

MIKE HARIDOPOLOS
President



DEAN CANNON
Speaker



Joint Legislative Auditing Committee

Senator Jim Norman, Chair
Representative Debbie Mayfield, Vice Chair

Meeting Packet
Monday, April 4, 2011
10:15 a.m. to 12:15 p.m.
309 Capitol

AGENDA
JOINT LEGISLATIVE AUDITING COMMITTEE

DATE: Monday, April 4, 2011

TIME: 10:15 a.m. to 12:15 p.m.

PLACE: Room 309 Capitol

MEMBERS:

Senator Jim Norman, Chair
Representative Debbie Mayfield, Vice Chair

Senator Arthenia L. Joyner	Representative Larry Ahern
Senator Evelyn J. Lynn	Representative Michael Bileca
Senator Maria Lorts Sachs	Representative Daphne D. Campbell
Senator Stephen R. Wise	Representative Jeff Clemens
	Representative Shawn Harrison

Overview of the Office of Program Policy Analysis and Government Accountability (OPPAGA): Presentation by Kathy McGuire, OPPAGA Acting Coordinator

Discussion of cost incurred by local governments to publish legally required advertisements and public notices in newspapers

Local Government Financial Reporting

Update on entities the Committee took action against in 2009 and 2010 for failing to file required financial reports

The Committee is expected to consider taking action against certain local governments that have failed to file an annual financial report and annual financial audit (if required) due September 30, 2010, or earlier pursuant to s. 11.40(5), F.S.

Adoption of Committee Motion

Discussion of Committee's responsibility to direct an audit for the Department of the Lottery for the fiscal year ending June 30, 2011

Presentation of Auditor General Report No. 2011-069, Payroll and Personnel Administrative Processes at Selected State Agencies - Operational Audit

Presentation of OPPAGA Report No. 10-53, Most Local Governments Participating in the Expedited Review Process Report Benefits

Presentation of Auditor General Report No. 2011-167, State of Florida - Compliance and Internal Controls Over Financial Reporting and Federal Awards



OPPAGA

The Legislature's Policy Research Office

Joint Legislative Auditing Committee
April 4, 2011

Kathy McGuire, Acting Coordinator

Florida Legislature Office of Program Policy Analysis & Government Accountability

Overview

- Who we are
- How we help provide the information you need

Florida Legislature Office of Program Policy Analysis & Government Accountability

What is OPPAGA?

**A non-partisan office of
the Legislature
that provides data,
evaluative research, and
objective analyses to assist
legislative budget and policy
deliberations**

Florida Legislature Office of Program Policy Analysis & Government Accountability

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Where do we fit in?

- **Joint office that reports to leadership of the House and Senate**
- **Work directed by law, leadership, and JLAC**

Florida Legislature Office of Program Policy Analysis & Government Accountability

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How we can help

- **Research on approved topics**
- **Resources for answering constituent questions**
- **Updates on key issues**

Research Approved Topics

- **Published reports**
- **Research consultations**

- **Requests to presiding officers**

Published Reports

- **Performance or policy reviews**
- **66 reports in 2010**
- **Focus on making government better, faster, cheaper**

Florida Legislature Office of Program Policy Analysis & Government Accountability

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Published Reports

- **Options or recommendations**
- **Since 1998, state has saved over \$827 million by acting on these recommendations and options**

Florida Legislature Office of Program Policy Analysis & Government Accountability

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Published Reports

- **New “PolicyCasts”** 
- **Progress Reports**
 - About 2 years later
 - Have issues been resolved?
 - 81% implemented

Research Consultations

- Address specific questions of members and committees
- Generally provided through briefings or memoranda
- Expect to provide around 120 this year

Constituent Questions

- **Who do I call for child support information?**
- **What happens if my child has been arrested?**
- **How are doctors regulated?**

Constituent Questions

GPS (Government Program Summaries)

- **Online encyclopedia of 200+ key state programs**
- **Descriptions, contacts, and links to related reports and websites**

Member Key Issues

Breaking News and Research

- *The Florida Monitor Weekly*
- Monthly E-Alerts

Member Key Issues

The Florida Monitor Weekly

- A weekly electronic newsletter highlighting new policy research and articles of interest to members



Member Key Issues

Monthly E-Alert

- Monthly update on all OPPAGA reports recently released, about to be released, and in progress



Office of Oversight, OPPAGA News
April 2018

Report	Key Issues
Florida Department of Transportation	• Florida Department of Transportation (FDOT) is currently reviewing the impact of the proposed toll increase on the state's economy and the transportation trust funds.
Florida Department of Banking Regulation	• Florida Department of Banking Regulation (FDBR) is currently reviewing the impact of the proposed rule on the state's banking industry.
Florida Department of Health	• Florida Department of Health (FDOH) is currently reviewing the impact of the proposed rule on the state's health care industry.
Florida Department of Education	• Florida Department of Education (FDOE) is currently reviewing the impact of the proposed rule on the state's education system.
Florida Department of Corrections	• Florida Department of Corrections (FDOC) is currently reviewing the impact of the proposed rule on the state's correctional system.
Florida Department of Transportation	• Florida Department of Transportation (FDOT) is currently reviewing the impact of the proposed rule on the state's transportation system.

