

OFFICE OF THE STATE INSPECTOR GENERAL  
FLORIDA DEPARTMENT OF MILITARY AFFAIRS

St. Francis Barracks  
P.O. Box 1008  
St. Augustine, Florida 32085-1008

March 30, 2016

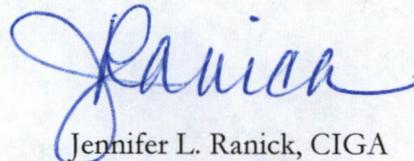
Ms. Melinda Miguel  
Chief Inspector General  
Office of the Chief Inspector General  
Room 1902 – The Capitol  
Tallahassee, Florida 32399-0001

Dear Ms. Miguel:

Pursuant to Section 20.055(6)(h), Florida Statutes, enclosed is the Department of Military Affairs' response on the corrective actions taken in connection with the Auditor General's Report No. 2016-008, dated August 21, 2015.

If you have any questions, or require additional information, please contact me at (904) 823-0126.

Sincerely,



Jennifer L. Ranick, CIGA  
Chief Internal Auditor  
Department of Military Affairs

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**STATE OF FLORIDA**  
**DEPARTMENT OF MILITARY AFFAIRS**  
**Office of the Adjutant General**  
**St. Francis Barracks, P.O. Box 1008**  
**St. Augustine, Florida 32085-1008**

SQM-DIR

30 March 2016

MEMORANDUM FOR: Jenny Ranick, CIGA, Chief Internal Auditor

SUBJECT: Status of Operational Audit Recommendations (Six Months)

The following represents the status of those recommendations included in the Auditor General Report, dated August 21, 2015, entitled "The Department of Military Affairs (DMA), Educational Dollars for Duty Program (EDD), Administration of Selected Activities, and Prior Audit Follow-Up".

**Recommendation No. 1:** We recommend that Department management enhance procedures for timely collecting participant grades and amounts owed to the EDD program, ensure that program funds are used only for tuition and fees for eligible participants, and establish an allowance for uncollectible accounts as specified by program guidelines. We also recommend that Department management enhance procedures to provide for an independent verification of reimbursement calculations prior to billing participants.

**The Actual or Proposed Corrective Action:** DMA concurs. Corrective Measures are as follows: Because of recent generous increases to the EDD Budget from the State Legislature and the lack of additional staff, the need to automate the EDD Program was recognized in FY 14. The EDD Virtual Education Center (VEC) was purchased in FY 15 and is in the process of being implemented. Due to the hosting application process timeline, the Florida Education Services Officer projects the EDD VEC to be fully operational for the 2016 Spring Term. This software will include business rules that mirror the State Statute and the EDD Pamphlet. It will automate the entire EDD process from Application Review to Collections. It will allow a multitude of custom reports to be generated by the EDD Program Office. This automation system will improve the efficiency of the entire EDD Application Process, and also automate the billing and collections processes as well as assist in establishing an allowance for doubtful accounts.

**Status:** All grades and collection letters have been completed for the items audited. The software purchased for the EDD Virtual Education Center (VEC) to correct the audited items has taken a longer time to implement. The expected implementation date is July 1, 2016.

**Recommendation No. 2:** To better ensure economic and efficient CBJTC operations; compliance with applicable laws, rules, and other guidelines; and that the activities are administered in accordance with legislative intent, we recommend that Department management continue to enhance the procedures for and oversight of CBJTC activities. Such enhancements should include the proper accounting of CBJTC activities in the subsidiary accounting records and FLAIR;

reconciling the membership records and related proceeds for the Recreation activity; and developing guidelines to establish appropriate operating reserves for CBJTC activities and to require that profits generated by CBJTC activities above the operating reserve amounts be timely deposited in the CBMTF.

**The Actual or Proposed Corrective Action:** DMA concurs. In order to enhance the procedures for and oversight of CBJTC activities, the State Quartermaster and the CBJTC Commander have re-established the Camp Blanding Resource Advisory Committee (CBRAC) whose purpose is to provide management oversight on financial and personnel resources including Non-appropriated accounts. This includes the establishment of procedures for depositing excess reserves into the CBMTF. Additionally, a Deputy State Quartermaster is now in place onsite at CBJTC. Under this new structure, corrective actions are beginning to take place to include; 1) Depreciation expense for prior years will appear in an amended 30 June 2015 financial statement for each enterprise. 2) The establishment of the process for realizing depreciation expenses in subsequent years. 3) FLAIR account codes have been provided to enhance the FNG 93 for input to FLAIR. 4) Instituting an annual procedure for the Associate Membership reconciliation of receipts and the subsidiary of accounting records. 5) Guidelines for operating reserves are being established. Funds for facility and infrastructure improvements will be reviewed quarterly by the Deputy State Quartermaster for prioritization across Enterprise funds. These funds will be used to enhance the facilities and services provided at CBJTC.

