies should also ensure that this documentation be maintained in the separating employee's personnel file or other identifiable location.

Agency Response: The Department of Correction's Procedure 208.029 Separation Process for Terminated Employees details the process to collect State-owned property and document on the Form DC-820, "Supervisor Checklist for Separating Employees". Supervisors are directed to send the completed form to the servicing personnel office to be filed in the employee's personnel file. During the audit, it was noted that 9 of the employee records tested did not contain a Supervisor checklist or alternative documentation evidencing that the employees returned all assigned State-owned property. Reminders were sent out to the supervisors to complete the forms and send to Personnel upon completion.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF ENVIRONMENTAL PROTECTION



Florida Department of
Environmental Protection

Marjory Stoneman Douglas Building
3900 Commonwealth Boulevard
Tallahassee, Florida 32399-1000

Charlie Crist
Governor

Jeff Labrecque
U.S. Governor

Mimi A. Drew
Secretary

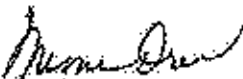
December 6, 2010

Mr. David W. Martin, CPA
Office of the Auditor General
674 Claude Denson Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1453

Dear Mr. Martin:

Enclosed is the Florida Department of Environmental Protection's response to the preliminary and tentative audit findings and recommendations pertaining to the Auditor General's Audit on Payroll and Personnel Management at Selected State Agencies. If you have questions in this regard, please call Joseph Aita, Director of Auditing, at 850-245-3151. Thank you for the opportunity to respond.

Sincerely,


Mimi A. Drew,
Secretary

Enclosure

cc: Doug Darling, Inspector General, DEP

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Department of Environmental Protection Response

Auditor General Preliminary and Tentative Findings

Payroll and Personnel Management at Selected State Agencies

This operational audit focused on State agency policies and procedures relevant to the payroll and personnel management processes; selected personnel information system (People First) controls; payroll functions and budgetary issues; changes to payroll; time records, leave, and attendance; payroll deductions and salary garnishments; salary warrant and electronic funds processing; and On-Demand Payroll and corrections processing. Audit field work was performed at six State agencies: the Department of Agriculture and Consumer Services (DACS), Department of Corrections (DOC), Department of Environmental Protection (DEP), Department of Financial Services (DFS), Department of Management Services (DMS), and the Department of Transportation (DOT). Together, these agencies on an annual basis incur approximately one-third of the salary and benefit payments made by executive branch State agencies.

Finding No. 1:

Time Record Submittal, Review, and Approval

Procedural deficiencies existed with respect to the monitoring of the timely submittal, review, and approval of employee time records.

Recommendation:

We recommend that DMS clarify in rule, policy, or procedure, the time record preparation, submission, and approval responsibilities of employees and supervisors. Such clarifications should address specific time frames for time record submission and approval. Additionally, to improve the usefulness of the Missing Time Records report, we recommend that DMS enhance the report by including an aging of the time records and identifying the responsible supervisors. State agencies should use such information to identify those employees whose time records frequently require corrective actions, are repeatedly missing, or are not timely approved and take appropriate corrective measures.

Agency Response: We concur with the recommendation. DEP Directive 425, Attendance and Leave, addresses the time frame for timesheet preparation, submission, and approval responsibilities of employees and supervisors:

"Once the employee has entered and saved all work (with approved charge objects), leave and holiday hours, the timesheet must be submitted so that the supervisor or delegated person reviews and approves the timesheet on or before close of business on the seventh day of each month for the previous month. All regular work hours should be recorded on the timesheet using hours type 1800. Should the seventh day of the month fall on Saturday the preceding Friday becomes the deadline. Should the seventh day of the month fall on a Sunday, the

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Department of Environmental Protection Response

Auditor General Preliminary and Tentative Findings

Payroll and Personnel Management at Selected State Agencies

following Monday becomes the deadline after which day the timesheet is considered delinquent."

DEP will take the following corrective measures to identify those employees whose time records frequently require corrective actions, are repeatedly missing, or are not timely approved:

- We currently maintain a spreadsheet to track timesheets that have been "unapproved" for correction. We use this spreadsheet to monitor the resubmission and ensure any additional payments and/or overpayments are processed timely.
- We will modify our internal missing timesheet report to include the supervisor of the employee. In addition, we will review prior month reports so that we can advise directors monthly of any employees/supervisors that routinely miss the required deadline dates.
- With the July 2010 enhancements to People First, the system will not allow an employee to submit a timesheet until all previous timesheets have been approved so this will also assist in keeping current with missing timesheet information.

Finding No. 2:

Compensatory Leave Credits

State agencies did not consistently recognize the maximum special compensatory leave credit limits in the collective bargaining agreements when calculating the special compensatory leave payouts. For example, while 2 of 3 law enforcement officers (one each at DEP, DOT, and DFS) covered by the FPBA Law Enforcement Bargaining Unit Agreement were paid for accumulated special compensatory leave credits in excess of the 240 hours specified in the Agreement, the third officer's leave payout was limited to 240 hours. The DEP officer was paid \$16,498 for 313 credit hours, or \$3,780 for hours above the specified limit. The DOT officer was paid \$4,817 for 263 credit hours, or \$422 for hours above the specified limit. When calculating the special compensatory leave payout for the officer at DFS, DFS limited the payout to 240 hours even though the officer had accumulated 435 special compensatory credit hours.

Recommendation:

- To promote compliance and ensure consistency in the application of rules and relevant collective bargaining agreement provisions by the various State agencies, we recommend that DMS and DFS provide State agencies with detailed comprehensive guidance related to leave payouts and the maximum accumulation limits for the various types of compensatory leave credits. Such guidance should also address the appropriate use of FLAIR and People First compensatory leave codes.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Department of Environmental Protection Response

Auditor General Preliminary and Tentative Findings

Payroll and Personnel Management at Selected State Agencies

- To prevent large cash payouts upon employee separation from State employment and decrease State agency leave liabilities, we also recommend that State agencies periodically review their employees' compensatory leave balances and identify employees who are accumulating large compensatory leave credit balances or whose compensatory leave credits are approaching the maximum limits set forth in applicable collective bargaining agreements. When appropriate, the agencies should compel the use of accumulated special compensatory leave credits prior to approving employee use of other leave types.
- The Legislature should consider revising Section 110.205(7), Florida Statutes, to either restrict the number of special compensatory leave credits that may be transferred or to require the payment of all accumulated special compensatory leave credits when an employee voluntarily moves from a Career Service pay plan position to a position in another State Personnel System pay plan.

Agency Response: We concur with the recommendations. It is confusing when there is a difference in the DMS rule and the collective bargaining agreement. To reduce the chance of an incorrect payout, it would be extremely helpful if DMS included any deviations from the standard information provided in the rule and covered these collective bargaining contract exceptions in the rule. DFS could also address this in the Payroll Manual. The DMS rule states that employees are to be paid for all special compensatory leave when they leave and does not mention a limit on the number of hours:

60L34.0044 Special Compensatory Leave,

(1) When an employee separates from an agency, the agency shall pay the employee for all unused special compensatory leave credits at the employee's current regular hourly rate of pay.

(2) Leave credits shall not be transferred from the agency where the credits were earned to another agency or pay plan, unless the employee is moving from a career service position to a selected exempt service position.

(3) Upon prior notice, an agency may compel the use of all or part of an employee's accumulated holiday special compensatory leave credits or special compensatory leave credits, or both, based on agency needs, provided such usage requirement is in accordance with any collective bargaining agreement provisions. An agency may also require an employee to use accumulated special compensatory leave credits prior to approving an employee's request to use other types of approved leave, with the exception of sick leave.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Department of Environmental Protection Response

Auditor General Preliminary and Tentative Findings

Payroll and Personnel Management at Selected State Agencies

(4) All unused special compensatory leave credits for an employee who is laid off shall be paid for in lump-sum, based on the employee's current regular hourly rate of pay, at the time of layoff.

(5) At the time of entry into the DROP, an employee electing to participate in the program may request payment of any unused special compensatory leave that was earned within eleven months before entry into the DROP."

The Florida Police Benevolent Association Contract for the Law Enforcement Unit states that employees will only be allowed to accumulate 240 hours of Special Compensatory Leave:

Section 6 -- Special Compensatory Leave

(A) An employee shall be eligible to earn compensatory leave credits as a result of hours worked on a holiday, extra hours worked during an established work period which contains a holiday or when a facility is closed under Executive Order during emergency conditions. When an employee is required to work in circumstances as set forth in this paragraph, any special compensatory leave earned at the end of the workweek, work period, or extended work period, shall be taken with the mutual agreement of the employee and the supervisor provided the special compensatory leave is taken within sixty (60) calendar days of the holiday or last date the facility remained closed under Executive Order. Thereafter, the special compensatory leave will be scheduled at the discretion of the supervisor. The State compensatory leave will be scheduled at the discretion of the supervisor. The State shall not offset special compensatory leave earned during a work period due to a holiday with approved sick leave used during the same work period or administrative leave used in the work period for negotiations pursuant to Article 5.

