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August 30, 2013

Kathy DuBose
Joint Legislative Auditing Committee
876 Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1400

Dear Ms. DuBose:

Enclosed for your review is our follow-up audit, which provides the status of implementation of recommendations from Auditor General Report No. 2013-123, an operational audit of Victim Services, Legal Services Rates, and Follow-up on Prior Audit Findings, issued March 2013.

If you have any questions, please call Judy Goodman at (850) 414-3456.

Sincerely,

Steve Rumph
Inspector General

SR/jmg

Enclosure: OIG Audit Report No. 13-02

Office of the Attorney General
Department of Legal Affairs
Office of Inspector General
Follow-up Report #13-02
to Auditor General Report #2013-123



Pam Bondi
Attorney General

Steve Rumph
Inspector General

August 30, 2013



EXECUTIVE SUMMARY

*OIG Report No. 2013-02
Follow-up to the Auditor General Audit
Report No. 2013-123 issued March
2013*

WHY THIS REVIEW WAS PERFORMED

The objective of this audit was to determine the status of corrective actions and/or management decisions related to recommendations in the report mentioned above.

PREVIOUS RECOMMENDATIONS AND AUDITOR'S CONCLUSIONS

Victim Compensation

Recommendation One: The Department should retain underlying data for amounts included in the Annual Performance Report sufficient to allow a demonstration of the report's accuracy and completeness.

Status: implemented

Recommendation Two: The Department should establish a reasonable timeframe for completing

the quarterly quality assurance reviews and implement corrective actions to improve the accuracy and completeness of claim documentation.

Status: implemented

Recommendation Three: We recommend the Department establish a standard funding allocation methodology for awarding crime victim advocacy subgrants that includes documenting the rationale used for the allocation, including the consideration given to previously underserved victims.

Status: implemented

Recommendation Four: We recommend that the Department document its determination of the contract as either a subgrant or vendor contract. Should the contract be a vendor contract, the contract should be awarded in accordance with the competitive procurement provisions of Section 287.057, Florida Statutes. Further, the Department should require VOCA-specific monitoring and related reports and implement procedures to detect duplicate funding.

Status: implemented

Recommendation Five: The Department should enhance procedures to ensure timely submission, review, and approval of program monitoring reports. Additionally, procedure enhancements should ensure that evaluations of corrective actions are appropriately documented.

Status: implemented

Legal Service Rates

Recommendation Six: The Department should annually recalculate and evaluate

the legal services rates charged to State agencies to ensure the amounts charged to State agency clients are consistent with the costs of the services rendered.

Status: partially implemented. Service rates charged do not include other post employment benefits.

Additional Matters

Recommendation Seven: The Department should continue efforts to improve information systems and data security controls related to user access and authentication.

Status: implemented

Recommendation Eight: To ensure compliance with law, the Department should develop written procedures for safeguarding access to SSNs including, as applicable, provisions for providing written notifications to providers of SSNs.

Status: implemented

Follow-up on Prior Audit Findings

Recommendation Nine: The Department should enhance its procedures to ensure official accounts receivable records are periodically reconciled to internal accounts receivable records.

Status: partially implemented. Adequate detail of remittances, such that payments can be applied to the proper accounts, and the sheer volume of accounts contribute to the difficulties in reconciling accounts receivable. Constraints are spelled out further in the body of the report.

Recommendation Ten: The Department should continue its efforts to ensure

appropriate separation of incompatible duties and specifically separate the duties of asset custody, recording, and reconciliation of accounts receivable records. Additionally, the Department should consider immediate opening of all mail, the restrictive endorsement of all checks, and the recording of all check information before providing collections to program units.

Status: implemented

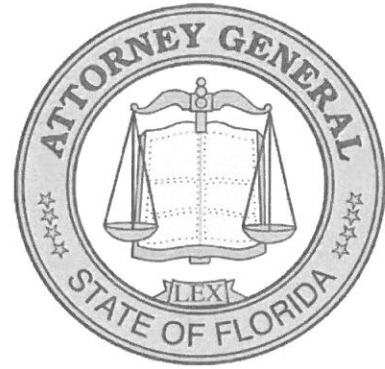
Recommendation Eleven: We recommend the Department ensure that lawful measures available to the Department be timely employed in the collection of amounts due the State. In those instances in which the collection of amounts due will be unavoidably delayed, the Department should request from the CFO a written exemption or different transfer period.

