

Office of Inspector General Annual Report for Fiscal Year 2019-2020



Sarah Beth Hall, Inspector General

September 30, 2020



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Ron DeSantis, Governor
Jonathan R. Satter, Secretary

September 30, 2020

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Melinda Miguel, Chief Inspector General
Executive Office of the Governor
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Re: DMS OIG Annual Report for Fiscal Year 2019-2020

Secretary Satter and Chief Inspector General Miguel:

In accordance with section 20.055(8)(a), Florida Statutes, I am pleased to present the Office of Inspector General's Annual Report for Fiscal Year 2019-2020. The report summarizes the accomplishments of staff within the Investigations and Internal Audit Sections during the fiscal year.

We remain committed to enhancing and promoting accountability, integrity and efficiency and look forward to continuing to work with you and the Department of Management Services staff in Fiscal Year 2020-2021.

If you have any questions, please call me at (850) 488-5285.

Respectfully submitted,

Sarah Beth Hall
Inspector General

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INTRODUCTION

Section 20.055, Florida Statutes (F.S.), establishes an Office of Inspector General (OIG) within each state agency to provide a central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency in government. Section 20.055, F.S., also outlines the specific duties of each Inspector General, including the duties and responsibilities for carrying out auditing and investigative activities. Additionally, section 20.055, F.S., specifies that each Inspector General shall prepare an annual report no later than September 30 of each year, which summarizes the activities of the office during the prior fiscal year, and includes:

- A description of activities relating to the development, assessment, and validation of performance measures;
- A description of significant abuses and deficiencies relating to the administration of programs and operations of the agency disclosed by investigations, audits, reviews, or other activities during the reporting period;
- A description of the recommendations for corrective action made by the Inspector General during the reporting period with respect to significant problems, abuses, or deficiencies identified;
- The identification of each significant recommendation described in previous annual reports on which corrective action has not been completed; and
- A summary of each audit and investigation completed during the reporting period.

This annual report is presented to the Secretary of the Department of Management Services (Department) and the Executive Office of the Governor's Chief Inspector General to comply with statutory requirements and to provide Department staff and interested parties with information on the OIG's progress in accomplishing its mission.

MISSION STATEMENT

The OIG's mission is to promote effectiveness, efficiency, and quality within the Department. The OIG provides independent reviews, assessments, and investigations of Department programs, activities, and functions to assist the Department in accomplishing its overall mission.

DUTIES AND RESPONSIBILITIES

In accordance with section 20.055(2), F.S., the Inspector General's duties and responsibilities include:

- Providing direction for, supervising, and coordinating audits, investigations, and management reviews relating to the programs and operations of the state agency, except that when the Inspector General does not possess the qualifications, the director of auditing shall conduct such audits;
- Conducting, supervising, or coordinating other activities carried out or financed by that state agency for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations;
- Keeping the agency head or, for state agencies under the jurisdiction of the Governor, the Chief Inspector General informed concerning fraud, abuses, and deficiencies relating to programs and operations administered or financed by the state agency, recommending corrective action concerning fraud, abuses, and deficiencies, and reporting on the progress made in implementing corrective action;
- Advising in the development of performance measures, standards, and procedures for the evaluation of state agency programs;
- Assessing the reliability and validity of the information provided by the state agency on performance measures and standards, and making recommendations for improvement, if necessary, before submission of such information pursuant to section 216.1827, F.S.;
- Reviewing the actions taken by the state agency to improve program performance and meet program standards and make recommendations for improvement, if necessary;
- Ensuring effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies with a view toward avoiding duplication;
- Reviewing, as appropriate, rules relating to the programs and operations of such state agency and making recommendations concerning their impact;
- Ensuring that an appropriate balance is maintained between audit, investigative, and other accountability services; and
- Complying with the General Principles and Standards for Offices of Inspector General as published and revised by the Association of Inspectors General.