(B) Law Enforcement bargaining unit Employees may, at their option, use special compensatory leave before using accrued annual leave credits. Employees will only be permitted to accumulate a maximum of two hundred and forty (240) hours of special compensatory leave credits.

At DEP, we provide directors with a report of Special Compensatory Leave balances each quarter including beginning balance, additional Special Compensatory Leave earned during the quarter and the ending balance. A cover memorandum is provided reminding directors "We ask that you continue to assist in reducing the Department's leave liability by limiting the accrual of special compensatory leave credits when possible. Please remind managers and employees that they are to use special compensatory leave credits (People First Code 9053) prior to using annual leave or regular compensatory leave so that these balances do not continue to carry forward."

EXHIBIT C (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Department of Environmental Protection Response
Auditor General Preliminary and Tentative Findings
Payroll and Personnel Management at Selected State Agencies

Finding No. 3:

Unreset Annual and Sick Leave Payouts

Five agencies (DACS, DOC, DEP, DMS, and DOT) had not established written terminal leave payout policies and procedures at the time of our audit request. DMS subsequently established written policies and procedures effective July 2009.

Recommendation: We recommend that each State agency's procedures be enhanced, as appropriate, to address the terminal leave payout process. Such enhancements should require the performance of leave balance audits prior to processing terminal leave payouts, and documentation of such audits should be retained. We also recommend that State agencies take other appropriate steps, including independent verification of payout calculations, to ensure that terminal leave payouts are accurate and paid in accordance with applicable laws, rules, and guidelines.

Agency Response: We concur with the recommendation. We are in the process of revising DEP Directive 425, Attendance and Leave, to include terminal leave payout policies and procedures.

Finding No. 4:

Dual-Employment Rules and Guidelines

As noted above, State law requires agency approval, during each fiscal year, for all requests for dual employment and simultaneous compensation from more than one State agency in the executive branch or the judicial branch of State Government. DMS rules do not specifically make reference to the judicial branch or define a State agency for the purpose of the rules but require agency approval for all requests for simultaneous compensation of an employee by more than one agency.

DMS *Guidelines* provided additional guidance for State Personnel System (SPS) agencies. Those *Guidelines* in effect prior to June 2009, defined dual employment to include the compensation of an employee simultaneously by more than one State employer or State agency within the SPS. The *Guidelines* defined a State employer as the SPS, State University System, Florida Lottery, Florida Legislature, Justice Administration Commission, and the State Courts System. However, DMS revised the *Guidelines* in June 2009 to indicate that the *Guidelines* do not apply to employment with any government employer outside the SPS.

In addition to the guidance in DMS rules and *Guidelines*, four of the six State agencies included within the scope of this audit had established agency dual-employment policies and procedures

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Department of Environmental Protection Response

Auditor General Preliminary and Tentative Findings

Payroll and Personnel Management at Selected State Agencies

requiring that a dual-employment request form be initiated by the employee and approved by agency management. While all four of these agencies' policies and procedures required that the approval be performed during each fiscal year, the policies and procedures varied regarding the State employers for which dual-employment approval was required. For example, the DEP and DACS policies and procedures required that a form be completed and approved for dual employment for both SPS and non-SPS State entities, such as the State University System, while the DMS agency policies and procedures restricted the use of such a form to employment at SPS agencies.

Recommendation: We recommend that DMS and the various State agencies establish or revise dual-employment policies and procedures to ensure that approval during each fiscal year is obtained by any employee seeking employment at, or compensation from, more than one State agency. To ensure compliance with State law, such policies and procedures should clearly address both the simultaneous compensation from any appropriation other than the appropriations for salaries and the simultaneous compensation from any State agency or the judicial branch of State Government.

Agency Response: We concur with this recommendation. We are in the process of revising DEP Directive 401, Dual Employment, to address this concern.

Finding No. 5:

Dual-Employment Approvals and Management of Dual-Employment Activities

Recommendation: We recommend that State agencies take appropriate steps to ensure that dual-employment requests are properly submitted and approved and that comprehensive records documenting all dual-employment approvals be maintained. In addition, we recommend that DMS and DFS, in conjunction with the other State agencies, create a mechanism (e.g., a People First or FLAIR report) to identify those employees who simultaneously receive compensation from more than one State employer.

Agency Response: We concur with this recommendation. We are in the process of revising DEP Directive 401, Dual Employment, to address this concern.

Finding No. 6:

Salary Payment Calculations

EXHIBIT C (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Department of Environmental Protection Response

Auditor General Preliminary and Tentative Findings

Payroll and Personnel Management at Selected State Agencies

Two errors for the 87 DEP salary payments tested. DEP overpaid one employee \$50 due to an error in calculating the employee's overtime rate of pay and overpaid the other employee by \$16 as a result of entering incorrect flex schedule hours into People First.

Recommendation: State agencies should take appropriate measures to ensure that salary payments are accurately calculated based on the applicable rate of pay and actual hours worked. Such measures may include, for all payroll changes, an additional review of the calculations and supporting documentation prior to salary payment issuance.

Agency Response: We concur with this recommendation and will ensure we review approved timesheet information when calculating all payroll changes.

DEP will take the following corrective measures to ensure that salary payments are accurately calculated based on the applicable rate of pay and actual hours worked:

- With the July 2010 enhancements to People First, we have begun requiring that employees have an accurate flex schedule entered and approved in People First prior to the monthly payroll processing. We follow-up to verify flex schedule information for all new hires, separations and other payroll changes prior to the payroll processing. This information is provided in our recently updated Attendance and Leave Directive.
- Prior to a payroll processing, we use supporting documentation to calculate the gross salary payment that is due. Once the payroll has processed, we use this information to verify the accuracy of the payment.

Finding No. 2:

Salary Payment Cancellations

Specifically, we noted:

- * State agencies did not always timely initiate third-party overpayment recovery efforts. State employees may voluntarily authorize deductions from their gross pay be made and paid to third parties such as medical, dental, and life insurance providers; charitable organizations; and the State's Deferred Compensation Program investment providers. Although the dollar amounts for individual deductions may not be significant, the volume of these transactions may be great.

Regarding third-party overpayments, we noted that:

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Department of Environmental Protection Response

Auditor General Preliminary and Tentative Findings

Payroll and Personnel Management at Selected State Agencies

- The *Payroll Preparation Manual* did not include specific guidance for recovering from third parties any overpayments resulting from salary payment cancellations.
- Of the 60 salary payment cancellations tested, 17 reflected a total of 41 separate voluntary deductions ranging from \$1 to \$350 and totaling \$1,724. For 9 of the 41 deductions, the agencies had not taken timely action to recover from the third parties the amounts paid. These 9 deductions (one each for the employees of DACS, DOC, and DEP for \$3, \$24, and \$18, respectively, and 6 at DOT totaling \$73) totaled \$118. Although the dates for these canceled payments ranged from February 2008 through October 2008, the agencies' recovery efforts were not initiated until subsequent to our audit inquiries in April 2009.

Recommendation: We recommend that DFS enhance the *Payroll Preparation Manual* to include specific instructions for recovering from third parties any overpayments made as a result of salary payment cancellations. Additionally, we recommend that, when canceling salary payments, State agencies take appropriate action to timely recover from third parties any amounts overpaid.

Agency Response: We concur with this recommendation and will adopt procedures to comply with enhanced instructions issued by DFS for recovering any overpayments to third parties made as a result of salary payment cancellations.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF FINANCIAL SERVICES



CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

ALEX SINK

December 8, 2010

Mr. David W. Martin
Auditor General
State of Florida
Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Pursuant to Section 11.45(4)(d), Florida Statutes, the enclosed response is provided for the preliminary and tentative audit findings included in the Auditor General's operational audit of Payroll and Personnel Management at Selected State Agencies.

If you have any questions or would like to discuss the matter further, please contact Alan Sands, Audit Director, at (850) 413-4962.

Sincerely,

A handwritten signature in cursive script that reads "Alex Sink".

Alex Sink

Enclosure

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF FINANCIAL SERVICES

Florida Department of Financial Services
Response to Preliminary and Tentative Audit Findings
Payroll and Personnel Management at Selected State Agencies
Operational Audit

Finding No. 1: Time Record Submittal, Review, and Approval

Procedural deficiencies existed with respect to the monitoring of the timely submittal, review, and approval of employee time records.

