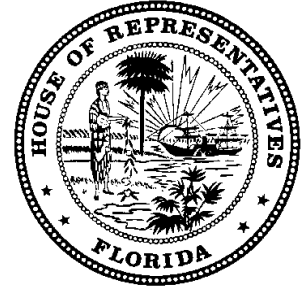


MIKE HARIDOPOLOS
President



DEAN CANNON
Speaker



Joint Legislative Auditing Committee

Senator Jim Norman, Chair
Representative Debbie Mayfield, Vice Chair

Meeting Packet
Monday, October 3, 2011
12:30 p.m. to 2:30 p.m.
309 Capitol

AGENDA
JOINT LEGISLATIVE AUDITING COMMITTEE

DATE: Monday, October 3, 2011

TIME: 12:30 p.m. to 2:30 p.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 Daphne D. Campbell
Representative Jeff Clemens
Representative Bryan Nelson
Representative Kenneth Roberson

Discussion of a request for an audit of the City of Hollywood received from Senator Sobel

Discussion of a request for an audit of ABATE of Florida, Inc., received from Representative Nelson

Presentation and discussion of Transparency Florida

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

Update on entities the Committee took action against in April 2011 for failing to file required financial reports



THE FLORIDA SENATE

Tallahassee, Florida 32399-1100

COMMITTEES:
 Health Regulation, Vice Chair
 Banking and Insurance
 Budget
 Budget - Subcommittee on Health and Human Services
 Appropriations
 Budget - Subcommittee on Transportation, Tourism,
 and Economic Development Appropriations
 Environmental Preservation and Conservation
 Resapportionment
 Rules - Subcommittee on Ethics and Elections

SENATOR ELEANOR SOBEL
 31st District

June 17, 2011

The Honorable Jim Norman
 Alternating Chair
 Joint Legislative Auditing Committee
 14031 N. Dale Mabry Blvd.
 Tampa, FL 33618

Dear Senator Norman, *Jim*

I hope this letter finds you well.

Please accept this correspondence as a formal request for the Joint Legislative Auditing Committee to authorize or direct an audit of the City of Hollywood.

It is my understanding that as a member of the Florida Senate whose district includes the City of Hollywood, that I am authorized to make such a request. It is also my understanding that the JLAC will direct the State's Auditor General to conduct such an audit and at no cost to the local municipality.

As you may or may not be aware, the City of Hollywood has declared a state of financial urgency and it is my belief that such an audit will go a long way towards restoring or ensuring citizen confidence in their local government.

I appreciate your attention to this matter.

With Best Regards,

Eleanor Sobel

Eleanor Sobel
 State Senate District 31

CC: Cathy Swanson-Rivenbark, Assitant City Manager, City of Hollywood

REPLY TO:

- The "Old" Library, First Floor, 2600 Hollywood Boulevard, Hollywood, Florida 33020 (954) 924-3693
- 222 Senate Office Building, 404 South Monroe Street, Tallahassee, Florida 32399-1100 (850) 487-5097

Senate's Website: www.flsenate.gov

MIKE HARIDOPOLOS
 President of the Senate

MICHAEL S. "MIKE" BENNETT
 President Pro Tempore

STAFF ANALYSIS

Date: September 29, 2011

Subject: Request for an Audit of the City of Hollywood

Analyst Coordinator

White *DW* DuBose *KD*

I. Summary:

The Joint Legislative Auditing Committee (Committee) has received a request from Senator Eleanor Sobel to have the Committee direct the Auditor General to conduct an audit of the City of Hollywood in Broward County, Florida. The City of Hollywood is experiencing various financial issues and has declared a state of financial urgency for both the 2010-11 and 2011-12 fiscal years as allowed under s. 447.4095, F.S., in order to assist in addressing the financial issues by reopening the collective bargaining agreements negotiated with its labor unions.

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.

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.

Section 11.45(2)(j), 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 later 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 of the City of Hollywood

At the City Commission meeting on May 18, 2011, the City of Hollywood (City) passed two resolutions declaring the existence of a financial urgency with regard to both the 2010-11 and 2011-12 fiscal years, as allowed by s. 447.4095, F.S., in order to assist in addressing the financial issues by reopening the collective bargaining agreements negotiated with its labor unions. Senator Sobel has requested that the Committee direct the Auditor General to conduct an audit of the City and believes that such an audit will help in restoring or ensuring citizens' confidence in their local government.

Background

The City of Hollywood, Florida (City), was incorporated as a municipality in 1925 under s. 25-11519, 1925 L.O.F. The City, located in Broward County, operates under a commission-manager form of government and is governed by an elected mayor and six elected commissioners. The City provides a variety of services, including general government, public safety, public works, and culture and recreation services. In addition, the City operates six enterprise activities: water and sewer, stormwater, sanitation, golf, parking services, and records preservation activities.¹

In September 2010, the City Commission passed a resolution (No. R-2010-260) declaring the existence of a financial urgency with regard to the 2010-11 fiscal year, since it had been determined that the operating budget for that fiscal year would result in a negative gap of \$11.8 million between revenue and expenditures. The City increased the millage rate by 11 percent, and the City's five unions voluntarily entered into negotiations and agreed to concessions in wages and benefits, which were similar to reductions allocated to the City's non-represented employees. As a result of the increased millage rate and reductions in salaries and benefits, the budget was balanced and, therefore, approved and implemented effective October 1, 2010.²

In April 2011, the City performed a mid-year budget review for the 2010-11 fiscal year and determined that there was a greater than projected shortfall in revenue and a significant increase in expenditures. During April through June 2011, operational expenditures were cut by several million dollars; non-represented employees received pay cuts of 7.5 percent, as well as reductions in paid holidays; the Mayor,

¹ Note 1 to the financial statements included in the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2010 (page 57).

² See Background section of the PERC Special Magistrate Proceeding, decision date: August 29, 2011.

Commissioners, City Manager, and City Attorney voluntarily took 10-percent pay cuts; and all of the City's unions, except the firefighters union, negotiated further pay cuts.³

At the City Commission meeting on May 18, 2011, the City passed two resolutions (Nos. R-2011-117 and R-2011-118) declaring the existence of a financial emergency with regard to the remainder of the 2010-11 fiscal year and the 2011-12 fiscal year, respectively. At the next several City Commission meetings in June and July 2011, the City passed additional resolutions addressing the financial urgency issues for the 2010-11 and 2011-12 fiscal years, including several that addressed the occurrence of impasses on negotiations with its five unions and subsequently modified certain wages and terms of the collective bargaining agreements. A resolution calling for a special referendum election on a date certain to approve an ordinance with three ballot questions regarding amending the City's employee pension plans to reduce benefits was also approved in July 2011.

In June 2011, the union representing the City's firefighters filed a complaint with the Florida Public Employees Relations Commission (PERC), stating that the City violated its members' rights by cutting salaries without negotiating or declaring an impasse (case number SM 2011-048). The PERC Special Magistrate's hearing was held on August 9, 2011, and a decision was issued on August 29, 2011. On September 15, 2011, the City filed rejections to the Special Magistrate's recommendations with PERC, stating that rejection of the recommendations provides the opportunity for the union's members and the City's administration to present their positions concerning the impasse issues to the City Commission in an impasse resolution meeting.⁴ The impasse hearing, originally scheduled by PERC for September 20, 2011, has been rescheduled for December 15, 2011, after PERC granted the parties' joint motion for continuance.

On September 13, 2011, the special referendum election was held, and the City's residents approved an ordinance to freeze the current pension plans of all City employees, including fire and police, and then amend the pension plans to reduce the future retirement benefits afforded by the plans. The City's charter required a citywide vote since the unions and city officials were unable to come to an agreement. Union leaders have indicated that they plan to challenge the election in court.⁵

The City Commission approved the final budget for the 2011-12 fiscal year at its meeting on September 19, 2011. The final budget included a combined increase of 11 percent for property taxes and fire fees.⁶

³ Ibid.

⁴ Letter dated September 15, 2011, to PERC from Bryant Miller Olive, Attorneys at Law (law firm representing the City).

⁵ "Hollywood voters: Cut the pensions," *MiamiHerald.com*, September 13, 2011.

⁶ "Hollywood approves budget that includes 11% tax increase," *South FloridaSun-Sentinel.com*, September 19, 2011

Additional Information Relating to the City's Efforts to Address the Current Financial Issues

The City commissioned an independent review of its revenue forecasting practices and requested recommendations for improvements. The report, issued in late June 2011, contained a number of findings, including:⁷

1. The 2010-11 General Fund revenue forecast was not conservative enough in light of the City's deteriorating financial condition and diminutive reserves. Examples of overly aggressive forecasts and inaccurately calculated revenues were discussed. The firm recommended that the City adopt, as a matter of policy, more conservative estimates during periods of fiscal distress.⁸
2. The City used only very limited techniques when forecasting its major revenues, relied heavily on recent data, and did not consider any statistical measures of confidence, reliability, or risk. The firm recommended that the City's revenue manual contain detailed policies and practices regarding the methods and assumptions to be used in determining a forecast and provided various examples.⁹
3. The City's budget operations were separated from its finance operations, which resulted in no one individual being ultimately responsible for the financial management of the City. The firm acknowledged that the City, since the beginning of their review, had moved budget operations under the Financial Services department. They recommended that the City: (1) present formal monthly budgetary reports to the City Commission and give them the opportunity to ask questions and receive feedback from management, and (2) complete its revenue manual and put practices in place that evaluate the effectiveness of its annual revenue estimation process.

In addition, in mid-June 2011, the City Commission approved a resolution that authorized the hiring of a financial advisory firm to assist in developing a multi-year financial plan in an effort to ensure the sustainable fiscal health of the City.

⁷ *Findings On Revenue Forecasting Practices And Recommendations For Improvements*, dated June 23, 2011, issued by Munitlytics, a municipal finance consulting firm.

⁸ Ibid. (pages 2-9 of report)

⁹ Ibid. (pages 9-18 of report)

Review of the City's Comprehensive Annual Financial Audit Reports for the Fiscal Years Ended September 30, 2009, and September 30, 2010

- The City did not meet a condition of financial emergency as defined within s. 218.503, F.S., for the fiscal year ended September 30, 2009.¹⁰ While the Comprehensive Annual Financial Report for the fiscal year ended September 30, 2010, has been issued and is available on the City's website, the audit report, which includes the management letter, has not been finalized and issued by the City's CPA firm.¹¹
- Excerpts from the City's Comprehensive Annual Financial Reports for the fiscal years ended September 30, 2010, and September 30, 2009, are shown in the following table:

¹⁰ *Management Letter in Accordance with the Rules of the Auditor General of the State of Florida - City's Annual Financial Report for the fiscal year ended September 30, 2009.*

¹¹ E-mail from City staff dated September 19, 2011, regarding status of FY 2009-10 audit report.

	<u>FY 2009-10</u>	<u>FY 2008-09</u>
<u>Governmental Funds</u>		
Total Revenue	\$187,307,161	\$189,190,431
Total Expenditures	<u>208,085,802</u>	<u>223,652,220</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,778,641)	(34,461,789)
Other Financing Sources (Uses)	<u>15,615,370^A</u>	<u>20,164,541^C</u>
Change in Fund Balance	(5,163,271)	(14,297,248)
Fund Balance, Beginning	<u>100,679,335</u>	<u>114,976,583</u>
Fund Balance, Ending	<u>\$ 95,516,064^B</u>	<u>\$ 100,679,335^D</u>
<u>Enterprise Funds</u>		
Total Operating Revenue	\$ 51,864,677	\$ 50,650,070
Total Operating Expenses	<u>48,824,917</u>	<u>51,726,818</u>
Operating Income (Loss)	3,039,760	(1,076,748)
Nonoperating Revenues (Expenses)	<u>(402,559)</u>	<u>(907,757)</u>
Income (Loss) Before Contributions and Transfers	2,637,201	(1,984,505)
Contributions and Transfers In (Out)	<u>(113,155)</u>	<u>458,634</u>
Change in Net Assets	2,524,046	(1,525,871)
Net Assets, Beginning	<u>7,365,966</u>	<u>8,891,837</u>
Net Assets, Ending	<u>\$ 9,890,012</u>	<u>\$ 7,365,966</u>

Notes:

A = Includes "Issuance of Debt" of \$9,229,486

B = A majority of the fund balance is comprised of amounts reserved for community redevelopment and housing loan and assistance programs. Also includes an unreserved fund balance of \$11,697,007, with \$9,162,755 in the General Fund.

C = Includes "Issuance of Debt" of \$12,245,660

D = A majority of the fund balance is comprised of amounts reserved for community redevelopment and housing loan and assistance programs. Also includes an unreserved fund balance of \$17,745,712, with \$14,670,129 in the General Fund.

- FY 2008-09 audit findings:¹²
 - Lack of Proper Authorization and Support of Transactions (#IC 2009-01):
This finding related to disbursements for the two districts of the City's

¹² *Schedule of Findings and Questioned Costs, Federal Awards Programs and State Project* (pages 11-15) and *Management Letter* (pages 4-8) of the City's audit report for the fiscal year ended September 30, 2009. The audit report for fiscal year ended September 30, 2010, which includes the management letter, has not been finalized and issued by the City's CPA firm as of September 19, 2011.

- Community Redevelopment Agency (CRA). The auditors recommended that the CRA implement proper internal controls over disbursements.
- Budgeting System (#IC 2009-02): This finding related to the CRA budgets maintained in the general ledger system not agreeing with the original or final legally adopted budgets. The auditors recommended that the City implement controls to ensure that the approved budget is utilized in daily transactions and input, including any amendments, into the general ledger system and reviewed for accuracy.
 - Financial Reporting (#IC 2009-03): This finding related to the correction of a material error in financial reporting from prior periods. The auditors recommended that management develop and implement policies and procedures necessary to ensure that all non-routine and significant transactions are properly recorded and reported in the financial statements.
 - Procurement, Suspension, and Debarment (#IC 2009-04): This finding related to three federal grant programs. The auditors recommended that the City establish policies and procedures to ensure that vendors providing goods and services under a federal award are verified to ensure they have not been suspended or debarred from providing such goods or services by the Federal government.
 - Safeguarding of Assets (#ML 2009-01): This finding related to the third-party administrator (TPA) for the workers' compensation and general liability zero balance accounts having complete authority to disburse checks. The auditors recommended that the City establish a bank account that is not a zero balance account and that the account only be funded for the amounts authorized by the City to be paid to the TPA. Alternatively, the City could implement other controls relating to these accounts.
 - Statement on Auditing Standards No. 70 (SAS 70) (#ML 2009-02): This finding related to the City not obtaining a SAS 70 report regarding the internal control environment of its TPA for claims processing. The auditors recommended that the City ensure that all of its TPAs provide SAS 70 reports.
 - Timely Review of Bank Statements (#ML 2009-03): This finding related to lack of evidential support to indicate whether monthly bank reconciliations were being prepared, reviewed, and formally approved on a consistent basis. The auditors recommended that management adhere to its current policies and procedures which require the completion and review of bank reconciliations in a timely manner and evidence of proper supervisory review and approval.
 - Purchasing Card System (PCards) (#ML 2009-04): This finding related to Pcard users exceeding their spending limits without it being detected within a reasonable time period. The auditors recommended that the City evaluate the design of its controls surrounding the Pcard program and spending limits.