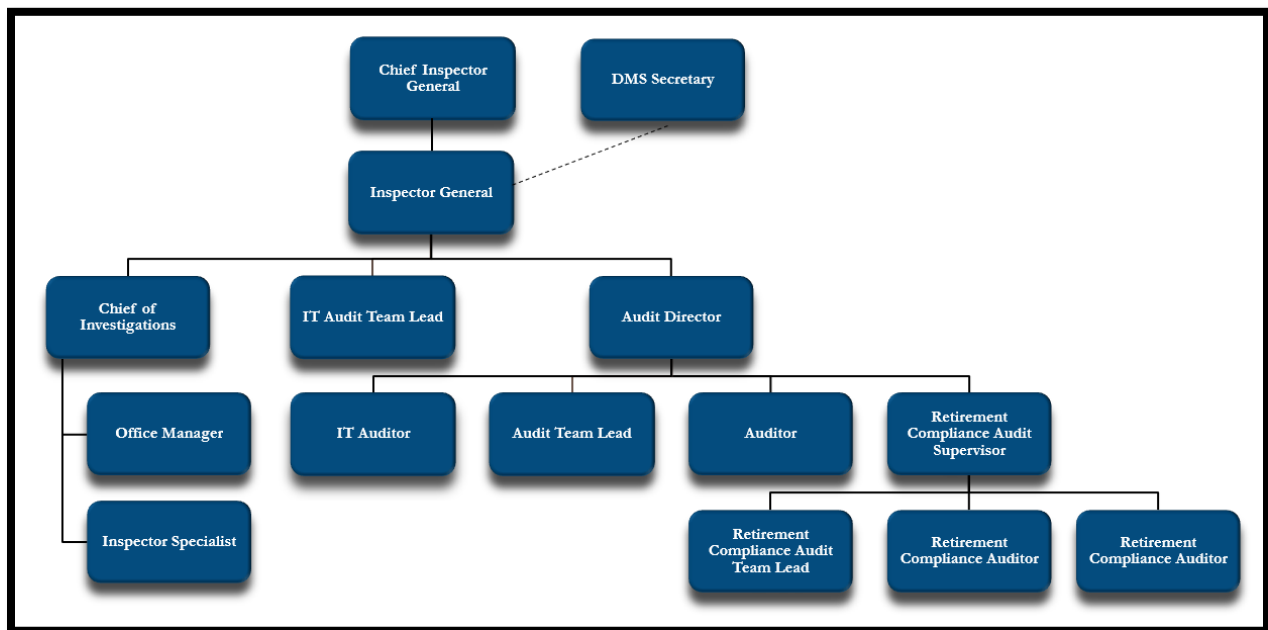
In addition to the duties and responsibilities outlined in section 20.055, F.S., the Department delegated the statutory responsibility of conducting external retirement compliance audits to the Retirement Compliance Audit Unit within the OIG. Section 121.193, F.S., outlines the Department's responsibilities for conducting external compliance audits of payroll and personnel records of participating agencies in the Florida Retirement System.

INDEPENDENCE

In accordance with section 20.055(3), F.S., the Inspector General shall be under the general supervision of the agency head for administrative purposes, shall report to the Chief Inspector General, and may hire and remove staff within the OIG in consultation with the Chief Inspector General, but independently of the agency. The organizational independence of the Inspector General helps to ensure that audits, investigations, and other activities are performed independently.

OIG ORGANIZATION AND STAFFING

The OIG consists of the Inspector General and 12 staff positions. The OIG is organized into two sections: Investigations and Internal Audit. The OIG's organizational structure as of June 30, 2020, is shown in the diagram below:



OIG STAFF QUALIFICATIONS AND CERTIFICATIONS

OIG personnel are highly qualified and bring various backgrounds and expertise to the Department. The collective experience spans a variety of disciplines including audit, accounting, investigations, and information technology.

The *International Standards for the Professional Practice of Internal Auditing* as published by the Institute of Internal Auditors, Inc. and the *Principles and Standards for Offices of Inspector General* published by the Association of Inspectors General require internal auditors to maintain their professional proficiency through continuing education and training. In addition, the OIG has received accreditation by the Commission for Law Enforcement Accreditation Inc., and must meet minimum training standards in order to maintain accreditation.

Code of Ethics

Staff abide by the *Florida Code of Ethics for Public Officers and Employees* as codified in sections 112.311-112.326, F.S., the *Executive Office of the Governor's Code of Ethics*, and Department Administrative Policy HR 07-105 *Code of Ethics*.

Staff Professional Certifications

OIG staff members continually seek to enhance their abilities and contributions to the office and the Department. Many staff members have obtained certifications that demonstrate their knowledge, motivation, and commitment to the profession. The accomplishments of the staff in obtaining professional certifications represent significant time and effort by each staff member, reflecting positively on the individuals as well as the Department. During the fiscal year, OIG staff held numerous professional certifications. The *Professional Certifications* table details the types and number of certifications held by OIG staff as of June 30, 2020.

Professional Certification	No.
Certified Inspector General (CIG)	3
Certified Inspector General Auditor (CIGA)	5
Certified Inspector General Investigator (CIGI)	2
Certified Public Accountant (CPA)	1
Certified Internal Auditor (CIA)	3
Certified Information Systems Auditor (CISA)	2
Certified Information Systems Security Professional (CISSP)	1
Certified Fraud Examiner (CFE)	1
Certified Management Accountant (CMA)	1
Certified Equal Employment Opportunity Investigator	2
Florida Certified Contract Manager (FCCM)	3
Notary Public	3
Project Management Professional (PMP)	1
Problem Management Professional	1

Staff Professional Affiliations

OIG staff members participate in several professional organizations to maintain proficiency in their areas of expertise and certification. These associations allow them to establish and advance professional networks and participate in professional development activities. OIG staff members are affiliated with the following professional organizations that support audit and investigation activities:

- Association of Inspectors General (National and Local);
- The Institute of Internal Auditors, Inc. (National and Local);
- Association of Government Accountants (National and Local);
- ISACA (National and Local);
- Institute of Management Accountants; and
- Association of Certified Fraud Examiners.

Continuing Professional Education

The Association of Inspectors General specifies that each staff person performing audits, investigations, evaluations, or reviews should receive at least 40 hours of continuing professional education every two years in areas that directly enhance the staff member's professional proficiency.

OIG staff attended various training sessions during Fiscal Year 2019-2020 in areas that enhanced their professional proficiency. Staff attended training sessions that were offered by several associations, the above affiliates, and the Department.