Recommendation: We recommend that DMS clarify in rule, policy, or procedure, the time record preparation, submission, and approval responsibilities of employees and supervisors. Such clarifications should address specific time frames for time record submission and approval. Additionally, to improve the usefulness of the *Missing Time Records* report, we recommend that DMS enhance the report by including an aging of the time records and identifying the responsible supervisors. State agencies should use such information to identify those employees whose time records frequently require corrective actions, are repeatedly missing, or are not timely approved and take appropriate corrective measures.

Division of Administration Response: Because there is no statewide standard for timesheet submission, the Department will continue to enforce its current timesheet submission standard of 5 days after the payroll period ends. In addition, the Department will continue to review the monthly missing timesheet report and process accordingly. This review process includes identifying and notifying employees whose time records require corrective actions, are repeatedly missing, or are not timely approved.

Finding No. 2: Compensatory Leave Credits

State agencies did not effectively manage compensatory leave credits in accordance with DMS rules and terms of relevant collective bargaining agreements, resulting in large dollar payouts of unused compensatory leave credits upon employees' separation from State employment.

Recommendation:

- To promote compliance and ensure consistency in the application of rules and relevant collective bargaining agreement provisions by the various State agencies, we recommend that DMS and DFS provide State agencies with detailed comprehensive guidance related to leave payouts and the maximum accumulation limits for the various types of compensatory leave credits. Such guidance should also address the appropriate use of FLAIR and People First compensatory leave codes.
- To prevent large cash payouts upon employee separation from State employment and decrease State agency leave liabilities, we also recommend that State agencies periodically review their employees' compensatory leave balances and identify employees who are accumulating large compensatory leave credit balances or whose compensatory leave credits are approaching the maximum limits set forth in applicable collective bargaining agreements. When appropriate,

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF FINANCIAL SERVICES

the agencies should compel the use of accumulated special compensatory leave credits prior to approving employee use of other leave types.

- The Legislature should consider revising Section 110.205(7), Florida Statutes, to either restrict the number of special compensatory leave credits that may be transferred or to require the payment of all accumulated special compensatory leave credits when an employee voluntarily moves from a Career Service pay plan position to a position in another SPS pay plan.

Division of Accounting and Auditing – Bureau of State Payrolls Response: Pursuant to Section 110.1055, Florida Statutes, the Department of Management Services is charged with the responsibility for establishing detailed comprehensive guidance related to leave payouts and maximum accumulation limits for all agencies in the State Personnel System. The Bureau of State Payrolls will coordinate with DMS to ensure their guidance addresses the proper uses of FLAIR compensatory leave codes. The Bureau of State Payrolls Payroll Preparation Manual already instructs agencies to make compensatory leave payments in accordance with current DMS rules/policies/state laws. We will update our Payroll Preparation Manual as needed whenever new guidance is issued by DMS.

Finding No. 4: Dual-Employment Rules and Guidelines

Dual-employment rules and guidelines were not sufficient to effectively promote compliance with State law.

Recommendation: We recommend that DMS and the various State agencies establish or revise dual-employment policies and procedures to ensure that approval during each fiscal year is obtained by any employee seeking employment at, or compensation from, more than one State agency. To ensure compliance with State law, such policies and procedures should clearly address both the simultaneous compensation from any appropriation other than the appropriations for salaries and the simultaneous compensation from any State agency or the judicial branch of State Government.

Division of Administration Response: We concur. Currently the Department's Dual-Employment policy requires approval during each fiscal year by any employee seeking employment at, or compensation from, more than one State agency. In addition, the current Dual-Employment policy clearly addresses both the simultaneous compensation from any appropriation other than the appropriations for salaries and the simultaneous compensation from any State agency or the judicial branch of State Government. The Department will update the policy to include definitions for "State Agency," "SPS Agency" and "Non-SPS Agency."

Finding No. 5: Dual-Employment Approvals and Management of Dual Employment Activities

Contrary to State law, State agencies did not always document that dual employment was properly approved for employees working for more than one applicable State employer. Additionally, to ensure compliance with State laws, rules, and other guidelines, a process is needed whereby State agencies can effectively monitor the dual-employment activities of employees who have been approved to receive compensation from more than one State employer.

Recommendation: We recommend that State agencies take appropriate steps to ensure that dual-employment requests are properly submitted and approved and that comprehensive records

EXHIBIT C (CONTINUED)
MANAGERMENTS' RESPONSES
DEPARTMENT OF FINANCIAL SERVICES

documenting all dual-employment approvals be maintained. In addition, we recommend that DMS and DFS, in conjunction with the other State agencies, create a mechanism (e.g., a People First or FLAIR report) to identify those employees who simultaneously receive compensation from more than one State employer.

Division of Administration Response: We concur. The Department will implement steps to ensure that dual-employment requests include the proper approval signatures.

Division of Accounting and Auditing - Bureau of State Payrolls Response: There are two existing FLAIR reports that identify employees who receive multiple compensation from one agency or more than one agency. These reports are sent to the Bureau of State Payrolls. The first report contains employees who have more than one salary and/or OPS wage payment on a single payroll only. That report is split out by the Bureau's Payroll Processing Section and sent out to each affected agency for their review. The second report contains employees who have salary and/or OPS wage payments on more than one regular payroll within any particular month. This report is not currently split out or sent to agencies. The Bureau of State Payrolls will take steps to distribute the data from the second report to all affected agencies.

Finding No. 6: Salary Payment Calculations

Some salary payment calculations were incorrect.

Recommendation: State agencies should take appropriate measures to ensure that salary payments are accurately calculated based on the applicable rate of pay and actual hours worked. Such measures may include, for all payroll changes, an additional review of the calculations and supporting documentation prior to salary payment issuance.

Division of Administration Response: The Department will explore the implementation of additional mechanisms to ensure accurate payments.

Finding No. 8: Salary Payment Cancellations

State agencies did not always timely initiate efforts to collect overpayments made to third parties as a result of canceled salary payment warrants or electronic funds transfers (EFTs). Also, DACS did not timely destroy canceled paper warrants in accordance with DFS requirements.

Recommendation: We recommend that DFS enhance the *Payroll Preparation Manual* to include specific instructions for recovering from third parties any overpayments made as a result of salary payment cancellations. Additionally, we recommend that, when canceling salary payments, State agencies take appropriate action to timely recover from third parties any amounts overpaid.

Division of Accounting and Auditing - Bureau of State Payrolls Response: The Payroll Preparation Manual already contains specific instructions for recovering from third parties any overpayments made as a result of salary payment cancellations. The instructions are located in Volume V, Section 4, F, 1, d (Recovery of Employee's Miscellaneous Deduction Funds) and Volume V, Section 4, G (Refund from Vendor of Miscellaneous Deductions). We will review the existing instructions to determine if further enhancements are needed.

EXHIBIT C (CONTINUED)
 MANAGERMENTS' RESPONSES
 DEPARTMENT OF MANAGEMENT SERVICES



Governor Charlie Crist

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Secretary Linda H. South

December 8, 2010

Mr. David W. Martin, CPA
 Auditor General
 674 Claude Pepper Building
 111 West Madison Street
 Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Pursuant to Section 11.45(4)(d), Florida Statutes, this is our response to your report, *Payroll and Personnel Management at Selected State Agencies*. Our response corresponds with the order of the preliminary and tentative findings and recommendations contained in the draft report.

On May 28, 2008, the Department of Management Services executed Amendment 10 to the contract with the People First service provider. This amendment required the service provider to implement a number of enhancements to the People First system. These enhancements were implemented on July 19, 2010. As discussed in our response many of these enhancements effectively address certain issues raised in the report.

If further information is needed concerning our response, please contact Steve Rumph, Inspector General, at 488-5285.

Sincerely,

Linda H. South
 Secretary

Attachment

cc: David Faulkenberry, Deputy Secretary
 Sharon Larson, Director of Human Resources Management
 Debra Forbess, Director of Administration
 David DiSalvo, Director of People First
 Queenell Fox, Director of Human Resources

We serve those who serve Florida.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF MANAGEMENT SERVICES

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**Department of Management Services' Response
To the Auditor General's Preliminary and Tentative Report Payroll
and Personnel Management at Selected State Agencies**

Finding No. 1: Time Records

Procedural deficiencies existed with respect to the monitoring of the timely submittal, review, and approval of employee time records.