**Status:** All corrective actions on the recommendation have been implemented.

**Recommendation No. 3:** We recommend that Department management ensure that required business plans are properly executed and that the plans specify provisions for the payment of all employee bonuses. Additionally, we recommend that Department management ensure that periodic physical inventories for the Post Exchange store be timely completed and reconciled to perpetual inventory records and the subsidiary accounting records.

**The Actual or Proposed Corrective Action:** DMA concurs it is in the best interest of all parties that strong detailed business plans and standard operating procedures (SOP's) be established. Currently, the Post Exchange business plan is being updated and revised to reflect the audit recommendations. Using the Post Exchange business plan as a format, a new Recreation business plan is in the process of being drafted. There are no plans to draft a CDF business plan due to the transfer of the facility and service to the Federal government. The projected timeframe for initial review of the drafts is late calendar year 2015. These business plans will include guidelines for inventory execution, employee bonuses, depreciation of capital assets procedures, and the disposition of funds.

**Status:** The draft of the business plan for the Recreation department has been completed with the final document expected to be approved by June 2016. The business plans will include guidelines for inventory execution, employee bonuses, depreciation of capital assets procedures, and the disposition of funds.

**Recommendation No. 4:** We recommend that Department management revise the Dining activity operations as necessary to ensure sufficient resources are generated to pay expenses.

**The Actual or Proposed Corrective Action:** The DMA concurs. Significant measures were put into place over the past year to curtail the perpetual monetary losses. As a result of implementing those changes, the CDF operated at a profit in the current Federal Fiscal Year (October to present). Changes implemented include; 1) Appointing a State Employee as the Non Appropriated Funds (NAF) Enterprises Director with oversight over the Dining Facility Manager (Contract Employee). 2) Empowering the Dining Facility Manager to make operational and timely decisions at his level without having to get additional approvals. 3) Providing strict oversight over employee hours and payroll costs. 4). Implementing a mechanism to hold unit Commanders accountable and recoup losses from unit/customers that order a set amount of meals, then not have the personnel that eat the meals, previously causing the CDF to discard the meal without reimbursement. 5) Increasing the cost of meals to allowable limits set by the Department of the Army. Simultaneously to implementing the above changes, the DMA leadership believed it was in the organizations best interest to transition the responsibility of running the CDF from a State contract back to Federal contract. Through a long contracting process, a Federal contract was established with an outside vendor on 1 August and is expecting to be in place on or about 1 September 2015. This will end the State's responsibility to operate the CDF.

**Status:** The Consolidated Dining Facility (CDF) was transferred to a Federal contract with Federal administration ending the State responsibility to operate the CDF. All monies and equipment have been properly transferred.

**Recommendation No. 5:** We recommend that Department management enhance procedures to ensure that contractor payment and performance bonds are properly recorded in the public records of the applicable county and that construction contractors and architects provide certificates of insurance demonstrating that appropriate types and amounts of insurance are obtained and maintained.

**The Actual or Proposed Corrective Action:** DMA concurs with this Recommendation. CFMO immediately implemented internal tracking to ensure all required documentation is recorded in the applicable counties in which construction is conducted. Procedures were implemented to ensure all certificates insurance are obtained at the onset of construction projects and are maintained in the official contract folder.

**Status:** New Standard Operating Procedures (SOP) and checklist that requires performance bond proof before moving forward are established. The Construction Facilities Management Officer (CFMO) personally verifies with the county on this item. No notice of proceed is issued until this is verified. The same procedures are established with the insurance requirements. The verbiage was changed to ensure this correction.

**Recommendation No. 6:** We recommend that Department management continue its efforts to enhance CME contract monitoring procedures. Such procedures should ensure that prior to payment, subcontracts and detailed payment requests are provided, subcontractor invoices and bid tabulations are obtained, and documentation for expenditures from project contingency funds

are reviewed and approved. We also recommend that the Department obtain and review the detailed invoices and subcontract documents related to each payment request for the USPFO Warehouse project, and for a representative sample of other projects, to determine whether any overpayments were made and, if so, take appropriate actions to recover the overpayments from the CMEs.

**The Actual or Proposed Corrective Action:** DMA concurs with this Recommendation. Procedures were implemented by CFMO to ensure all required backup documentation is submitted with pay applications for review throughout the entire DMA payment approval process. CFMO will aggressively leverage the CME for all detailed invoices and subcontract documents related to each payment request for the USPFO Warehouse project and will do the same for a sample of other projects. This will be completed by the end of the calendar year 2015.

**Status:** DMA was unable to get the USPFO Warehouse project information because the computer crashed and all the information was lost. New procedures are in place to keep documents and monthly reviews are completed with a third “set of eyes” doing the review. The Miramar project was reviewed as a sample. It is a “Design-Bid-Build” project, therefore, the contract management is not as cumbersome.

