



DEPARTMENT OF BUSINESS & PROFESSIONAL REGULATION  
Office of Inspector General

RICK SCOTT  
Governor

KEN LAWSON  
Secretary



MEMORANDUM

TO: Ken Lawson, Secretary  
FROM: Stan Branham, Inspector General  
DATE: April 20, 2012

A handwritten signature in blue ink, appearing to be "SB", written over the "FROM" line.

**SUBJECT:** Status of Corrective Actions, Auditor General Report No. 2012-017, Central Intake and Licensure Unit, Division of Pari-Mutuel Wagering, and Additional Administrative Matters

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In accordance with the provisions of s. 20.055(5)(g), Florida Statutes, we have reviewed the status of corrective actions taken by appropriate management in response to recommendations made by the Auditor General in the above referenced report.

The findings, recommendations, original response, and the April 2012 status of corrective actions, if applicable, are attached for your review.

Please contact me if you have any questions.

SB/cbh

cc: Tim Vaccaro, Deputy Secretary of Professional Regulation  
Ruth Dillard, Director, Division of Administration  
George Aryish, Director, Division of Service Operations  
Jason Allison, Director, Division of Technology  
Leon Biegalski, Director, Division of Pari-Mutuel Wagering  
Kathy DuBose, Joint Legislative Auditing Committee  
David W. Martin, Auditor General

**Department of Business and Professional Regulation**  
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**Central Intake and Licensure**

**Finding No. 1:** The Department did not always ensure that license-related payments were timely assigned to an appropriate fee type.

**Agency Response:**

The Department agrees that to the extent possible, all unassigned revenue should be assigned to the proper revenue object code or if it is an overpayment, refunded to the license holder in a timely manner.

The Department views this issue as two-fold – the unassigned cash and the refund of overpayments by license holders – and has taken steps to deal with both problems. As of May 2011, each Division/Board receives a report of outstanding unassigned cash for the month. The report (CA37) is run 30 days after the end of each month to allow some of the unassigned transactions to be resolved naturally prior to working the remaining transactions. Once the Division/Board receives the file, it has 15 days to work the unassigned cash, assigning it to the appropriate revenue code or marking it for refund if it is determined there was an overpayment by the license holder.

Finance and Accounting reviews unassigned cash balances after the 45-day period to make sure that each Division/Board is completing its assignment. A second CA37 report is run by Finance and Accounting after the 15-day review period by Divisions/ Boards and compared to the original report to make sure the unassigned cash has been worked for each month.

After the Divisions/Boards complete the review of the transactions and identify any refunds, two files are created in LicenseEase, the Department's document management system: one containing the vendor file information and the other containing the information necessary to pay the refund. Once these files are reviewed by Finance and Accounting, they are sent to disbursements for payment to the appropriate license holders.

**Recommendation:**

We recommend that the Department establish a liability for the unassigned amounts.

**Agency Original Response:**

Not all unassigned revenue is refundable and therefore not a liability. Once the unassigned revenue is worked by the Divisions/Boards, it can be determined whether it is an overpayment that needs to be refunded or the appropriate revenue code can be assigned. If the revenue is an overpayment, the Divisions/Boards mark it as such and within a few days it is refunded by the disbursements section.

If liabilities were established, the Department would only transfer the portion of unassigned revenue that is refundable to a liability account and within a few days, the refund(s) would be paid out to the license holder(s). There would be very few refunds payable in the liability account and more likely than not, these would be immaterial compared to the work effort required to transfer those amounts to a liability account and then transfer them out a few days later.

It is the Department's position that moving unassigned revenue to a liability account would create an additional workload for the Divisions/Boards and would not be material in the overall financial impact to the Department's financial statements at year-end once



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the new process is fully implemented to work unassigned revenue and to timely refund overpayments.

**Status of Corrective Action/Additional Comments – April 2012**

The Department has implemented the monthly unassigned cash review to ensure payments are assigned to the appropriate revenue code or marked for refund if it is determined there was an overpayment by the license holder. The Finance and Accounting section is reviewing the unassigned cash balances to ensure unassigned cash has been worked for each month.

**Recommendation:**

We recommend that the Department establish written policies and procedures that ensure the timely assignment of collections and the monitoring of unassigned revenue balances.

**Agency Original Response:**

The Department is in the process of converting all of the above procedures necessary to work unassigned cash and make the appropriate refunds, as described in the overall response to finding one, to a written policy and procedure. The process should be completed within 60 days.