Recommendation No. 1:

We recommend that DMS clarify in rule, policy, or procedure, the time record preparation, submission, and approval responsibilities of employees and supervisors. Such clarifications should address specific time frames for time record submission and approval. Additionally, to improve the usefulness of the Missing Time Records report, we recommend that DMS enhance the report by including an aging of the time records and identifying the responsible supervisors. State agencies should use such information to identify those employees whose time records frequently require corrective actions, are repeatedly missing, or are not timely approved and take appropriate corrective measures.

Response No. 1:

State Personnel System Rule 60L-34.002, F.A.C., currently directs each agency to monitor all hours, maintain accurate records, and instruct employees on the proper scheduling, use, and recording of leave and attendance. The rule thus provides the agencies with the appropriate parameters for managing work records in an accurate and timely manner. However, based on their specific operational needs, each agency must then develop its own internal policies and procedures to ensure timesheets are submitted, reviewed, and approved within the prescribed timeline for payroll processing. To help clarify this point and reiterate to the agencies their responsibilities, DMS's Division of Human Resource Management will issue a rule interpretation to this effect.

Enhancements to the People First system implemented on July 19, 2010 effectively address the Auditor General's concerns regarding the usefulness of the *Missing Timesheet Report*. These enhancements do not permit employees to submit timesheets until all prior (missing) timesheets have been submitted and approved. This feature encourages timely submission of timesheets by employees and more accountability from supervisors. The enhancements to the *Missing Timesheet Report* also assist managers in the identification of missing time records. The report is available online for state agencies to access as needed. The data for this report is updated weekly (on Sunday); therefore, timesheets approved prior to the Sunday extract will not appear on the report unless hours for the pay period are missing.

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MANAGEMENT'S RESPONSES
DEPARTMENT OF MANAGEMENT SERVICES

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Because the "Run Date" is included on the report agencies can calculate the age of each missing report. In addition, the report includes "Supervisor Name" to assist with identifying timesheets that need supervisory approval.

Finding No. 2: Unused Leave Compensation

State agencies did not effectively manage compensatory leave credits in accordance with DMS rules and terms of relevant collective bargaining agreements, resulting in large dollar payouts of unused compensatory leave credits upon employees' separation from State employment.

Recommendation No. 2:

- To promote compliance and ensure consistency in the application of rules and relevant collective bargaining agreement provisions by the various State agencies, we recommend that DMS and DFS provide State agencies with detailed comprehensive guidance related to leave payouts and the maximum accumulation limits for the various types of compensatory leave credits. Such guidance should also address the appropriate use of FLAIR and People First compensatory leave codes.
- To prevent large cash payouts upon employee separation from State employment and decrease State agency leave liabilities, we also recommend that State agencies periodically review their employees' compensatory leave balances and identify employees who are accumulating large compensatory leave credit balances or whose compensatory leave credits are approaching the maximum limits set forth in applicable collective bargaining agreements. When appropriate, the agencies should compel the use of accumulated special compensatory leave credits prior to approving employee use of other leave types.
- The Legislature should consider revising Section 110.205(7), Florida Statutes, to either restrict the number of special compensatory leave credits that may be transferred or to require the payment of all accumulated special compensatory leave credits when an employee voluntarily moves from a Career Service pay plan position to a position in another SPS pay plan.

Response No. 2:

- The applicability of and payment for the various forms of compensatory leave is currently addressed in rule. DMS's Division of Human Resource Management has also issued a myriad of supplemental guidance documents to assist the agencies in the proper application of the rule provisions. Regarding maximum accumulation limits, only Career Service employees are authorized to accrue holiday special compensatory leave when they are precluded from observing a state holiday due to: required work on the day the holiday is observed; required

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF MANAGEMENT SERVICES

Mr. David W. Martin, CPA
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work during the same work period as the holiday thereby offsetting the holiday hours; or when the holiday falls on a workday that is an established day off. Although the rules do not establish a maximum amount that may be accrued or paid, agencies with responsibility for public safety and/or round the clock staffing of institutions persistently report that the underlying cause of excessive accruals is chronic shortages among law enforcement, correctional, firefighting, and human services staff. This perpetual understaffing not only results in the same personnel repeatedly covering holidays (and accruing holiday special compensatory leave credits) but also obstructs the agencies' ability to compel use of accrued leave during subsequent work periods. Furthermore, even if the accrual limits negotiated in the collective bargaining contracts are strictly enforced, the staffing issues would still necessitate holiday coverage. This category of compensatory leave does continue to pose significant fiscal consequences for the state, which either incurs the fiscal liability of paying straight time for the hours in excess of the cap or faces an unfair labor practice charge if the employees are forced to forfeit such hours. Because of the complex ramifications of either outcome and the likelihood that any rule proposal by DMS would lead to collective bargaining impasse with the unions, the final resolution of this issue requires intervention by the legislature.

On July 19, 2010, the service provider implemented a Leave Payout screen in the People First system to give state agencies the ability to process leave payouts. This screen is designed to make the processing of payments easier (i.e., a "Payout Type" description is available for selection). Further, the leave codes in the People First system are now the same as those used in FLAIR. These enhancements provide the additional guidance needed to process leave payouts. In June 2010, the DMS People First team conducted training sessions for agency HR professionals, which included training specific to the Leave Payout screen.

- The Department of Management Services' internal policy, HR-08-124 Hours of Work, Overtime and all Compensatory Leave Credits, was created on November 3, 2008. This policy provides guidance to supervisors on the use and approval of overtime and compensatory leave. Additionally, the department's Human Resources team works with supervisors to ensure they monitor compensatory leave balances, and since July 2010, the department's Human Resources team has used the newly implemented Leave Payout screen in People First to verify compensatory leave payouts. The department's supervisors are also encouraged to coordinate with employees that accrue compensatory leave time or have compensatory leave balances (both Regular and Special Compensatory) to use those hours before using all other types of leave, excluding sick leave. The examples cited by the Auditor General occurred prior to the availability of the Leave Payout screen in July 2010.
- DMS supports this proposal.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF MANAGEMENT SERVICES

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Finding No. 3: Unused Leave Compensation

State agencies had not established policies and procedures addressing unused annual and sick leave (terminal leave) payouts and did not always perform or document the performance of audits of unused leave balances prior to calculating terminal leave payouts.

Recommendation No. 3:

We recommend that each State agency's procedures be enhanced, as appropriate, to address the terminal leave payout process. Such enhancements should require the performance of leave balance audits prior to processing terminal leave payouts, and documentation of such audits should be retained. We also recommend that State agencies take other appropriate steps, including independent verification of payout calculations, to ensure that terminal leave payouts are accurate and paid in accordance with applicable laws, rules, and guidelines.

Response No. 3:

The Department of Management Services' internal policy, HR 08-126 Auditing Employee Leave Balances and HR-126-F1 – Leave Correction Request Affidavit were created on July 16, 2009. This policy and affidavit established guidelines for conducting terminal leave audits within DMS. The examples cited by the Auditor General occurred prior to the establishment of this policy in July 2009.

Finding No. 4: Dual Employment

Dual-employment rules and guidelines were not sufficient to effectively promote compliance with State law.

Recommendation No. 4:

We recommend that DMS and the various State agencies establish or revise dual-employment policies and procedures to ensure that approval during each fiscal year is obtained by any employee seeking employment at, or compensation from, more than one State agency. To ensure compliance with State law, such policies and procedures should clearly address both the simultaneous compensation from any appropriation other than the appropriations for salaries and the simultaneous compensation from any State agency or the judicial branch of State Government.

Response No. 4:

DMS's Division of Human Resource Management will revise the applicable guidelines and procedures to clearly articulate that agency heads are responsible for approving

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF MANAGEMENT SERVICES

Mr. David W. Martin, CPA
December 8, 2010
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both dual employment and dual compensation actions delineated in Section 216.252(1)(e), F.S.

Department of Management Services' internal policy, HR 01-112 Dual Employment within the State Personnel System was revised on September 30, 2010 to require dual employment approval each fiscal year. Reminders are sent to all employees the first week of June of each year requiring that all dually employed employees complete and submit to Human Resources form HR 112-F1 Dual Employment and Compensation Request.

Finding No. 5: Dual Employment

Contrary to State law, State agencies did not always document that dual employment was properly approved for employees working for more than one applicable State employer. Additionally, to ensure compliance with State laws, rules, and other guidelines, a process is needed whereby State agencies can effectively monitor the dual-employment activities of employees who have been approved to receive compensation from more than one State employer.

Recommendation No. 5:

We recommend that State agencies take appropriate steps to ensure that dual-employment requests are properly submitted and approved and that comprehensive records documenting all dual-employment approvals be maintained. In addition, we recommend that DMS and DFS, in conjunction with the other State agencies, create a mechanism (e.g., a People First or FLAIR report) to identify those employees who simultaneously receive compensation from more than one State employer.

