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Internal Audit of the Agency for Workforce Innovation's Implementation of Ethics Requirements

SUMMARY

The purpose of this performance audit was to evaluate the Agency for Workforce Innovation's (AWI) policies, procedures, and actions relating to ethics in order to identify areas of best practice, opportunities for enhancements, and recommendations to assist in effectively implementing ethics requirements.

In general, we found that the Agency had adequately implemented the provisions of the Office of the Governor - Executive Order Number 11-03 concerning ethics, signed January 4, 2011.

We determined that the processes maintained within the Agency could be adjusted to help ensure compliance with the Agency's Ethics Policy. We noted the following:

- The Ethics Policy did not specifically indicate how or where ethics violations or suspected violations should be reported.
- The Agency's Ethics Policy indicates that, in compliance with Executive Order 11-03, the Agency will provide specific training on the subject of ethics, as well as other subjects, on an annual basis. Training had been provided for Senior Management and the survey results indicated that ethics information has been provided to most staff including management. On April 4, 2011, an online ethics training program was implemented for all employees with a required deadline for completion of April 15, 2011.

- Enhance the policy's effectiveness by including specific instructions on where and how to report violations. While the "Pledge on Behalf of the People of Florida" that is included in the Ethics Policy asks the signer to seek guidance when questions of ethical behavior arise, additional instructions should be developed in the Ethics Policy.
- Maintain the standard training program for all employees to cover the subject of ethics and ensure its continued implementation on an annual basis. This training should be documented for each employee and should include any updates to ethics policies or procedures.
- Develop and provide a component of ethics training for all managers and supervisors that address how to consistently handle ethics complaints when cases arise.

As a major component of this audit, 1,339 surveys were forwarded to employees in the Agency for Workforce Innovation. Survey responses were returned by 484 (or 36 percent) employees. The results of this survey are included in Appendix A of this report. In addition, we analyzed the 70 comments that were included with the survey and provided comment information to appropriate senior management. We also followed-up accordingly by conducting further reviews of selected comments.

We recommend that the Agency:

OBJECTIVES AND SCOPE

The objectives of this audit were to evaluate:

- AWI's implementation of the Office of the Governor - Executive Order Number 11-03, Ethics and Open Government.
- The design and effectiveness of AWI's ethics-related objectives, guidance, and activities in order to identify areas of potential weakness and best practices that could be shared with this agency and among other state agencies.

The scope of this audit focused primarily on recent actions taken by the AWI to design, communicate, monitor, promote, and enforce ethical standards, policies, and procedures applicable to its employees.

METHODOLOGY

This performance audit was conducted in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit procedures and tests for this audit included interviews with key personnel, evaluation of internal controls, audit of supporting evidence and documentation, and review for fraud.

In order to provide an overview of ethics in Florida state government, the Governor's Chief Inspector General has called upon the inspectors general of all state agencies to conduct an enterprise evaluation of each agency's ethical climate. Over 20 state agencies have undertaken this assignment. Each Agency's Inspector General will provide a report to their agency head. The Chief Inspector General will provide a roll-up report to the Governor based on the findings and recommendations in the individual agency reports.

Our methodology included the following:

- Obtained and utilized an ethics questionnaire from the Florida Inspector General website. This questionnaire was designed for use as a basis for the enterprise-wide audit of ethics.
- Conducted interviews, both written and verbal, with Agency staff including the Agency Director, the Assistant Director, the Chief of Staff, the General Counsel/Chief Ethics Officer, and the

Human Resources Director to obtain an understanding of the current ethics environment.

- Reviewed AWI Policy Number 1.05 – Code of Ethics (*revised January 31, 2011*).
- Reviewed AWI Policy Number 1.07 – *Code of Personal Responsibilities*.
- Reviewed AWI Human Resource Management Training Portal which includes the New Employee Orientation, the Employee Handbook, and the Agency Training Calendar.
- Reviewed previously issued audit reports concerning ethics published by other Florida state agencies.
- Reviewed Executive Order No. 11-03 concerning Ethics and Open Government as well as the Executive Office of the Governor – Code of Ethics. We also reviewed Chapter 112, Part III, Florida Statutes (*Code of Ethics for Public Officers and Employees*).
- Made two presentations to the AWI Executive Management Team regarding this ethics audit.
- Distributed a survey to AWI employees to obtain their understanding and opinions regarding the Agency's ethics policies and procedures. Also, we analyzed and discussed with appropriate senior management the 70 written comments received with the survey.