- Cash Management (#ML 2009-05): This finding related to the timely depositing of checks. The auditors recommended that the City's Treasury Department strictly adhere to the policy regarding collections and deposits to prevent the risk of loss.
- The auditors noted that one prior year finding [Management Review of Financial Statement Disclosures (#ML 2008-03)] had not been corrected. It related to capital lease disclosures required in the notes to the financial statements.
- Auditor General records indicate that the City's audit reports were received as follows:

Fiscal Year Ended September 30	Date Received	Date Due (per F.S.)
2010	Not Yet Received	September 30, 2011
2009	September 30, 2010	September 30, 2010
2008	July 7, 2009	September 30, 2009
2007	August 29, 2008	September 30, 2008
2006	July 23, 2007	September 30, 2007
2005	July 25, 2006	September 30, 2006

III. Effect of Proposed Request and Committee Staff Recommendation

Committee staff recommends that the Committee direct the Auditor General to conduct an operational audit of the City of Hollywood. Committee staff also recommends that the Committee allow the Auditor General to set the: (1) scope of the audit based on the financial-related issues and concerns facing the City, providing that the concerns of Senator Sobel are addressed, 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. The scope should include a review of any policies and procedures that the City has established in response to the findings included in the report issued on the City's revenue forecasting practices or the recommendations of the firm hired to provide consulting services related to the City's budget development process and financial management.

IV. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

If the Committee directs the audit, the Auditor General will absorb the audit costs within his approved operating budget.

V. Related Issues:

None.

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

The 2011 Florida Statutes: Financial Urgency

Chapter 447: Labor Organizations

447.4095 Financial urgency.—In the event of a financial urgency requiring modification of an agreement, the chief executive officer or his or her representative and the bargaining agent or its representative shall meet as soon as possible to negotiate the impact of the financial urgency. If after a reasonable period of negotiation which shall not exceed 14 days, a dispute exists between the public employer and the bargaining agent, an impasse shall be deemed to have occurred, and one of the parties shall so declare in writing to the other party and to the commission. The parties shall then proceed pursuant to the provisions of s. [447.403](#). An unfair labor practice charge shall not be filed during the 14 days during which negotiations are occurring pursuant to this section.

History.—s. 2, ch. 95-218; s. 159, ch. 97-103.



Representative Bryan Nelson

Florida House of Representatives

District 38

409 South Park Avenue
Apopka, FL 32703
(407) 884-2023 ~ (407) 884-2025 (f)

Chairman
Insurance & Banking Subcommittee
Bryan.Nelson@MyFloridaHouse.Gov

204 House Office Building
402 South Monroe Street
Tallahassee, FL 32399
(850) 488-2023 ~ (850) 921-8930 (f)

August 22, 2011

The Honorable Debbie Mayfield
Alternating Chair, Joint Legislative Auditing Committee
317 House Office Building

Debbie

Dear Chairwoman Mayfield:

I respectfully request that ABATE of Florida, Inc., be audited under the purview of the Joint Legislative Auditing Committee. ABATE of Florida, Inc. is a corporation in Florida, registered as a "motorcycle rights organization" or MRO. ABATE of Florida, Inc. has received allocations from the state.

This audit will ensure that the funds provided to this entity through collection of fees from motorcycle riders and enthusiasts are being properly utilized in accordance of Florida Statutes and for appropriate purposes.

I thank you for your time and attention to this request. Please do not hesitate to contact me with any questions or concerns. Thank you.

Respectfully Submitted,

Bryan Nelson

State Representative Bryan Nelson
District 38

CC: Kathy DuBose, Staff Director

Proudly Serving Northwest Orange County

Insurance and Banking Subcommittee, Chair; Economic Affairs Committee; Government Operations Appropriations Subcommittee; Government Operations Policy Committee; Joint Legislative Auditing Committee; Select Committee on Water Policy; Orange County Legislative Delegation, Past Chair

STAFF ANALYSIS

Date: September 29, 2011

Subject: Request for an Audit of ABATE of Florida, Inc.

Analyst Coordinator

DuBose KD

DuBose KD

I. Summary:

Representative Nelson has requested an audit of ABATE of Florida, Inc. (ABATE), to ensure that the state funds it receives are used in accordance with law and for appropriate purposes.

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.

Joint Rule 4.5(2) provides that 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.

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)(e), F.S., provides that the Auditor General may, pursuant to his or her own authority, or at the direction of the Legislative Auditing Committee, conduct audits or other engagements as determined appropriate by the Auditor General of the public records associated with any appropriation made by the Legislature to a nongovernmental agency, corporation, or person. All records of a nongovernmental agency, corporation, or person with respect to the receipt and expenditure of such an appropriation shall be public records and shall be treated in the same manner as other public records are under general law.

Background

Representative Nelson has requested an audit of ABATE of Florida, Inc. (ABATE), to ensure that the state funds it receives are used in accordance with law and for appropriate purposes. He noted that ABATE is provided funds through the collection of fees from motorcycle riders and enthusiasts.

ABATE is a non-profit organization, incorporated as a motorcycle rights organization or "MRO." ABATE's mission statement, as it appears on the organization's website, states that:

- "We will lobby and educate the government and general public to promote motorcycling in a safe and positive image;
- We will endeavor to enlist the cooperation and participation of all organizations and individuals who share a similar interest in preserving our American tradition of freedom;
- We will involve ourselves in fund raising to achieve our goals."

Section 320.08(1)(c), F.S., requires individuals who register a motorcycle, motor-driven cycle, or moped to pay a \$2.50 motorcycle safety education fee in addition to other license taxes. These fees, deposited in the Highway Safety Operating Trust Fund, are designated to fund a motorcycle driver improvement program implemented pursuant to s. 322.025, F.S., the Florida Motorcycle Safety Education Program established in s. 322.0255, F.S., or the general operations of the Department of Highway Safety and Motor Vehicles (DHSMV).

ABATE has received a direct appropriation of these funds, as specified in proviso language in the General Appropriations Act (GAA), during three recent fiscal years. The following table provides a summary of ABATE's state funding for these years:

Fiscal Year	GAA Amount for ABATE	Purpose	Audit Required?	Amount Disbursed- to-Date
2007-08	\$500,000	Motorcycle safety education	No ¹	\$499,900
2010-11	\$250,000	Promote motorcycle safety awareness through public information and education campaigns	Yes	\$250,000
2011-12	\$250,000	Promote motorcycle safety awareness through public information and education campaigns	Yes	\$80,000

¹ Although an audit was not required in proviso, the Florida Single Audit Act (s. 215.97, F.S.) would have required an audit if ABATE had expended \$500,000 or more of state financial assistance.

In addition, there were additional years that GAA funds were provided for motorcycle safety education in which ABATE was not mentioned, but rather the DHSMV was authorized to contract with a private entity. According to the DHSMV, DHSMV staff consulted with ABATE to determine what ABATE wanted to purchase for this use and then purchased the items and provided them to ABATE for distribution.

The proviso language in the past two GAAs required ABATE to provide for an independent program audit to ensure that the funds were used to enhance safety education. The Legislature authorized the use of the motorcycle safety funds received by ABATE to pay for the cost of the audit.

The agreement between the DHSMV and ABATE for the use of the 2010-11 fiscal year funds prohibited ABATE from using any portion of the funds to lobby the Legislature. The funds were required to be used only for the following purposes:

- Media utilization for special events such as Bike Week
- Promotional materials for promotion of Biker Safety and/or training
- Expenses towards promotional events for Biker Safety and/or training
- Instructional material on Biker Safety/or training
- Any other needs with the express purpose of promoting Biker Safety/training to include promotional products

The report on the program contract audit conducted for the 2010-11 fiscal year included a chart of expenses paid for by ABATE with motorcycle safety funds that listed the vendor name, amount of purchase, check date, and check number. The auditor stated, "In my opinion, ABATE of Florida, Inc., has disbursed funds in accordance with the requirements of the contractual agreement."

As the audit report did not provide details of the items purchased, Committee staff reviewed the receipts ABATE had provided to the DHSMV in order to obtain a better understanding of ABATE's use of the funds. The following table provides a general breakdown of the items purchased, based on the receipts provided to the Committee.²

Type of Purchase	Approximate Cost ³ <i>(including tax and shipping)</i>
Advertising (Billboards, Brochures, and Radio Spots)	\$67,218
Bumper Stickers, Emblems, Magnets, and Signs	\$28,198
Other Promotional Materials ⁴	\$143,517
Audit	\$2,000

² The total of the receipts provided to the Committee is \$240,932.72. The amount listed for expenses in the audit report is \$250,029.72. Some discrepancies were noted between the expense amounts listed in the audit report and the copies of the receipts that the Committee received.

³ One order included items that fell into two categories; therefore, the shipping and sales tax were divided evenly between these items.

⁴ These items include bookmarks, chap stick, coloring books, crayons, eyeglass repair kits, gel pens, leather-look portfolios, motorcycle key chains, motorcycle kickstands, plastic die-cut bags, pocket folders, silicone bracelets, wave jotter pads, and zipper tote first aid kits.

Reportedly, concerns have been raised that the state funds used by ABATE served more to promote membership in ABATE than to promote motorcycle safety. These concerns appear to come from some members of ABATE, as well as others who are not affiliated with the organization. Committee staff were unable to determine if there is merit to these allegations based on their review.

III. Effect of Proposed Request and Committee Staff Recommendation

Committee staff recommends that the Committee direct the Auditor General to conduct an agreed-upon procedures engagement as defined in Government Auditing Standards⁵ and the American Institute of Certified Public Accountants' Standards for Attestation Engagements. The engagement shall, as required by law, be limited to the records associated with ABATE's receipt and expenditure of state funds.

Committee staff further recommends that the Committee authorize the Committee staff to work with the Auditor General to determine the agreed-upon procedures to be performed. The agreed-upon procedures should be approved by the Chairs of the Committee. In addition, the Committee should allow the Auditor General to determine the timing of the engagement and allow him to conduct the engagement as 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:

If the committee directs the audit, the Auditor General will absorb the costs of the agreed-upon procedures engagement within his approved operating budget.

V. Related Issues:

None.

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

⁵ Issued by the Comptroller General of the United States.

Michael E. Steuer, CPA, P.A.

Certified Public Accountant

600 Bypass Dr., Suite 100
Clearwater, FL 33764



The CPA. Never Underestimate The Value.™

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Email mike@mikethecpa.com

Website www.MIKEtheCPA.com

Abate of Florida, Inc.

Program Contract Audit

Florida Department of Highway Safety and Motor Vehicles

Contract No. HSMV-0010-11

Media Promotion of Motorcycle Training - ABATE, Dated 8/10/10

Michael E. Steuer, CPA, P.A.

Certified Public Accountant

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Clearwater, FL 33764



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July 8, 2011

Abate of Florida, Inc.
PO Box 2520
Deland, FL 32721-2520

Florida Department of Highway Safety and Motor Vehicles
2900 Apalachee Parkway
Tallahassee, FL 32399-0500

Re: Program Contract Audit, No. HSMV-0010-11

Independent Auditor's Report

On August 10, 2010, a contract was entered into between The State of Florida, Florida Department of Highway Safety and Motor Vehicles (No. HSMV-0010-11) and Abate of Florida, Inc. in the amount of \$250,000. The purpose of the contract was for the purposes of promoting safety education and safety awareness among motorcycle riders in the state.

We have audited the accompanying schedule of contractual award disbursements associated with the above stated agreement. The accompanying schedule is the responsibility of the management of Abate of Florida, Inc.

We conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used in significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that our audit provides a reasonable basis for our opinion.

Michael E. Steuer, CPA, P.A.

Certified Public Accountant



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Contractual award No. HSMV-0010-11 requires that Abate of Florida, Inc expend funds only for the following purposes:

- Media utilization for special events such as Bike Week
- Promotional material for promotion of Biker Safety and/or training
- Expenses towards promotion events for Biker safety and/or training
- Instructional material on Biker Safety/or training
- Any other needs with the express purpose of promoting Biker safety/training to include promotional products.

In my opinion, Abate of Florida, Inc. has disbursed funds in accordance with the requirements of the contractual agreement.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael E. Steuer, CPA".

Michael E. Steuer, CPA

Michael E. Steuer, CPA, P.A.

Certified Public Accountant

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Schedule of Contractual Award Disbursements

Abate of Florida, Inc.
Expenses Paid through Grant

	Check Date	Check No.	Amount	Vendor Name
1	9/17/2010	91	\$ 53,782.50	Independent Resources, Inc.
2	9/30/2010	92	\$ 6,718.70	Independent Resources, Inc.
3	10/4/2010	93	\$ 8,268.00	Woods Printing
4	10/15/2010	94	\$ 818.00	Eastern Emblem
5	10/25/2010	95	\$ 6,335.80	Advertising & Design Service
6	11/23/2010		\$ 4,800.00	Motor Vehicle Network
7	11/22/2010	96	\$ 9,352.50	Independent Resources, Inc.
8	12/22/2010	97	\$ 15,865.00	Independent Resources, Inc.
9	12/28/2010	98	\$ 27,756.90	Independent Resources, Inc.
10	1/21/2011	99	\$ 26,779.50	Clear Channel Outdoor
11	2/9/2011	100	\$ 1,789.20	Tennant Printing
12	2/10/2011	101	\$ 9,800.00	Lamar Companies
13	2/16/2011	102	\$ 34,950.00	Clear Channel
14	3/30/2011		\$ 2,811.00	Independent Resources, Inc.
15	6/2/2011	104	\$ 4,621.60	Woods Printing
16	6/2/2011		\$ 18,745.00	Independent Resources, Inc.
17	6/6/2011	106	\$ 1,135.55	Independent Resources, Inc.
18	6/14/2011		\$ 2,000.00	Michael E. Steuer CPA
19	6/14/2011		\$ 10,699.00	Independent Resources, Inc.
20	6/17/2011		\$ 3,001.47	Woods Printing

\$ 250,029.72



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Contractual Award Documents

AGREEMENT FOR MEDIA PROMOTION OF MOTOR CYCLE TRAINING
PROGRAM

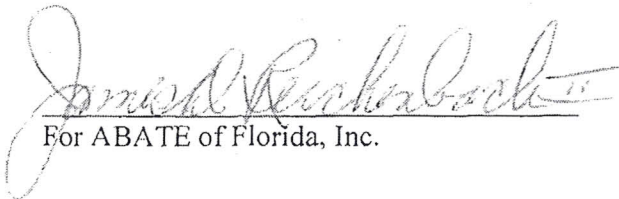
STATE PROJECT (DHSMV, CATALOG #: TBD, \$250,000)

This agreement between the Department of Highway Safety and Motor Vehicles (DHSMV), hereinafter called the Department, and ABATE of Florida, Inc., hereinafter called the Recipient, is for utilizing funds appropriated by the Florida Legislature, for the purposes of promoting safety education and safety awareness among Motorcycle Riders in the state.

Based on appropriations by the legislature, and after considering the agency's cost, the Recipient shall be paid the sum of Two Hundred and Fifty Thousand Dollars (\$250,000.00), in quarterly installments towards expenses detailed in Exhibit I.