Response No. 5:

In addition to the department's internal policy, HR 01-112 Dual Employment within the State Personnel System, the department's form HR 112-F1 Dual Employment and Compensation Request was created on July 31, 2009 to ensure all employees have documented requests for dual employment. The department's human resource team reviews dual employment data from People First and reviews the DFS report of all DMS employees holding dual employment within the State.

As part of the July 2010 enhancements, the People First system now provides a *Potential Overtime Report* that identifies potential overtime for employees who use the People First timesheet and hold multiple positions. However, state agencies are still responsible for verifying if overtime has occurred and the rate at which the employee should be compensated. In addition, it is our understanding that DFS maintains dual payment data for all state agencies including those that do not use the People First system. A full verification of dual payments would necessitate a review of both agencies' data.

EXHIBIT C (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF MANAGEMENT SERVICES

Mr. David W. Martin, CPA
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Finding No. 6: Salary Calculations and Overtime Authorizations

Some salary payment calculations were incorrect.

Recommendation No. 6:

State agencies should take appropriate measures to ensure that salary payments are accurately calculated based on the applicable rate of pay and actual hours worked. Such measures may include, for all payroll changes, an additional review of the calculations and supporting documentation prior to salary payment issuance.

Response No. 6:

In October 2008, the department's Human Resource team implemented internal operating procedures whereby all salaries contained in PARs are verified by an employee in the department's Office of Planning and Budget. A second review is performed by a Human Resources team member. Each pay period a Human Resources team member reviews the payroll register to verify number of hours worked compared to salary paid. PARs for new employees, terminations or any position or salary change are kept in a pay period specific file folder. These documents are then used when the payroll register is reviewed for payment accuracy each pay period.

Finding No. 9: Employee Out Processing

State agencies did not always document the return of State-owned property items assigned to employees upon the employees' separation from State employment.

Recommendation No. 9:

We recommend that State agencies reinforce policies requiring the use of forms designed to ensure and document the return of all State-owned property items by separating employees. State agencies should also ensure that this documentation be maintained in the separating employee's personnel file or other identifiable location.

Response No. 9:

The department's internal procedures require that when an employee terminates, each division completes form HR 103-F2 Employee Exit Checklist revised on October 26, 2010. Once completed this document is sent to Human Resources where the document is filed in the terminating employee's personnel file. To verify the supervisor has correctly completed the checklist and collected the necessary items from the employee, Human Resources compares the termination PAR to the employee file.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF TRANSPORTATION



Florida Department of Transportation

CHARLIE CRIST
GOVERNOR

605 Suwannee Street
Tallahassee, FL 32399-0450

STEPHANIE C. KOPELOUSOS
SECRETARY

December 7, 2010

Mr. David W. Martin, CPA
Auditor General
674 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

I am pleased to respond to the preliminary and tentative audit findings and recommendations concerning the operational audit of:

Payroll and Personnel Management
at Selected State Agencies
for the period July 1, 2008 through February 28, 2010

As required by Section 11.45(4)(d), Florida Statutes, our response to the findings is enclosed.

I appreciate the efforts of you and your staff in assisting to improve our operations. If you have any questions, please contact our Inspector General, Ron Russo, at 410-5800.

Sincerely,

Stephanie C. Kopelousos
Secretary

SCK:tw

Enclosure

cc: Ron Russo, Inspector General

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF TRANSPORTATION

FLORIDA DEPARTMENT OF TRANSPORTATION

**Response to the Auditor General's
Preliminary and Tentative Audit Findings and Recommendations**

**Payroll and Personnel Management
at Selected State Agencies
July 1, 2008 through February 28, 2010**

Finding No. 1: Time Record Submittal, Review, and Approval

Procedural deficiencies existed with respect to the monitoring of the timely submittal, review, and approval of employee time records.

Utilizing People First, employees are to complete and submit time records that reflect the number of hours worked and leave taken. People First user guides and training materials direct non-CIS employees to submit their time records at the end of their agency's payroll cycle. Once an employee has submitted a time record for a payroll cycle, the designated approver (usually the employee's immediate supervisor) is responsible for the review and approval of the time record. Any errors, omissions, or discrepancies in the attendance and leave reported by the employee are to be resolved by the supervisor and employee.

To assist managers in the identification of missing time records, People First collects weekly data on time records that have not been submitted, approved, or have been approved but require corrective action. Every other week, People First places this data in a cumulative *Missing Time Records* report that is e-mailed to each applicable agency's personnel office.

The *Missing Time Records* reports are made available to State agencies and may be used by each of the agencies to identify time records that have not yet been submitted, reviewed, or approved. Agencies may also use the reports to identify employees who may have been overpaid or underpaid. If overpayments are identified, agencies are to seek reimbursement from the applicable employees. If underpayments are noted, agencies may increase, by the amount underpaid, a subsequent payment to the employee or create a supplemental payment. Once time records are submitted and approved with no errors, the records will no longer appear on subsequent *Missing Time Records* reports.

We found that some additional uniformity in the policies of the individual agencies and some report enhancements would improve the functionality of and level of agency reliance on the *Missing Time Records* reports. Specifically:

- The *Missing Time Records* reports do not provide an aging schedule showing, for each applicable time record, the length of time between the payroll cycle end and the *Missing Time Records* report run date. Absent information showing the age of the exceptions, it was difficult for agencies to differentiate between routine and what may be more significant lengthy delays.
- The *Missing Time Records* reports do not identify the person responsible for approving the time records listed. Information identifying the approver would better facilitate management's monitoring of the processes associated with resolving the exceptions shown by the reports.
- Agency management indicated that inaccuracies had been noted in the *Missing Time Records* reports and, as a result, some agencies had implemented alternative methods for reviewing the timely submittal and approval of time records.

Time records are used to document employee attendance and use of leave, calculate overtime earnings, and adjust salary amounts due to leave without pay. Absent an effective means for monitoring time records that have not been timely submitted or approved, or that have been approved with corrective actions required, may escape timely detection.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF TRANSPORTATION

Recommendation: We recommend that State agencies should use such information to identify those employees whose time records frequently require corrective actions, are repeatedly missing, or are not timely approved and take appropriate corrective measures.

Management Response:

Agree. Since the inception of People First, the Department developed and maintained a process documented in the Office of Comptroller Disbursement Operations Office (DOO) Payroll Processing Handbook to identify missing timesheets, notify responsible employees and managers and track resolutions. The recent upgrades to the People First system have made the system-generated Missing Timesheet Report significantly more accurate and reliable. A change in the Department's notification process has also resulted in more timely responses and submission of outstanding timesheets.

Finding No. 2: Compensatory Leave Credits

Certain State employees may earn compensatory leave for hours worked in excess of the regular work period or during holidays, emergencies, and facility closures. DHS rules include provisions for the accumulation and payment of regular compensatory leave, FLSA special compensatory leave, and special compensatory leave credits. Certain collective bargaining agreements with employee bargaining units also include compensatory leave provisions. For example, the Florida Police Benevolent Association (FPBA) Security Services Bargaining Unit Agreement is applicable to DOE correctional officers and limits to a maximum of 240 hours the number of special compensatory leave credits that may be accumulated.

State agencies use People First to account for the various types of compensatory leave credits earned and used by employees. People First includes four compensatory leave time and attendance codes: regular compensatory leave, FLSA special compensatory leave, special compensatory leave, and special holiday compensatory leave. Periodic payments for accumulated leave credits and payments for unused compensatory leave credits upon an employee's separation are to be recorded in FLARS using one of these codes: regular compensatory leave in lieu of overtime, special compensatory leave in lieu of overtime, or special compensatory leave.

Recommendation: State agencies should periodically review their employees' compensatory leave balances and identify employees who are accumulating large compensatory leave credit balances or whose compensatory leave credits are approaching the maximum limits set forth in applicable collective bargaining agreements. When appropriate, the agencies should compel the use of accumulated special compensatory leave credits prior to approving employee use of other leave types.

Management Response:

Agree. Executive Management issued a directive in July 2009 requiring a review of Special Compensatory Leave balances and requesting a reduction of total department balances by 50% within a year. At the time of the directive the Department's balance was 45,760 hours. As of 11/25/2010, the balance was 27,227 hours, a decrease of 18,403 hours or 40%.