INTERNAL CONTROLS AND FRAUD REVIEW

Internal controls were generally found to be satisfactory. We interviewed AWI management and sent a survey to agency staff. The interviews included an inquiry regarding their knowledge specifically related to potential ethics violations and general indications of Agency fraud. We were also observant for indications of fraud during the performance of this audit. No evidence or indications of fraud came to our attention during this audit.

BACKGROUND

Merriam-Webster's Dictionary defines ethics as the discipline dealing with what is good and bad and with moral duty and obligation, or a set of moral principles governing an individual or a group.

The 2011 Sterling Criteria for Organizational Performance Excellence states: "Organizations should stress ethical behavior in all stakeholder transactions and interactions. Highly ethical conduct should be a requirement of and should be monitored by the organization's governance body."¹

Over the years, Florida Governors have issued executive orders, and Legislatures have passed laws that address ethics issues in different ways.

In January 1999, Governor Jeb Bush issued Executive Order 99-20, directing the immediate adoption and implementation of a revised Code of Ethics applying to Secretaries and Deputy Secretaries of executive agencies under the purview of the Governor. In the Order, the Executive Office of the Governor was charged with providing training on ethics to each executive agency head. It was the desire of the Governor that such agencies would, thereafter, arrange for similar ethics training for all employees on an annual basis.

In January 2007, Governor Charlie Crist issued Executive Order 07-01, which also directed immediate adoption and implementation of a Governor's Office Code of Ethics and a Code of Personal Responsibility. Executive Order 07-01 both reinforced and built upon sections of Executive Order 99-20.

On January 4, 2011, Governor Rick Scott issued Executive Order 11-03, directing the immediate adoption and implementation of a revised Code of Ethics by the Office of the Governor which applied to all employees within the Office of the Governor, as well as the secretaries, deputy secretaries, and chiefs of staff of all executive agencies under the Governor's purview. It requires each executive agency secretary to designate an individual at his or her agency to act as the agency's chief ethics officer, who will make reasonable efforts to ensure that the employees responsible for adhering to this Code become familiar with relevant ethics, public records and open meeting requirements. Each agency was directed to implement any agency-specific adjustments to the Code within 45 days of the date of the order.

The Agency for Workforce Innovation updated its Ethics Policy effective January 31, 2011, to be in line with the Governor's Ethics Policy.

FINDINGS AND RECOMMENDATIONS:

1. Written policies and procedures relating to the reporting of violations of the Agency's Ethics Policy.

¹ The 2011 Sterling Criteria for Organizational Performance Excellence, page 49.

The Ethics Policy did not specifically indicate where and how ethics violations should be reported.

As previously noted, on January 4, 2011, Governor Rick Scott issued Executive Order 11-03, directing the immediate adoption and implementation of a revised Code of Ethics. This order mandated that each Agency update their ethics policy to be in line with the Governor's policy. The Agency for Workforce Innovation revised its policy effective January 31, 2011. This revised policy reflected the mandates issued by the Governor.

Employees should know how and where to report any known or suspected violations of the Agency's Ethics Policy. All reported violations should be reviewed by the Agency's Chief Ethics Officer with a file maintained that could be used to indicate possible trends in the ethical behavior of employees.

Recommendation: While the "Pledge on Behalf of the People of Florida" that is included in the Ethics Policy asks the signer to seek guidance when questions of ethical behavior arise, it is recommended that the Policy include specific instructions on where and how to report either suspected or known violations.

Auditee Response:

The Agency's Code of Ethics was revised to specify that ethics complaints be filed with the Chief Ethics Officer in the same manner that ethics questions are submitted. Currently, questions are submitted via email, written, telephone or in-person communication to the Chief Ethics Officer. The Code also requires managers and supervisors to forward any complaints received to the Chief Ethics Officer. A file of any complaints will be maintained. If there are any trends in the ethical behavior of Agency employees, those will be noted and appropriate action taken by Agency leadership.

The Agency notes that 85% of AWI survey respondents stated that they knew how to report suspected unethical actions and fraud within the Agency.