Status: partially implemented. The Chief Financial Officer approved two exemptions regarding the referral of some of the accounts. The DLA has been reluctant to refer accounts to collection because of reasons spelled out further in the report.

Recommendation 12: We again recommend that the Department modify its process for the evaluation of the Legal Affairs Revolving Trust Fund balance to more closely follow the requirements of law.

Status: implemented

*Department of Legal Affairs
Office of the Attorney General
Office of Inspector General*



**Follow-up to Auditor General Report No. 2013-123
Department of Legal Affairs
Victim Services, Legal Services Rates, and
Follow-up on Prior Audit Findings**

August 30, 2013

Assignment No. 2013-02

Purpose

This report advises the Attorney General, the Auditor General, the Office of Program Policy Analysis and Government Accountability, and the Joint Legislative Auditing Committee of the status of corrective actions taken related to findings detailed in Auditor General Report #2013-123, released March 2013.

Standards

Our work was performed in accordance with the *International Standards for the Professional Practice of Internal Auditing* as published by the Institute of Internal Auditors.

Scope

The scope of this review was to determine the status of corrective actions and/or management decisions related to the findings reported in the report mentioned above as of August 2013.

Background

The Department is responsible for providing the legal services required by State agencies, unless otherwise provided by law.¹ The Departments' various other statutory responsibilities include, but are not limited to, the administration of programs to assist victims of crime, enforcement of State

consumer protection and antitrust laws, prosecution of criminal racketeering, and the operation of the State's Medicaid Fraud Control Unit.

Organizationally, the Department operated through various units (program units), including but not limited to Victim Services, Civil Enforcement, Criminal and Civil Litigation Defense, Executive Direction and Support Services, and Statewide Prosecution.

The Office of Inspector General is required by 20.055, F.S. to report on the status of implementation of previous Auditor General recommendations.

Audit Methodology

As a part of this assignment, Office of Inspector General staff:

- Requested staff to assess current status of implementation of recommendations from the previous report; and
- Conducted interviews, reviewed documents and made observations necessary to corroborate their assertions relating to the status of audit findings reported.

¹ Section 16.015, Florida Statutes

**Findings, Recommendations,
Previous and Current Status**
**Finding No. 1: Department procedures
did not ensure the retention of data
supporting the victim compensation
program annual performance report.**

Recommendation: The Department should retain underlying data for amounts included in the Annual Performance Report sufficient to allow a demonstration of the report's accuracy and completeness.

Prior Response (March 2013): The Department agrees with the recommendation as indicated in this audit finding. The data that is used to compose the annual performance reports will be retained for a period of three years.

Current Status: Information Technology staff developed written procedures in the Lotus Notes Maintenance Database for capturing information used to generate annual statistical reports. All Victim Assistance Network (VAN) data generated on or after October 1, 2012, was transferred onto tape each time the statistical reports were completed. The back-up tapes are kept in a secured location, and will remain accessible for auditors to review the accuracy and completeness.

Auditor's Conclusion: implemented

**Finding No. 2: Department procedures
did not always ensure appropriate data or
documentation was obtained to support
victim compensation eligibility
determinations. Additionally, the
Department's quarterly quality assurance
reviews were not always completed timely**

**and corrective actions to address the
deficiencies detected by the reviews were
not addressed.**

Recommendation: The Department should establish a reasonable timeframe for completing the quarterly quality assurance reviews and implement corrective actions to improve the accuracy and completeness of claim documentation.

Prior Response (March 2013):

- The Department agrees with this audit finding. A revised domestic violence relocation certification form which removes the non-existing DCF contract number criteria has been developed and will be implemented.
- The department agrees that there were five data entry errors as indicated in this audit finding. Each of those data entry errors has been corrected.
- The Department agrees with this audit finding, however, without modifications to Florida Statutes, the Department has limited ability to manage or recover the funds after the victim acquires the assistance.
- The Department agrees with this audit finding. Staff has been instructed to adhere to State Statutes which require the witness verification criteria be completed.
- The Department agrees with the audit finding that quality assurance reviews were not processed in a timely manner. Policy has been established which schedules the completion of each review to not exceed 90 days.