Finding No. 3: Unused Annual and Sick Leave Payouts

To evaluate agency controls and to determine whether the unused annual and sick leave payouts were adequately supported, properly calculated, and paid in accordance with applicable laws and rules, we requested agency terminal leave payout policies and procedures for review and examined agency records for 51 terminal leave payouts, totaling \$469,932. The 51 payouts tested included 10 payouts totaling \$109,116 at DACS, 9 payouts totaling \$20,169 at DOE,

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF TRANSPORTATION

5 payouts totaling \$38,250 at D&P, 9 payouts totaling \$134,120 at DFS, 3 payouts totaling \$53,198 at DMS, and 15 payouts totaling \$63,079 at DOT. Additionally, we reviewed documentation of any leave balance audits performed related to the 51 payouts to determine whether the agencies effectively ensured the proper calculation of the payouts.

We noted that:

- Five agencies (DACS, DOC, DEP, DMS, and DOT) had not established written terminal leave payout policies and procedures at the time of our audit request. DMS subsequently established written policies and procedures effective July 2009.
- For the 51 payouts tested:
 - Documentation for 15 terminal leave payouts totaling \$160,778 was not available to evidence that an audit of the leave balances, including identification of prior leave payments, was completed prior to payout. These 15 payouts included 5 payouts totaling \$58,096 at DACS, 3 payouts totaling \$12,353 at DOC, 2 payouts totaling \$47,506 at DMS, and 5 payouts totaling \$12,823 at DOT.

Under certain circumstances, the implementation and communication of written policies and procedures may better ensure the calculation of payment amounts that are consistent with the requirements of law.

Recommendations: We recommend that each State agency's procedures be enhanced, as appropriate, to address the terminal leave payout process. Such enhancements should require the performance of leave balance audits prior to processing terminal leave payouts, and documentation of such audits should be retained. We also recommend that State agencies take other appropriate steps, including independent verification of payout calculations, to ensure that terminal leave payouts are accurate and paid in accordance with applicable laws, rules, and guidelines.

Management Response:

Agree. The Department is using all resources available in the People First system to validate terminal leave payouts. The DOC Payroll Processing Handbook, which includes a section on processing terminations and leave payouts, was available and submitted to Auditor General staff as requested on 3/25/2009. The termination section includes guidance requiring a review of any previously paid leave report from the Bureau of State Payrolls, along with ensuring no time sheets are outstanding in People First. The final leave balances as shown in People First are used for eligible payments and are adjusted for any previous leave payouts or required provisions for SES/SES employees. The People First System does not permit a review of time sheets or leave records from beginning of employment (only the previous 18 months are available to be viewed in People First).

Finding No. 4: Dual Employment Rules and Guidelines

In addition to the guidance in DMS rules and Guidelines, four of the six State agencies included within the scope of this audit had established agency dual-employment policies and procedures requiring that a dual-employment request form be initiated by the employee and approved by agency management. While all four of these agencies' policies and procedures required that the approval be performed during each fiscal year, the policies and procedures varied regarding the State employers for which dual-employment approval was required. For example, the DEP and DACS policies and procedures required that a form be completed and approved for dual employment for both SPS and non-SPS State entities, such as the State University System, while the DMS agency policies and procedures restricted the use of such a form to employment at SPS agencies. DFS policies and procedures required that a form be completed and executed for "employment by more than one State agency" but did not define a "State agency" or differentiate between non-SPS and SPS agencies.

Absent guidance that clearly indicates when dual-employment approval is required, State agencies may not ensure that employees submit for agency approval requests for dual employment as required by State law. Lack of such guidance may have contributed to the instances noted in Finding No. 3 in which proper approval for dual employment was not obtained and documented.

EXHIBIT C (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF TRANSPORTATION

Recommendation: We recommend that DMS and the various State agencies establish or revise dual-employment policies and procedures to ensure that approval during each fiscal year is obtained by any employee seeking employment at, or compensation from, more than one State agency. To ensure compliance with State law, such policies and procedures should clearly address both the simultaneous compensation from any appropriation other than the appropriations for salaries and the simultaneous compensation from any State agency or the judicial branch of State Government.

Management Response:

Agree. A Policy Document on "Dual Employment Guidelines and Procedures for State Personnel System Agencies" was issued by the Department of Management Services in June 2009. This policy delegates dual employment approvals to agencies that are within the "State Personnel System (SPS)."

Finding No. 5: Dual Employment Approvals and Management of Dual Employment Activities

Dual-employment rules and guidelines were not sufficient to effectively promote compliance with State law. There is not an established mechanism for State agency use that identifies those employees simultaneously receiving compensation from more than one State employer. Accordingly, to determine whether the listings provided by the agencies included approvals for all employees who had simultaneously received compensation from more than one State employer during the period July 2007 through January 2009, we performed analytical procedures of FLAIR payroll data to detect potential instances of dual employment. For the six agencies included within the scope of this audit, we identified 1,093 employees for whom it appeared there were instances of dual employment.

Absent a mechanism that identifies those employees simultaneously receiving compensation from more than one State employer, agencies cannot be assured that their employees always properly submit dual-employment requests for management approval. In addition, absent documentation of the proper approval of dual employment, State agencies cannot demonstrate that an employee's compensation was commensurate with the employee's assigned duties, there was a need for the employee to hold more than one position with the State, or the employment did not give rise to the appearance of a conflict of interest or otherwise violate legislative intent. Further, absent a listing or other complete record of employees approved for dual employment, an agency cannot demonstrate that the dual-employment activities of all applicable employees have received appropriate consideration in accordance with State law and DMS rules and Guidelines or that an appropriate method for calculating applicable overtime pay has been devised.

Recommendation: We recommend that State agencies take appropriate steps to ensure that dual-employment requests are properly submitted and approved and that comprehensive records documenting all dual-employment approvals be maintained. In addition, we recommend that DMS and OPS, in conjunction with the other State agencies, create a mechanism (e.g., a People First or FLAIR report) to identify those employees who simultaneously receive compensation from more than one State employer.

Management Response:

Agree. DOT Procedure no. 280-040-010 existing on Dual Employment is currently being updated to reflect the policy changes by the Department of Management Services (DMS); however, approval process within the department (as stated in the current procedures) will continue to apply. Additionally, the policy document issued by DMS provides that employees who in the past have requested approval to work as OPS for the State University System will no longer require this approval. Specifically, the policy states the following: "The provisions of this guideline do not apply to employment with any government employer outside the SPS or any private sector employer."

EXHIBIT C (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF TRANSPORTATION

Finding No. 6: Salary Payment Calculations

We tested 540 salary payments totaling \$1,509,967 to determine whether the payments were properly calculated, approved, and supported by authorized sufficient time records. For the 540 salary payments tested, the agencies included within the scope of this audit generally made employee salary payments in the correct amounts based on the number of hours recorded as worked, approved rate of pay, and effective dates of any pay rate changes. However, we identified 11 salary payment errors (7 overpayments and 4 underpayments). The amounts paid in error ranged from an overpayment of \$626 to an underpayment of \$901. Specifically, we noted:

- One error for the 84 DOT salary payments tested: DOT overpaid one employee by \$626 as the employee separated from DOT in the middle of the payroll period but was paid based on 80 hours rather than the 40 hours recorded as worked.

Each of the instances noted above resulted from State agency payroll change processing. When payroll changes are processed, additional care should be taken to ensure that the changes are timely made considering the effective date of the change and that the changes made agree with the supporting authorization and time records. Subsequent to our audit inquiries, the agencies began taking actions to resolve the errors noted above.

Recommendation: State agencies should take appropriate measures to ensure that salary payments are accurately calculated based on the applicable rate of pay and actual hours worked. Such measures may include, for all payroll changes, an additional review of the calculations and supporting documentation prior to salary payment issuance.

Management Response:

Agree. A series of reports, including total pay period transactions, leave without pay and prepayments, is reviewed by the Payroll Office approximately four business days prior to the warrant date. Any evident overpayments can be cancelled during this window. The referenced overpayment resulted because the Personnel and Payroll Offices were not notified of the employee's termination until after the date for wages could have been cancelled. Overpayments of this type cannot be eliminated through the report review process. The overpayment was immediately recovered by deducting the amount from the employee's leave payout.

Finding No. 8: Salary Payment Cancellations

According to FLAIR records, for the six State agencies included within the scope of this audit, during the period July 2007 through January 2009, there were 2,723 salary payment cancellations totaling \$1,957,486.

State agencies did not always timely initiate efforts to collect overpayments made to third parties as a result of canceled salary payment warrants or electronic funds transfers (EFTs).