2. Policies and procedures relating to ethics training.

The Agency's Ethics Policy indicates that, in compliance with Executive Order 11-03, the Agency will provide specific training on the subject of ethics, as well as other subjects, on an annual basis. Training had been provided for Senior Management and our survey results indicated that ethics information has been provided to most staff, including management. On April 4, 2011, an online ethics training program was implemented for all

employees with a required deadline for completion of April 15, 2011.

To be effective, employees must receive regular training on the guidelines provided by the Ethics Policy. This training could be provided in person or electronically. The Human Resource Management Training Portal includes a section for Annual Training but does not include ethics.

Our review of the survey responses noted that 23 percent of the respondents indicated that they had either not received any ethics training or had not received ethics training in at least the last 3 years (see Appendix A, Question 5).

We noted that 81 percent of the employees responding to the survey indicated that they either agree or strongly agree that they had been adequately trained on what constitutes ethical and unethical behavior (see Appendix A, Question 6).

Recommendation: It is recommended that the Agency maintain the standard training program for all employees to cover the subject of ethics and ensure its implementation on an annual basis. This training should be documented for each employee and should include any updates to ethics policies or procedures.

It is also recommended that the Agency develop and provide a component of ethics training for managers and supervisors that address how to consistently handle ethics complaints when cases arise.

Auditee Response:

The Agency maintains its standard training program for all employees to cover the subject of ethics and will ensure its implementation on an annual basis. The Office of Human Resources continues to be responsible for documenting and maintaining all training records and issuing reports on training as requested. The Chief Ethics Officer notified the Office of Human Resources of the required revisions to the training module as a result of revisions to the Ethics Policy.

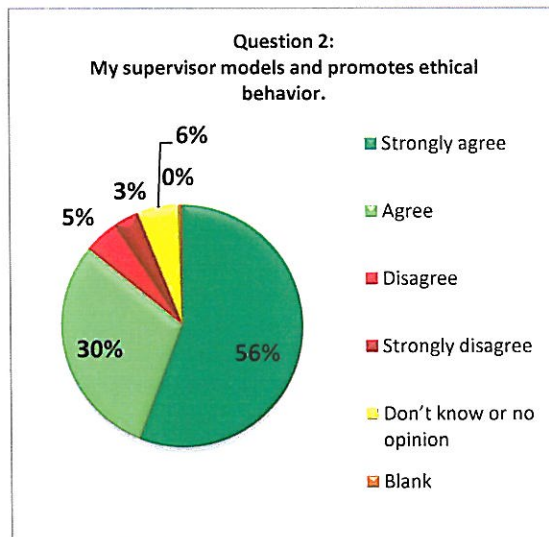
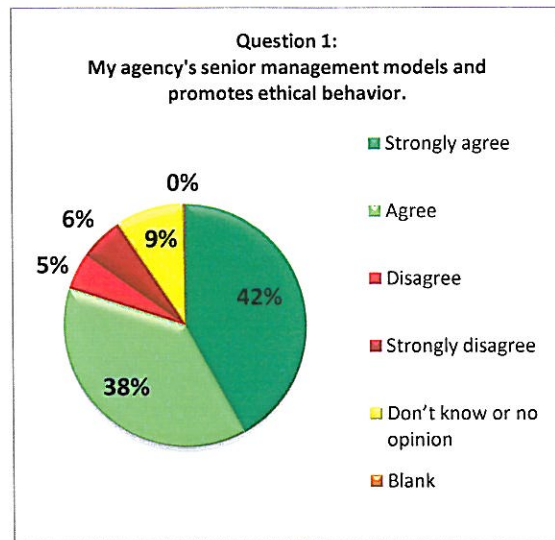
It is noted that ethics training is on the Agency Training Portal under "Mandatory Training". Thus, while it is not included under the heading of "Annual Training", it is listed (under the heading of "Mandatory Training") and is available on the Agency's training site. The Agency has taken steps to indicate that the ethics training is both mandatory and required to be taken annually.

The Agency implemented a requirement that all ethics complaints are to be referred to the Chief Ethics Officer rather than have managers and supervisors attempt to handle ethics complaints when cases arise.