INVESTIGATIVE ACTIVITY

Section 20.055, F.S., details investigative duties of the OIG. The OIG shall initiate, conduct, supervise, and coordinate investigations designed to detect, deter, prevent, and eradicate fraud, waste, mismanagement, misconduct, and other abuses. In line with this, the OIG is required to:

- Receive complaints and coordinate all activities of the agency as required by the Whistle-blower's Act, pursuant to sections 112.3187-112.31895, F.S.;
- Receive and consider the complaints that do not meet the criteria for an investigation under the Whistle-blower's Act and conduct, supervise, or coordinate such inquiries, investigations, or reviews as appropriate; and
- Report expeditiously to the Department of Law Enforcement or other law enforcement agencies, as appropriate, whenever the inspector general has reasonable grounds to believe there has been a violation of criminal law.

Complaints or Requests for Assistance Receipt and Handling

During Fiscal Year 2019-2020, the OIG processed 183 new complaints or requests for assistance. The complaints or requests for assistance were received from private prison staff and inmates, current and former state agency employees, independent contractors, the general public, other state agencies, the Chief Inspector's General office, and anonymous tips. The OIG received them from many sources including mail, telephone, email, and in person. The complaints or requests for assistance were categorized as follows:

Complaints or Requests for Assistance Categories	
<i>Department Policy</i>	complaints associated with Department employee personnel concerns or regarding various Department contractor concerns.
<i>Florida Commission on Human Relations (FCHR)</i>	complaints associated with FCHR personnel concerns. The Department and FCHR have a Memorandum of Understanding to provide requested OIG services on a reasonable, as-requested basis.
<i>Florida Department of Corrections (FDC) Prisons</i>	complaints associated with health and safety violations, policy violations, or conduct of FDC prison staff. The FDC OIG has purview over the FDC correctional institutions.
<i>Florida Retirement System</i>	complaints associated with members' customer service concerns, policy and rule concerns, and potential fraud.
<i>Other</i>	complaints not within the OIG's jurisdiction; information provided wherein no investigative review or engagement was required. The allegations involved private businesses or other state agencies.
<i>People First</i>	complaints associated with customer service concerns, the People First system, and the Florida Has A Right to Know database.
<i>Private Prisons</i>	complaints associated with health and safety violations, policy violations, or conduct of private prison staff or contractors. The Department contracts with the following private prisons across Florida: Bay Correctional Facility; Blackwater River Correctional Facility; Gadsden Correctional Facility; Graceville Correctional Facility; Lake City Youthful Offender Facility; Moore Haven Correctional Facility; and South Bay Correctional Facility.
<i>Reemployment Assistance</i>	complaints associated with citizens of Florida filing for reemployment assistance with the Florida Department of Economic Opportunity (DEO). The DEO OIG has purview over the DEO.

Complaints or Requests for Assistance Dispositions

All complaints or requests for assistance were categorized, indexed, and assigned a case number for tracking and follow-up. The following table depicts how the OIG closed 168 complaints or requests for assistance received in Fiscal Year 2019-2020 and 8 complaints or requests for assistance from prior fiscal years.

Complaints or Requests for Assistance Dispositions	
31	referred to other entities such as state and federal agencies and the Chief Inspector General's office for response; however, some complaints did not require a response. Each response was reviewed to ensure that all identified issues were addressed.
112	referred to Department division management for a response; however, some complaints did not require a response. Each management response was reviewed to ensure that all identified issues were addressed.
33	handled or processed by the OIG. The OIG investigated; or received notifications and forwarded the information to Department division management or other agencies; assisted in obtaining information; had no jurisdiction; or due to lack of information closed the complaint.

Other Activities

The OIG made 9 referrals to law enforcement for incidents that were potential criminal violations and closed 1 law enforcement case referral from a prior fiscal year. The OIG processed 14 public records requests.

Whistle-blower's Act

The OIG assessed complaints to determine if the complainant and the nature of information disclosed met the qualifications stated in sections 112.3187-112.31895, F.S., (Whistle-blower's Act). The OIG performed a detailed determination on 31 complaints. Of the 31 complaints, 1 met the provisions of the Whistle-blower's Act.



Closed Investigation Case Summaries

During Fiscal Year 2019-2020, the OIG completed three investigations and three were on going at year-end. No significant abuses or deficiencies were identified by the Investigations Section.

Case Number 2016.37

On December 1, 2015, the Investigations Section initiated an investigation into allegations that:

- Private prison staff engaged in falsification of program records on behalf of inmates;
- The private prison contractor billed the Department for program services that were not provided to inmates;
- Private prison staff did not perform necessary administrative activities in order to assign inmates to programs offered by the private prison; and
- Private prison staff engaged in falsification of program records so the program would pass an annual licensing review.

The OIG issued an investigative report on July 8, 2019. Based on information obtained during the investigation, the allegations were not supported.

Case Number 2020.27

On September 4, 2019, the Investigations Section initiated an investigation into an allegation that a Department employee acted inappropriately towards another Department employee.

The OIG issued an investigative report on November 25, 2019. Based on information obtained during the investigation, the allegation was supported.

Case Number 2020.126

On January 30, 2020, the Investigations Section initiated an investigation into an allegation that a FCHR employee acted inappropriately towards another FCHR employee. The OIG issued an investigative report on March 6, 2020. Based on information obtained during the investigation, the allegation was not supported.