Current Status: Effective 04/01/2013, a revised certification worksheet which

removed the non-existing contract number was implemented.
All identified data entry errors have been corrected.

The revised certification worksheet implemented 04/01/2013, requires victims seeking relocation assistance to affirm their understanding of acceptable and appropriate use of the award. Effective the same date, the department began disbursing relocation assistance in two increments so that half of the award is authorized at the time the application is determined eligible, and the second half after documentation verifying appropriate use of the first increment is submitted and evaluated.

Strictly adhering to the signature requirement, sexual battery examination applications submitted without a witness signature have been determined not payable.

Errors were defined as incorrect procedures which directly affect the disposition or payment of a claim. Corrective actions implemented for reducing the number of errors include additional training provided by each employee's immediate supervisor, mandatory bureau supplemental training, and documenting employee performance evaluations of any negative findings. To achieve efficiency and timeliness of the quality assurance review process, the department revised the method for collecting samples so that monthly reviews are performed instead of quarterly reviews.

Although the 90 days outlined on the agency's first audit response was not achieved due to an unpreventable extended absence by the individual who processes the reviews, the revised monthly quality

assurance process enabled the department to conduct the reviews, take corrective actions, and generate summary reports within an average of 95 days during the last quarter. This resulted with implementing procedures to increase the rate of review which include applying controls for monitoring the progress, assigning scheduled deadlines, and improving the accessibility of the reports for management staff.

Auditor's Conclusion: implemented

VICTIM ADVOCACY

Finding No. 3: The Department did not have policies or procedures detailing the methodology to be used in allocating the State's annual VOCA victim advocacy grant.

Recommendation: We recommend the Department establish a standard funding allocation methodology for awarding crime victim advocacy subgrants that includes documenting the rationale used for the allocation, including the consideration given to previously underserved victims.

Prior Response (March 2013): According to the Final Program Guidelines Victims of Crime Act FFY 1997 Victim Assistance Program, II. Allocation of VOCA Victim Assistance Funds, D, Allocation of Funds within the States, "The Governor of each state designates the state agency that will administer the VOCA victim assistance grant program. The designated agency establishes policies and procedures, which must meet the minimum requirements of VOCA and the Program Guidelines. VOCA funds granted to the states are to be used by eligible public and private nonprofit

organizations to provide direct services to crime victims. States have sole discretion for determining which organizations will receive funds, and in what amounts, as long as the recipients meet the requirements of VOCA and the Program Guidelines.”

Current Status: The Bureau has formalized the funding allocation process for the 2013-2014 funding cycle that meet the requirements of the VOCA Federal guidelines.

Auditor’s Conclusion: implemented

Finding No. 4: The Department did not document the basis for its determination that a monitoring contract was a subgrant, rather than a vendor contract subject to competitive award. Additionally, the Department did not require program specific reports from the monitor or implement procedures to ensure that contract payments did not duplicate funding received by the contractor from other State agencies.

Recommendation: We recommend that the Department document its determination of the contract as either a subgrant or vendor contract. Should the contract be a vendor contract, the contract should be awarded in accordance with the competitive procurement provisions of Section 287.057, Florida Statutes. Further, the Department should require VOCA specific monitoring and related reports and implement procedures to detect duplicate funding.

Prior Response (March 2013): The Bureau of Advocacy and Grants Management will have a resolution to the determination of the contract as either a subgrant or vendor

contract prior to issuing another monitoring contract for these services. VOCA specific monitoring and related reports are provided by the Florida Coalition Against Domestic Violence for the contracted monitoring. This was implemented in July 2012.

Current Status: No change in status. This was implemented in July 2012.

Auditor’s Conclusion: implemented

Finding No. 5: Department procedures did not always ensure on-site monitoring reports were timely completed and reviewed, and corrective actions were appropriate.