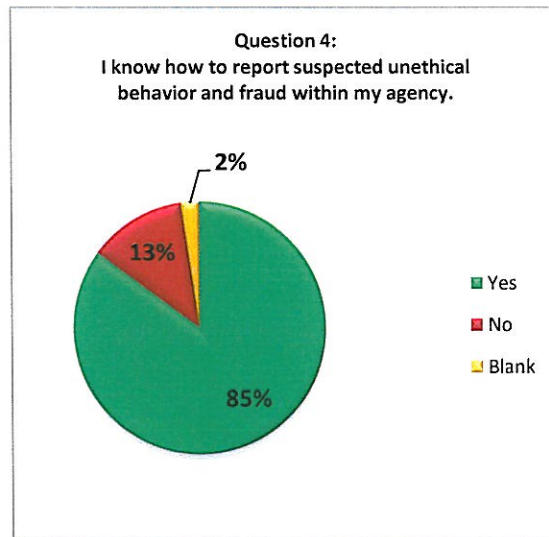
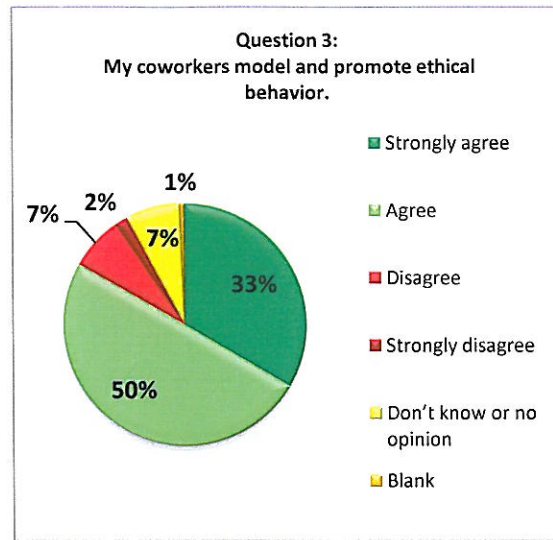
The audit recommendation that managers and supervisors be trained on how to consistently handle ethics complaints was implemented by notifying managers and supervisors to refer any and all ethics complaints to the Chief Ethics Officer for handling. This will ensure consistency Agency-wide. This is also consistent with the Agency's current and successful method of handling ethics inquiries. Managers and supervisors refer the questions to the Chief Ethics Officer rather than providing ethics opinions independently.

The Agency notes that over the last four years, the Chief Ethics Officer has issued numerous opinions on the application of the Code of Ethics for Agency employees who want to ensure that they fully comply with the Code of Ethics. This is a strong indicator that there is an ethical environment at the Agency and that its employees strive to be cautious, to avoid even the appearance of impropriety and to be fully compliant with the ethics code.

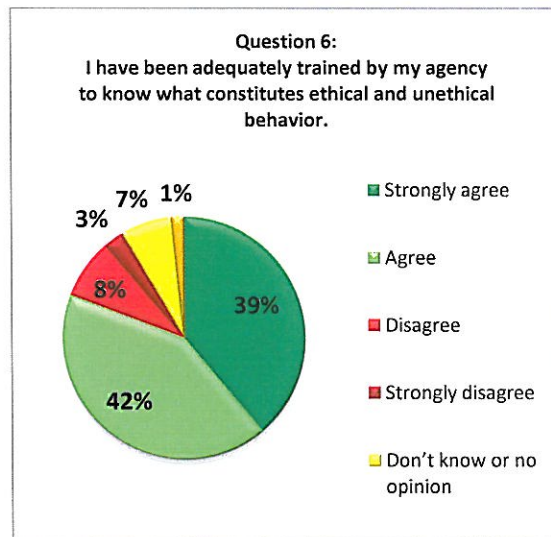
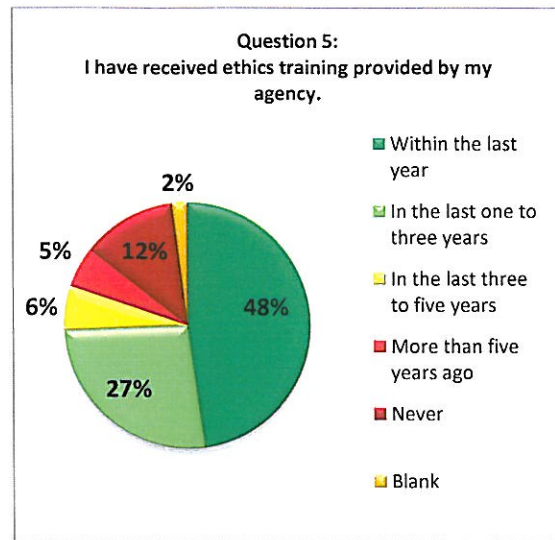
Appendix A – Results of Survey of AWI Employees (Page 1 of 6)