Contact OPPAGA

Call us

Main office number - (850) 488-0021

Contact list for policy area staff directors

Visit us on-line

Website: www.oppaga.fl.gov

GPS: www.oppaga.state.fl.us/government/

oppaga

Key Legislative Contacts



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Key Legislative Contacts by Area

Criminal Justice

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Attorney General	Justice Administrative Commission	PRIDE
Capital Collateral Regional Counsels	Juvenile Justice	Public Defenders
Correctional Medical Authority	Law Enforcement	State Attorneys
Corrections	Parole Commission	State Courts System

Government Operations

Kara Collins-Gomez, Staff Director • Office: (850) 487-4257 • Email: collins-gomez.kara@oppaga.fl.gov

Agriculture and Consumer Services	Fish and Wildlife Conservation	Revenue
Business and Professional Regulation	Governor's Office	State
Citrus	Highway Safety and Motor Vehicles	State Board of Administration
Community Affairs	Management Services	Transportation
Environmental Protection	Military Affairs	Water Management Districts
Financial Services	Public Service Commission	Workforce Innovation

Education

Tim Elwell, Staff Director • Office: (850) 487-9228 • Email: elwell.tim@oppaga.fl.gov

Board of Governors	Lottery
Community Colleges	Non-Public Institutions
Education	School Districts
Florida College System	State Universities

Health and Human Services

Jennifer Johnson, Staff Director • Office: (850) 488-1023 • Email: johnson.jennifer@oppaga.fl.gov

Children and Family Services	Health Care Administration
Elder Affairs	Persons With Disabilities
Health	Veterans' Affairs

THE FLORIDA LEGISLATURE
OPPAGA



OFFICE OF PROGRAM POLICY ANALYSIS & GOVERNMENT ACCOUNTABILITY

OPPAGA Reports Published in 2010

Report No.	Report Title by Agency (Publication Date)
Administration, State Board of	
10-60	<i>The Florida Growth Fund Added Investments in 2010, but It Is Still Too Early to Assess Total Economic Impact</i> (December 2010)
10-19	<i>Florida Retirement System Funds and Investment Returns Declined with the Economy; the SBA Reports That Its Investment Strategy Is Designed to Withstand Losses</i> (February 2010)
Board of Governors of the State University System	
10-41	<i>Increased Accountability and Oversight of University Centers and Institutes Is Needed</i> (May 2010)
10-37	<i>Supplemental Report: Profiles of State University Health Centers</i> (April 2010)
10-14	<i>Since Implementing Statutory Changes, the State Board of Nursing Has Approved More Nursing Programs; the Legislature Should Address Implementation Issues</i> (January 2010)
10-01	<i>Most AA Graduates Pursue Baccalaureate Degrees, but Many Lack Information About Articulation Policies</i> (January 2010)
Business and Professional Regulation, Department of	
10-21	<i>Options to Modify Harbor Pilot Oversight Could Improve Regulation and Rate Setting</i> (February 2010)
10-20	<i>Limited Data Is Available Regarding Number of Mandatory Homeowners Associations; Options Exist for Information Gathering and State Oversight</i> (February 2010)
10-03	<i>DBPR Increased Unlicensed Construction Enforcement Efforts; Electronic Submission Could Improve Complaint Processing</i> (January 2010)
Children and Families, Department of	
10-47	<i>DCF and Lead Agencies Have Made Progress in Reducing Barriers to Successful Adoptions</i> (July 2010)
10-40	<i>Insufficient Information Available to Fully Assess the Success of the Self-Directed Care Program</i> (April 2010)
10-30	<i>DCF Has Improved Some Aspects of Independent Living Program Oversight; Other Long-Standing Problems Remain</i> (March 2010)
10-10	<i>Profile of Florida's Medicaid Home and Community-Based Services Waivers</i> (January 2010)
Community Affairs, Department of	
10-58	<i>Few Local Governments Have Adopted Optional Recreational Surface Water Use Policies</i> (November 2010)
10-53	<i>Most Local Governments Participating in the Expedited Review Process Report Benefits</i> (September 2010)
10-25	<i>Pinalas County Should Track Fire and EMS Costs to Set Benchmarks, Control Costs, and Evaluate Alternative Service Delivery Models</i> (February 2010)
Corrections, Department of	
10-66	<i>Pretrial Release Programs' Data Collection Methods and Requirements Could Improve</i> (December 2010)
10-39	<i>Zero Tolerance Policy Rescinded and Alternatives Implemented to Address Technical Violations</i> (April 2010)
10-27	<i>Intermediate Sanctions for Non-Violent Offenders Could Produce Savings</i> (March 2010)
10-08	<i>Pretrial Release Programs' Compliance With New Reporting Requirements Is Mixed</i> (January 2010)