The Recipient hereby agrees that this sum will be expended by the close of business on June 30, 2011. The Recipient also agrees to provide an invoice for promotional products or services from approved vendors not later than 10 days from the beginning of the quarter, the first one being due not later than August 1, 2010, for expenditures in the first quarter of Fiscal Year 2010-2011. The recipient shall also submit to the Department a final statement of expenses for the monies expended not later than July 31, 2011, for all expenditures for the year ending June 30, 2011. Any monies not expended by that date shall revert back to the Department for appropriation by the Executive Director, as deemed necessary.

Signed this 10th day of August, 2010.


For ABATE of Florida, Inc.

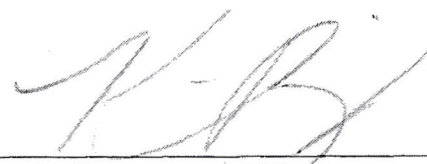

For the Department of Highway
Safety and Motor Vehicles

EXHIBIT 1
(Attachment to State Project, Catalog#: TBD)

Applicable Compliance Requirements

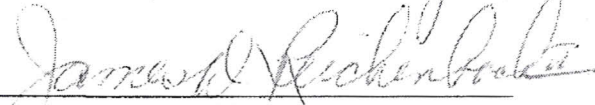
The recipient shall be required to comply with the following requirements and shall be responsible for meeting all obligations stated below:

1. The Recipient shall not use any portion of these funds for lobbying the legislature for any matter on any subject.
2. The Recipient understands that the amount to be advanced shall not exceed the expected cash needs of the recipient within the initial 3 months.
3. The Recipient has agreed that the funds shall be expended prior to June 30, 2011, or the funds not expended shall be reverted back to the agency.
4. The Recipient shall expend the funds only for the following specific purposes:
 - Media utilization for special events such as Bike Week
 - Promotional materials for promotion of Biker safety and/or training
 - Expenses towards promotional events for Biker safety and/or training
 - Instructional material on Biker Safety/or training
 - Any other needs with the express purpose of promoting Biker safety/training to include promotional products


Please see attached deliverable schedule for estimated quarterly costs. Items procured and associated costs may vary. Detailed invoices will accompany each quarterly reimbursement request.

5. Per Specific Appropriation 2735, the Recipient is required to provide an independent program audit to the agency to ensure that these funds were utilized to enhance motorcycle safety education. The expense of this required audit may be funded from a portion of the funds provided. Should the Recipient choose to use funds from this appropriation for this purpose, they will notify the agency no later than April 1, 2011.

Signed this 10th day of August, 2010.



For ABATE of Florida, Inc.



For the Department of Highway
Safety and Motor Vehicles

EXHIBIT 2
(Attachment to State Project, Catalog#: TBD)

Deliverable Schedule

Quarter	Task	Quarterly Cost	Total
July 1 – Sept. 30, 2010	Promotional Material	\$70,000.00	
			\$70,000.00
Oct. 1 - Dec. 31, 2010	Safety Brochures	\$15,000.00	
	Exhibits at Events	\$5,000.00	
	Promotional Material	\$40,000.00	
			\$60,000.00
Jan. 1 – Mar. 30, 2011	Radio Ads, Bus Ads Bike Week	\$60,000.00	
	Promotional Material	\$20,000.00	
			\$80,000.00
Apr. 1 - Jun. 30, 2011	Promotional Material	\$36,000.00	
	Audit	\$4,000.00	
			\$40,000.00
Total			\$250,000.00

ABATE of Florida, Inc., Receipts Submitted to DHSMV for FY 2010-11 Funds

Date	Vendor	Item	Price-per-unit	Quantity	Total for Item	Shipping	Total Order (incl. tax & shipping)	Notes
7/27/2010	Independent Resources, Inc.	Silicone Bracelet	\$ 0.25	40,000	\$ 10,000.00	\$ -	\$ 53,782.50	
		Pocket Folder 2011-2012	\$ 0.75	20,000	\$ 15,000.00			
		Gel Pen	\$ 0.65	10,000	\$ 6,500.00			
		Zipper Tote First Aid Kit	\$ 1.90	10,000	\$ 19,000.00			
7/29/2010	Advertising+Design Services	Motorcycle Key Chains	\$ 0.33	20,000	\$ 5,940.00	\$ 210.94	\$ 6,355.80	1
9/30/2010	Independent Resources, Inc.	Wave Jotter Pad - Black/Orange	\$ 2.99	2,000	\$ 5,980.00	\$ 350.00	\$ 6,718.70	
10/1/2010	Woods Printing	18 x 24 Signs with Stakes; WATCH OUT FOR MOTORCYCLES, (Printed two sides) Black Ink; store in our shed at Woods Printing until needed	\$ 3.90	1,000	\$ 3,900.00	\$ -	\$ 4,134.00	
10/1/2010	Woods Printing	18 x 24 Signs with Stakes; WATCH OUT FOR MOTORCYCLES (Printed two sides) Black Ink	\$ 3.90	1,000	\$ 3,900.00	\$ -	\$ 4,134.00	2
10/5/2010	Eastern Emblem Manufacturing Corp.	Emblems: ABATE of FLORIDA, Inc. INSTRUCTOR MSAP @ (remainder missing)	\$ 0.79	1,000	\$ 790.00	\$ 22.00	\$ 812.00	
11/18/2010	Independent Resources, Inc.	Coloring Book	\$ 0.56	10,000	\$ 5,600.00	\$ 300.00	\$ 9,352.50	
		Crayons	\$ 0.29	10,000	\$ 2,900.00			
12/17/2010	Independent Resources, Inc.	Motorcycle Kickstand	\$ 1.40	10,000	\$ 14,000.00	\$ 885.00	\$ 15,865.00	

ABATE of Florida, Inc., Receipts Submitted to DHSMV for FY 2010-11 Funds

Date	Vendor	Item	Price-per-unit	Quantity	Total for Item	Shipping	Total Order (incl. tax & shipping)	Notes
12/28/2010	Independent Resources, Inc.	Leather Look Portfolio-Black - Debossed	\$ 7.99	1,000	\$ 7,990.00	\$ 825.00	\$ 27,756.90	
		Leather Look Zippered Portfolio w/ Calculator - Debossed	\$ 12.50	500	\$ 6,250.00			
		Wave Jotter Combo w/ Pen - Black w/ Orange Trim	\$ 2.99	2,000	\$ 5,980.00			
		Eyeglass Repair Kit - White Imprint Color - Black	\$ 0.90	5,500	\$ 4,950.00			
1/10/2011	ClearChannel	Outdoor bulletin advertising; Board #2403; 1-75 W/S 1.75 mils N/O SR 6 N/F; approx size 10 x 40; contract for 13 (4-week) periods; lump sum production cost = \$700	\$ 274.50	13	\$ 3,568.50	\$ -	\$ 4,268.50	3
1/10/2011	ClearChannel	Outdoor bulletin advertising; Jacksonville Board #9004; 1-95 E/S 1 Mile N/O A1A N/F; approx size 12 x 42; contract for 13 (4-week) periods	\$ 1,400.00	13	\$ 18,200.00	\$ -	\$ 18,200.00	3
2/8/2011	Tennant Printing Company	Safety Brochures		20,000	\$ 1,680.00	\$ -	\$ 1,789.20	
2/7/2011	Lamar	Pensacola - One 10'6" x 36 Vinyl			\$ 700.00	\$ -	\$ 9,800.00	
		Pensacola - N/S I-10 Welcome Station F/W (Total Contract Cost)			\$ 9,100.00			

ABATE of Florida, Inc., Receipts Submitted to DHSMV for FY 2010-11 Funds

Date	Vendor	Item	Price-per-unit	Quantity	Total for Item	Shipping	Total Order (incl. tax & shipping)	Notes
2/15/2011	ClearChannel	42 spots; length 30	\$ 600.00	42	\$ 25,200.00	\$ -	\$ 34,950.00	
		7 spots; length 30	\$ -	7	\$ -			
		30 spots; length 30	\$ 325.00	30	\$ 9,750.00			
		6 spots; length 30	\$ -	6	\$ -			
3/28/2011	Independent Resources, Inc.	Plastic Die Cut Bag - 9 1/2 x 12 White with Orange Imprint	\$ 0.24	10,000	\$ 2,400.00	\$ 255.00	\$ 2,811.00	
6/2/2011	Woods Printing	Magnets - 3 3/4 x 7 3/4; 2 color print- Yellow, black inks	\$ 0.87	5,000	\$ 4,360.00	\$ -	\$ 4,621.60	price-per-unit rounded
6/3/2011	Independent Resources, Inc.	Wave Jotter Pad w/ Pen; Color: Black/Orange; imprint Color: Orange; Exact repeat of previous order	\$ 2.99	3,000	\$ 8,970.00	\$ 1,275.00	\$ 19,880.55	
		Custom Magnet; Stock: .034" Vinyl; Imprint Color: Orange artwork; Black flooded background	\$ 0.85	10,000	\$ 8,500.00			
6/14/2011	Michael E. Steuer, CPA, P.A.	Grant Audit - Program; In accordance with agreed upon procedures, performed grant audit; due 7/14/2011			\$ 2,000.00	\$ -	\$ 2,000.00	4

ABATE of Florida, Inc., Receipts Submitted to DHSMV for FY 2010-11 Funds

Date	Vendor	Item	Price-per-unit	Quantity	Total for Item	Shipping	Total Order (incl. tax & shipping)	Notes
6/14/2011	Independent Resources, Inc.	Tear Resistant Emergency Card; Size 3 1/2 x 2; Stock: 10 Mil Synthetic Cover; Imprint Color: 4/1	\$ 0.28	15,000	\$ 4,200.00	\$ 475.00	\$ 10,699.00	
		Motorcycle Safety Bookmarks; Size: 2 3/4 x 7 1/2; Stock: 100# Gloss Cover; Imprint Color: 4/1	\$ 0.07	30,000	\$ 2,100.00			
		Chap Stick; Imprint Color: Orange & Black	\$ 0.66	5,000	\$ 3,300.00			
6/17/2011	Woods Printing	Bumper stickers - watch for motorcycles -Black Ink	\$ 0.24	12,000	\$ 2,831.58	\$ -	\$ 3,001.47	price-per-unit rounded
Total					\$ 225,540.08	\$ 4,597.94	\$ 240,932.72	

Additional Charges Included in Summary Report of Funds Spent; Provided to DHSMV

							Total
4/11/2011	No receipt; Bank Service Charge						\$ 15.00
11/23/2011	No receipt; Motor Vehicle Network for message boards						\$ 4,800.00
						5	

Notes

- Ten percent discount was applied to item total; Also, invoice total is \$6,355.80; shipping is not included in the total. No indication if/how it was paid.
- Appears to be duplicate of previous order on same day, but has a different invoice #.
- Significant difference in receipt total for the two contracts with Clear Channel for billboards and amount included in summary to DHSMV. Receipts total = \$22,468.50; Summary amount = \$26,779.50; difference of \$4,311. Audit lists the amount paid as \$26,779.50.
- Mr. Steuer is an active, licensed CPA; license number: AC0021329. The proviso language authorizes the use of these funds to pay for the cost of the audit.
- The audit also includes \$4,800 paid to Motor Vehicle Network.

Included in 1st Quarter Report to DHSMV

Included in 2nd Quarter Report to DHSMV

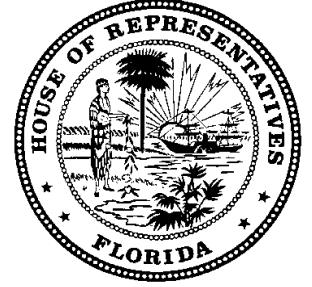
Included in 3rd Quarter Report to DHSMV

Included in 4th Quarter Report to DHSMV

MIKE HARIDOPOLOS
President



DEAN CANNON
Speaker



DRAFT REPORT

TRANSPARENCY FLORIDA
STATUS AND RECOMMENDATIONS

Joint Legislative Auditing Committee
October 2011

TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

SCOPE

As required by s. 215.985(15), F.S., this report from the Joint Legislative Auditing Committee (Committee) provides the progress made in establishing *Transparency Florida*¹ and recommendations for enhancing the content and format of the website and related policies and procedures.

BACKGROUND

Overview of the Transparency Florida Act

The “Transparency Florida Act,”² an act relating to governmental financial information, required a website for public access to government entity financial information. The initial phase included appropriations and expenditure data for all branches of state government, established by the Executive Office of the Governor in consultation with the legislative appropriations committees.

In addition, the act assigned several responsibilities to the Committee. One of these responsibilities was to recommend “a format for collecting and displaying information from state universities, public schools, community colleges, local governmental units, and other governmental entities receiving state appropriations.” The law states that the information may include expenditures, revenues, bond indebtedness, and links to entity websites. The Committee was required to develop a schedule for adding information for these entities to [Transparency Florida](#) by March 1, 2010.

Previous Committee Effort

Committee staff gathered information needed to develop recommendations with the assistance of other legislative staff and representatives from the Governor’s Office, the Department of Financial Services (DFS), the Department of Education (DOE), the Florida Association of Counties, the Florida League of Cities, the Florida Association of Special Districts, the Florida Government Finance Officers Association, the Board of Governors, the Florida College System, the Florida Association of District School Superintendents, representatives of school districts, and individuals in financial and IT-related positions at some of the entities.

Of all of the types of entities included within the scope of this project, the state’s school districts have the most similarities in their financial data and reporting requirements. Each district uses the same chart of accounts and currently submits financial information to the DOE on a periodic basis, and to the Auditor General’s Office, as requested. For these reasons, the bill’s sponsors agreed that the initial effort should be focused on implementing transparency requirements for the state’s school districts. In February 2010, the Committee approved the following recommendations related to school districts:

- Provide access on *Transparency Florida* to numerous financial-related reports that are prepared on the state, school district, and school level; and
- Require each school district to provide a link to *Transparency Florida* on the homepage of its website.

¹ For the purpose of this report, *Transparency Florida* refers to www.transparencyflorida.gov, the website created pursuant to the Transparency Florida Act, s. 215.985, F.S.

² [Ch. 2009-74, Laws of Florida](#).

TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

The goal was to provide citizens who visit either the homepage of a school district's website or *Transparency Florida* to have easier access to the school district's financial information that is located on the website of a school district, the DOE, the Auditor General, and *Transparency Florida*. Although the Committee discussed including transaction-level detail for school districts on *Transparency Florida*, the members decided to defer that decision until a later date due to uncertainty about the cost.

The Committee also discussed a general framework to provide citizens with access to financial information from other educational and local governmental entities once the process of including school district information has been completed. Existing information that is user-friendly should be included early on. Transactional data for entities should gradually be included, working with one entity at a time. The remaining governmental entities should be added in the following order: charter schools and charter technical career centers, universities, colleges, water management districts, counties, municipalities, remaining special districts, and any other governmental entities, including metropolitan planning organizations and regional planning councils. The Committee recommended the revision of the Transparency Florida Act to include a financial threshold in lieu of a population threshold for municipalities and special districts required to comply with reporting requirements. Also, the Committee recommended that all special districts that meet this financial threshold should be required to comply, regardless of whether they receive state appropriations.