Our tests of 60 salary payment cancellations totaling \$93,220 disclosed that agency controls needed improvement to ensure the timely initiation of overpayment recovery efforts and proper destruction of canceled paper warrants. Specifically, we noted:

- State agencies did not always timely initiate third-party overpayment recovery efforts. State employees may voluntarily authorize deductions from their gross pay to be made and paid to third parties such as medical, dental, and life insurance providers, charitable organizations, and the State's Deferred Compensation Program investment providers. Although the dollar amounts for individual deductions may not be significant, the volume of these transactions may be great. Regarding third-party overpayments, we noted that:
 - The Payroll Preparation Manual did not include specific guidance for recovering from third parties any overpayments resulting from salary payment cancellations.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF TRANSPORTATION

- Of the 60 salary payment cancellations tested, 17 reflected a total of 41 separate voluntary deductions ranging from \$1 to \$350 and totaling \$1,724. For 9 of the 41 deductions, the agencies had not taken timely action to recover from the third parties the amounts paid. These 9 deductions (one each for the employees of DACS, DOC, and DEP for \$2, \$24, and \$18, respectively, and 6 at DOT totaling \$75) totaled \$118. Although the dates for these canceled payments ranged from February 2008 through October 2008, the agencies' recovery efforts were not initiated until subsequent to our audit inquiries in April 2009.

Absent timely and appropriate efforts to collect overpayments made to third parties and the proper destruction of canceled paper warrants the State's exposure to loss may not be sufficiently limited.

Recommendations: We recommend that when handling salary payments, State agencies take appropriate action to timely recover from third parties any amounts overpaid.

Management Response:

Agree. The DOC Payroll Processing Handbook was updated to include more detailed instructions for collection of miscellaneous deductions from vendors and state pretax deductions. Guidance was given to all district Payroll Offices at the 2009 Financial Administration Meeting. Since then, Quality Assurance Reviews have been completed in all districts and all deductions have been appropriately collected.



Most Local Governments Participating in the Expedited Review Process Report Benefits

Presentation to the
Joint Legislative Auditing Committee

March 28, 2011

Larry Novey, Chief Legislative Analyst

Florida Legislature Office of Program Policy Analysis & Government Accountability

Comprehensive Plans Guide Local Development

- Describes the way a community proposes to use its land to guide future growth and development
- Defines a community's land use by addressing several issues
 - Transportation and Infrastructure
 - Housing and Schools
 - Conservation, Recreations and Open Space
 - Capitol Improvements

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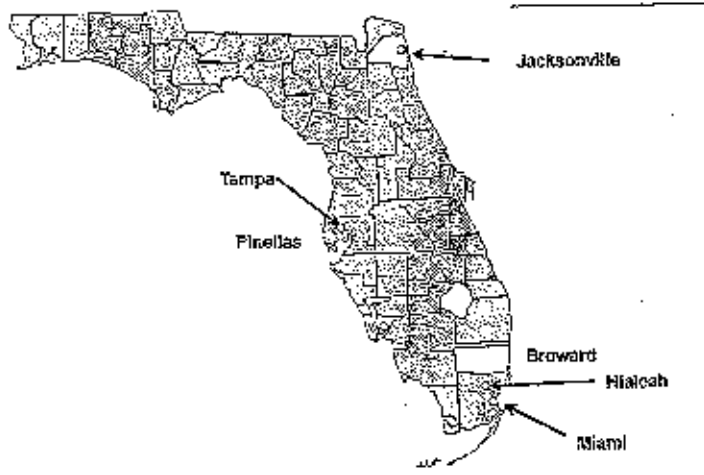
The Legislature Created a Pilot Program to Expedite the Process

- The Legislature created a program within the Department of Community Affairs to expedite the process for state review of comprehensive plan amendments
- Several local governments were selected to participate
- The program began on July 1, 2007

Pilot Program's Expedited Process Differs Significantly From Traditional Process

Traditional Process	Expedited Process
<ul style="list-style-type: none">- DCA reviews for completeness- DCA issues Objections, Recommendations, and Comments (OCR) report- Stakeholder comments go through the state agency	<ul style="list-style-type: none">- No state level review for completeness- No Objections, Recommendations, and Comments report issued- Stakeholder comments go directly to the local government

Pilot Program Was Implemented in Selected Local Governments



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Pilot Program Has Reduced Review Time

- Traditional process took up to 136 days
- Expedited review has reduced maximum time needed to approve amendments by 71 days

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Pilot Program Participation Has Increased

Period	Fiscal Year		
	2007-08	2008-09	2009-10
Local governments transmitting amendments	14	37	41
Amendments transmitted for review	273	435	601
Amendments adopted	51	757	411

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Most Local Governments Report That the Program Is Beneficial

- Reduces time to adopt amendments
- Saves time and money for plan sponsors
- Increases flexibility and efficiency in scheduling staff work

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8

Reviewing Agencies Cite Advantages and Disadvantages

■ Advantages

- Has not increased workload
- Facilitates collaboration with local governments

■ Disadvantages

- May not have enough time to adequately review amendments
- DCA does not conduct completeness review
- DCA does not compile an ORC report

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For More Information

Report:

<http://www.oppaga.state.fl.us/Monitor/Docs/Reports/pdf/1053rpt.pdf>

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Office of Program Policy Analysis & Government Accountability



Most Local Governments Participating in the Expedited Review Process Report Benefits

at a glance

Since our 2008 review, the Legislature has amended the expedited comprehensive plan amendment review process and has considered expanding the program to additional local governments. The number of local governments that have used the pilot program has increased, while the number of challenged plan amendments remains small.

Most local governments report that the expedited review process is working well. State and regional agencies that review comprehensive plan amendments report that the pilot project has both advantages and disadvantages; cited concerns include less thorough reviews of plan amendments and inadequate inter-agency coordination. Local governments and reviewing agencies offered many suggestions for modifying the program.

Scope

In accordance with state law, this progress report informs the Legislature of actions taken in response to a 2008 OPPAGA report.^{1,2}

¹ Section 11.51(6), *F.S.*

² *Expedited State Review Pilot Program Working Well But Faces Challenges*, OPPAGA Report No. 08-62, November 2008.

Background

The 2007 Legislature created a pilot program within the Department of Community Affairs (DCA) to expedite the process for state review of comprehensive plan amendments.³ Several local governments were selected to participate in the pilot program: Broward and Pinellas counties and their municipalities, and the cities of Hialeah, Jacksonville, Miami, and Tampa.

The pilot program differs from the traditional comprehensive plan review process in several ways. Under the pilot program, DCA and other reviewing entities simultaneously review proposed amendments and separately submit their comments to the local government, rather than DCA collecting and summarizing all agency comments in an Objections, Recommendations, and Comments report.⁴ The state portion of the expedited review process may take up to 65 days, compared to up to 136 days for the traditional process.⁵

³ Section 163.32465, *F.S.* The program began on July 1, 2007.

⁴ Reviewing agencies include the Department of Community Affairs, regional planning councils, the Department of Transportation, the Department of Environmental Protection, the Department of Education, and the Department of State.

⁵ Under expedited review, local governments do not have a statutorily mandated period for amendment adoption, while

Our 2008 report noted that participating city and county government representatives indicated that the pilot program had significantly reduced the time needed to approve their comprehensive plan amendments. However, local governments and stakeholders identified several challenges in implementing the program. Some local governments were unsure how to respond to state agency review comments or how to handle split amendment packages, which contain both traditional and expedited amendments, and they were concerned about pilot program deadlines.⁶ In addition, some citizen group representatives expressed concern that public participation requirements were unclear.

Current Status

The Legislature has modified the expedited review pilot program. The 2009 Legislature amended s. 163.32465(2), *Florida Statutes*, to allow any local government, in addition to the pilot program jurisdictions, to use the alternative process to designate an urban service area in its comprehensive plan. An urban service area is a built-out area where public facilities and services, including central water and sewer capacity and roads, are already in place or are committed in the first three years of the capital improvement schedule.⁷ To date, no local governments have used the legislation to designate an urban service area.

The 2009 Legislature also considered but did not pass a bill that would have expanded the program, using municipality or county population size and density to identify additional municipalities or counties to participate in the pilot program.⁸

⁶ under the traditional review process, the law prescribes up to 60 days (or 120 days for a major plan update) for final local action.

⁷ A split package includes both traditional and expedited review amendments.

⁸ Section 163.3164(29), *F.S.*

⁹ House Bill 7049.

Pilot program participation has increased, while the number of challenged amendments remains small. In Fiscal Year 2007-08, relatively few (14) local governments had used the process, and they had transmitted 273 plan amendments for review by DCA and other reviewing agencies (see Exhibit 1). The local governments had adopted slightly less than one-fifth (51) of these amendments. Since the program's inception, participation in the pilot project has substantially increased, with 41 local governments transmitting 601 plan amendments in the most recent fiscal year. Overall, as of June 30, 2010, local governments have used the pilot project for 1,309 plan amendments. During this period, local governments adopted 1,219 plan amendments.