Accreditation

An accreditation program has long been recognized as a means of maintaining and verifying the highest standards. Accreditation is the certification by an independent reviewing authority that an entity has met specific requirements and prescribed standards. In 2009, the Commission for Florida Law Enforcement Accreditation (CFA) expanded its program to include inspectors general offices. On October 3, 2018, the full CFA voted unanimously to award the certificate of accreditation to the OIG. The accreditation remains in effect for three years at which point, state assessors will complete a re-accreditation review of the OIG. This is scheduled for the fall of 2021.



Background Screenings

The Investigations Section was responsible for conducting criminal background screenings in accordance with sections 110.1127, 435.033, and 435.044, F.S. Criminal background screenings

are conducted on all candidates for employment or promotion within the Department and for a limited number of candidates filling certain contracted positions. The Investigations Section also conducted criminal background screenings for entities affiliated with the Department including FCHR, the Florida Division of Administrative Hearings, and the Florida Public Employee Relations Commission. As a condition of employment, candidates for employment must pass a Level two criminal background screening for positions of special trust. All other candidates for employment must pass a Level one criminal background screening. During Fiscal Year 2019-2020, the Investigations Section processed 453 Level two and 13 Level one criminal background screenings.

During the spring of 2020, the Department contracted the background screening process out to a third-party vendor and the background screening administrative processes were transferred from the Investigations Section to the Department's Office of Human Resources.

INTERNAL AUDIT ACTIVITY

Section 20.055, F.S., requires the OIG to conduct financial, compliance, electronic data processing, and performance audits of the agency and prepare audit reports of the findings. Internal Audit staff perform independent audits, reviews, and examinations to identify, report and recommend corrective actions for areas of inefficiencies, control deficiencies or non-compliance with applicable laws, rules, policies, and procedures. The internal audit activity helps the Department accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Audits and consulting engagements are conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the applicable *Principles and Standards for Offices of Inspectors General*.

Summary of Internal Audit Section Activities in Fiscal Year 2019-2020

During Fiscal Year 2019-2020, the Internal Audit Section published two internal audit reports, issued two management review reports, and conducted seven follow-up reviews. The Internal Audit Section also ensured coordination between the Department program areas and external auditors. During Fiscal Year 2019-2020, the Department was the subject of five external audits conducted by the Auditor General and a contract management review conducted by the Department of Financial Services. No significant abuses or deficiencies were identified by the Internal Audit Section.

Internal Audit Projects

Internal Audit Report No. IA-2018-079 – Assessment of Financial Reporting – Division of Retirement

The objective of this audit was to evaluate the Division of Retirement's (Division) procedures and accounting controls that support the financial reporting process for adequacy and effectiveness.

The Division in coordination with the Bureau of Financial Management Services generally follows guidance provided by the Department of Financial Services to ensure that the year-end closeout and financial reporting tasks are performed; however, the Division could benefit from formal written procedures and guidelines related to its year-end close-out process.

Parts of the year-end close-out process for the Division are primarily reliant upon the institutional knowledge of certain experienced staff. Not having formal written procedures increases the risk of improper or inconsistent accounting for transactions if experienced staff were to retire or leave the Division.

We recommended the Division complete and implement its Pension Comprehensive Annual Financial Report Preparation Manual to ensure that the year-end close-out process is documented, and knowledge of internal practices is retained. The Division concurred with the recommendation.

Internal Audit Report No. IA-2020-36 – Audit of Cybersecurity with a Focus on Malware

The objective of the audit was to evaluate controls in place for preventing, detecting, and responding to malware within the State Data Center. The scope of the audit was limited to selected controls that were in place to protect the Department's data from malware during July through September 2019 with selected actions subsequently. This audit was conducted between July 2019 and February 2020. The audit also contained a review of cyber insurance.

A sub-set of cybersecurity controls was selected from both the National Institute of Standards and Technology framework and the Florida Cybersecurity Standards for review and evaluation. The selected controls were evaluated against the policies, procedures, and processes within the Department and the Division of State Technology's State Data Center (DST-SDC).

Our audit disclosed that certain DST-SDC cybersecurity controls needed improvement. To address the deficiencies, we made recommendations. Management concurred with the findings and recommendations. This audit contains information classified as confidential pursuant to section 282.318, F.S., and is confidential and exempt from the provisions of section 119.07(1), F.S.

Management Reviews

Management reviews are reviews of Department divisions, programs, or processes that do not require a comprehensive audit. Management reviews result in written reports or letters of findings and recommendations, including responses by management as applicable. Management reviews are conducted in accordance with the applicable *Principles and Standards for Offices of Inspectors General*. These reports are distributed internally to the Department Secretary and affected division management. In addition, select reports are sent to the Chief Inspector General and to the Auditor General.

Management Review Report No. IA-2020-17 – Performance Measures Review

Section 20.055, F.S., requires the OIG in each state agency to advise in the development of performance measures, standards, and procedures for the evaluation of state agency programs; assess the reliability and validity of the information provided by the state agency on performance measures and standards, and make recommendations for improvement, if necessary.