Result of 2010 Legislative Session

During the 2010 Legislative Session, the Legislature adopted proviso language to implement the Committee's recommendations related to school districts. The DOE was required to provide access to existing school district financial-related reports on its website, create a working group to develop recommendations to provide school-level data in greater detail and frequency, and publish a report of its findings by December 1, 2010.

Result of 2011 Legislative Session

Two bills, which revise various provisions related to the Transparency Florida Act, were passed during the 2011 Legislative Session and approved by the Governor.

[Senate Bill 1204](#)³ deletes the Committee's responsibility to oversee and manage *Transparency Florida*.

[Senate Bill 2096](#):⁴

- Requires the Auditor General to annually notify the President of the Senate, the Speaker of the House of Representatives, and the DFS of all educational entities and water management districts that have failed to comply with transparency requirements as identified in audit reports. The first notification is due by July 2012;
- Deletes the requirement that entities must receive state appropriations to be included in the Committee's recommendations;
- Requires the Committee to develop a schedule for adding additional information to *Transparency Florida* by November 1, 2012, and annually thereafter;
- Exempts municipalities and special districts with total annual revenues of less than \$10 million from the requirements of the Transparency Florida Act. Deletes reference to the population threshold;

³ [Chapter 2011-34, Laws of Florida.](#)

⁴ [Chapter 2011-49, Laws of Florida](#)

TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

- Requires each water management district to provide monthly financial statements to its board members and post such on its website by September 1, 2011; and
- Requires the Chief Financial Officer to provide public access to a state contract management system.

In addition, two bills were passed which, although not directly related to the Transparency Florida Act, relate to efforts to provide more financial transparency to Florida's citizens. [Senate Bill 1292](#)⁵ requires the Chief Financial Officer to conduct workshops with state agencies, local governments, and educational entities and develop recommendations for uniform charts of accounts. The final report is due in January 2014. If uniform charts of accounts are adopted, the effort and cost to include transaction-level data for all levels of government on *Transparency Florida* should be greatly reduced.

[Senate Bill 224](#)⁶ requires counties, municipalities, special districts, and school districts to post their tentative budget, final budget, and adopted budget amendments on their official websites within a specified period of time. If a municipality or special district does not have an official website these documents are required to be posted on the official website of a county or other specified local governing authority, as applicable. Another provision requires each local governmental entity to provide a link to the DFS' website to view the entity's annual financial report (AFR). The AFR presents a financial snapshot at fiscal year-end of the entity's financial condition. It includes the types of revenue received and expenditures incurred by the entity. The format and content of the AFR is prescribed by the DFS.⁷ See Appendix A for the specific requirements of the bill.

PRESENT SITUATION

Summary of State Information Available

The main focus of *Transparency Florida* is to provide current financial data related to the state's operating budget and daily expenditures made by the state agencies. Such financial data is updated nightly, as funds are released to the state agencies, transferred between budget categories, and used for goods and services. The website includes a training overview which provides general information about the financial data as well as tips on how to navigate the website, a glossary of terms and definitions, and frequently asked questions.

Various reports can be generated from *Transparency Florida*, including:

- Comparison of operational appropriations for two fiscal years by state agency and/or category;
- Comparison of operational appropriations to disbursements made within one fiscal year by state agency and/or category;
- Comparison of operational disbursements for two fiscal years by state agency, category, and/or object code;
- Fixed capital outlay appropriations and disbursements by category and/or state agency;
- Operating budgets by expenditure type, fund source, or program area;
- Schedule of Allotment Balances, which provides allotments, expenditures, and encumbrances maintained by state agencies to manage their budget and spending at the organizational level; and
- Cash and investment balances in the State Treasury for a specific trust fund within a state agency.

⁵ [Chapter 2011-44, Laws of Florida.](#)

⁶ [Chapter 2011-144, Laws of Florida.](#)

⁷ See s. 218.32, F.S.

TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

In addition, *Transparency Florida* provides links to various reports, websites, and other documents related to the state budget as follows:

- Fiscal Analysis in Brief: an annual report prepared and published by the Legislature that summarizes fiscal and budgetary information for a given fiscal year;
- Long-Range Financial Outlook 3 Year Plan: an annual report prepared and published by the Legislature that provides a long-range picture of the state's financial position by integrating projections of the major programs driving annual budget requirements with revenue estimates;
- Florida's Checkbook:⁸ the Chief Financial Officer's transparency webpage which includes links to:
 - State Budget Information;
 - Contracts;
 - State Receipts, Transfers and Disbursement;
 - Vendor Payments;
 - State Treasury;
 - Local Budget Information; and
 - State Reports.
- Reports on State Properties and Occupancy Rates: information from the Department of Management Services' Division of Real Estate Development and Management on state-owned buildings and occupancy rates; and
- Government Program Summaries: encyclopedia of descriptive information on over 200 major state programs compiled by the Office of Program Policy Analysis and Government Accountability (OPPAGA).

Summary of School District Information Available

Proviso language in the 2010 General Appropriations Act⁹ required the DOE to:

- Coordinate, organize, and publish online all currently available reports relating to school district finances, including information generated from the DOE's school district finance database;
- Coordinate with the Executive Office of the Governor to create links on *Transparency Florida* to school district reports by August 1, 2010;
- Publish additional finance data relating to school districts not currently available online, including school-level expenditure data, by December 31, 2010;
- Work with the school districts to ensure that each district website provides a link to *Transparency Florida*; and
- Establish a working group to study issues related to the future expansion of school finance data available to the public through *Transparency Florida*, develop recommendations regarding the establishment of a framework to provide school-level data in greater detail and frequency, and publish a report of its findings by December 1, 2010.

The first four of these requirements were recommended by the Committee in its initial report in 2010. Most of the proviso language requirements have been met. There are, however, several reports available on the DOE's website for which links have not yet been created on *Transparency Florida*. Also, some

⁸ Although the link is labeled Florida's Checkbook, the webpage has been renamed Transparency Florida – An Open Door to Florida's Finances.

⁹ Proviso language for Specific Appropriations 116 through 130 of Chapter 2010-152, *Laws of Florida*.

TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

school districts either do not have a link on their websites to *Transparency Florida* or they have a link that is not functional.

Appendix B describes the various school district reports and other information available on the DOE's website and other locations and whether [links](#) to such reports and information are available on *Transparency Florida*.¹⁰ The reports include school district summary budgets, annual financial reports, audit reports, and program cost reports. The school district reports available on the DOE's website which have not yet been linked to *Transparency Florida* are:

- Return on Investment (ROI)/School Efficiency Measures;
- Financial Profiles of School Districts;
- Florida School Indicators Report (FSIR);
- Florida Education Finance Program (FEFP) Calculations; and
- Five-Year Facilities Work Plan.

Some of these reports are not easily located on the DOE's website. In addition, the websites of 66 of the 67 school districts¹¹ includes a link to *Transparency Florida*, although in some cases the links are not working properly. Generally, the link is located on the homepage of the school district's website; however, some school districts have included the link only on the webpage for their finance or business services department. This may make it more difficult for the public to easily locate.

The DOE published the required [report](#) in December 2010.¹² The School District Working Group's recommendations included:

- Providing school-level data at the sub-function (i.e., K-12, food services, and pupil transportation services) and sub-object (i.e., classroom teachers, travel, and textbooks) level;¹³ and
- Uploading school district data to *Transparency Florida* via file transfer protocol (FTP) on a monthly basis.

The sub-function and sub-object level were recommended as the most cost effective method due to the variety of accounting packages used by the school districts.

House Bill 5101 (2010)¹⁴ required school districts to post online a summary of their tentative budgets, including the proposed millage levies. Senate Bill 224 (2011), effective October 1, 2011, requires school districts to post their tentative budget, adopted budget, and budget amendments on their official websites within a specified period of time. To date, a majority of the 67 school districts have included either a

¹⁰ Links to school district reports on *Transparency Florida* are located at <http://transparencyflorida.gov/LinkInfo.aspx>.

¹¹ Committee staff were unable to locate the link for *Transparency Florida* on Miami-Dade County School District's website.

¹² The report can be viewed at <http://www.fldoe.org/fefp/pdf/TransparencyFloridaWorkingGroup.pdf>.

¹³ The level of detail required by *Financial and Program Cost Accounting and Reporting for Florida Schools*. Known as the Red Book, this is the uniform chart of accounts required to be used by all Florida school districts for budgeting and financial reporting (see Sections 1010.01 and 1010.20, F.S., and Rule 6A-1.001, F.A.C.).

¹⁴ Chapter 2010-154, *Laws of Florida*.

TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

summary or the entire budget document on their websites, although links to some budget documents are not working properly. Budget documents for nine¹⁵ school districts were not located on their websites.

On their own initiative, a few school districts have designed a financial transparency website containing links to financial-related information, including budgets documents, annual audit reports, annual financial reports submitted to the DOE, and monthly financial statements presented to their school board. These school districts have made it much easier for their citizens to see how their tax dollars are being used by providing a central location to access a variety of financial documents. Other school districts, mostly the mid-size to large ones, have posted some of these financial-related documents on their websites.

Entities Subject to Transparency Florida Requirements

A governmental entity, as defined in the Transparency Florida Act, means any state, regional, county, municipal, special district, or other political subdivision whether executive, judicial, or legislative, including, but not limited to, any department, division, bureau, commission, authority, district, or agency thereof, or any public school district, community college, state university, or associated board. As originally passed, the act provided an exemption for any municipality or special district with a population of 10,000 or less. In 2011, the population threshold was replaced with a financial threshold. Currently, a municipality or special district is exempt if it has total annual revenues of less than \$10 million. Also, governmental entities that did not receive state appropriations originally were not required to be included in the Committee's recommendations; this has also been revised. All governmental entities excluding those that qualify for an exemption based on revenues are now included. The following table shows the number of non-state entities of each type expected to comply with the requirements of the Transparency Florida Act based on recent figures:

¹⁵ School districts in the following counties: Baker, Glades, Hamilton, Highlands, Levy, Madison, Putnam, Taylor, and Washington.

TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

Type of Entity (Non-State)	Total Number	Number Subject to the Requirements of the Transparency Florida Act
District School Boards	67	67
Charter Schools and Charter Technical Career Centers	520 ¹⁶	470
Universities	11	11
Colleges	28	28
Counties	67	67 ¹⁷
Municipalities	410 active	206 ¹⁸
Special Districts	1618 active ¹⁹	179 ¹⁸
Regional Planning Councils	11	11
Metropolitan Planning Organizations	26	26
Entities affiliated with Universities and Colleges, such as the Moffitt Cancer Center	Unknown	Unknown

To date, only district school boards have been assigned responsibility related to the Transparency Florida Act. As previously discussed, the DOE was directed to work with the school districts to ensure that each district website provided a link to *Transparency Florida*.

Financial Transparency Effort by Other Entities

Chief Financial Officer

Senate Bill 2096 (2011) amended the Transparency Florida Act to require the Chief Financial Officer (CFO) to provide public access to a state contract management system that provides specified information and documentation relating to contracts procured by governmental entities. The DFS staff are currently in the process of developing the system which includes the following three phases:

- Phase 1 (*Statewide Contract Reporting System*): A web-based system for submitting, maintaining, editing, querying, and presenting contract information will be developed. Contract information will be loaded from existing databases. State agencies will be responsible for adding any missing information and maintaining the contract information on a daily basis. The target completion date for this phase is March 2012;
- Phase 2 (*Enhanced Statewide Contract Reporting System*): The system will be enhanced to tie contract information to Florida Accounting Information Resource (FLAIR) disbursements and general appropriations information and designed to store current and up to ten prior fiscal years'

¹⁶ Estimate as of September 29, 2011.

¹⁷ While there are 67 counties within the state, there are many more independent reporting entities since many of the constitutional officers operate their own financial management/accounting systems. The 38 counties that responded to a 2009 survey by the Florida Association of Counties reported 193 independent reporting entities.

¹⁸ These numbers are approximate and are based on annual financial reports (AFR) submitted to the DFS for FY 2008-09 by municipalities and special districts, as applicable. The totals capture only those AFRs that have been certified by the DFS. If an audit is required it must be received before the DFS will certify the AFR. Note: Audit reports for this fiscal year were due to the Auditor General and the DFS by September 30, 2010. AFRs were due to the DFS by April 30, 2010 (if an audit was not required) or by September 30, 2010 (if an audit was required).

¹⁹ Current as of September 27, 2011.

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TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

appropriations and disbursements data, starting with current fiscal year data. The target completion date for this phase is July 2012.; and

- Phase 3 (*Statewide Contract Reporting System with Contract Images*): The System will be enhanced to store scanned procurement and contract documents for any contract that has been active during a ten-year period. State agencies will be responsible for providing redacted scanned images of contracts and any amendments. The target completion date for this phase is also July 2012.

Additionally, Senate Bill 1292 (2011) requires the CFO to conduct workshops with state agencies, local governments, and educational entities and develop recommendations for uniform charts of accounts. The following timelines established by law specify that the CFO shall:

- Conduct the required workshops beginning October 1, 2011;
- Provide a draft of the proposed charts of accounts to the stakeholder entities by July 1, 2013;
- Accept comments from the stakeholder entities and other interested parties regarding the proposed charts of accounts until November 1, 2013; and
- Submit a final report with recommendations to the Governor, the President of the Senate, and the Speaker of the House of Representatives by January 15, 2014.

The DFS staff are currently in the process of scheduling and conducting the workshops with the various stakeholder entities. Some issues identified by the DFS staff that will need to be considered and addressed as recommendations are developed include impacts relating to the coding structure in the various accounting systems used by the entities (i.e., six-digit expenditure object codes used in the state system versus three-digit expenditure account codes used by local governments) and the potential costs of implementing any required changes to the chart of accounts.

Water Management Districts (WMDs)

Senate Bill 49 (2011) required the five²⁰ WMDs to begin providing monthly financial statements to their boards and posting such on their websites effective September 1, 2011. Senate Bill 224 (2011) requires the WMDs to post their tentative and adopted budget on their official websites effective October 1, 2011. See Appendix A for further details. A review of the WMD websites by Committee staff disclosed that four²¹ of the five WMDs have posted one or more monthly financial statements on their websites and all five WMDs have posted their tentative proposed budgets for the 2011-12 fiscal year. Each of the WMDs held their final public budget hearings in late September.²² The WMDs have up to 30 days from the final hearing to post the final adopted budgets on their websites. As of September 28, 2011, one WMD has posted the final adopted budget on its website.

²⁰ Northwest Florida WMD, St. Johns River WMD, South Florida WMD, Southwest Florida WMD, and Suwannee River WMD.

²¹ Committee staff could not locate any monthly financial statements on the Suwannee River WMD's website.

²² September 20, 2011, for South Florida WMD; September 22, 2011, for Northwest Florida WMD; and September 27, 2011, for St. Johns River WMD, Southwest Florida WMD, and Suwannee River WMD.

TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

SUGGESTED RECOMMENDATION OPTIONS

Educational and Local Governmental Entities

In 2010, the focus of the Committee's recommendations was to provide access to non-state entity financial information on *Transparency Florida*. The members recommended adding these entities to *Transparency Florida* in the following order:

- District School Boards
- Charter Schools
- Universities
- Colleges
- Water Management Districts
- Counties
- Municipalities
- Special Districts (other than Water Management Districts)
- Other Governmental Entities

The initial report primarily addressed recommendations related to school districts. The overall approach was to recommend that information which was readily available, with minimal effort and cost, should be included for school districts during the first phases of implementation. Most of the information should be located on the DOE's website with links to access it on *Transparency Florida*. This information included numerous reports prepared by the school districts, the DOE, and the Auditor General.

Ultimately, the goal was to provide transaction-level details of expenditures once all phases are implemented. Stakeholders expressed concern about the school districts' ability to provide this level of detail. School districts' accounting systems currently have the ability to capture expenditures at the sub-function and the sub-object level. These systems do not usually capture details of the amount spent on specific supplies, such as pencils or paper, or on a roofing project. Stakeholders also had concerns about the school districts' ability to provide this information on their websites, primarily due to cost and staffing issues. Their preference was for the state to build a data-system and require the school districts to upload via FTP a monthly summary of expenditures at the sub-function and sub-object level to *Transparency Florida*. Although Committee members were interested in more detailed information, this approach was agreed to with the idea that it was a starting point. In addition, the Committee recommended that the school districts provide vendor histories, to include details of expenditures for each vendor.

Although both the state and the school districts would incur costs, the main financial burden of the project would fall on the state. Rough estimates of the state's cost ran into the millions of dollars. Due to the uncertainty of the cost estimates, the Committee members voted to recommend to delay this phase until further information is available.

The Committee may choose to continue in this direction or abandon this approach and consider an alternative.

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TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

Option 1: Continue the Committee's Initial Recommendation, State Responsible for Data System

Explore the cost to build a system to provide school expenditure data at the sub-function and sub-object level or in greater detail. In order to best estimate the cost, a design team should be engaged to conduct a detailed analysis. Alternately, another type of entity (universities, municipalities, special districts, etc.) could be selected; however, school districts should be the easiest as they use the same chart of accounts.

The CFO's effort, as required by Senate Bill 1292 (2011), to develop recommendations for uniform charts of accounts, should be considered when evaluating this approach. If uniform charts of accounts are adopted, the effort and cost to include transaction-level expenditures for all levels of government using a state-built system should be greatly reduced. Full implementation would not, however, occur for at least several years. If successful, this approach is expected to provide the best opportunity for users of *Transparency Florida* to compare spending patterns between entities, which was a goal of some prior Committee members.

Option 2: Keep Local Information at the Local Level, Provide Access on *Transparency Florida*

Require entities to post an electronic checkbook and other financial information on their websites. The cost burden would fall on each entity. *Transparency Florida* could be a central point of access, by including links to each entity's checkbook as it is launched. There would no need to phase in one type of entity, such as school districts, at a time since the state would be minimally involved. Smaller school districts may need some additional consideration; however, smaller municipalities and special districts are exempt from the requirements of the Transparency Florida Act.

The City of Palm Bay provides an excellent example of this approach. Its [website](#)²³ provides a searchable database of expenditures, salaries, and revenues. Access is also provided to the City's Comprehensive Annual Financial Report (CAFR) and monthly financial reports. According to the City Manager who was serving when this website was developed, the City paid approximately \$6,000 for the software license.²⁴ He stated that the staff added the City's information to the database "a couple of hours here and there over a nine-month period."

One of the major hurdles the Committee faced when considering recommendations for its original report was that, with the exception of school districts, similar entities do not generally use the same charts of accounts. This creates a challenge in the design and implementation of a state system; however, if each entity is responsible for its own financial transparency, this would not be an issue. In this case, an explanation of the data captured in the specific account codes should be provided to assist the users.

By using software similar to what was used by the City of Palm Bay, each entity's software cost should be fairly minimal. If numerous entities intend to use the same software, an effort could be made to leverage their buying power and purchase it at a reduced rate. The main cost of implementation will be in staff time. With reduced budgets and staff vacancies, local governments and educational entities are likely to push back if this approach is recommended by the Committee and considered in legislation.

²³ <http://open.palmbayflorida.org/>

²⁴ The City purchased a license for Iron Speed Designer, a database and reporting application.

TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

With this option, the Committee may want to require any or all of the following features:

- Easy, consistent access to a single webpage that offers access to all financial-related information²⁵
- Searchable “checkbox”
- Budget documents²⁶
- Monthly financial statements
- Contracts and related information²⁷

Additional Recommendations

Regardless of whether one of the above options are chosen, the following steps can be taken to increase access to financial information on *Transparency Florida* with no additional cost:

- Link the following currently available reports on the DOE’s website to *Transparency Florida*:
 - Return on Investment (ROI)/School Efficiency Measures
 - Financial Profiles of School Districts
 - Florida School Indicators Report (FSIR)
 - Florida Education Finance Program (FEFP) Calculations
 - Five-Year Facilities Work Plan
- Link transparency information required by Senate Bill 224 (2010) [budget documents and annual financial reports] to *Transparency Florida*

State Agency Information

Provide a link to the Governor’s *Florida Has a Right to Know - Holding Government Accountable* website. This site provides a searchable payroll database for state employees, some pension data, and contract information.

SUMMARY

Presently, *Transparency Florida* consists primarily of state agency financial information. The public has access to state spending like never before. Users can search by vendor, view state purchases at the transaction-level,²⁸ and compare appropriations amounts for a line item in the General Appropriations Act between two years. Much of this has been accomplished using existing resources. The site has been enhanced by also providing links to websites, including the CFO’s *Transparency Florida* and OPPAGA’s *Government Program Summaries*.

The Committee’s focus has been to make recommendations to include financial information from other types of entities, such as school districts and municipalities. In a previous report, the Committee recommended some revisions to the *Transparency Florida Act* and initial steps to provide greater access

²⁵ St. Johns County School District provides an excellent example. Its homepage includes a link for “Financial Transparency.” Users can then access a variety of financial-related reports that are well organized. This page also includes a link to *Transparency Florida*.

²⁶ Senate Bill 224 (2011) requires many local governmental entities to provide budget documents on their websites.

²⁷ Due to the number of contracts for some entities, the Committee may wish to consider requiring only contracts over a certain dollar amount.

²⁸ Although warrant (check) amounts can be viewed, users will need to contact agency staff for details about the goods or services purchased.

TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

to school district financial information. Bills passed during the 2010 and 2011 Legislative Sessions implemented these recommendations. Most of the requirements assigned to the DOE and school districts have been fulfilled.

This report will provide the Committee's recommendations for the next phase of *Transparency Florida*.

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TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

APPENDICES

Appendix A

Summary of Senate Bill 224 (2011) Requirements Related to Financial Transparency <i>Documents That Entities Are Required to Post on Their Official Websites</i>				
Type of Entity	Tentative Budget <i>(must be posted online)</i>	Final Budget <i>(must be posted online)</i>	Adopted Budget Amendments <i>(must be posted online)</i>	If No Official Website
Board of County Commissioners	2 days before public hearing	Within 30 days after adoption	Within 5 days after adoption	N/A
Municipality	2 days before public hearing	Within 30 days after adoption	Within 5 days after adoption	The municipality must, within a reasonable period of time as established by the county or counties in which the municipality is located, transmit the tentative and final budget to the manager or administrator of such county or counties who shall post the budget on the county's website
Special District (excludes Water Management Districts)	2 days before public hearing	Within 30 days after adoption	Within 5 days after adoption	The special district must, within a reasonable period of time as established by the local general-purpose government or governments in which the special district is located or the local governing authority to which the district is dependent, transmit the tentative budget or final budget to the manager or administrator of the local general-purpose government or the local governing authority. The manager or administrator shall post the tentative budget or final budget on the website of the local general-purpose government or local governing authority.
Property Appraiser	N/A	Within 30 days after adoption	N/A	Must be posted on the county's official website
Tax Collector	N/A	Within 30 days after adoption	N/A	Must be posted on the county's official website
Clerk of Circuit Court <i>(budget may be included in county budget)</i>	N/A	Within 30 days after adoption	N/A	Must be posted on the county's official website
Water Management District	2 days before public hearing	Within 30 days after adoption	N/A	N/A
District School Board	2 days before public hearing	Within 30 days after adoption	Within 5 days after adoption	N/A
Additional Requirement				
Each local governmental entity website must provide a link to the DFS website to view the entity's AFR submitted; if an entity does not have an official website, the county government website must provide the link.				

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TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

Appendix B

<p style="text-align: center;">Transparency Florida Links: Reports and Other Information Available for School Districts <i>(including reports recommended in the Committee's February 2010 report)</i></p>		
Title of Report / Other Information	Summary Description of Report / Other Information	Link Included on Transparency Florida?
School District Summary Budget	<i>At the beginning of each fiscal year, each district school board formally adopts a budget. The District Summary Budget is the adopted budget that is submitted to the DOE by school districts. The budget document provides millage levies; estimated revenues detailed by federal, state, and local sources; and estimated expenditures.</i>	Yes
School District Annual Financial Report	<i>The Annual Financial Report is the unaudited data submitted to the DOE by school districts after the close of each fiscal year. It includes actual revenues detailed by federal, state, and local sources, and actual expenditures.</i>	Yes
School District Audit Reports Prepared by the Auditor General	<i>The Auditor General provides periodic financial, federal, and operational audits of district school boards. The Auditor General also provides periodic audits of district school boards to determine whether the district 1) complied with state requirements governing the determination and reporting of the number of full-time equivalent students under the Florida Education Finance Program and 2) complied with state requirements governing the determination and reporting of the number of students transported.</i>	Yes
School District Audit Reports Prepared by Private CPA Firms	<i>The Auditor General maintains copies of district school board financial and federal audit reports, which are prepared on a rotational basis by private certified public accounting firms.</i>	Yes
Public School Websites	<i>Provides a link to the homepage of each school district. Each homepage also includes a link to the homepage of Transparency Florida.</i>	Yes
School District Program Cost Reports	<i>The Program Cost Report data is submitted to the DOE by public school districts after the close of each fiscal year. Actual expenditures by fund type are presented as either direct costs or indirect costs, and are attributed to each program at each school. A total of nine separate reports are produced from the cost reporting system.</i>	Yes

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TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

Transparency Florida Links: Reports and Other Information Available for School Districts <i>(including reports recommended in the Committee’s February 2010 report)</i>		
Title of Report / Other Information	Summary Description of Report / Other Information	Link Included on Transparency Florida?
Return on Investment (ROI)/ School Efficiency Measures http://roi.fldoe.org/index.cfm	<p><i>Two major categories of information are provided at the state and school district-level. Much of the information is also provided on an individual school level.</i></p> <p><i>Student/Staff Indicators include: School and District Demographics, School and District Staff, School and District Student Performance, School Students in Special Programs/School Discipline, School and District Graduation Follow-up, District School Readiness, and District Community Information. Financial Indicators include: School Return on Investment Index, School Total Costs Per Students, District Revenues, District Expenditures, District Financial Margins and Reserves, District Taxes, and District Debt.</i></p> <p><i>The ROI website allows users to evaluate measures of performance in light of the resources allocated to the individual schools and school districts.</i></p>	No
Financial Profiles of School Districts http://www.fldoe.org/fefp/profile.asp	<p><i>The Financial Profiles of School Districts reports provide detailed summary information about revenues and expenditures of the school districts – revenues by source and expenditures by function and object.</i></p>	No
Florida School Indicators Report (FSIR) http://www.fldoe.org/eias/eiaspubs/0809fsir.asp	<p><i>The Florida School Indicators Report provides various indicators of school status and performance of public elementary, middle, and high schools for each school district. “Per Pupil Expenditures” is the only school indicator included in this report that relates to financial information. Some of the other school indicators reported are Graduation Rates, Dropout Rates, and Classes Taught by Out-of-Field Teachers.</i></p>	No
Florida Education Finance Program (FEFP) Calculations http://www.fldoe.org/fefp/offrfefp.asp	<p><i>The FEFP is the primary mechanism for funding the operating costs of the school districts, and calculations are made five times throughout each school year to arrive at each year’s final appropriation. The amount allocated to each of the components of the FEFP funding formula is shown for each school district.</i></p>	No

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TRANSPARENCY FLORIDA STATUS AND RECOMMENDATIONS

<i>Transparency Florida Links: Reports and Other Information Available for School Districts (including reports recommended in the Committee's February 2010 report)</i>		
Five-Year Facilities Work Plan http://www.fldoe.org/edfacil/workplanlibrary.asp	<i>Each school district must annually prepare a Five-Year Facilities Work Plan that includes long-range planning for its facilities needs over 5-, 10-, and 20-year periods.</i>	No

DRAFT REPORT



Payroll and Personnel Administrative Processes at Selected State Agencies

Report No. 2011-069

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.

Audit Objectives

- Our overall audit objectives related to evaluating:
 - The effectiveness of established internal controls.
 - Management's performance in achieving compliance with laws, rules, and regulations. –AND–
 - 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.

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.

Finding No. 1

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

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.

Finding No. 4

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

Finding No. 5

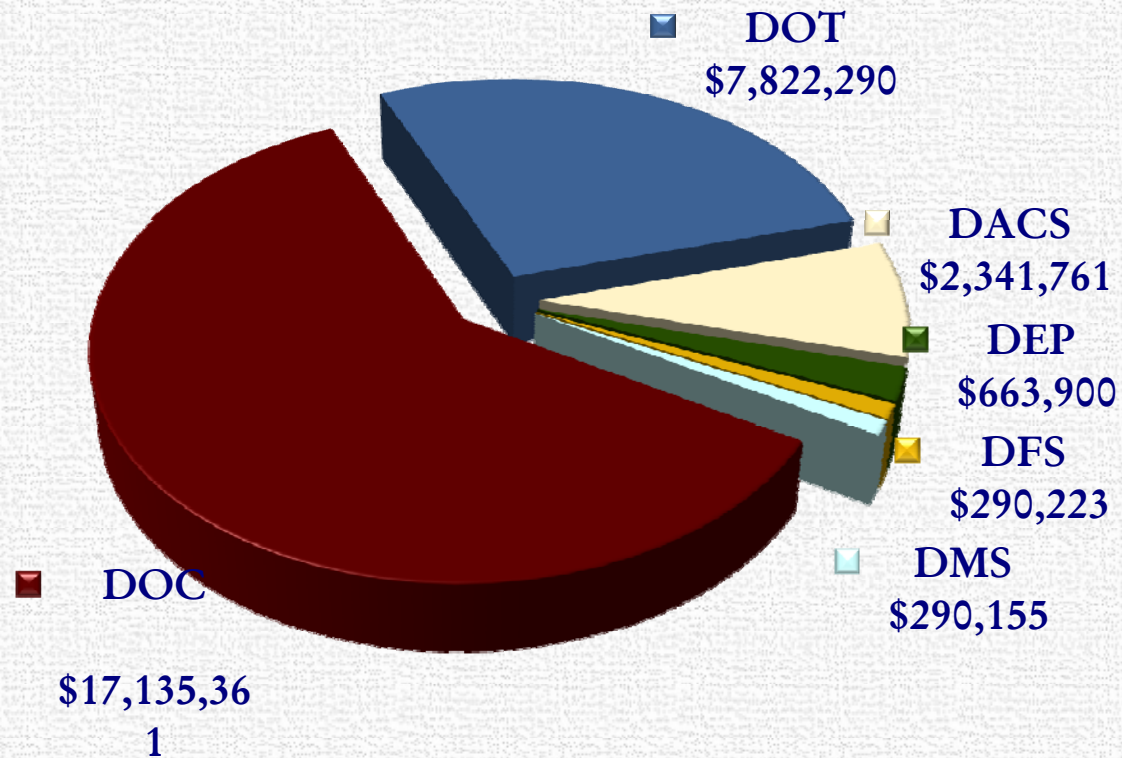
- Contrary to State law, State agencies did not always document that dual employment was properly approved for employees working for more than one applicable State employer. Additionally, to ensure compliance with State laws, rules, and other guidelines, a process is needed whereby State agencies can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

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.