Report No.	Report Title by Agency (Publication Date)
Education, Department of	
10-65	<i>Profile of Florida's Public Workforce Education Program Providers by Service Area</i> (December 2010)
10-63	<i>Colleges Perform Slightly Better Than School Districts in Career Education; Neither Clearly Outperforms in Adult Education</i> (December 2010)
10-62	<i>Consolidating Workforce Education Would Bring More Uniformity; Mixed Results on Whether Evidence Supports Other Stakeholder Arguments</i> (December 2010)
10-61	<i>School Districts and Colleges Share Responsibility for Workforce Education; Duplication Is Minimal</i> (December 2010)
10-57	<i>Steps Taken to Improve the VPK Program; Additional Actions Needed To Increase Program Accountability</i> (November 2010)
10-56	<i>Many Florida Programs Enhance Students' Career and College Readiness</i> (November 2010)
10-55	<i>Juvenile Justice Students Face Barriers to High School Graduation and Job Training</i> (October 2010)
10-52	<i>DOE Improved the Statewide Course Numbering System; Oversight and Accuracy Issues Remain</i> (September 2010)
10-51	<i>Legislature Clarified Responsibility for Educating Exceptional Students in Residential Facilities</i> (August 2010)
10-49	<i>Florida Colleges and Universities Are Addressing Textbook Affordability</i> (July 2010)
10-48	<i>Steps Taken to Improve FACTS; Better Information on Postsecondary Student Use Is Still Needed</i> (July 2010)
10-43	<i>University Implementation and State Oversight of Common Program Prerequisites Has Improved</i> (May 2010)
10-36	<i>Some Progress Made in Monitoring Services for Gifted Students; Additional Steps Needed</i> (April 2010)
10-35	<i>Profile of Changes to Florida's Public Career Education Program Offerings</i> (April 2010)
10-34	<i>School Districts and Florida College System Institutions Frequently Change Their Career Education Programs</i> (April 2010)
10-26	<i>Florida Should Not Use the Targeted Occupations Lists as the Sole Criteria to Fund Career Education Programs</i> (March 2010)
10-24	<i>Funding Model for Career and Adult Education Is Reasonable but Needs Some Improvements</i> (February 2010)
10-18	<i>Public Career Education Programs Differ From Private Programs on Their Admission Requirements, Costs, Financial Aid Availability, and Student Outcomes</i> (January 2010)
10-12	<i>911 Call Center Training in Florida Varies; Options Exist for Creating Minimum Standards</i> (January 2010)
10-07	<i>Youth Entering the State's Juvenile Justice Programs Have Substantial Educational Deficits; Available Data Is Insufficient to Assess Learning Gains of Students</i> (January 2010)
Elder Affairs, Department of	
10-33	<i>The State Could Consider Several Options to Maximize Its Use of Funds for Medicaid Home and Community-Based Services</i> (March 2010)
10-23	<i>The Alzheimer's Disease Waiver Program Does Not Delay Nursing Home Entry More Effectively Than Other Waivers and Costs the State More Per Participant Than Most Waivers That Serve Similar Persons</i> (February 2010)
10-09	<i>Number of For-Profit Hospices Has Grown; Current Measures and Standards Are Not Sufficient to Assess Hospice Quality</i> (January 2010)
Executive Office of the Governor	
10-05	<i>Biotechnology Clusters Developing Slowly; Startup Assistance May Encourage Growth</i> (January 2010)
Financial Services, Department of	
10-06	<i>Public Adjuster Representation in Citizens Property Insurance Corporation Claims Extends the Time to Reach a Settlement and Also Increases Payments to Citizens' Policyholders</i> (January 2010)
Health Care Administration, Agency for	
10-32	<i>Enhanced Detection, Stronger Sanctions, Managed Care Fiscal Safeguards, and a Fraud and Abuse Strategic Plan Are Needed to Further Protect Medicaid Funds</i> (March 2010)
Highway Safety and Motor Vehicles, Department of	
10-02	<i>Motor Vehicle Electronic Filing System Is Beneficial But Stronger Oversight Needed</i> (January 2010)

Report No.	Report Title by Agency (Publication Date)
Judicial System	
10-54	<i>Without Changes, Expansion Drug Courts Unlikely to Realize Expected Cost Savings</i> (October 2010)
10-11A	<i>Clerk and Court State Funded Court-Related 2009-10 Fiscal Year Budget Information</i> (January 2010)
10-11	<i>Little Duplication in Court-Related Services; Clerk/Court Cooperation Should Be Improved</i> (January 2010)
Juvenile Justice, Department of	
10-42	<i>Steps Taken to Improve Juvenile Justice Direct-Care Staff Screening and Training</i> (May 2010)
10-38	<i>Redirection Saves \$51.2 Million and Continues to Reduce Recidivism</i> (April 2010)
Lottery, Department of the	
10-17	<i>Lottery Jackpots, Retailer Density, and Advertising Drive Transfers to Education</i> (January 2010)
10-16	<i>Lottery Profits Flat; Increasing Retailer Outlets Is Critical to Increasing Sales</i> (January 2010)
Management Services, Department of	
10-46	<i>Florida Retirement System Pension Plan Valuation Met Standards</i> (June 2010)
10-31	<i>The Legislature Could Consider Several Options for Modifying State Employee Compensation</i> (March 2010)
10-29	<i>FRS Defined Contribution Plan Costs Are Typically More Predictable; the Fiscal Impact of Requiring New Employees to Enroll in the Plan Is Influenced by Many Factors</i> (March 2010)
10-28	<i>DRDP Could Be Improved by Defining Its Purpose, Standardizing Requirements, and Ensuring That Benefits Are Equitably Funded</i> (March 2010)
10-15	<i>Several Options Are Available for Modifying the Florida Retirement System's Class Structure to Reduce System Costs</i> (January 2010)
Multi-Agency	
10-44	<i>State's Food Safety Programs Have Improved Performance and Financial Self-Sufficiency</i> (June 2010)
10-13	<i>2009 Annotated Listing of Legislative Recommendations</i> (January 2010)
10-04	<i>Some Alternative Work Arrangements Can Reduce Costs and Provide Employee Benefits</i> (January 2010)
Persons with Disabilities, Agency for	
10-45	<i>APD Waiting List Process Now More Useful for Planning and Budgeting; Multi-year Plan Still Needed</i> (June 2010)
Program Policy Analysis and Government Accountability, Office of	
10-59	<i>2010 Annotated List of Legislative Recommendations</i> (December 2010)
Public Service Commission	
10-50	<i>The PSC Has Enhanced Its Consumer Services and Participation in Florida's Lifeline Program Has Substantially Increased</i> (July 2010)
Revenue, Department of	
10-64	<i>Time and Costs Are Increasing for Counties to Complete the Value Adjustment Board Process</i> (December 2010)
10-50	<i>The PSC Has Enhanced Its Consumer Services and Participation in Florida's Lifeline Program Has Substantially Increased</i> (July 2010)
10-22	<i>Florida Has Made Limited Progress in Streamlining Business Processes; One-Stop Portals of Benefit to Some Other States</i> (February 2010)