Recommendation: The Department should enhance procedures to ensure timely submission, review, and approval of program monitoring reports. Additionally, procedure enhancements should ensure that evaluations of corrective actions are appropriately documented.

Prior Response (March 2013): The Bureau of Advocacy and Grants Management has instructed staff to adhere to Bureau policy which requires documentation be submitted by the established deadlines. Procedure enhancements, to ensure that evaluations of corrective actions are appropriately documented, were implemented October 1, 2012.

Current Status: No change in status. Procedure enhancements to ensure that evaluations of corrective actions are appropriately documented were implemented October 1, 2012.

Auditor’s Conclusion: implemented

LEGAL SERVICES RATES

Finding No. 6: The Department did not annually recalculate and evaluate the legal services rates charged to State agencies.

Recommendation: The Department should annually recalculate and evaluate the legal services rates charged to State agencies to ensure the amounts charged to State agency clients are consistent with the costs of the services rendered.

Prior Response (March 2013): As recommended in the No. 2008-021 audit report, the Department of Legal Affairs evaluates sufficiency of the billings for the Legal Services Trust fund yearly. The evaluation is made by comparing the revenues and expenditures and calculating the percentage difference between the two. In addition, like all budget determinations, the Department reviews legislative actions such as across the board salary increases or increases in benefit costs required by the legislature. The Department has found that, after the adjustment in rates made in 2008, the rates adequately cover the costs of providing services and there has been no indication that the rates needed additional adjustment. The Department will continue to monitor the rates and any legislative or economic changes that would require an adjustment. The Department will also maintain the documentation of the comparison.

As mentioned in the report, the calculations made by the Department do not include all the Cumulative Long Term Liabilities for Compensated Absences or Other Post-Employment Benefits. The costs associated

with yearly annual leave payouts are included in the calculation as they are included in the Expenditures each year. There is no other post employment payment that is paid by the Legal Services Trust Fund.

Current Status: Same, we continue to do annual calculations.

Auditor's Conclusion: partially implemented. The rates are evaluated annually. These rates however do not include allowances for other post-employment benefits.

ADDITIONAL MATTERS

Finding No. 7: Department information system user access and authentication controls could be improved.

Recommendation: The Department should continue efforts to improve information systems and data security controls related to user access and authentication.

Prior Response (March 2013): The Department agrees with the recommendations. A project to implement appropriate changes has begun.

Current Status: Improvements to information systems and data security controls related to user access and authentication were implemented on 6/8/13. Specific changes are confidential but did encompass implementation of technical enforcement at both the network (Microsoft Windows Active Directory) and application (IBM Lotus Notes/Domino) levels.

Auditor's Conclusion: implemented

Finding No. 8: Department procedures did not always ensure that those who were required to provide their social security number to the Department were provided written notification as to the purpose for collecting the number.

Recommendation: To ensure compliance with law, the Department should develop written procedures for safeguarding access to SSNs including, as applicable, provisions for providing written notifications to providers of SSNs.

Prior Response (March 2013): Office of Attorney General (OAG) policy regarding distribution of consumer restitution, Chapter 8-9, was revised in February 2013 to remove the reference to collecting SSN's. Written division specific procedures have been revised to indicate that SSN's will not be collected unless the Department has a legal right, and will not do so without providing a written statement of the purpose.

Current Status: See previous audit response, we no longer require SSN's unless the department has a legal right.

Auditor's Conclusion: implemented

FOLLOW-UP ON PRIOR AUDIT FINDINGS

ACCOUNTS RECEIVABLE

Finding No. 9: Department procedures did not always ensure the reconciliation of internal program unit accounts receivable records to the Department's general ledger accounting records.

Recommendation: The Department should enhance its procedures to ensure official accounts receivable records are periodically reconciled to internal accounts receivable records.

Prior Response (March 2013): Finance and Accounting (F&A) will remind the divisions of their responsibility to periodically reconcile their internal records for accounts receivable (A/R's) to the FLAIR balances. Finance and Accounting will also provide an Excel version of monthly FLAIR reports of outstanding A/R's. This should provide a tool to facilitate reconciliation as well as communicating any issues back to Finance and Accounting. Office of Statewide Prosecutor (OSP) has submitted spreadsheets of recorded accounts receivable with discrepancies to Finance & Accounting (F&A). Some of these accounts were submitted to Department of Financial Services (DFS) for collection and some to be written off.