The Internal Audit Section reviewed three of the Department's performance measures for Fiscal Year 2019-2020 to assess the reliability and validity of the performance measures, and make recommendations for improvement. The OIG found all three of the performance measures reviewed to be valid; however, recommendations were made to improve the reliability of two of the performance measures.

Management Review Report No. IA-2020-72 – Roles and Responsibilities of the CISO and ISM

At the request of executive management, the OIG conducted a management review of the roles and responsibilities of the Chief Information Security Officer (CISO) and the Information Security Manager (ISM).

This report details the current roles and responsibilities of the CISO and ISM and identifies two areas of overlap. The overlap is a result of the merger of the Agency for State Technology (AST) into the Division of State Technology (DST). Additionally, the report details research conducted into information security program requirements, guidance, and best practices. Included in the report are considerations for management to address the identified areas of overlap.

Enterprise Projects

To gain efficiencies of working together, the Chief Inspector General and agency Inspectors General meet on a regular basis to discuss and evaluate enterprise issues and projects. Additionally, the OIG assists staff from various OIGs with special requests and provides support for Enterprise projects.

External Audit Coordination

Section 20.055, F.S., requires the OIG to ensure effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies with a view toward avoiding duplication. The OIG is the primary liaison with external entities and is responsible for coordinating and facilitating responses to audits or reviews by those entities. To meet the statutory requirement, the Internal Audit Section coordinates information requests and management responses between external auditors and management and, as requested, assists with scheduling meetings. When the external audit is complete and the preliminary and tentative report has been issued, the Internal Audit Section coordinates the required management responses for the external audit reports.

During Fiscal Year 2019-2020, the Internal Audit Section coordinated 5 external audits completed by the Auditor General and a contract management review completed by the Department of Financial Services. The completed external audits contained 13 recommendations to the Department. The *External Audit Coordination Completed* table shown below lists the completed external engagements.

External Audit Coordination Completed		
Report Number	Audit Subject	Report Date
Auditor General Report 2020-019	Florida Retirement System and Retiree Health Insurance Subsidy Program Cost-Sharing Multiple Employer Defined Benefit Pension Plans – Schedules of Deferred Outflows for Contributions Subsequent to the June 30, 2018, Measurement Date by Employer	8/28/2019
Auditor General Report 2020-089	Florida Retirement System Pension Plan and Other State – Administered Systems – Financial Audit	1/3/2020
Auditor General Report 2020-149	State Data Center Operations – Information Technology Audit	3/21/2020
Auditor General Report 2020-099	Schedules of Employer Allocations and Pension Amounts by Employer for the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program – Cost-Sharing Multiple Employer Defined Benefit Pension Plans – Financial Audit	1/21/2020
Auditor General Report 2020-170	State of Florida – Compliance and Internal Controls Over Financial Reporting and Federal Awards	3/5/2020
Department of Financial Services Report 2019-08	Contract Management Review	10/28/2019

Follow-up Activities

Section 20.055, F.S., *International Standards for the Professional Practice of Internal Auditing* and the *Principles and Standards for Offices of Inspector General* require the OIG to establish a follow-up process to monitor and ensure management implemented corrective actions.

During Fiscal Year 2019-2020, the Internal Audit Section performed 4 internal follow-up reviews regarding the corrective actions taken by the Department on prior internal audit report findings. The internal audit follow-up reviews noted that corrective action plans were incomplete on 1 of the 22 findings. It is the Internal Audit Section's policy to continue to monitor outstanding recommendations until corrective action has been implemented or until management accepts the risk of not implementing the recommendations. The *Internal Follow-up Reviews Completed* table shown below lists the completed follow-up reviews.

Internal Follow-up Reviews Completed		
Original Report Number	Audit Subject	Date Completed
Internal Audit Report, No. 2018-45	12-Month Follow-up Review of Limited Review of Physical Security – Non-badge Access Audit	7/2/2019
Internal Audit Report, No. 2017-046	12-Month Follow-up to Private Prison Contract Monitoring Audit	7/31/2019
Internal Audit Report, No. 2018-017	12-Month Follow-up to Employee Termination and Transfer Audit	3/9/2020
Internal Audit Report, No. 2016-8787	30-Month Follow-up to Department Cash Receipts Process Audit	3/10/2020

In accordance with section 20.055(6)(h), F.S., the OIG monitors the implementation of Department responses and planned corrective actions to findings and recommendations made in reports issued by the Auditor General or by the Office of Program Policy Analysis and Government Accountability (OPPAGA). The OIG is required to provide a written report to the Chief Inspector General on the status of planned corrective actions no later than six months after an Auditor General or OPPAGA report is published. A copy of the report is also provided to the Joint Legislative Auditing Committee and the Department Secretary.

During the fiscal year, 3 external audits required follow-up activities. The external audit follow-up reviews noted that corrective action plans were incomplete on 8 of the 15 findings. The *External Audit Follow-Up Reviews Completed* table details the external audit follow-up reviews that the OIG completed during the fiscal year.