**Status of Corrective Action/Additional Comments – April 2012**

The Department has taken a two-pronged approach in dealing with the unassigned cash for both prior years and the current year moving forward.

All of the unassigned cash transactions for the fiscal years 1997-1998 through 2001-2002, which were legacy transactions from the Best License System that the Department used prior to the implementation of LicenseEase, have been marked as assigned through a data patch.

All of the unassigned cash transactions for the fiscal years 2002-2003 through 2007-2008, which totaled \$13,219,313, have been assigned.

The unassigned cash for the fiscal years 2008-2009 through 2010-2011 is currently being worked, along with the current fiscal year unassigned cash. Of the total \$4,343,099 for the preceding three fiscal years, the Department has refunded or assigned to the proper revenue object code \$2,709,975, which represents 62% of the total unassigned cash for that period.

The Professional Regulation Divisions have resolved 93% of their outstanding unassigned cash balances through the established processes. The Business Regulation Divisions have resolved 29% of their unassigned cash balances.

As a result of reviewing all of the receipts, the Department has modified some of the application instructions and transactions to ensure fees published and collected do not result in overpayments.

Updates to the system include:

- Created transactions for electrical decals
- Updated online instructions for Architecture and Interior Design licenses, including changes to reflect the correct fees



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- Updated Electrical registered contractor's "set to active" transaction to reflect the proper fee
- Updated Real Estate appraiser duplicate license fee

**Recommendation:**

We recommend that the Department continue its efforts to complete the research needed to properly account for and process prior year balances in the unassigned revenue account.

**Agency Original Response:**

The Department continues to review and work towards streamlining and improving its accounting processes to assign all funds received to appropriate categories. Unfortunately, because licensees may often send multiple payments within one transmittal or incorrect amounts, the Department may not necessarily know how to apply the funds at first. With the voluminous number of licensees and the multiple categories that often apply to funds transmitted to the Department; the unassigned revenue account is the designated category for placement while employees manually research the appropriate category to assign the revenue in the accounting process. While the cash itself has been appropriately deposited within the seven days required by the State and disbursed within various agency budget exercises, the allocation process remains one that the agency is working to improve. Over the years, the agency has implemented automation improvements, but additional opportunities are being identified to compensate for the increase in licensees and licensee transactions.

Within the unassigned revenue account, the amount of \$25,188,380 has been identified for review and appropriate assignment. The Department's first priority will be focusing on \$4,343,099 of unassigned revenue for the period 2008-09 through 2010-11. These revenues are being worked to determine eligible refunds payable within the three-year statute and the remaining amounts will be properly assigned to their revenue codes. The Department will prioritize the oldest transactions to ensure no additional overpayments fall outside of the three-year statute of limitations for paying refunds. The process of doing this has been explained in the Department's response to Finding No. 1. In an effort to continue with streamlining of processes and to mitigate the number of unassigned transactions in the future, the Department is pursuing the option of further automation which may include online payments to limit licensee transmittals to those amounts open within the Department's system.

Second, the Department has developed the following plan to deal with the oldest portion of the unassigned revenue accounting from prior years. Of the \$25,188,380 identified as unassigned revenue, \$7,625,968 is merely revenue transferred from the previous licensing system. For the fiscal year period 1997-98 through 2001-02, data recorded in LicenseEase was legacy data from the previous program, Best License System. To address this recommendation, all of the data for the above time frame will be marked as assigned through a data patch. This solution will have no impact to the accounting records or the information in FLAIR for that previous time period because all of the revenue has already been reported.

Third, the Department has developed the following plan to deal with the portion of the unassigned revenue accounting for which no refunds could be issued based on statutory limitations. Of the \$25,188,380 of unassigned revenue for the period 2002-03 through



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2007-08, \$13,219,313 will be marked as assigned through a data patch. The revenue has already been recorded in FLAIR as unassigned so the marking of the unassigned to assigned will not have a current effect on the revenue in FLAIR.

While the Department could expend time and resources to work all of the above unassigned transactions for the period 2002-03 through 2007-08, it would have the following effect on the FLAIR financial statements: \$13,219,313, which is six years of unassigned revenue, would be recognized as income in the appropriate revenue categories and revenue refunds with an offsetting \$13,219,313 debit to unassigned revenue in the current fiscal year. This would distort the revenue categories in the current year and would not make any difference to the bottom line revenue for each Division/Board. The Department and its licensees would be better served marking the transactions as assigned and focus its efforts on the remaining three years of unassigned revenue including the refunding of overpayments, which are statutorily allowable.