Current Status: Finance and Accounting began disseminating monthly spreadsheets of outstanding accounts receivable items to the divisions in March 2013. Each division was asked to review the spreadsheets and return to F&A with appropriate comments regarding the status and/or action to be taken.

Auditor's Conclusion: partially implemented. F&A provided reconciling spreadsheets to supporting divisions for their use in reconciliation. There have been strides made towards reconciling accounts. However, within the current constraints, the lack of supporting detail by which to properly record payments received, accounts

receivable are difficult to reconcile. Changes need to be made in the process to facilitate the proper recording of payments received whereby detail would need to be provided by the remitting entity so that the payments could be applied to the proper subsidiary accounts receivable.

The Department of Legal Affairs (DLA) has accounts receivable for which the Department is not the collector, such as payments due to the Department of Corrections, the State Attorneys Offices, and the Clerk of the Court. While DLA records a receivable, DLA is not the receiver of record or first payee in many cases, rather other entities receive payments.

In some cases the first payee (such as Clerk of the Court) retains service fees, for which DLA is not advised. In some cases, the court reduces the fines or amounts due and DLA is not notified of the changes. In some cases the Clerk of the Court withholds payment to other entities, such as DLA, until they have collected all that is due to their entity first.

In the past, the DLA had not dedicated staff to oversee accounts receivable in the Victims Compensation area due to the sheer volume of cases. The DLA has since begun to try and reconcile payments currently received and record new receivables.

In some cases when amounts were turned over to collection agents by OFA, the DLA was notified of previous payments made which were not recorded due to the lacking of remittance detail whereby DLA could not apply the payment to the proper accounts.

Finding No. 10: The Department did not always ensure that in assigning duties relating to cash receipts and accounts receivable, an appropriate separation of duties was maintained.

Recommendation: The Department should continue its efforts to ensure appropriate separation of incompatible duties and specifically separate the duties of asset custody, recording, and reconciliation of accounts receivable records. Additionally, the Department should consider immediate opening of all mail, the restrictive endorsement of all checks, and the recording of all check information before providing collections to program units.

Prior Response (March 2013): The process for check handling in the OSP is being changed to try and address separation of incompatible receivable duties. This is somewhat hindered by the limited OSP staff (in Tallahassee) but we are hopeful other areas such as the mail room and OFA might offer assistance in the process of ensuring that all receipts are accounted for.

The Department will modify policy to provide that all mail, including all checks, will be opened immediately in the mail room. All checks made payable to the Department will be restrictively endorsed. If the payee identified first is an individual, the check will not be restrictively endorsed in the mail room. These checks will be delivered to the individual for endorsement. All checks will be included on check log registers in the mail room as the checks are opened and prior to providing the checks to the appropriate program areas. Each program area will be notified that checks are available for pick-up or delivery once

checks have been received, opened and logged in the mail room. Staff from the program area and the mail room will be required to sign a form identifying each check received and acknowledging the check(s) transfer from the mail room to the program area. OFA is in the process of developing a process to reconcile the mail log receipts to actual deposits.

Current Status: An access database application has been implemented to record checks as they are received in the Mail Room. One staff member enters the check information, a second staff member witnesses the entry, and a supervisor reviews and approves the entries. Once the supervisor approves within the database, an e-mail is sent to the appropriate unit staff as notification to pick up checks. The unit staff sign the prepared check receiving log, a signed copy is maintained in the Mail Room. OFA has begun the process of reconciling the check logged in the Mail Room to actual deposits. While there are some issues with consistency and accuracy of the input, we have been able to reconcile activity through May 2013, and will continue until current.

Auditor's Conclusion: implemented

Finding No. 11: The Department did not timely refer for collection all delinquent accounts receivable, or alternatively seek exemptions to or modifications of the transfer requirements.