Original Report Number	External Follow-up Reviews Completed	
	Audit Subject	Date Completed
Auditor General Report, No. 2019-098	6-Month Follow-up to Statewide Law Enforcement Radio System Prior Audit Follow-Up and Selected Administrative Activities	7/19/2019
Auditor General Report, No. 2019-152	6-Month Follow-up to Agency for State Technology, State IT Project Management and Oversight	9/10/2019
Auditor General Report, No. 2019-220	6-Month Follow-up to Information Technology Operational Audit of the Department General Controls and Integrated Retirement Information System (IRIS)	1/17/2020

Summary of Significant Recommendations Pending Corrective Action in Fiscal Year 2019-2020

Section 20.055, F.S., requires the identification of each significant recommendation described in previous annual reports on which corrective action has not been completed. Some of the findings presented in OIG Report Number 2017-046 Audit of Private Prison Contract Monitoring remain open. Findings also remain open for Auditor General Report Number 2019-098 Statewide Law Enforcement Radio System Prior Audit Follow-Up and Selected Administrative Activities, and Auditor General Report Number 2019-220 Information Technology Operational Audit of Department General Controls and Integrated Retirement Information System.

RETIREMENT COMPLIANCE AUDIT ACTIVITIES

Section 121.193, F.S., outlines the Department's responsibilities related to the conduct of external compliance audits of payroll and personnel records of participating agencies in the Florida Retirement System. This section further states:

- Audits under this section shall be made to determine the accuracy of reports submitted to the Department and to assess the degree of compliance with applicable statutes, rules, and coverage agreements;
- Audits under this section shall be scheduled on a regular basis, as a result of concerns known to exist at an agency, or as a follow-up to ensure agency action was taken to correct deficiencies found in an earlier audit;

- Participating agencies shall furnish the Department with information and documents that the Department requires to conduct the audit and may prescribe by rule the documents that may be requested;
- The Department shall review the agencies operations concerning retirement and social security coverage and discuss preliminary findings with agency personnel at the close of an audit; and
- An audit report of findings and recommendations shall be submitted to Department management and an audit summary letter noting any concerns and corrective action shall be submitted to the agency.

The Department has delegated the statutory responsibilities outlined above to the Retirement Compliance Audit Unit. The Retirement Compliance Audit Unit is assigned to the Internal Audit Section of the OIG.

Summary of Retirement Compliance Audits for Fiscal Year 2019-2020

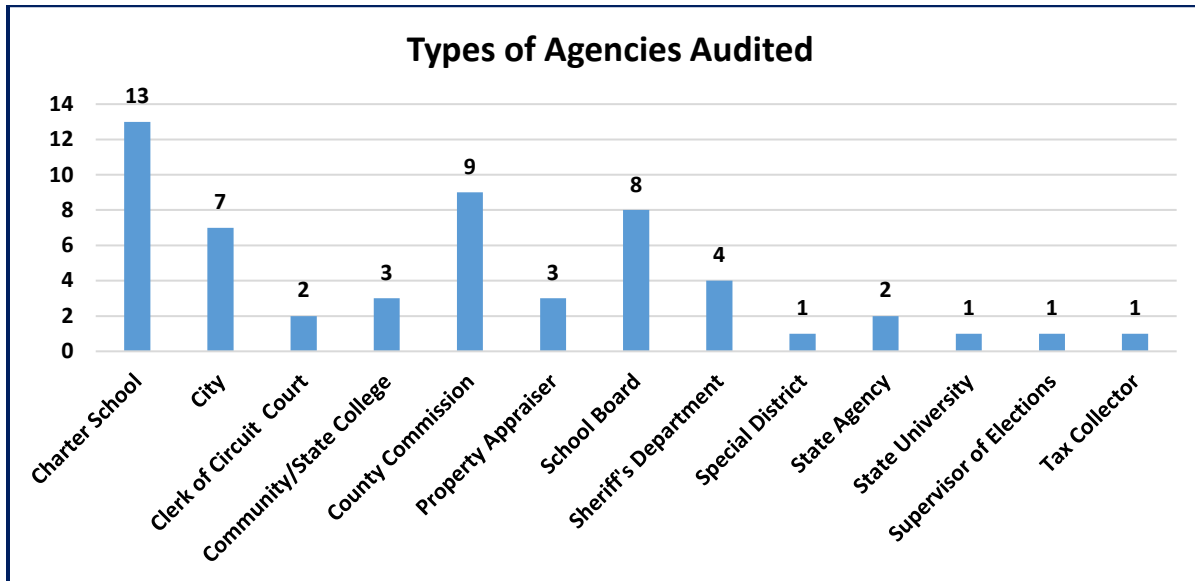
During Fiscal Year 2019-2020, the Retirement Compliance Audit Unit completed 55 compliance audits of entities participating in the Florida Retirement System. These audits assessed the degree of compliance with applicable statutes, rules, and coverage agreements and determined the accuracy of payroll, personnel, and earnings records.