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The Department marked all unassigned revenue from the period 1997 through 2002, totaling \$7,625,968, and from the period 2002 through 2008, totaling 13,219,313, as assigned through a data patch on January 3, 2012.

The Department created a project team to focus review efforts on unassigned revenue from 2008-09 through 2010-2011, totaling \$4,343,099, to determine if eligible refunds are payable. The Department's goal is to resolve this unassigned revenue by fiscal year end, June 30, 2012. To date, the Department has resolved \$2,709,975 of the outstanding balance (62%). The Professional Regulation divisions have resolved \$1,860,775 (93%); the Business Regulation divisions have resolved \$849,200 (29%) of their receipts.

The Department has updated the licensing system to reduce unassigned cash through the creation of transactions and review of application instructions to ensure payments are properly applied and/or reduce the collection of fee overpayments.

**Recommendation:**

We recommend that the Department ensure that renewal notices have sufficient detail of the fees assessed the licensee.

**Agency Original Response:**

The renewal notices generated provide amounts due for the successful renewal of licenses based on the system record status at the time the renewal notice is generated. The renewal notices include the record status and the fee amount due for renewals submitted on time and the amount due for those who renew late. The Department encourages all licensees to renew their license using the online services where the fee break down is also provided. The Department will modify its renewal notices to include language directing licensees to review the fee break down on their portal account prior to submission of the renewal fee.

**Status of Corrective Action/Additional Comments – April 2012**

The Department is updating the renewal notice process to print only the balance of the fee due on the renewal notice mailed to licensees at the time of renewal. The system design change will calculate the fee from the total fee due, minus partial payments (if



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any) applied to the renewal transaction in the single licensing system at the time the renewals are generated. By noticing the licensee of the fee amount due, the overpayments for renewals will be reduced. The system update is anticipated to be in place by July 1, 2012.

The Department continues to encourage all licensees to renew using the online services. The Department will place the following statement on each renewal insert to direct licensees to review the fee break down on their portal account prior to submission of the renewal fee.

Please visit [www.MyFloridaLicense.com](http://www.MyFloridaLicense.com) to create an account or access an existing account. There you will find license and renewal information, fees and their breakouts as well as the opportunity to update personal data, apply online for additional licenses and renew your license.

**Recommendation:**

We recommend that the Department consider revising the Department's refund policy to include current practices and provisions for payee notification of overpayments.

**Agency Original Response:**

The Department is considering several options to deal with the notification to the payee of overpayments, taking into consideration budget restraints and the most efficient way to make the notification. As we develop our new process of working unassigned revenue, the Department is considering an automated process. All unassigned revenue less than \$99.99 would automatically be refunded within 45 to 60 days of receipt date. This would be done under the assumption that there are no other outstanding expectations in LicenseEase, that sufficient safe guards are built into the process and that the Department exercises due diligence in the refund process. Because these overpayments would be refunded automatically a notice of overpayment would not be necessary. For those overpayments of \$100.00 or more LicenseEase would generate a notice of overpayment that would be sent to the payee along with a refund form. Also included in the instructions would be a notification to the payee advising them that instead of manually filling out the refund form, they could chose to fill out the form online to accelerate the refund process and sign it with an electronic signature. However, this change would be subject to approval by another State agency.

Currently the Department has the refund form on the website where the payee can download the form. The automated options are being explored, but some would require substantial changes in technology and may not be financially feasible, such as an online refund form with an electronic signature to accelerate the refund process. Approval from another governmental agency would be required along with a change in technology to support it. The Department will consider both short term and long term solutions with the end goal of refunding overpayments as quickly as possible. There may be other solutions to these problems and to the extent they are more fiscally sound and easy to implement, they will also be considered for adoption. The Department is still in the process of evaluating what solution or solutions would work the best.

The current practices are detailed in response to Finding 1.



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The Department is in the process of revising the policy regarding refunds as well as the application for refund.

**Finding No. 2:** The licensing system access privileges of some Department staff were not appropriate for their job duties.

**Recommendation:**

We recommend that the Department ensure that LicenseEase access permissions are commensurate with assigned job duties.