Recommendation: We recommend the Department ensure that lawful measures available to the Department be timely employed in the collection of amounts due the State. In those instances in which the collection of amounts due will be

unavoidably delayed, the Department should request from the CFO a written exemption or different transfer period.

Prior Response (March 2013): The Department has reviewed the nature of the outstanding A/R's to determine its legal right to collect. The determination has been made that in the case of items that do not make direct payment to the Department of Legal Affairs; the agency does not have a legal right to collect. Included in this classification are court-ordered payments to be directed to the Clerk of Court, or payments made through the Department of Corrections. If payment is made directly to the department, an A/R will be established. The Department revised its policy to include this as part of the definition, Chapter 8-1. Existing accounts with no activity are currently being reviewed to determine if they meet the new definition. If they do not name the Department as the point of collection, a write off request will be submitted to DFS. This was communicated to DFS via e-mail 09/27/2012.

The Department currently has the following exemptions for submitting items for collection:

Economic Crimes assurance of voluntary compliance (AVC) to extend the timeframe from 120 days to 240 days.

Accounts where the debtor is incarcerated; the 120 days timeframe for referral would be activated upon release.

Current Status: Although a determination had been made that accounts collected through a third party would not be recognized as an account receivable until

DLA had received funds, we are reviewing this after meeting with staff from DFS and the Auditor General. We are reviewing the changes to collections from the Clerks of Court to determine the necessary action to obtain sufficient detail to accurately reflect collections for account receivable items. We are collecting Department of Corrections (DOC) numbers to determine if the DOC can assist with status of debtors. At this point, the department is on hold regarding any action for write-off of items.

Auditor's Conclusion: partially implemented. Accounts were not recently referred to DFS for collection and write-off because of the reasons explained in Finding Nine. Exemptions were obtained from the Chief Financial Officer for some divisions within the Department of Legal Affairs.

LEGAL AFFAIRS REVOLVING TRUST FUND

Finding No. 12: The Department's methodology for determining whether excess moneys were available for transfer from the Legal Affairs Revolving Trust Fund to the State's General Revenue Fund did not meet the requirements of law.

Recommendation: We again recommend that the Department modify its process for the evaluation of the Legal Affairs Revolving Trust Fund balance to more closely follow the requirements of law.

Prior Response (March 2013): In 2003 in Chapter 2003-179, the Department of Legal Affairs' Consumer Fraud Trust Fund was abolished and the receipts previously directed into that fund, as well as the budget

authority appropriated to provide for consumer fraud, were directed to the Legal Affairs Revolving Trust fund. In the ensuing years, the legislature fund shifted the General Revenue provided for consumer protection into the Legal Affairs Revolving Trust fund. While the statutes directing receipts from consumer protection activities were modified to direct those funds into the Legal Affairs Revolving Trust Fund, Section 16.53, Florida Statutes, was not modified to reflect the expanded use of the fund to include consumer fraud.

The Department has drafted changes to Section 16.53, to reflect the expanded use of the trust fund and correct the calculation clarifying that the consumer fraud activities as well as the antitrust activities should be used in the determination of the amount required to be transferred to the General Revenue Fund. The Department is in the process of obtaining a sponsor and hopes to have the bill passed during the FY 2013 Session.

Current Status: House Bill 1147 was signed into law on 6/14/2013 becoming Chapter 2013-207. The bill requires all monies in excess of three times the amount of the combined budgets for antitrust, consumer protection, and racketeering sections of the department which are supported by the fund for the forthcoming fiscal year be transferred to the General Revenue Fund unallocated. This is the procedure used by the Department of Legal Affairs.

Auditor's Conclusion: implemented

Inspector General's Statement

This engagement was conducted pursuant to Section 20.055, F.S. in accordance with *The International Standards for the Professional Practice of Internal Auditing* and with *Generally Accepted Government Auditing Standards* as appropriate. This engagement was conducted by Judy Goodman, CPA, CIA, Director of Auditing; and Linh Trang, CGAP, Auditor.

The Office of Inspector General would like to thank management and staff for their assistance and cooperation extended to us during our audit.

Sincerely,

A handwritten signature in black ink, appearing to read 'SR', with a long horizontal flourish extending to the right.

Steve Rumph
Inspector General



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