OPPAGA Reports Published in 2011

Report No.	Report Title by Agency (Publication Date)
Administration, State Board of	
11-10	<i>Compared to Other States, the Pension Plan Is Better Funded, Incurs Lower Investment Fees, and Has Fewer Trustees; Investment Returns Are Average</i> (February 2011)
Board of Governors of the State University System	
11-09	<i>The Board of Governors Has Developed a Funding Formula and Uniform Reporting Procedures for Medical Education Programs</i> (February 2011)
Education, Department of	
11-11	<i>State-Funded Mentoring Program Performance Mixed; Take Stock and Best Buddies Do Well</i> (March 2011)
11-08	<i>Students with Developmental Disabilities Have Limited Postsecondary Options; A New Institution Would Expand Choices but Require Additional State Funding</i> (February 2011)
11-07	<i>Summary of OPPAGA Reports Examining Workforce Education Programs and Legislative Options</i> (February 2011)
11-05	<i>Several States Offer High School Diploma Options to Address Students' Needs and Future Goals</i> (January 2011)
11-04	<i>Completing Adult Education Programs Improves Students' Employability, But Program Completion Rates are Low</i> (January 2011)
11-02	<i>Special Facility Construction Projects Appear Needed, but Have Excess Capacity</i> (January 2011)
Executive Office of the Governor	
11-01	<i>Few Businesses Take Advantage of Enterprise Zone Benefits; the Legislature Could Consider Several Options to Modify the Program</i> (January 2011)
Health Care Administration, Agency for	
11-03	<i>Profile of Florida's Medicaid Home and Community-Based Services Waivers</i> (January 2011)
Lottery, Department of the	
11-12	<i>Lottery Profits Decline; Options Available to Enhance Transfers to Education</i> (March 2011)
Multi-Agency	
11-13	<i>Centralizing Aviation Operations and Implementing Cost-Saving Strategies Could Reduce State Spending</i> (March 2011)

Costs - Advertisements & Public
Notices - Local Governments

Public Notices and Advertisements Required of Local Governments

Local governments are required by various statutes to publish public notices and advertisements in a local newspaper. Recently, there has been an interest by some stakeholders to remove the requirement to publish this information in a newspaper and allow publication on government website(s) as an alternative. Proponents for this change generally cite reasons such as potential cost savings and that many citizens now obtain much of their news from the internet and other sources, rather than newspapers. Opponents generally cite reasons including reduced public access for citizens, in particular for certain population groups such as the elderly, African-Americans, and Hispanics; and reduced revenue for struggling newspapers. This summary provides available information on the cost to selected local governments under current law and legislation filed during the 2011 Legislative Session.

Cost to Local Governments for Required Newspaper Publication

According to information provided by the Florida Association of Counties,¹ Florida's counties spent approximately \$43 million in 2009 on newspaper costs. Also in 2009, the Senate Committee on Community Affairs was assigned an interim project on internet notice. The following tables include results from a survey conducted by the Legislative Committee on Intergovernmental Relations (LCIR)² in connection with this project:

Charges to Selected Local Governments - Reported by Newspapers³

Newspaper	Local Government	Charge For One Year
The Baker County Press	Baker County Board of County Commissioners	\$7,347
	City of Macclenny	\$7,529
Cape Coral Daily Breeze	Cape Coral	\$28,898
	Lee County	\$90,944
Diario Las Americas	Titusville	\$10,030
	City of Miami	\$91,929
The Ledger	Polk County	\$700,000
Naples News	Collier County	\$520,021
Tallahassee Democrat	City of Tallahassee	\$70,365
	City of Quincy	\$1,175
Tampa Tribune	City of Tampa	\$10,034
	Hillsborough County	\$268,975

Newspaper Costs for Public Notices - Reported by Selected Local Governments⁴

County	Cost for One Year	Municipality	Cost for One Year
Bay County	\$28,082	City of Bartow	\$11,220
Leon County	\$112,664	City of Cape Canaveral	\$1,500
Miami-Dade County	\$1,124,664	City of Delray Beach	\$18,742
Nassau County	\$62,000	City of Largo	\$25,000
Orange County	\$323,682	City of Miami (City Clerk's Office)	\$130,000
Pinellas County	\$146,000	City of Palm Beach Gardens	\$62,152
Wakulla County	\$3,000	City of Port Richey	\$6,170

¹ *Local Government Taxpayer Savings Act*, document provided by the Florida Association of Counties.

² LCIR ceased operations on June 30, 2010.

³ Information provided by staff of the Senate Committee on Community Affairs. Some governments may have published notices in more than one local newspaper.

⁴ Information provided by staff of the Senate Committee on Community Affairs. Cost figures were self-reported and may not include costs incurred by all county or municipal offices.

2011 Related Legislation

HB 89 (Workman and others): Effective Public Notices by Governmental Entities

Summary: The bill authorizes, but does not require, a local government to use its publicly accessible website for legally required advertisements and public notices. If authorized by ordinance, a local government may post required notices on its website if:

- the public has free internet access at a public library within the boundaries of the county or municipality,
- the local government provides notice to its residents at least once a year that they may receive public notices and advertisements by first-class mail or e-mail, and
- the local government maintains a registry of residents who request that they receive public notices and advertisements by first-class mail or e-mail.