Entities Audited by the Retirement Compliance Audit Unit	
Agency	Final Report Issued
Florida Gulf Coast University	7/23/2019
City of Wildwood	7/24/2019
City of Williston	7/26/2019
Hamilton County Board of County Commissioners	8/6/2019
City of North Bay Village	8/9/2019
Madison County Board of County Commissioners	8/14/2019
Marion County Board of County Commissioners	8/15/2019
Collier County Sheriff's Office	8/15/2019
Manatee County Tax Collector	8/15/2019
Orange County School Board	8/23/2019
Calhoun County Board of County Commissioners	8/27/2019
Hardee County Board of County Commissioners	9/5/2019
City of Callaway	9/6/2019
Bradford County Board of County Commissioners	9/12/2019
Rising Leader Academy, Inc.	9/24/2019
Bay Haven Charter Academy Elementary School	9/24/2019
Glades County Board of County Commissioners	9/30/2019

Entities Audited by the Retirement Compliance Audit Unit	
Agency	Final Report Issued
Clay County School Board	10/2/2019
Genesis Preparatory School of Gainesville, Inc.	10/8/2019
Charlotte County Board of County Commissioners	10/8/2019
Alachua County School Board	10/9/2019
Palm Beach State College	10/11/2019
Franklin County Board of County Commissioners	10/11/2019
City of Chipley	10/15/2019
Agency for Health Care Administration	10/23/2019
Gulf Coast State College	11/19/2019
Pasco County School Board	11/25/2019
Columbia County School Board	11/26/2019
North Florida Community College	12/6/2019
Palm Bay Preparatory Academy	12/10/2019
North Central Florida Public Charter School	12/18/2019
University Academy Inc.	12/20/2019
Sarasota Military Academy Prep	12/20/2019
William Monroe Rowlett Academy for The Arts & Communication	1/17/2020
Palm Beach County School Board	1/17/2020
City of Sebring	1/27/2020
Florida Department of Law Enforcement	1/28/2020
Putnam Academy of Arts and Sciences	2/28/2020
Bay Haven Charter Academy Middle School	3/2/2020
Osceola County School Board	3/13/2020
Highlands County Property Appraiser	3/13/2020
Calhoun County Clerk of Circuit Court	3/16/2020
Baker County Sheriff's Dept.	3/24/2020
Glades County Clerk of The Circuit Court	4/2/2020
Micanopy Middle School Inc.	4/7/2020
Seminole County School Board	4/20/2020
Hendry County Property Appraiser	4/20/2020
Town of Glen St Mary	4/23/2020
Lafayette County Supervisor of Elections	4/30/2020
Jackson County Property Appraiser	5/12/2020
Homosassa Special Water District	5/15/2020
Hernando County Sheriff's Department	5/22/2020
Learning Lodge Academy, Inc.	6/1/2020
Bay County Sheriff's Department	6/5/2020

Entities Audited by the Retirement Compliance Audit Unit	
Agency	Final Report Issued
Palmetto Charter School, Inc.	6/16/2020

The chart highlights the number of external compliance audits, by agency type, for Fiscal Year 2019-2020.



Summary of Significant Recommendations from Retirement Compliance Audits

During the fiscal year, the Retirement Compliance Audit Unit identified compliance issues in three primary areas: workers' compensation adjustments; unreported employees; and unreported wages. Audit recommendations pertaining to these three areas were made to a significant number of participating agencies.

- Workers' Compensation Adjustments*** – Effective July 1, 1990, a member is entitled to retirement service credit for the period of time temporary total or temporary partial workers' compensation payments are received provided the employee, upon recovery, immediately returns to active employment for one calendar month or is approved for disability retirement. When these conditions are met, the employer is required to make retirement adjustments if the employee's earnings during this period were reported at less than his/her regular pay rate.

The Retirement Compliance Audit Unit made the following recommendations related to workers' compensation adjustments:

- The agency should make workers' compensation adjustments for the employees identified, for the noted periods, if workers' compensation retirement credit eligibility requirements were met.
 - The agency should review its records and make adjustments for all employees who received workers' compensation indemnity payments for lost wages and met the eligibility criteria for workers' compensation retirement credit.
- *Unreported Employees* – An employee filling a regularly established position should be reported to the Division of Retirement for retirement coverage, even if the employee is serving a probationary period. An employee who fills a temporary position in a local agency that will exist longer than six months should be reported to the Division of Retirement, unless the position is exempt.

Additionally, Investment Plan members cannot return to employment with a Florida Retirement System participating employer until they have been retired for six calendar months (i.e., six calendar months following the month in which a distribution was taken). If they are reemployed by a Florida Retirement System participating employer within the six-calendar month period after taking a distribution (retiring), their retirement will be voided. Additionally, during the 7th to 12th calendar months after retirement, no additional Investment Plan distributions are permitted, and they cannot receive Health Insurance Subsidy payments until they either terminate employment or complete a total of 12 calendar months of retirement.

The Retirement Compliance Audit Unit made the following recommendations related to unreported employees:

- The agency should make adjustments to report the employee or employees identified for retirement coverage effective their initial date of hire because they were hired for a period exceeding six calendar months or make adjustments to report the employee or employees identified for retirement coverage on the first day of the seventh calendar month or on the first day of the month following the month in which the decision was made to extend the position beyond six months, if earlier.
- The agency should review its records and make adjustments for any other employees who were incorrectly excluded from retirement coverage based on the above criteria.
- The State Board of Administration should review any Investment Plan employees identified during an audit to confirm that a violation has occurred. The State Board of Administration will contact the employees and the employers, if needed, regarding the next steps.
- The agency should review its records to identify any other unreported employees who have retired and worked within the first six months of their

Investment Plan distribution and contact the State Board of Administration to determine if there are additional reemployment violations.