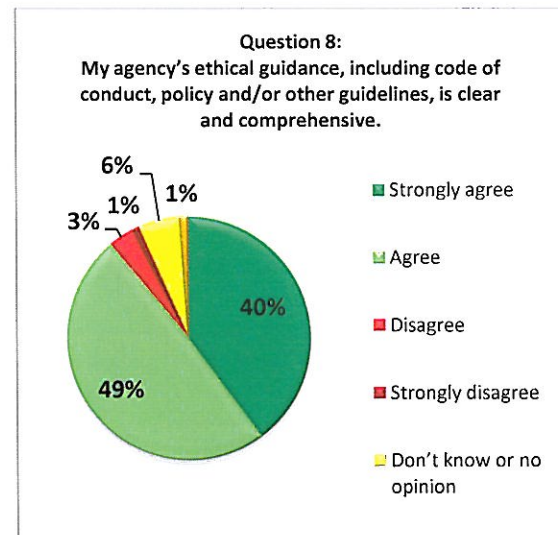
Appendix A – Results of Survey of AWI Employees (Page 2 of 6)



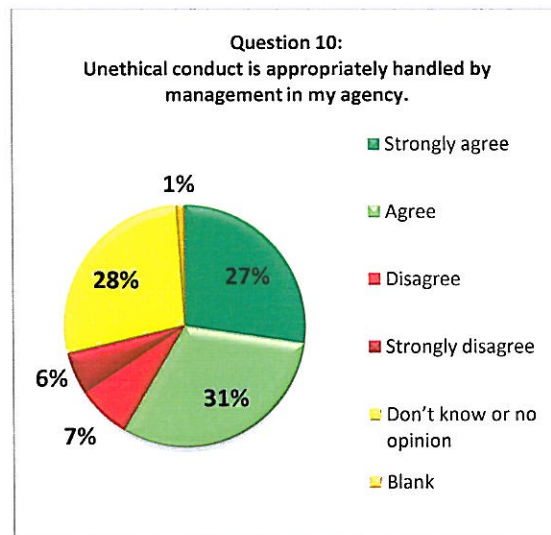
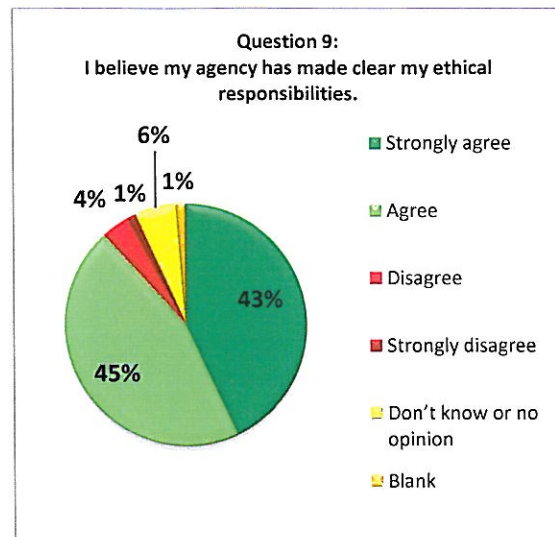
Appendix A – Results of Survey of AWI Employees (Page 3 of 6)