Fiscal Impact: According to the staff analysis, "the bill may reduce local government expenditures associated with publishing required notices and advertisements in the newspaper. Local governments might have to expend funds to create, maintain, and issue correspondence from a registry of persons requesting notifications by first-class mail or e-mail." The analysis also mentions the loss in newspaper revenue anticipated.

Status: The bill was presented, discussed, and temporarily passed in the House Government Operations Subcommittee on April 1st.

SB 914 (Bennett): Effective Public Notices by Governmental Entities

Summary: Identical to HB 89

Status: Referred to Community Affairs, Judiciary, Budget; Not moving

SPB 7204 (Budget Committee): Effective Public Notices by Governmental Entities

Summary: Strike-all amendment (not considered):

- Requires counties and municipalities to post their public notices and advertisements on their official websites if:
 - the public has free internet access at a public library within the boundaries of the county or municipality,
 - the local government provides notice to its residents at least once a year that they may receive public notices and advertisements by first-class mail or e-mail, and,
 - the local government maintains a registry of residents who request that they receive public notices and advertisements by first-class mail or e-mail.
- Requires the Department of State (DOS) to establish and maintain a centralized internet website for the posting of state and local government notices and advertisements which offers search capacity and provides for automated e-mail notification, upon request, of selected notice types.
- Requires local governments that post notices and advertisements on their official website to also post on the DOS website.

Fiscal Impact: According to the bill analysis written to the strike-all amendment:

- "Local governments should experience a net cost savings as a result of no longer having to purchase newspaper advertisements. The Revenue Estimating Impact Conference has not determined the fiscal impact of this bill."
- Impact on the newspaper industry is likely to be substantial.
- The DOS will incur costs to establish and maintain the website (\$163,000 for programming and equipment, \$146,853 ongoing); also, potential changes to charges to publish public notices in the *Florida Administrative Weekly* may result in additional fiscal impact to DOS.

Status: On Budget Committee's agenda March 31st, Senator Alexander, Budget Chair, stated it was not his intention to consider the bill as there is not a consensus. He further stated that he does not have plans to move forward with the bill.

Local Government Financial Reporting – Materials Provided

1. **Summary:** Local Government Financial Reporting Requirements and Enforcement Authority Related to the Joint Legislative Auditing Committee and Action Taken
2. **Status:** Local Governments Not in Compliance for Previous Reporting Periods (AFRs and Audits for 2007-08 or earlier fiscal years); Action taken by JLAC in:

March 2009
October 2010
March 2010

3. **Potential Action:** Local Governments Not in Compliance for Most Recent Reporting Period (AFRs and Audits for 2008-09 fiscal year)
4. **Florida Statutes:** related to Local Government Financial Reporting

s. 11.40 (Legislative Auditing Committee)
s. 189.421 (Failure of District to Disclose Financial Reports)
s. 218.32 (Annual Financial Reports)
s. 218.39 (Annual Financial Audit Reports)

Local Government Financial Reporting
Summary of Requirements and Enforcement Authority
Related to the Joint Legislative Auditing Committee and Action Taken

The Joint Legislative Auditing Committee (committee) has the authority to enforce penalties against local governmental entities that fail to file certain reports, including an annual financial report and an annual financial audit report.

Annual Financial Report (AFR)

- All counties, municipalities, and independent special districts¹ are required to file an AFR with the Department of Financial Services (DFS) no later than September 30th of each year² [s. 218.32, F.S.]
- Dependent special districts are also required to file an AFR, but they may be required to file the report with their county or municipality rather than with DFS [s. 218.32(1)(a) & (b), F.S.]
- Either staff of the entity or a certified public accountant may complete the AFR; specified staff of the entity are required to complete the certification page
- DFS notifies the committee of the entities that have failed to file the AFR [s. 218.32(a)(f), F.S.]
- Committee staff monitors the submission of late-filed AFRs and contacts all entities that continue to be non-compliant³
- DFS will assist entity staff in completion of the electronic AFR once the entity has the information needed
- The committee may schedule a hearing to determine if action should be taken [s. 11.40(5), F.S.]

Annual Financial Audit⁴ (audit)

- The following table shows the audit requirements for counties, municipalities, and special districts [s. 218.39(1), F.S.]:

Type of Entity	Audit Requirement
Counties	Annual audit required
Municipalities – Revenues or expenditures over \$250,000	Annual audit required
Municipalities – Revenues or expenditures between \$100,000 and \$250,000	Audit required if an audit has not been provided for during the previous two fiscal years
Municipalities – Revenues or expenditures below \$100,000	No audit required
Special Districts – Revenue or expenditures over \$100,000	Annual audit required
Special Districts – Revenue or expenditure between \$50,000 and \$100,000	Audit required if an audit has not been provided for during the previous two fiscal years
Special Districts – Revenue or expenditures below \$50,000	No audit required

¹ As of March 30, 2011, the Department of Community Affairs' website lists 1615 active special districts: 1008 are independent and 621 are dependent. An independent special district has no dependent characteristics. A dependent special district has at least one of several characteristics including: the governing board is the same as the one for a single county or single municipality or its governing board members are appointed by the governing board of a single county or single municipality.

² All counties, municipalities, and most special districts follow a fiscal year of October 1st to September 30th. If an entity is not required to provide for an audit, the AFR is due April 30th, seven months after the end of the fiscal year. If an audit is required, the AFR is due within 45 days of the completion of the audit but no later than 12 months after the end of the fiscal year.