**Agency Original Response:**

LicenseEase Security Role Definitions include the Role name of "Supervisor" for each function. However, this does not correspond with the function of personnel supervisor for the intake staff. It corresponds with a tier-two security permission granted to staff based on job duties. As a corrective action, Technology will change the LicenseEase Security Role Definitions to more accurately reflect this role. Additionally, an entitlement audit is performed each year by the agency's Information Security Manager to ensure that access permissions are appropriate to the job duties of each employee issuing LicenseEase transactions.

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The Division of Technology has changed the relevant LicenseEase Role Name from "Application Intake Supervisor" to "Application Intake Tier Two" to indicate a higher level of security without implied supervisory functions. The Division also performs an entitlement audit annually at a minimum and as needed. The employee security access permissions for LicenseEase and OnBase are reviewed by each division and any discrepancies are reported to the Division of Technology and rectified. This audit ensures that security access permissions are appropriate and current to the job duties of each employee utilizing LicenseEase and OnBase.

**Recommendation:**

Additionally, we recommend that the Department periodically review transaction logs to verify that recorded actions were appropriate.

**Agency Original Response:**

The Division of Service Operations (DSO) responded that an entitlement review of Mod\_Lic\_A permissions was conducted and the number of employees granted this access was reduced from 31 employees to 22 DSO employees. The Division assigns system access based on the work area and/or the position level. This system access will be limited to Regulatory Consultant or higher classification, or specifically assigned to employees whose position requires this access to carry out their job responsibilities. Although not specific to Mod\_Lic\_A, exception reports are generated prior to each license renewal cycle. All unusual activities including those done through Mod\_Lic\_A are reviewed and serve as a compensating control to ensure that employee actions were appropriate.

The Division of Pari-Mutuel Wagering responded that the Division is reducing the number of employees who have access to "Modify License Standing" from six employees to four. The remaining four Division employees that have access to modify a license will continue as it is germane to their job duties.



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Further, Division inspectors conduct routine license inspections at the pari-mutuel facilities to verify that information in the licensing system reconciles to the license. To monitor the use of the "Modify License Standing" in LicenseEase, the Division will maintain a log of all changes made by its personnel who utilize this functionality. The log will include the following:

- Name of the employee making the change.
- The licensee's name, license number, license type, license status, and expiration date.
- An explanation of the change.

The log will be reviewed bi-weekly by management to verify that the access is used appropriately.

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Division of Service Operations

Although not specific to Mod\_Lic\_A, exception reports are generated prior to each license renewal cycle. All unusual activities including those done through Mod\_Lic\_A are reviewed and serve as a compensating control to ensure that employee actions were appropriate. The division continues to utilize quality controls to review unusual activities.

Division of Pari-Mutuel Wagering

The Division has instituted a change log for all Mod\_Lic\_A modifications. The log includes all elements described in the initial response as well as the modification date.

**Division of Pari-Mutuel Wagering**

**Finding No. 3:** The Division issued three-year slot machine occupational licenses for fees not commensurate with State law, resulting in potential lost revenues totaling \$105,300.

**Recommendation:**

We recommend that the Division charge the fees authorized by rule.

**Agency Original Response:**

Section 551.107(4)(d), Florida Statutes (F.S.), provides the Division the statutory authority to adjust its fees for slot machine occupational licenses. During the 2009/2010 fiscal year, the Division reduced the fee for a three-year slot machine occupational license to encourage applicants to purchase it in lieu of a one-year license. This saves the licensee the time and trouble of renewing his/her license every year, and it reduces the number of one-year applications the Division has to process, saving both time and resources. This practice is also in keeping with the Governor's initiative to make the licensing process more business-friendly and less cumbersome.

The Division is currently in the rulemaking process to establish the reduced fees for three-year license in rule. Additionally, the assertion that the State potentially lost \$105,300 in revenue does not take into account the cost savings the Division realized from the reduction of resources from processing fewer applications.

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As noted in the original response, the Division was in the rulemaking process to establish the reduced fees for three-year slot occupational licenses in rule. The Division was hesitant to finalize the rules pending any significant legislative changes to the



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gambling laws in the 2012 Legislative Session. With the Legislative Session complete without any gambling law changes, the Division can confidently move to adopt the proposed rules.

**Finding No. 4:** The Division issued three-year cardroom occupational licenses, although Department rule requires the issuance of a license annually.

**Recommendation:**

We recommend that the Division issue occupational licenses in accordance with lawfully adopted rules.

**Agency Original Response:**

Section 849.086(6)(i), F.S., provides the Division the statutory authority to adjust its fees for cardroom occupational licenses. The issuance of three-year cardroom licenses saves the licensee the time and trouble of renewing his/her license every year, and it reduces the number of one-year applications the Division has to process, saving both time and resources. This practice is also in keeping with the Governor's initiative to make the licensing process more business-friendly and less cumbersome.