- *Unreported Wages* – All payments that meet the definition of compensation as provided in the Florida Retirement System Rule, 60S-6.001(16)(a), Florida Administrative Code, must be reported for retirement purposes. An employee filling a regularly established position who performs additional duties for the same Florida Retirement System employer is considered to be filling a regularly established position for the total employment; therefore, all earnings should be reported for Florida Retirement System coverage.

The Retirement Compliance Audit Unit made the following recommendations related to unreported wages:

- The agency should make adjustments to report the employee or employees identified who have received payments that meet the definition of compensation.
- The agency should make adjustments to report the payments that meet the definition of additional pay for additional duties.

Revenue Adjustments to the Florida Retirement System Trust Fund for Fiscal Year 2019-2020

Compliance audits resulted in net revenue adjustments of \$603,990 to the Florida Retirement System Trust Fund. The revenue adjustments made by the audited agency may be for audits completed in prior fiscal years. Seventeen agencies still need to make adjustments based on the findings identified as a result of their retirement compliance audit.

OVERSIGHT ACTIVITIES

The OIG participates in numerous activities that are classified as oversight. This includes OIG risk assessments, OIG work plans, OIG annual reports, interna/external assistance activities, OIG quality assurance and improvement program, and outreach and education activities. During the fiscal year, the OIG performed the following oversight activities.

OIG Risk Assessment, Annual Work Plan, and Annual Report

In accordance with Section 20.055, F.S., the OIG develops long-term and annual work plans, based on the findings of a comprehensive annual risk assessment. The annual work plan was approved by the agency head and submitted to the Chief Inspector General and the Auditor

General. The OIG is also responsible for preparing an annual report summarizing the activities of the office during the immediately preceding fiscal year.

Internal Audit Section Risk Assessment and Planning for Fiscal Year 2020-2021

The Internal Audit Section's annual work plan is based on the results of the annual risk assessment. The annual risk assessment process includes interviewing executive management and surveying Department division directors and managers to identify areas of risk to the Department and areas of concern for management. The risks are analyzed and ranked to determine the highest risks and priority for audit and review. The purpose of developing the annual work plan is to identify, select, and plan the allocation of resources for the upcoming fiscal year. The Internal Audit Section's goal is to provide, as efficiently as possible, the greatest level of assurance and consulting services to the Department.

Retirement Compliance Audit Unit Risk Assessment and Planning for Fiscal Year 2020-2021

The Retirement Compliance Audit Unit's annual audit schedule is also based on the results of an annual risk assessment. The risk assessment consists of surveying retirement management to identify agencies where risk of non-compliance with Florida Retirement Plan requirements is higher. Additionally, the Retirement Compliance Audit Unit considers prior and current audit findings, previous audits performed, agency size, and agency type.

Internal/External Assistance Activities

The OIG participated in the following internal/external assistance activities.

Computer Security Incident Response Team (CSIRT)

The CSIRT responds to suspected computer security incidents by identifying and controlling incidents, notifying designated CSIRT responders, and reporting findings to Department management. During the fiscal year, the OIG assisted on CSIRT events and provided input into policies and procedures for the CSIRT.

Legislative Budget Request

The OIG prepared the Schedule IX: Major Audit Findings and Recommendations (Schedule IX) for the Department's Legislative Budget Request. The Schedule IX is designed to inform decision makers on recent major findings and recommendations found in Auditor General and OIG reports issued during the current and previous fiscal years. The Schedule IX also provides information on the status of action taken to correct reported deficiencies and is cross-referenced to any budget issues for funding needed to implement audit recommendations.

Florida Single Audit Act Activities

The OIG reviewed submissions for new Catalog of State Financial Assistance (CSFA) numbers to the Department of Financial Services. Additionally, we assisted management and external parties regarding the Florida Single Audit Act processes and requirements.

OIG Quality Assurance and Improvement Program

In order to provide reasonable assurance that the Internal Audit Section's work conforms to the *International Standards for the Professional Practice of Internal Auditing* and internal policies and procedures, Standard 1300 requires that the inspector general develop and maintain a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit activity. The QAIP consists of both an internal quality assurance program, that is ongoing and includes continuous supervision and internal reviews, and external quality assessments conducted by an independent assessor. The Auditor General is responsible for conducting external assessments of the Internal Audit Section every three years in accordance with section 11.45, F.S.

Outreach and Education Activities

Chief Audit Executive Roundtable

The OIG participates in the Chief Audit Executive Roundtable. The mission of the Chief Audit Executive Roundtable is to promote the effective and efficient use of internal audit resources toward accountability, productivity, and enhancement of management control over operations. The Roundtable is a voluntary group composed of representatives (primarily Audit Directors) from local organizations, state agencies, and institutions of higher education with an internal audit function. The Inspector General joined other Audit Directors in presenting their respective annual risk assessment methodologies during the February 2020 Roundtable meeting.

OIG Internal Audit Brochures

The OIG issued its *What to Expect During an Audit* and *FRAUD the Responsibilities of Managers and Auditors* brochures in Fiscal Year 2019-2020. The brochures are used to educate the Department employees about the internal audit process, what to expect during an internal audit, and fraud indicators and prevention. The brochures are provided to attendees of audit entrance conferences.