³ In February and early March 2011, committee staff notified each entity (other than dependent special districts) that had failed to file an AFR that was due September 30, 2010, or earlier, and still had not been filed. Correspondence was sent by certified mail, return receipt requested, informing the mayor, board chair, or registered agent, as appropriate, of the AFR requirement and possible penalty.

⁴ The primary focus of a financial audit is to examine the financial statements in order to provide reasonable assurance about whether they are fairly presented in all material respects.

- Audits are required to be filed with the Auditor General no later than September 30th (12 months after the end of the fiscal year) [s. 218.39(8), F.S.]
- Audits must be conducted by an independent certified public accountant (CPA) retained by the entity and paid from its public funds [s. 218.39(1), F.S.]⁵
- If an entity has not filed an AFR, the Auditor General may not have sufficient information to determine if an audit is required
- After September 30th, the Auditor General sends a letter to all entities that either *are* or *may be* required to provide for an audit and file it with the Auditor General but have failed to do so
- The Auditor General notifies the committee of the entities that have failed to file an audit [s. 11.45(7)(a), F.S.]
- Committee staff monitors the submission of late-filed audit reports and contacts entities that continue to be non-compliant⁶
- The committee may schedule a hearing to determine if action should be taken [s. 11.40(5), F.S.]

Committee Hearings: Authority and Action Taken

- The committee is authorized to take action, as follows, against entities that fail to file an AFR or an audit report [s. 11.40(5), F.S.]:

Type of Entity	Penalty
Counties and Municipalities	Direct the Department of Revenue (DOR) and DFS to withhold any funds not pledged for bond debt service satisfaction which are payable to the entity until the entity complies with the law. ⁷ Withholding begins 30 days after the departments have received notification.
Special Districts	Notify the Department of Community Affairs to proceed pursuant to provisions of s. 189.421, F.S. If a registered agent is not located, the department may declare the special district to be inactive after public notice is provided in a local newspaper, pursuant to s. 189.4044, F.S. Otherwise, within 30 days of notification, or within 30 days after any extension the department has provided as authorized in law, the department files a petition for writ of certiorari in Leon County circuit court to compel compliance.

- During 2009 and 2010 the committee directed action against a total of 28 municipalities and over 50 special districts. Most of these entities filed the required reports either by the date committee staff was directed to notify DFS, DOR, or DCA, as applicable, or within the 30 days the state agencies have to commence with action once notified by the committee. When the required reports are filed prior to the effective date of the action, revenue is not withheld (counties, municipalities) and legal action does not occur (special districts).
- As a result of the committee's action in the past two years, revenue has been withheld from eight municipalities, four special districts were declared inactive, and a petition was filed in court against five special districts.

⁵ The Auditor General may conduct a financial audit of a local governmental entity, either under his own authority or at the direction of the committee. If this occurs and the entity is timely notified, the entity is not required to engage a private CPA to conduct an audit. The Auditor General conducts very few audits of local governmental entities. Generally, if an audit is conducted it is an operational audit, not a financial audit.

⁶ In February and early March 2011, committee staff notified each entity (other than dependent special districts) that had failed to file an audit report that was due by September 30, 2010, or earlier, and still had not been filed. Correspondence was sent by certified mail, return receipt requested, informing the mayor, board chair, or registered agent, as appropriate, of the audit requirement and possible penalty.

⁷ To date, the committee has not taken action against any county. All counties have filed the required reports by the dates of the committee hearings. The committee has directed DOR and DFS to withhold revenue from a number of municipalities. DOR withholds Municipal Revenue Sharing and Half-Cent Sales Tax funds from municipalities that would otherwise receive these funds. Municipal Revenue Sharing funds are restored to the municipality if the municipality files the required report(s) prior to the end of the state's fiscal year. Half-Cent Sales Tax funds are redistributed and are not available to be restored to the municipality once a distribution is made. DFS has withheld grant funds from some municipalities. These funds are released to the municipality once the required report(s) are filed.

JLAC ACTION TAKEN IN MARCH 2009
STATUS AS OF APRIL 1, 2011
 (LOCAL GOVERNMENTAL ENTITIES NOT IN COMPLIANCE WITH REPORTING
 REQUIREMENTS OF S. 218.32 AND/OR S. 218.39, F.S.)

LOCAL GOVERNMENTAL ENTITY NAME	REPORTS NOT SUBMITTED	CURRENT STATUS
Caryville, Town of (Washington County)	FY 2008-09 AFR & Audit Report FY 2007-08 AFR & Audit Report FY 2006-07 AFR & Audit Report FY 2005-06 Audit Report FY 2004-05 AFR & Audit Report FY 2003-04 Audit Report FY 2002-03 Audit Report [Last audit submitted to Auditor General's Office was for FY 1999-2000.]	NO CURRENT ACTION BY COMMITTEE IS NECESSARY. DOR has been withholding half-cent sales tax funds and municipal revenue sharing funds in excess of the minimum entitlement since April 15, 2009. \$19,443.67 withheld and forfeited (per DOR as of 3/30/2011). <u>July 2010:</u> FY 2007-08 AFR submitted to DFS. <u>October 2010:</u> In an effort to assist the Town in becoming compliant, Chair and Vice Chair approved sending a letter to Council Chair stating that Committee would accept an audit of FY 2009-10 in lieu of past due audits. The letter listed steps that needed to be completed in order for the Town to be in full compliance. <u>March 2011:</u> Letter received from Council Chairman that stated: (1) Town is working on hiring a CPA firm to perform a financial audit for FY 2009-10; (2) plans to have the signed audit engagement letter no later than the next council meeting (April 12, 2011), and (3) plans to have the audit completed as soon thereafter as the CPA firm is available.
Islandia, City of (Miami-Dade County)	FY 2007-08 AFR & Audit Report FY 2006-07 AFR & Audit Report FY 2005-06 AFR & Audit Report FY 2004-05 AFR & Audit Report FY 2003-04 AFR & Audit Report FY 2002-03 AFR & Audit Report FY 2001-02 AFR & Audit Report FY 2000-01 AFR & Audit Report	<u>Now in full compliance</u> (Note: City submitted \$0 AFRs to DFS for all delinquent years and FY 2008-09 on 11/23/2010. Since audit threshold not met for any year, no audits were required.) Motion approved at January 11, 2010, JLAC meeting to send letter to officials in Miami-Dade County stating that JLAC members encourage the county to take action to dissolve City of Islandia. On August 24, 2010, the voters of Miami-Dade County approved an amendment to the county charter that authorizes the Miami-Dade County Board of County Commissioners to abolish a municipality with 20 or less electors.