The Division is in the rulemaking process to establish the three-year cardroom licenses in rule. The rule package is being reviewed internally within the Department and once approved will be forwarded to Office of Fiscal Accountability and Regulatory Reform (OFARR) in the Governor's Office for review.

**Status of Corrective Action/Additional Comments – April 2012**

As noted in the original response, the Division was in the rulemaking process to establish three-year licenses in rule for cardroom occupational licenses. The Division was hesitant to finalize the rules pending any significant legislative changes to the gambling laws in the 2012 Legislative Session. With the Legislative Session complete without any gambling law changes, the Division can confidently move to adopt the proposed rules.

**Finding No. 5:** Contrary to State law, the Division did not require that monthly reports of slot machine and cardroom licensees be submitted under oath.

**Recommendation:**

We recommend that the Department amend applicable slot and cardroom monthly report forms to provide for an attestation under oath by licensees that reports submitted are accurate, complete, and in compliance with all requirements of State law.

**Agency Original Response:**

Although the current monthly reports for slot machines and cardroom licensees do not have an oath statement, the Division's administrative enforcement of the requirement to submit the forms monthly has not been impeded by the missing written oath.

The Division will add an oath statement to DBPR PMW-3640 Cardroom Monthly Remittance Report, DBPR PMW-3605 — Daily Tracking of Cardroom Jackpots, DBPR PMW-3660 — Slot Monthly Remittance Report, and DBPR PMW-3670 — Slot Operations Cumulative Monthly Remittance Report.



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The Division has added an oath statement to DBPR PMW-3640 Cardroom Monthly Remittance Report, DBPR PMW-3605 — Daily Tracking of Cardroom Jackpots, DBPR PMW-3660 — Slot Monthly Remittance Report, and DBPR PMW-3670 — Slot Operations Cumulative Monthly Remittance Report and all have been made available on the Division's internet site.

**Finding No. 6:** Logical access controls related to the Department's Central Management System needed improvement.

Our audit procedures disclosed that certain Central Management System (CMS) logical access controls relating to the management of access privileges needed improvement. Specific details of these issues are not disclosed in this report to avoid the possibility of compromising Department data and IT resources. However, appropriate Department personnel have been notified of these issues.

**Agency Original Response:**

No written agency response is required.

**Additional Administrative Matters**

**Finding No. 7:** The Department did not properly accrue cigarette taxes receivable and related revenues.

**Recommendation:**

We recommend that the Department ensure that all taxes receivable and related revenues are properly recorded at fiscal year-end.

**Agency Original Response:**

The Department agrees that the cigarette taxes receivable should be recorded for financial statement purposes at the end of the fiscal year. The Department has already taken appropriate steps to ensure the accrued taxes are recorded in the future and the referenced taxes were recorded for the fiscal year ended June 30, 2011.

**Status of Corrective Action/Additional Comments – April 2012**

The Department has already taken appropriate steps to ensure the accrued taxes are recorded in the future and the referenced taxes were recorded for the fiscal year ended June 30, 2011. The Bureau of Finance and Accounting is responsible for recording the accrued taxes.

**Finding No. 8:** The Department did not timely remove Florida Accounting Information Resource Subsystem (FLAIR) access for terminated employees.

**Recommendation:**

To reduce the risks associated with unauthorized access and to protect the integrity of Department accounting records, we recommend that the Department enhance its procedures by establishing a timeframe within which the FLAIR access should be updated or removed.

**Agency Original Response:**

The Department agrees that in order to reduce risks associated with unauthorized access and to protect the integrity of Department accounting records, additional procedures are required to address time frames in which



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managers are to notify finance and accounting of terminated employees with FLAIR access.

The Access Control procedures have been updated to include the following language:

**Deletion of record**

It is the responsibility of the supervisor of the position to notify the Access Control Custodian when access is no longer needed or should be revoked. The Employee Separation Check List is being updated to require managers to check off that they have notified the Bureau of Finance and Accounting of the employee's termination on the day of separation. The actual date of notification must be entered on the form. Deletion will be done within the next business day of notification. The Access Control form will be annotated with the deletion date and custodian that completed the deletion.

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FLAIR Access Control Security Procedures have been updated, along with the Employee Separation Checklist, to address notification to revoke FLAIR access.