Exhibit 1

Pilot Program Participation Has Increased

Period	Fiscal Year		
	2007-08	2008-09	2009-10
Local governments transmitting amendments	14	37	41
Amendments transmitted for review	273	435	601
Amendments adopted	51	757	411

¹ Because capital improvement elements are transmitted as adopted rather than proposed, it is possible for the number of adopted amendments to be greater than the number transmitted.

Source: Department of Community Affairs.

Of the adopted amendments, only five have been challenged through the Division of Administrative Hearings.⁹ Concerns with these amendments included inconsistency with state law regarding increasing residential densities in the coastal high hazard area and inconsistency with requirements to ensure that

² Affected persons challenged two amendments, with the Division of Administrative Hearings finding one amendment in compliance with state growth management laws and one out of compliance. The Department of Community Affairs has challenged three amendments, one of which has been settled; the remaining cases are still pending. For the same period, the percentage of challenges for the expedited process (4.3% of adopted amendments) was slightly lower than challenges for the traditional process (6.8% of adopted amendments).

development around military installations is compatible with installation operations.

Most local governments report that the expedited review process is beneficial. Local governments that have used the pilot project report that the expedited review process is beneficial. Of the 27 local governments that responded to our survey, more than half (16) indicated that the pilot program is working well. Most (14) reported reduced time to adopt amendments, with some of these local governments reporting the time saved was from one to three months. Additional reported benefits include saving time and money for amendment sponsors and having more flexibility and efficiency in scheduling staff work.

However, some local governments reported that the process also had disadvantages. For example, eliminating DCA's Objections, Recommendations, and Comments report requires local governments to collect and assess comments from each reviewing agency. In addition, some municipalities within Broward and Pinellas counties report that the expedited process had not reduced time for their amendment adoption because these counties, which are charter counties, require additional review of local government amendments. Several local governments also expressed uncertainty regarding whether state review comments could become the basis for legal challenges and confusion about how the process worked, and indicated that statutory timeframes allowed insufficient time due to separate government adoption timeframes.

Reviewing agencies cite both advantages and disadvantages of the expedited review process. State and regional agencies that review comprehensive plan amendments indicated that the expedited process has both advantages and disadvantages. They reported that they have adapted to the expedited process and noted that it has not substantially increased their workload. They indicated that the process enables them to collaborate more closely with local governments and

respond more quickly to their questions. Reviewing agencies also indicated that the expedited process allows developers to begin construction projects more quickly than under the traditional comprehensive plan amendment process.

The reviewing agencies also voiced several concerns about the expedited review process. These concerns included

- belief that the expedited process does not enable them to work with DCA to address issues with comprehensive plan amendments as is done during the traditional review process;
- uncertainty about how to handle split amendment packages, which contain both traditional and expedited amendments;
- concern about inadequate time to sufficiently review amendments to protect state interests; and
- belief that the process, because it tends to involve small incremental changes, can have a negative impact on development patterns and long-term planning.

Department of Community Affairs officials expressed concern that the expedited review process is less thorough than the traditional process and that it is more difficult to coordinate with reviewing agencies and local governments. To address these concerns, the department has identified several technical revisions.

- Establish a completeness review prior to a substantive review of a proposed amendment, which would help ensure that all parties have a clear understanding of the proposed amendment.
- All agencies providing comments to the local government should provide a copy to the department.
- Provide authority to local governments to elect to use the traditional review process for all amendment types, which would avoid procedural difficulties when an

amendment package is split between expedited and traditional amendments.

- Clarify the effective date of expedited amendments.
- Provide authority to the department to adopt procedural rules.

The department also suggests additional types of amendments be considered for inclusion under the expedited review process.

- Future land use map amendments and associated special area policies within areas designated for downtown revitalization, urban redevelopment, urban infill development, or urban infill and redevelopment.
- Future land use map amendments for proposed developments within areas the

Governor has designated rural areas of critical economic concern.¹⁰

Local governments and reviewing agencies recommend several program modifications. The local governments and reviewing entities who responded to our survey offered several recommendations for improving the expedited review process. These recommendations can be grouped into three categories: amendment review and adoption; expedited process timeframes; and program expansion. Appendix A includes stakeholder recommendations within these categories.

¹⁰ Such amendments should include written certification by the Office of Tourism, Trade, and Economic Development that the amendment furthers the economic objectives set forth in the executive order issued under s. 288.0656(7), F.S., and is for a qualified job creation project under ss. 288.0656 or 403.973, F.S.

Appendix A

Local Governments and Reviewing Agencies Have Diverse Suggestions for Modifying the Expedited Review Process

To obtain stakeholder perspectives about the expedited review process and recommendations for improving the program, we surveyed the 41 local governments that have used the process and the 11 state and regional agencies that review plan amendments. We received responses from 27 local governments and 9 reviewing agencies. The following table lists respondent recommendations for modifying the program. We grouped these recommendations into three categories: amendment review and adoption; expedited process timeframes; and program expansion. Within each of these categories, local government and reviewing agency recommendations were diverse and sometimes contradictory; for example, some respondents advocated program expansion to all local governments, while others suggested eliminating the program.

Recommendation Category	Local Government	Reviewing Agency
Amendment Review and Adoption	<ul style="list-style-type: none"> ▪ Objections, Recommendations, and Comments (ORC) Report <ul style="list-style-type: none"> – Reinststate the ORC. – Allow local governments to ask DCA for an ORC report to determine what issues may result in a challenge. – Either issue an ORC or make no comments at all. – Institute a final ORC-type conference call with reviewing agencies. 	<ul style="list-style-type: none"> ▪ Objections, Recommendations, and Comments (ORC) Report <ul style="list-style-type: none"> – Reinststate the ORC.
	<ul style="list-style-type: none"> ▪ Split Amendment Package Process <ul style="list-style-type: none"> – Eliminate the possibility of split packages. – Require DCA to provide guidance on handling split packages. 	<ul style="list-style-type: none"> ▪ Split Amendment Package Process <ul style="list-style-type: none"> – Require clear labeling of split packages.
	<ul style="list-style-type: none"> ▪ Agency Comment Process <ul style="list-style-type: none"> – Require DCA to provide local governments guidance on addressing agency comments. – Require agency comments to be submitted to local governments and DCA. – Require reviewing agencies to clearly identify issues that, if not resolved, may result in a challenge. – Require reviewing agencies to compile a list of conditions that would be considered serious issues of regional or statewide importance. 	<ul style="list-style-type: none"> ▪ Agency Comment Process <ul style="list-style-type: none"> – Clarify what degree of emphasis local governments should place on reviewing agency comments. – Revise plan amendment submission requirements to clarify the need, when applicable, to send to the Department of Education for agency review. – Require all agencies, including DCA, to have the same review and comment period, promoting better coordination. – Change the statutory reviewing agency deadline from the date that local governments receive comments to the date that agencies submit the comments.
Expedited Process Timeframes	<ul style="list-style-type: none"> – Increase amendment transmittal and adoption timelines to accommodate local government legislative and scheduling processes. – Synchronize local government and DCA timeframes so that challenges precede amendment effective dates. 	<ul style="list-style-type: none"> – Extend the review period from 30 to 45 days.

Recommendation Category	Local Government	Reviewing Agency
Program Expansion	<ul style="list-style-type: none"> ▪ Program Expansion <ul style="list-style-type: none"> - Expand the pilot program to all local governments. - Allow any local government that is a Dense Urban Land Area to use the expedited process. - Use the expedited process for all amendments. ▪ Program Limitation <ul style="list-style-type: none"> - Limit the expedited review to built-out areas. - Require that the expedited review process apply to all plan amendments except as related to the evaluation and appraisal report. - Restrict the program to current participants. ▪ Program Elimination <ul style="list-style-type: none"> - Eliminate the program. 	<ul style="list-style-type: none"> ▪ Program Expansion <ul style="list-style-type: none"> - Expand program if DCA can handle workload. - Expand to all local governments or eliminate. ▪ Program Limitation <ul style="list-style-type: none"> - Allow local governments with rapid growth and adequate staff resources to use the process. - Restrict additional program participation to local governments that have demonstrated that they have not exceeded the need for land use. Restrict the program to urban areas without regional or statewide impacts. - Do not allow rural areas to participate in the program.

² Under the pilot program, once a local government adopts an amendment, it becomes effective after 30 days, while DCA has 35 days to challenge the amendment. Consequently, it is possible for DCA to challenge an amendment that has already been put into effect by a local government.

Source: GPPACA analysis.

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