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.

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.



RICK SCOTT
Governor

DEPARTMENT OF MANAGEMENT
SERVICES

JOHN P. MILES
Secretary

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MEMORANDUM

DATE: June 20, 2011
TO: John P. Miles, Secretary
FROM: Steve Rumph, Inspector General
SUBJECT: Six-Month Status Report to Auditor General Report No. 2011-069

Pursuant to Section 20.055(5)(g), Florida Statutes, the following is our explanation of the six-month status of findings and recommendations included in the Auditor General's Report No. 2011-069, *Payroll And Personnel Administrative Processes At Selected State Agencies*, dated December 30, 2010.

The report contained recommendations for the People First Project Office, Division of Human Resource Management, and Department Human Resources Office. Our response addresses the findings and recommendations in the same order as they appear in the report.

RECEIVED
JUN 22 2011

**Six-Month Response To the Auditor Generals' Audit of
Payroll and Personnel Administrative Processes at Selected State Agencies**

Six-Month Status Report

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:

We recommend that DMS clarify in rule, policy, or procedure, the time record preparation, submission, and approval responsibilities of employees and supervisors. Such clarification 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.

Department's Original Response:

Division of Human Resource Management: 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.

People First Project Office: 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

Six-Month Response To the Auditor Generals' Audit of Payroll and Personnel Administrative Processes at Selected State Agencies

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, timesheet approved prior to the Sunday extract will not appear on the report unless hours for the pay period are missing. Because the "Run Date" is included on the report agencies can calculate the age of each missing time report. In addition, the report includes "Supervisor Name" to assist with identifying timesheet that need supervisory approval.

Six-Month Status of Finding and Recommendation:

Division of Human Resource Management: The Division of Human Resource Management Policy Team issued a Rule Interpretation, titled "Timesheet Submission and Approval Deadlines" for State Personnel System

Agencies on June 10, 2011 to clarify the time record preparation, submission, and approval responsibilities of agencies, supervisors and employees and to address specific time frames for time record submission and approval.

People First Project Office: No response required.

Office of Inspector General Position

We agree with the actions taken by the Division of Human Resource Management and People First Project Office and recommend this finding and recommendation be closed.

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:

- To promote compliance and ensure consistency in the application of rules and relevant collective bargaining agreement provisions by the various State

**Six-Month Response To the Auditor Generals' Audit of
Payroll and Personnel Administrative Processes at Selected State Agencies**

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.

Department's Original Response:

Division of Human Resource Management: 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 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

Six-Month Response To the Auditor Generals' Audit of Payroll and Personnel Administrative Processes at Selected State Agencies

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. DMS supports this proposal.

People First Project Office: 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.

Six-Month Status of Recommendation:

Division of Human Resource Management: The contents of the Department's upcoming 2012 legislative package are currently under discussion. Deletion of Section 110.205(7), Florida Statutes, is under consideration for inclusion. Although the Department may propose changes to the statutes, ultimately it is the Legislature that approves or disapproves of such changes.

People First: No response required.

**Six-Month Response To the Auditor Generals' Audit of
Payroll and Personnel Administrative Processes at Selected State Agencies**

OFFICE OF INSPECTOR GENERAL POSITION

We agree with the actions taken by the Division of Human Resource Management and People First Project Office. Changes to Florida Statutes are the prerogative of the Legislature. We, therefore recommend that this finding and recommendation be closed.

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:

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 calculation, to ensure that terminal leave payouts are accurate and paid in accordance with applicable laws, rules, and guidelines.

Department's Original Response:

Department Human Resources Office: The Department of Management Services' internal policy, HR 09-126, Auditing Employee Leave Balances and HR-126-F1 – Leave Correction Request Affidavit was 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.

**Six-Month Response To the Auditor Generals' Audit of
Payroll and Personnel Administrative Processes at Selected State Agencies**

Six-Month Status of Recommendation:

Department Human Resources Office: HR 09-126, Auditing Employee Leave Balances and HR-126-F1 – Leave Correction Request Affidavit is followed for all leave payouts. Human Resources is included on all PAR transactions and two copies of all termination PARs are printed. One copy is kept in the bi-weekly payroll folder and the second copy is used by HR to pull the terminating employee's personnel file. The employee is added to the Leave Payout Tracker with a suspense date for the leave audit and leave payout to be completed. HR provides DMS Budget Office with estimated hours of leave that the terminating employee is entitled to be paid. A leave audit is conducted and an e-mail request is sent to DMS payroll for payment.

The Budget Office's procedures for tracking leave payouts:

- Request the annual leave, sick leave and Regular Comp or Special Comp balances from HR for the individual leaving the department.
- Update the salary projection (showing the anticipated cost) based on the leave balances provided by HR and multiplied for annual leave by the hourly cost and percentage based on the individual's retirement code (DP = 19.90%, HA = 18.42%, HM = 22.22%, PA = 18.42%, PM = 22.22% and QA = 18.42%), and 7.65% for available sick leave hours.
- When the following (next) salary projection is done, the individual has left the department, and the actual payout has occurred, the anticipated cost is removed because the cost is now absorbed in the actual "year to date expended".
- A separate report is obtained from Finance and Accounting that shows the year-to-date expenditures for payouts incurred. This document is also used as a cross check that the individual has been out. The cost for payouts incurred is also noted on the bottom of each individual budget entity as an indicator how much has been absorbed in the year-to-date expenditures.

**Six-Month Response To the Auditor Generals' Audit of
Payroll and Personnel Administrative Processes at Selected State Agencies**

OFFICE OF INSPECTOR GENERAL POSITION

We agree with the actions taken by the Department Human Resources Office and recommend this finding and recommendation be closed.

Finding No. 4: Dual Employment

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.

Department's Original Response:

Division of Human Resource Management: DMS's Division of Human Resource Management will revise the applicable guidelines and procedures to clearly articulate that agency heads are responsible for approving both dual employment and dual compensation actions delineated in Section 216.262(1)(e), F.S.

Department Human Resources Office: 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.

**Six-Month Response To the Auditor Generals' Audit of
Payroll and Personnel Administrative Processes at Selected State Agencies**

Six-Month Status of Recommendation:

Division of Human Resource Management: The Division of Human Resource Management Policy Team revised and reissued the Dual Employment and Dual Compensation Guidelines and Procedures for the State Personnel System Agencies in May 2011 to clearly articulate that agency heads are responsible for approving both dual employment and dual compensation actions delineated in Section 216.262(1)(e), F.S.

Department Human Resources Office: 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. An e-mail message was sent to all DMS employees on June 1, 2011, advising that employees must obtain approval for dual employment (work with more than one State employer) by submitting form HR 112-F1. In addition, the e-mail advised that employees seeking employment outside of state government must also obtain approval for such employment by submitting form HR 111-F.

Office of Inspector General Position

We agree with the actions taken by the Division of Human Resource Management and Department Human Resources Office and recommend this finding and recommendation be closed.

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.

**Six-Month Response To the Auditor Generals' Audit of
Payroll and Personnel Administrative Processes at Selected State Agencies
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.

Department's Original Response:

Department Human Resources Office: 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.

People First Project Office: 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.

Six-Month Status of Recommendation:

Department Human Resources Office: On June 7, 2011, the human resource team reviewed the DFS report of all DMS employees holding dual employment within State government. The data contained in the DFS report was compared with the data contained in People First. This comparison showed there were 11 DMS employees who were employed by two state agencies. The dual employment documentation for each individual is maintained in their respective personnel file.

**Six-Month Response To the Auditor Generals' Audit of
Payroll and Personnel Administrative Processes at Selected State Agencies
People First Project Office: No response required.**

Office of Inspector General Position

We agree with the actions taken by the Division of Human Resource Management and People First Project Office and recommend this finding and recommendation be closed.

Finding No. 6: Salary Calculations and Overtime Authorizations

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.

Department's Original Response:

Department Human Resources Office: 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 changes 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.

Six-Month Status of Recommendation:

Department Human Resources Office: No response required.

**Six-Month Response To the Auditor Generals' Audit of
Payroll and Personnel Administrative Processes at Selected State Agencies**

Office of Inspector General Position:

We agree with the actions taken by the Department Human Resources Office and recommend this finding and recommendation be closed.

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:

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.

Department's Original Response:

Department Human Resources Office: 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.

Six-Month Status of Recommendation:

Department Human Resources Office: There have been 139 terminations from July 1, 2010 through June 7, 2011. An Exit Checklist, that includes a check off item for returned state property, was completed on each of these employees. Exit checklists are compared with termination PARs to ensure these documents are completed and property returned for all terminated employees by a HR Team member.

**Six-Month Response To the Auditor Generals' Audit of
Payroll and Personnel Administrative Processes at Selected State Agencies**

Office of Inspector General Position:

We agree with the actions taken by the Department Human Resources Office and recommend this finding and recommendation be closed.

cc: ✓ Kathy Dubose, Staff Director, Joint Legislative Auditing Committee
David W. Martin, Auditor General
Brett Rayman, Chief of Staff
David DiSalvo, Director, People First
Debra Forbess, Director, Division of Administration
Sharon Larson, Director, Division of Human Resource Management
Queenell Fox, Department Personnel Resource Management Officer




FLORIDA DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES
COMMISSIONER ADAM H. PUTNAM

MEMORANDUM

DATE: July 1, 2011

TO: Adam H. Putnam
Commissioner

FROM: Ron Russo 
Inspector General

SUBJECT: Follow-up to Auditor General Report No. 2011-069, Payroll and Personnel
Administrative Processes

The Office of Inspector General has completed the follow-up review regarding the Auditor General's report of Payroll and Personnel Administrative Processes. The status of each finding and recommendation is described in the enclosed report.

If you have any questions, please call me at (850) 245-1360.

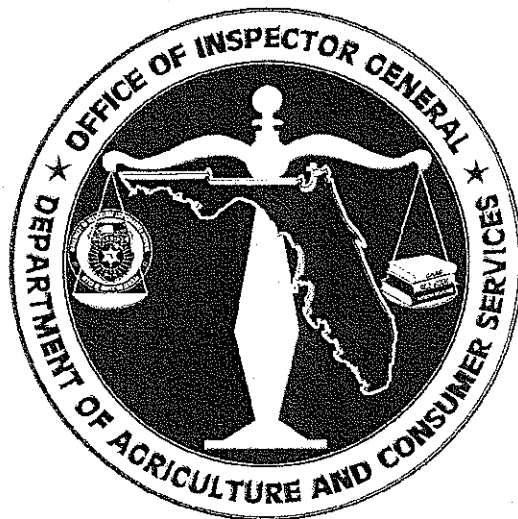
RR/wo
Enclosure

cc: Michael Joyner, Assistant Commissioner
Mike Gresham, Director, Division of Administration
Alan Edwards, Assistant Director, Division of Administration
Darica Hewett, Chief, Bureau of Personnel Management
Jerry Todd, Chief, Bureau of Finance and Accounting
David W. Martin, Auditor General
Kathy DuBose, Coordinator, Legislative Auditing Committee

RECEIVED
JUL 28 2011

Department of Agriculture and Consumer Services

Adam H. Putnam, Commissioner



Follow-up to Auditor General Report No. 2011-069
Payroll and Personnel Administrative Processes

June 2011

Office of Inspector General
Ron Russo, Inspector General

OFFICE OF INSPECTOR GENERAL

Follow Up Audit Report

June 30, 2011

FLORIDA DEPARTMENT OF AGRICULTURE & CONSUMER SERVICES



Auditor General Report No. 2011-069

Selected State Agencies

Payroll and Personnel Administrative Processes

AT A GLANCE

This audit dated December 2010, by the Auditor General, contained nine findings and recommendations of which seven were applicable to the Department of Agriculture and Consumer Services (Department). As part of the follow-up activities, the Office of Inspector General reviewed policies and procedures that were developed and revised to eliminate errors relating to the Auditor General's findings. In addition, a review of applicable documents and interviews with staff of the Department's Bureau of Personnel Management was conducted. The status of the findings and recommendations is described below as determined by the Office of Inspector General. The Division of Administration has taken sufficient action to resolve the audit findings.

FINDINGS:

1. Time Record Submittal, Review and Approval	Satisfied
2. Compensatory Leave Credits	Satisfied
3. Unused Annual and Sick Leave Payouts	Satisfied
4. Dual-Employment Rules and Guidelines	Satisfied
5. Dual-Employment Approvals and Management of Dual-Employment Activities	Satisfied
6. Salary Payment Calculations	Satisfied
8. Salary Payment Cancellations	Satisfied

FINDINGS DETAIL

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.

Recommendations: 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.

STATUS: Satisfied

The Department's Bureau of Personnel Management initiated a process to run monthly delinquent timesheet reports for each division which contains the names of each employee with a delinquent timesheet. The employee's supervisor is then contacted to facilitate submission of the delinquent timesheet.

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 employee's separation from State employment. The Department paid \$8,822 to one employee (a seasonal worker) for 313 accumulated special compensatory leave hours.

Recommendations:

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.

STATUS: Satisfied

The Department's Bureau of Personnel Management used code 9111 (special compensatory leave) when code 9121 (FLSA special compensatory leave) should have been used. To reduce errors, a quality assurance checklist was developed for the attendance and leave section to follow when processing compensatory leave credits.

Finding No. 3: Unused Annual and Sick Leave Payouts

The 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: 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.

STATUS: Satisfied

The Department's Bureau of Personnel Management has established a written Standard Operating Procedure (SOP) which addresses the use of a quality assurance checklist to help reduce errors. In addition, the SOP requires an audit of payout calculations prior to processing.

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.

STATUS: Satisfied

The Department revised Administrative Policy and Procedure No. 5-5, Outside Employment, Dual Employment, Dual Compensation, and Other Activities, effective July 1, 2011, to clearly differentiate between non-State Personnel System and State Personnel Systems 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 from 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 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.

STATUS: Satisfied

The Department revised Administrative Policy and Procedure No. 5-5, Outside Employment, Dual Employment, Dual Compensation, and Other Activities, effective July 1, 2011, to clearly differentiate between non-State Personnel System and State Personnel Systems agencies.

Finding No. 6: Salary Payment Calculations

Of the 95 salary payments tested for the Department, four errors were identified.

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.

STATUS: Satisfied

The errors noted for the Department resulted from the incorrect completion of the Personnel Action Request (PAR). The Department's Bureau of Personnel Management provided training to division staff responsible for the completion of PAR forms. The Bureau has also taken measures to ensure all separation reports are received in a centralized location within the personnel office. In addition, an email was sent to division personnel liaisons regarding the importance of the timely receipt of separation reports in the personnel office.