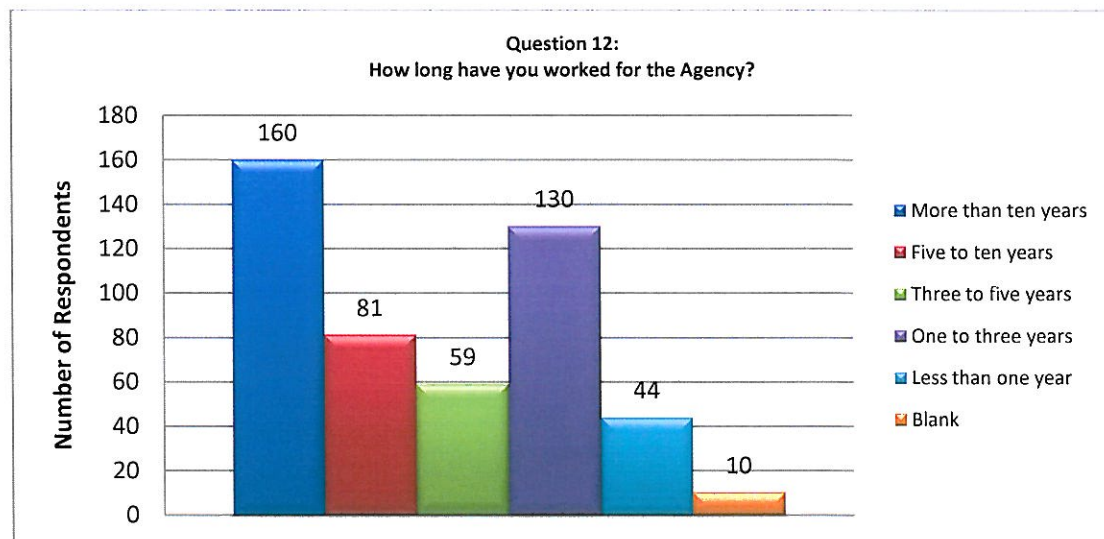
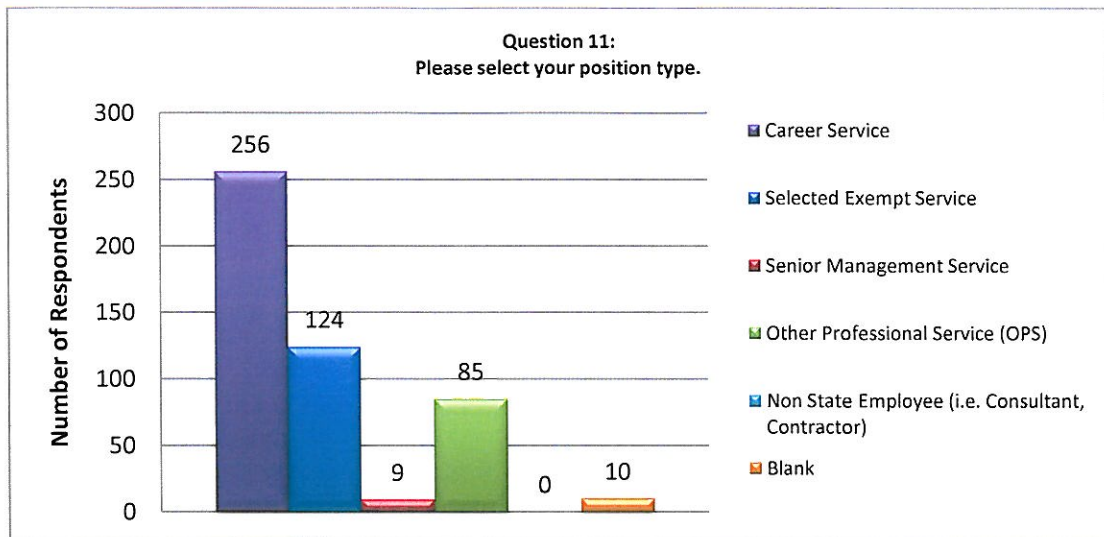
Appendix A – Results of Survey of AWI Employees (Page 4 of 6)



Appendix A – Results of Survey of AWI Employees (Page 5 of 6)



Appendix A – Results of Survey of AWI Employees (Page 6 of 6)





The Agency for Workforce Innovation is Florida's lead state workforce agency and directly administers the State's Labor Market Statistics program, Unemployment Compensation, Early Learning, and various workforce development programs.

This engagement was conducted pursuant to Section 20.055, Florida Statutes, in accordance with Government Auditing Standards issued by the Comptroller General of the United States. The Auditor-In-Charge of this engagement was John H. Smith and was supervised by Carolyn A. McGriff, MBA, CPA, CGFM, Director of Auditing. Please address inquiries regarding this report to the AWI Audit Director by telephone at 850-245-7136.

Copies of the report may be requested by telephone (850-245-7135), FAX (850-245-7144), in person, or mail at the Agency for Workforce Innovation, Caldwell Building, MSC 130, 107 E. Madison Street, Tallahassee, FL 32399-4126.