**Recommendation No. 7:** We recommend that Department management continue its efforts to address the delegation of authority for approving single transaction limits, monitor the reasonableness of card assignments and transaction limits, and promptly cancel purchasing cards upon a cardholder’s separation from Department employment. We also recommend that Department management ensure that purchasing cardholders with single transaction limits exceeding \$20,000 are advised of the statement of financial interests filing requirements specified in State law and ensure that such statements are timely filed with the Commission on Ethics.

**The Actual or Proposed Corrective Action:** DMA concurs. DMA will continue to monitor the distribution and use of purchasing cards as well as the assignment of cards. DMA Human Resources will send electronic notification to the P-card Administrator if an employee is leaving the agency. When notification is received the P-card Administrator will go into the SAMAS/FLAIR P-card module and cancel the card immediately. The P-card Administrator through the Human resources, will ensure that purchasing cardholders with single transaction limits exceeding \$20,000 are advised of the statement of financial interests filing requirements specified in State law and ensure that such statements are filed with the Commission on Ethics before July 1<sup>st</sup> of each year. DMA has lowered the number of cards issued and lowered limits on the cards.

**Status:** Purchasing & Contracting (P&C) runs a P-card report to determine usage of each P-card every six months. If the card is not used, P&C requests the Supervisor of the employee explain the need for the card. All other corrective actions are in place.

**Recommendation No. 8:** We recommend that Department management continue efforts to revise the About Face and Forward March program contracts to include the language required by the FSAA, including language related to monitoring requirements. We also recommend that Department management take steps to ensure that all required FRP audit reports are timely reviewed, and that the basis for all amounts expended for the About Face and Forward March

programs are appropriately documented, constitute arm's length transactions, and comply with the FSAA requirements.

**The Actual or Proposed Corrective Action:** DMA concurs. DMA management has revised the About Face and Forward March program contracts to include the language required by the FSAA, including language related to monitoring requirements. DMA management will take steps to ensure that all required FRP audit reports are reviewed, and that the basis for all amounts expended for the About Face and Forward March programs are appropriately documented and comply with the FSAA requirements. Contracts are awarded to Paxen, LLC and Career Training Concepts (CTC) for both About Face and Forward March. A copy of the recipient vs. vendor checklist is in each file. DMA has amended the contracts adding the following language: *Agreements with recipients of state financial assistance, even if awarded on a fixed price basis, require compliance with Sections 215.97 FS, 215.971 FS, and expenditures of state financial assistance be in compliance with laws, rules and regulations applicable to expenditures of State funds, including, but not limited to, the Reference Guide for State Expenditures.*

**Status:** DMA has added the language required by FSAA in the contract that was awarded to Paxen, LLC and Career Training Concepts for About Face and Forward March effective January 15, 2015. DMA is re-evaluating if the FSAA rules apply to these contracts because of the way the money is being received through the state budget.

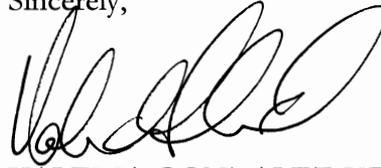
**Recommendation No. 9:** We recommend that Department management enhance policies and procedures to ensure that appropriate *Vehicle Log Sheets* are completed, correct class codes are assigned to motor vehicles, employee driver's licenses are current and active, and vehicle maintenance records are accurate. Also, we recommend that Department management ensure compliance with Treasury regulation reporting requirements for personal use of State-owned motor vehicles.

**The Actual or Proposed Corrective Action:** DMA concurs. DMA will rewrite the State Vehicle Standard Operating Procedures (SOP). The SOP will provide guidance standardizing the Vehicle Log Sheet usage, process for ensuring driver's licenses are valid, and instructions for filling log sheets. The vehicle records inaccuracy was an employee related mistake and training will be provided to correct the finding. The two vehicles assigned as a perquisite have been cancelled correcting the auditors findings related to fringe benefits and improper class code assignment. The DMA SOP is projected to be rewritten and complete no later than the end of the Calendar Year 2015. The SOP will provide guidance correcting auditor's findings. The St Augustine FLEET Manager is new to the position and has the appropriate training which will correct any inaccurate maintenance cost reporting.

**Status:** DMA has updated, completed and posted the State Vehicle Standard Operating Procedures (SOP) on the website. The SOP has corrected all items found in the audit recommendation.

DMA appreciates the courtesies and professionalism of your staff throughout the audit process. If you have any questions, or if you require any additional information, please do not hesitate to contact me at (904) 823-0200.

Sincerely,

A handwritten signature in black ink, appearing to read 'Valeria Gonzalez-Kerr', written in a cursive style.

VALERIA GONZALEZ-KERR  
Brigadier General  
Florida National Guard  
State Quartermaster