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). One overpayment for \$3 was noted for the Department. In addition, the Department 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.

STATUS: Satisfied

The Department did not collect the \$3 from the third party due to the nominal value of the overpayment. The Department's Bureau of Finance and Accounting has implemented a SOP for documenting the destruction of canceled paper warrants on a monthly basis.

This follow-up was conducted in conformance with the applicable standards for the General Principles and Standards for Offices of Inspector General, the International Standards for the Professional Practice of Internal Auditing, and Information Systems Auditing Standards as published by the Association of Inspectors General, the Institute of Internal Auditors and the Information Systems Audit and Control Association, respectively.

William Orozco - Internal Auditor
Nedra Harrington, CIA, CISA, CPA - Director of Auditing
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**STATE OF FLORIDA
DEPARTMENT OF CORRECTIONS
OFFICE OF THE INSPECTOR GENERAL**

TO: Edwin G. Buss
Secretary

FROM: Terrance W. Edmonson
Inspector General

DATE: June 22, 2011

SUBJECT: FOLLOW-UP AUDIT REPORT # A11018F – THE AUDITOR GENERAL'S,
PAYROLL AND PERSONNEL ADMINISTRATIVE PROCESSES AT
SELECTED STATE AGENCIES OPERATIONAL AUDIT, REPORT NUMBER
2011-069

The Bureau of Internal Audit performed a follow-up audit to the Office of the Auditor General's Payroll and Personnel Administrative Processes at Selected State Agencies Operational Audit, Report Number 2011-069, issued in December 2010. The objectives of this follow-up were to determine the corrective actions taken on reported audit findings and whether actions taken achieved the desired results as intended by management. The scope of our follow-up consisted of obtaining from the Office of Human Resource Management and Office of Health Services a written response of actions taken to correct reported findings. We have evaluated the response to each finding and have assessed that appropriate action has been taken or is being taken to address the issues identified in the report.



Inspector General

TE/PS/kj
Attachment

Daniel G. Ronay, Chief Deputy Secretary
Glory Parton, Director of Human Resource Management
Tom Reimers, Acting Director of Health Services Administration
Kathy DuBose, Director of Joint Legislative Auditing Committee

FLORIDA DEPARTMENT OF CORRECTIONS

***Follow-up of Auditor General's Report #2011-069
Payroll and Personnel Administrative Processes
at Selected State Agencies Operational Audit***

Terrance W. Edmonson, Inspector General

Report #A11018F

Paul R. Strickland, Chief Internal Auditor

June 22, 2011

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. 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. 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.

In December 2010, the Office of the Auditor General published a report, Payroll and Personnel Administrative Processes at Selected State Agencies Operational Audit, Operational Audit, and Report #2011-069.

OBJECTIVES

Our follow-up objectives were to determine:

- what corrective actions were taken on reported audit findings, and
- whether actions taken achieved the desired results as intended by management.

SCOPE AND METHODOLOGY

A request was made to the Office of Human Resource Management and Office of Health Services for a written response on the status of corrective actions taken.

RESULTS OF FOLLOW-UP

Finding No. 1: 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.

Management's Original 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.*

Management's Follow-Up Response: *Missing Timesheets Reports are produced by the respective servicing personnel office and provided to the facilities for review and follow up. An additional feature in the 7/1/10 release of People First now prohibits an employee from submitting a timesheet if the previous timesheet has not been approved. This additional edit has helped to increase awareness to the employee and supervisor to timely submit and approve timesheets.*

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.

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

Management's Original 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, 60L34-0044 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).*

Management's Follow-Up Response: *A policy decision to compel use of Special Compensatory leave was recommended by the Secretary and a letter was sent to the union for review.*

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.

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.

Management's Original Response: *The Department of Corrections relies on the guidance provided in the DMS leave rules and the Bureau of State Payrolls 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.*

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.

Management's Follow-Up Response: *The Department has prepared a Terminal Leave Procedure which is currently under review. Upon approval, this procedure will be released to the field with notice on DC web.*

Finding No. 4: 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.

Management's Original 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.*

Management's Follow-Up Response: *DMS has recently updated the Dual Employment Guidelines and the Department of Corrections will continue to use these guidelines as our direction for dual employment situations.*

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.

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.

Management's Original 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.

Management's Follow-Up Response: Pending direction from People First team or FLAIR staff.

Finding No. 6: (The Department of Corrections was not required to provide a response to this finding.)

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

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.

Management's Original 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.

Management's Follow-Up Response: The Department has taken additional actions since December to ensure proper oversight and control of overtime hours. On February 10, 2011, Chief Deputy Secretary Dan Ronay issued further restrictions on the use of overtime. Specifically, Chief Ronay advised the Department's management team that overtime would not be authorized for any facilities with a lapse percentage

lower than 5%. The only exception to this directive is for emergency situations. For the Office of Health Services, this only applies to positions that provide direct patient care.

In addition, the Department implemented bi-weekly reports on overtime expenditures as a management tool to track expenditures. The impact of Chief Ronay's directive was immediate: from February to March, 2011, there was a 53% reduction in health services overtime costs.

Finally, the Office of Health Services has increased recruitment activities in an effort to fill vacant nursing positions. Much of the overtime cited in the Auditor General's report was incurred because of vacancies in critical nursing positions at a small number of institutions that serve large populations of frail and impaired patients. The Department is using targeted recruitment efforts for these institutions in an attempt to fill vacancies.

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).

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.

Management's Original 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.*

Management's Follow-Up Response: *Pending further direction from DFS/BOSP*

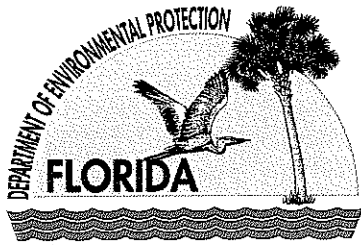
Finding No. 9: State agencies did not always document the return of State-owned property items assigned to employees upon the employees' separation from State employment.

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.

Management's Original 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 DC2-820 "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.

Management’s Follow-Up Response: *The Separation Process for Terminated Employees Procedure 208.029 was last updated on 7/29/10 and is posted on DC web for all employees. Supervisor shall complete this form and forward to the servicing personnel office. This checklist has also been included on the new Leave Payout checklist form as a reminder.*



Florida Department of Environmental Protection

Marjory Stoneman Douglas Building
3900 Commonwealth Boulevard
Tallahassee, Florida 32399-3000

Rick Scott
Governor

Jennifer Carroll
Lt. Governor

Herschel T. Vinyard Jr.
Secretary

June 17, 2011

Ms. Kathryn DuBose, Staff Director
Joint Legislative Auditing Committee
Room 876
Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1400

Dear Ms. DuBose:

Pursuant to Section 20.055(5)(h), Florida Statutes enclosed is the Department's written explanation of the status of recommendations contained in the Auditor General Report No. 2011-069, Operational Audit of Payroll and Personnel Administrative Processes at Selected State Agencies.

If you have any questions or need additional information, please contact Director of Auditing Joseph Aita, at (850) 245-3170.

Sincerely,

A handwritten signature in black ink that reads "Roy C. Dickey". The signature is written in a cursive style.

Roy C. Dickey
Interim Inspector General

JA/kr

cc:

Herschel T. Vinyard Jr. Secretary
Cynthia Kelly, Director, Division of Administrative Services

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JUN 24 2011

DEP Status of Recommendations - Auditor General No. 2011-069, Operational Audit of Payroll and Personnel Administrative Processes at Selected State Agencies					
Project #	Audit Title	Division	Final Report Issued - Actual	Auditor General Recommendation	Department Response
AG 2011-069	Auditor General Payroll Audit	Administrative services	12/15/2010	<p>Finding No. 1: The Auditor General recommended 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.</p>	<p>The DEP has updated our Attendance & Leave Directive, DEP 425, to readdress specific timesheet submission and approval deadlines. A communication was sent to all DEP employees on April 21, 2011 providing this updated directive and other important attendance and leave information. The Department is also working to revise our DEP missing timesheet report to capture aging time records to track information as noted in the recommendations. However, we have had a process in place since 2006 for notifying directors of missing timesheets and following up to ensure approval on a monthly basis. With the creation of our internal DEP report in 2009, our process has improved and we are seeing fewer missing timesheets.</p>

DEP Status of Recommendations - Auditor General No. 2011-069, Operational Audit of Payroll and Personnel Administrative Processes at Selected State Agencies					
Project #	Audit Title	Division	Final Report Issued - Actual	Auditor General Recommendation	Department Response
AG 2011-069	Auditor General Payroll Audit	Administrative services	12/15/2010	<p>Finding 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 State Personnel System pay plan.</p>	<p>We continue to provide a quarterly special compensatory leave balance report and reminder memo to our Directors on the requirements for an employee to utilize special comp prior to other types of leave with the exception of sick leave. When we first began reviewing special comp balances in August 2007, we had a total special comp liability of 44,050.79 hours. The quarterly notification that was just sent to our Directors on April 20, 2011 for the quarter ending March 31, 2011 shows that our total special comp liability is 18,767.155 hours. The recent update of our Attendance and Leave Directive also provides that managers monitor special comp leave balances and require usage as soon as possible.</p>

DEP Status of Recommendations - Auditor General No. 2011-069, Operational Audit of Payroll and Personnel Administrative Processes at Selected State Agencies					
Project #	Audit Title	Division	Final Report Issued - Actual	Auditor General Recommendation	Department Response
AG 2011-069	Auditor General Payroll Audit	Administrative services	12/15/2010	<p>Finding 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.</p>	<p>We are in the process of revising our Dual Employment Directive to include the dual compensation process for DEP managers and employees to use in complying with the rule and statutory requirements. DMS recently provided a draft Dual Employment and Dual Compensation Guide and once we receive the approved guide, we will be finalizing our revised directive. DFS currently provides a report each biweekly and monthly payroll that is used to verify the accuracy of our dual employment approvals. In addition, with the enhancements made to the People First system in July 2010, it is easier to determine when a true dual hire and/or dual compensation situation will be occurring so that we are able to follow-up with obtaining the proper approvals.</p>
AG 2011-069	Auditor General Payroll Audit	Administrative services	12/15/2010	<p>Finding 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.</p>	<p>Same response as with Finding No 4</p>

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

Project #	Audit Title	Division	Final Report Issued - Actual	Auditor General Recommendation	Department Response
AG 2011-069	Auditor General Payroll Audit	Administrative services	12/15/2010	<p>Finding 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.</p>	<p>We continue to perform a calculation for all payroll action changes using the applicable rate of pay, the employees contract hours based on their work schedule and projected work hours for the month. This calculation is used to verify the accuracy of the processed payroll actions. Because we are a monthly agency, the payroll processes prior to our knowing the actual work hours an employee will work. Once an employee's timesheet is approved in People First, the system does generate additional pay owed, if applicable. In addition, overpayments that may occur are captured on a report that we can obtain from People First to use in handling the collection process.</p>
AG 2011-069	Auditor General Payroll Audit	Administrative services	12/15/2010	<p>Finding No. 8: State agencies did not always timely initiate third-party 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.</p>	<p>We have reviewed our Finance and Accounting procedures for recovering third party overpayments and verified that our procedures are in compliance with the current DFS Payroll Preparation Manual. We will adopt procedures to comply with any enhanced instructions that may be issued by DFS for recovering overpayments to third parties made as a result of salary payment cancellations.</p>



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

July 1, 2011

The Honorable Jeff Atwater
Chief Financial Officer
The Capitol, PL-11
Tallahassee, Florida 32399-0301

Dear CFO Atwater:

Pursuant to Section 20.055 (5) (h), Florida Statutes, the enclosed response provides a six-month follow-up on the status of corrective actions taken by the Department regarding the findings and recommendations included in the Auditor General's Report No. 2011-069, Payroll and Personnel Administrative Processes at Selected State Agencies.

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

Sincerely,

A handwritten signature in cursive script that reads "Ned Luczynski".

Ned Luczynski

NL:Sc

Attachment

cc: Sherrill F. Norman, Audit Manager, Office of the Auditor General
✓Kathy DuBose, Staff Director, Joint Legislative Auditing Committee

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JUL 1 2011

Florida Department of Financial Services
Payroll and Personnel Administrative Processes at Selected State Agencies
Operational Audit No. 2011-069
Six-Month Audit Response

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.

Six-Month Status: The Division has reviewed and modified its missing timesheet report process. The report is monitored on a monthly basis.

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, 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.

Six-Month Status:

Division of Accounting and Auditing Response: DMS has not issued any new guidance in the past six months regarding compensatory leave credits, so there has been no need to update the Payroll Preparation Manual.

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."

Six-Month Status:

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; we are currently in the process of dual employment renewals. 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 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.

Six-Month Status:

Division of Administration Response: Steps are in place to ensure that dual-employment requests include the proper approval signatures.

Division of Accounting and Auditing Response: On January 24, 2011, the Bureau of State Payrolls submitted a request for the creation of a report that would detail employees who have salary and/or

OPS wage payments on more than one regular payroll within any given month. This request has been given a low priority due to legislative changes that must be implemented this year.

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 additional mechanisms to ensure accurate payments.

Six-Month Status: The Division is monitoring payments to ensure accurate payment. This monitoring includes a supervisory review of all payroll actions.

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.

Six-Month Status:

Division of Accounting and Auditing Response: After reviewing the Payroll Preparation Manual, it was determined that the existing instructions were sufficient.



Florida Department of Transportation

RICK SCOTT
GOVERNOR

605 Suwannee Street
Tallahassee, FL 32399-0450

ANANTH PRASAD, P.E.
SECRETARY

June 27, 2011

Ananth Prasad, P.E.
Secretary
Department of Transportation
605 Suwannee Street
Tallahassee, Florida 32399-0450

RE: **Auditor General Report No. 2011-069**
Payroll and Personnel Administrative Processes at Selected State
Agencies

Dear Secretary Prasad:

As required by Section 20.055(5)(h), Florida Statutes, attached is the six month status report for the subject audit. The report details the implementation or current status of each recommendation.

If you have any questions, please call me at 410-5823.

Sincerely,

A handwritten signature in blue ink that reads "Robert E. Clift".

Robert E. Clift,
Inspector General

RC:tw

Enclosure

cc: Kathy DuBose, Staff Director
Joint Legislative Auditing Committee
JLAC@leg.state.fl.us

FLORIDA DEPARTMENT OF TRANSPORTATION

6-month Follow-up to the Office of the Auditor General's Payroll and Personnel Administrative Processes at Selected State Agencies July 1, 2008 through February 28, 2010 Report #: 2011-069

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-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 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.

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.

Audit 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.

6-month Follow-up Response:

Management has made this a priority to resolve any remaining opportunities for improvement. This finding is considered closed by the FDOT comptroller.

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. 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.

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.

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.

Audit 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 27,357 hours, a decrease of 18,403 hours or 40%.

6-month Follow-up Response:

Sections 1.6 and 1.8 of department procedure 250-010-005, Excess Work Hours/Overtime addresses the accrual and usage of regular and special compensatory leave credits and will continue to be monitored by the Personnel Office. This finding is considered closed by the FDOT human resource manager.