JLAC ACTION TAKEN IN MARCH 2009
STATUS AS OF APRIL 1, 2011
 (LOCAL GOVERNMENTAL ENTITIES NOT IN COMPLIANCE WITH REPORTING
 REQUIREMENTS OF S. 218.32 AND/OR S. 218.39, F.S.)

LOCAL GOVERNMENTAL ENTITY NAME	REPORTS NOT SUBMITTED	CURRENT STATUS
Weeki Wachee, City of (Hernando County)	FY 2008-09 AFR & Audit Report* FY 2007-08 AFR & Audit Report* FY 2006-07 Audit Report FY 2005-06 Audit Report FY 2004-05 Audit Report FY 2003-04 Audit Report FY 2002-03 Audit Report (*may meet threshold to have audit performed once every 3 years)	NO CURRENT ACTION BY COMMITTEE IS NECESSARY Per letter dated March 24, 2009, Department of Revenue stated that the City of Weeki Wachee only participates in the Municipal Revenue Sharing program and the funds in excess of the minimum entitlement would be withheld as requested by JEAC. \$549.30 withheld and forfeited (per DOR as of 3/30/2011) No correspondence (letters, e-mails, or phone calls) from city has been received by either JLAC or DOR. July 2010: FY 2007-08 AFR submitted to DFS.

JLAC ACTION TAKEN IN MARCH 2009
STATUS AS OF APRIL 1, 2011
 (LOCAL GOVERNMENTAL ENTITIES NOT IN COMPLIANCE WITH REPORTING
 REQUIREMENTS OF S. 218.32 AND/OR S. 218.39, F.S.)

LOCAL GOVERNMENTAL ENTITY NAME	REPORTS NOT SUBMITTED	CURRENT STATUS
Westville, Town of (Holmes County)	FY 2008-09 AFR & Audit Report* FY 2007-08 AFR & Audit Report* FY 2006-07 AFR & Audit Report* FY 2005-06 AFR & Audit Report* FY 2004-05 AFR & Audit Report (*may meet threshold to have audit performed once every 3 years) [Last audit submitted to Auditor General's Office was for FY 2001-02.]	RECOMMENDATION FOR COMMITTEE ACTION: (1) Approve CPA firm to perform audit of FY 2009-10 for Town in lieu of audit of FY 2007-08. (2) Delay state action until July 1, 2011, and allow Town to submit the FY 2009-10 audit report and all delinquent AFRs by June 30, 2011. DOR withheld half-cent sales tax funds and municipal revenue sharing funds in excess of the minimum entitlement from April 15, 2009 until June 2010. \$7,110.91 withheld and forfeited until June 2010 (per DOR as of 3/30/2011) <u>June 2010:</u> Chair and Vice Chair approved audit of FY 2007-08 in lieu of past due audits and release of funds to Town, since municipal revenue-sharing funds would have reverted to the state after end of state's fiscal year (June 30), if Town provided audit engagement letter for FY 2007-08. Town provided audit engagement letter to Committee in mid-June 2010. <u>July 2010:</u> FY 2004-05 AFR submitted to DFS. <u>March 2011:</u> Correspondence with CPA firm indicates that preliminary work on FY 2007-08 audit has started, but they are having difficulties in obtaining the accounting records and information necessary to perform the audit since Town has not been audited for a number of years; there are no indications of fraudulent activity, just poor bookkeeping. It is questionable as to whether they will be able to express an opinion on the financial statements. They asked if it would be acceptable to perform an audit of FY 2009-10 instead of FY 2007-08. This would get the Town current on its audit requirement. CPA firm anticipates that the audit report could be issued by June 30, 2011, assuming cooperation of Town.

JLAC ACTION TAKEN IN MARCH 2009
STATUS AS OF APRIL 1, 2011
 (LOCAL GOVERNMENTAL ENTITIES NOT IN COMPLIANCE WITH REPORTING
 REQUIREMENTS OF S. 218.32 AND/OR S. 218.39, F.S.)