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 \$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. 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.

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.

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.

Audit Response:

Agree. The Department is using all resources available in the People First system to validate terminal leave payouts. The DOO 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 the previously paid leave report from the Bureau of State Payrolls, along with ensuring no timesheets 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 prorations for SES/SMS employees. The People First System does not permit a review of timesheets or leave records from beginning of employment (only the previous 18 months are available to be viewed in People First).

6-month Follow-up Response:

The DOO Payroll Processing Handbook has been updated to address this finding. This finding is considered closed by the FDOT comptroller.

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. 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.

Audit 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).”

6-month Follow-up Response:

FDOT has implemented the DMS issued policy. This finding is considered closed by the FDOT human resource manager.

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 1,008 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 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.

Audit Response:

Agree. DOT Procedure no. 250-040-010-e relating to 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.”

6-month Follow-up Response:

The FDOT process now reflects the DMS policy as updated in June 2009. This finding is considered closed by the FDOT human resource manager.

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. 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.

Audit Response:

Agree. A series of reports, including total pay period transactions, leave without pay and overpayments, 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 the warrant 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.

6-month Follow-up Response:

FDOT has processes in place and uses all available reporting tools to address overpayments. This finding is considered closed by the FDOT comptroller.

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 2,722 salary payment cancellations, totaling \$1,937,409.

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 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.

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 when canceling salary payments, State agencies take appropriate action to timely recover from third parties any amounts overpaid.

Audit Response:

Agree. The DOO 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 conducted in all districts and all deductions have been appropriately collected.

6-month Follow-up Response:

The DOO Payroll Processing Handbook was updated to address requirements and specific training was conducted in April 2009. This finding is considered closed by the FDOT comptroller.

AUDITOR GENERAL REPORT NO. 2011-069

PAYROLL AND PERSONNEL ADMINISTRATIVE PROCESSES AT SELECTED STATE AGENCIES Operational Audit

http://www.myflorida.com/audgen/pages/pdf_files/2011-069.pdf

From the Auditor General's [website](#), select "By Fiscal Year," "By Entity Audited," or "Audit Type" then choose either "full report" or "summary." The link shown above is for the full report.

**Status of JLAC Action Taken Against Municipalities on April 4, 2011,
for financial reports due September 30, 2010, or earlier**

Municipality	Date DOR and DFS to be Contacted¹	Date Compliant	Notes	Fully Compliant Now?
Bonifay (Holmes County)	April 5	April 29	No funds withheld; compliant within 30-day timeframe.	Yes
Cottondale (Jackson County)	July 1	July 25	Chairs approved an extension until July 31; ² the completion of the audit was delayed for several weeks due to medical reasons.	Yes
Eatonville (Orange County)	October 3	September 20		Yes
Hawthorne (Alachua County)	April 5	April 22	No funds were withheld; compliance within 30-day timeframe.	Yes
Laurel Hill (Okaloosa County)	May 16	May 23	No funds were withheld; compliance within 30-day timeframe.	Yes
Miami Shores (Miami-Dade County)	May 2	April 21		Yes
Noma (Holmes County)	July 1	September 13	Chairs approved an extension until August 15; ² a Town official indicated the work had been provided by the Town to the auditor; however, the auditor was backlogged. No funds were withheld; compliance within 30-day timeframe.	Yes
Pahokee (Palm Beach County)	July 1	September 8	Chairs approved an extension until August 31; ² audit was in progress when extension was requested. No funds were withheld; compliance within 30-day timeframe.	Yes
Springfield (Bay County)	May 2	June 30	Chairs approved an extension until June 30. ²	Yes
St. Lucie Village (St. Lucie County)	April 5	June 27	\$3,661.30 in half-cent sales tax funds were forfeited prior to compliance.	Yes
Westville (Holmes County)	June 30	August 15	Chairs approved an extension until August 15; audit was in progress when the extension was requested.	Yes

¹ The Committee directed staff to notify the Department of Revenue (DOR) and the Department of Financial Services (DFS) on this date to begin withholding certain state revenue from the entity as authorized by s. 11.40(2), F.S. (2011). No withholding occurs within the first 30 days after the notification is received by the agencies.

² During the Committee's April 4, 2011 meeting, the members passed a motion that allowed the Chairs, between May 1 and August 31, 2011, to delay action against these districts if additional information was brought to their attention that should be considered in determining the effective date of the Committee's action.

Status of Remaining Municipalities:
Non-Compliant with Financial Reporting for Multiple Years

Municipality	Notes
<p>Caryville <i>(Washington County)</i></p>	<p>During March 2009 meeting, the Committee voted to take action against the Town for failing to file audits and annual financial reports for multiple years, dating back to FY 2002-03. DOR began withholding state revenue from the Town in April 2009. As of September 2011, the Town has forfeited \$25,421.55.</p> <p>In October 2010, previous Committee Chairs approved to accept an audit of FY 2009-10 in lieu of past due audits and authorized the released of state funds once a letter of engagement for the audit is provided to the Committee.</p> <p>Committee staff have attempted to contact Town staff and officials on numerous occasions via telephone, fax, and letters. In March 2011, a response letter was received from the Council Chair stating that the Town was working on hiring a CPA firm and planned to have a signed audit engagement letter no later than mid-April 2011. Since then, additional phone calls have been made to Town staff to determine the status of the audit engagement letter and audit.</p> <p>In September 2011, Town staff provided to Committee staff the name of a CPA firm that was purported to be conducting the audit . Committee staff spoke with a partner in this CPA firm, who appears to be willing to conduct the audit; however, the firm has not yet been hired to do so. If the firm and the Town can reach an agreement, Committee staff expect an audit engagement letter shortly.</p>
<p>Weeki Wachee <i>(Hernando County)</i></p>	<p>During March 2009 meeting, the Committee voted to take action against the City for failing to file audits and annual reports for multiple years, dating back to FY 2002-03. DOR began withholding municipal revenue sharing funds in excess of the minimum entitlement in April 2009. The City does not participate in Half-Cent Sales Tax distributions.</p> <p>Committee staff have attempted to contact City officials on numerous occasions over the past several years. No correspondence (letters, or e-mails) or phone calls have been received.</p> <p>As of September 2011, the City has forfeited \$717.60.</p>

**Status of JLAC Action Taken Against Special Districts on April 4, 2011,
for financial reports due September 30, 2010, or earlier**

Special District	Date DCA to be Contacted³	Date Compliant	Notes	Fully Compliant Now?
Baker Fire District <i>(Okaloosa County)</i>	June 1	May 31		Yes
Brevard Housing Authority <i>(Brevard County)</i>	April 19	May 13	Full compliance prior to DCA filing petition with court.	Yes
Chapel Creek Community Development District (CDD) <i>(Pasco County)</i>	July 1	August 17	Chairs approved an extension until July 31; the audit was near completion when the extension was requested.	Yes
CrossCreek CDD <i>(Manatee County)</i>	July 1	—	Chairs approved to delay action indefinitely; the CDD is unable to pay for the cost of an audit due to lack of funding; some foreclosure actions are being taken. Correspondence received from registered agent on 9/30/2011 indicates that the District's situation has not changed.	No
Cypress Creek of Hillsborough County CDD <i>(Hillsborough County)</i>	May 20	May 20		Yes
Gardens at Millenia CDD <i>(Orange County)</i>	Delay action indefinitely	June 8	At the time of the Committee's meeting the CDD did not have funds to pay for an audit; a foreclosure case was being prosecuted & the district planned to pay for an audit once funds became available.	Yes
Gateway Services CDD <i>(Lee County)</i>	April 19	April 12		Yes
Hamilton County Memorial Hospital <i>(Hamilton County)</i>	May 20	April 5		Yes
Highland Meadows CDD <i>(Polk County)</i>	July 1	—	Chairs approved to delay action indefinitely; the CDD is unable to pay for the cost of an audit due to lack of funding; some foreclosure actions are being taken. Correspondence received from registered agent on 9/30/2011 indicates that there may be some movement toward relasing funds to address maintenance and utility issues; if this happens, funds are also expected to be released to enable District to become statutorily compliant.	No

³ This is the date the Committee directed staff to notify the Department of Community Affairs (DCA) to proceed with legal action to enforce compliance; DCA was required to file a writ of certiorari in Leon County Circuit Court within 30 days (2010 Statutes).

**Status of JLAC Action Taken Against Special Districts on April 4, 2011,
for financial reports due September 30, 2010, or earlier (continued)**

Special District	Date DCA to be Contacted⁴	Date Compliant	Notes	Fully Compliant Now?
Hillcrest Preserve CDD <i>(Pasco County)</i>	May 3	—	District was declared inactive by DCA on June 10.	N/A
Lafayette Soil & Water Conservation District (SWCD) <i>(Lafayette County)</i>	June 2	June 1		Yes
Longleaf CDD <i>(Pasco County)</i>	May 20	April 27		Yes
Martin SWCD <i>(Martin County)</i>	April 19	April 14		Yes
New River CDD <i>(Pasco County)</i>	July 1	August 1	Chairs approved an extension until July 31; the audit was near completion when the extension was requested.	Yes
Ocklockonee River SWCD <i>(Leon County)</i>	May 20	May 13		Yes
Palm River CDD <i>(Hillsborough County)</i>	July 1	July 11	Chairs approved an extension until July 31; a draft of the audit had been provided to the CDD.	Yes
Panther Trace II CDD <i>(Hillsborough County)</i>	May 20	April 12		Yes
Peace River SWCD <i>(DeSoto County)</i>	April 16	April 11		Yes
Saddle Creek CDD <i>(Polk County)</i>	June 2	June 30	DCA approved an additional 30-day extension; CDD reports due July 1.	Yes
South Dade SWCD <i>(Miami-Dade County)</i>	April 19	May 10	Full compliance prior to DCA filing petition with court	Yes
South Shore Corporate Park Industrial CDD <i>(Hillsborough County)</i>	June 2	June 30	DCA approved an additional 30-day extension; CDD reports due July 1.	Yes

⁴ This is the date the Committee directed staff to notify the Department of Community Affairs (DCA) to proceed with legal action to enforce compliance; DCA was required to file a writ of certiorari in Leon County Circuit Court within 30 days (2010 Statutes).

**Status of Remaining Special Districts: Non-Compliant with Financial Reporting,
for financial reports due September 30, 2010, or earlier**

Special District	Notes
<p>Bella Verde Golf CDD <i>(Pasco County)</i></p>	<p>In August 2010, previous Committee Chairs approved a delay of state action until a later date since District has filed for foreclosure in fall 2009 & was unable to pay for an audit due to lack of funding. Negotiations are ongoing with all relevant parties to redress situation. One developer has filed bankruptcy.</p> <p>At 4/4/2011 meeting, Committee approved to continue to delay state action until a later date since District's situation has not changed. Correspondence received from registered agent on 9/30/2011 indicates that the District's situation has not changed.</p>
<p>Broward Soil and Water Conservation District <i>(Broward County)</i></p>	<p>At 4/4/2011 meeting, Committee approved to delay state action until a later date since correspondence from registered agent in April 2011 stated that District does not currently have funds to pay for FY 2008-09 audit and still owes CPA firm for FY 2007-08 audit. Also stated that DEP owes District \$66,000 for work on re-vegetation project completed 2 years ago and are still trying to resolve issues with DEP related to a contract. Requested additional time to complete audit and AFR.</p> <p>Committee staff has been in contact with DEP staff and has unsuccessfully attempted on numerous occasions to contact the district (via telephone, e-mails, and letter). Based on conversations with, and documentation obtained from, DEP staff, the contract in question was a reimbursement grant and the DEP has reimbursed the district of all allowable expenditures for which DEP has received invoices or other supporting documentation. An attorney representing the district had been in contact with DEP regarding the disagreement. On 9/30/2011, Committee staff requested an update from DEP; however, a response has not yet been received.</p>
<p>Cordoba Ranch CDD <i>(Hillsborough County)</i></p>	<p>At 4/4/2011 meeting, Committee approved to delay state action until a later date since correspondence from registered agent in April 2011 stated that there is currently no Board, it hasn't met since 2008, and District has filed for foreclosure. Progress is finally being made, and they anticipate more normal operations in next 6 to 9 months, depending on foreclosure litigation.</p> <p>Correspondence received from registered agent on 9/30/2011 indicates that the District's situation has not changed.</p>
<p>Riverwood Estates CDD <i>(Pasco County)</i></p>	<p>At 4/4/2011 meeting, Committee approved to delay state action until a later date since correspondence from registered agent in April 2011 stated that District has been involved in active foreclosure, which was stalled by bankruptcy filing by development entity. Some progress has been made, and they anticipate more normal operations in next 6 to 9 months.</p> <p>District submitted FY 2008-09 AFR on 9/26/2011 and FY 2008-09 audit report on 9/28/2011 and is now in compliance.</p>
<p>Santa Rosa Bay Bridge Authority <i>(Santa Rosa County)</i></p>	<p>At 4/4/2011 meeting, Committee approved to delay state action until a later date since correspondence from registered agent in April 2011 stated that Authority does not have funds to pay for an audit and expects that soon there will not be sufficient funds for bond payments. Same situation as in previous years (Authority only has restricted funds, which cannot be used to pay for an audit. DOT's Inspector General's Office compiles financial statements for Authority and also staffs day-to-day operations of Authority.)</p> <p>On June 30, 2011, the Authority was unable to make its \$5 million bond payment, and the trustee alerted the bondholders to the default. Since the bonds were not backed by the full faith and credit of the state the state is not liable for the debt. DOT continues to operate and maintain the bridge.</p>

Special District	Notes
<p>Southbay CDD <i>(Manatee County)</i></p>	<p>In August 2010, previous Committee Chairs approved delay of state action until a later date since District is unable to pay for an audit due to lack of funding. Negotiations are ongoing with all relevant parties to redress situation. .</p> <p>At 4/4/2011 meeting, Committee approved to continue to delay state action until a later date since District's situation has not changed. Correspondence received from registered agent on 9/30/2011 indicates that the District's situation has not changed.</p>
<p>Tidewater Preserve CDD <i>(Manatee County)</i></p>	<p>In August 2010, previous Committee Chairs approved no state action since District is in process of dissolving.</p> <p>At 4/4/2011 meeting, Committee approved to delay state action until a later date since correspondence from registered agent in March 2011 stated that City of Bradenton has passed an ordinance to allow dissolution of the District subject to no objection by Manatee County. The County has objected for reasons addressed in his letter, which has delayed the dissolution.</p> <p>Correspondence received from registered agent on 9/30/2011 indicates that the County still has objections. The city attorney will be attempting to mediate a resolution shortly which will allow the County to withdraw its objections.</p>
<p>Vizcaya in Kendall CDD <i>(Miami-Dade County)</i></p>	<p>In August 2010, previous Committee Chairs approved delay of state action until a later date since developer has filed bankruptcy and bank is looking at property, but no agreement yet. No funds for audit now, but anticipate having audit performed once situation is resolved.</p> <p>At 4/4/2011 meeting, Committee approved to continue to delay state action until a later date since District's situation has not changed. On 9/30/2011, Committee staff requested a update of the District's status from the registered agent; however, a response has not yet been received.</p>