LOCAL GOVERNMENTAL ENTITY NAME	REPORTS NOT SUBMITTED	CURRENT STATUS
Baker Fire District (Okaloosa County)	FY 2008-09 AFR & Audit Report, if audit threshold met FY 2007-08 AFR & Audit Report FY 2006-07 AFR FY 2004-05 Audit Report	<p>RECOMMENDATION FOR COMMITTEE ACTION:</p> <p>(1) Delay state action until April 16, 2011, and allow District to submit FY 2007-08 audit report and AFR by April 15, 2011.</p> <p>(2) Delay state action until June 1, 2011, and allow District to submit the FY 2008-09 audit report and AFR by May 31, 2011.</p> <p>FY 2007-08 audit is in progress – report expected to be issued by April 15, 2011. Committee approved audit of FY 2007-08 as next required audit for District.</p> <p>DCA approved additional 30-day extension to submit FY 2008-09 audit report until May 19, 2011.</p> <p>Correspondence with CPA firm indicates that, if FY 2008-09 audit is determined to be required, audit report could be issued by May 31, 2011, assuming District provides all necessary information in timely manner.</p> <p><u>Court Case No. 2009 CA 1536:</u> FY 2004-05 audit report submitted to the Auditor General in January 2010, and FY 2006-07 AFR submitted to DES in March 2011. Court order on June 28, 2010, acknowledges receipt of reports, declines to grant certiorari at that time, declines to award attorneys fees, and retains jurisdiction over the matter until all issues of outstanding AFRs and audit reports are resolved.</p>
Belmont Lakes Community Development District (Broward County)	FY 2006-07 AFR & Audit Report FY 2005-06 AFR & Audit Report FY 2004-05 AFR	<p><u>Full compliance</u> -- all reports submitted</p> <p><u>Court Case No. 2009 CA 1534:</u> Dismissed on December 15, 2009.</p>

JLAC ACTION TAKEN IN MARCH 2009
STATUS AS OF APRIL 1, 2011
 (LOCAL GOVERNMENTAL ENTITIES NOT IN COMPLIANCE WITH REPORTING
 REQUIREMENTS OF S. 218.32 AND/OR S. 218.39, F.S.)

LOCAL GOVERNMENTAL ENTITY NAME	REPORTS NOT SUBMITTED	CURRENT STATUS
Pasco Heights Road & Bridge District (Pasco County)	FY 2008-09 AFR & Audit Report# FY 2007-08 AFR & Audit Report# FY 2006-07 AFR & Audit Report FY 2005-06 Audit Report FY 2004-05 AFR & Audit Report (# = if audit threshold met for audit)	NO CURRENT ACTION BY COMMITTEE IS NECESSARY. <u>Case No. 2009-CA-1535</u> November 2009: Judge ordered the district to file its FY 2004-05 audit report by December 31, 2009, and its other outstanding reports by March 31, 2010. The judge also announced her intention to enter a Writ of Certiorari in the case. <u>March 2010:</u> Court order on March 18, 2010, states that: (1) certiorari is granted; (2) District ordered to produce AFRs for FY 2004-05, FY 2005-06, and FY 2006-07 and an audit report for FY 2006-07; (3) District enjoined from future violations of reporting requirements of ss. 218.32 and 218.39, F.S., and (4) District required to pay \$200 for costs and attorney's fees to DCA. Attorney for District provided compiled (unaudited) financial statements for FY 2004-05, FY 2005-06, and FY 2006-07 to a CPA firm and DCA, stating that audits would be performed. <u>February - April 2011:</u> DCA started the process to declare the District inactive so Pasco County can dissolve the District (s. 189.4044, F.S.), since the District has not submitted the required financial reports. Notice was published in a local newspaper as required, and an objection was filed by a citizen who does not want the District dissolved. DCA determined that the petition was not legally sufficient since it did not comply with the administrative procedures act (ch. 120, F.S.). DCA gave the citizen 30 days to file a legally sufficient objection. The citizen has filed another petition, and DCA is currently reviewing that petition.

JLAC ACTION TAKEN IN OCTOBER 2009

STATUS AS OF APRIL 1, 2011

(LOCAL GOVERNMENTAL ENTITIES NOT IN COMPLIANCE WITH REPORTING
REQUIREMENTS OF S. 218.32 AND/OR S. 218.39, F.S.)

LOCAL GOVERNMENTAL ENTITY NAME	REPORTS NOT SUBMITTED	CURRENT STATUS
Highlands Road and Bridge District (Pasco County)	FY 2007-08 AFR & Audit# FY 2006-07 AFR & Audit# (# = if threshold met for audit)	Correspondence from the Pasco County Board of County Commissioners in December 2010 indicated that it has directed that a MSBU be established simultaneously with the dissolution of the District and will be revisiting the matter in coming months. Will let Committee know when District is dissolved. (Note: Since no registered agent or office information had been provided to DCA, a petition for writ of certiorari could not be filed in accordance with s. 189.421, F.S. DCA proceeded with the provisions of s. 189.4044, F.S., and on December 23, 2009, DCA changed the district's status from "active" to "inactive" and notified the Pasco County Board of County Commissioners that they were required to dissolve the district by repealing its enabling laws.)
Magnolia Bluff Community Development District (Walton County)	FY 2007-08 AFR & Audit# FY 2006-07 AFR & Audit# (# = if threshold met for audit)	District dissolved on April 27, 2010, by Walton County Board of County Commissioners. (Note: Since no registered agent or office information had been provided to DCA, a petition for writ of certiorari could not be filed in accordance with s. 189.421, F.S. DCA proceeded with the provisions of s. 189.4044, F.S., and on December 24, 2009, DCA changed the district's status from "active" to "inactive" and notified the Walton County Board of County Commissioners that they were required to dissolve the district by repealing its enabling laws.)

JLAC ACTION TAKEN IN MARCH 2010
STATUS AS OF APRIL 1, 2011
 (LOCAL GOVERNMENTAL ENTITIES NOT IN COMPLIANCE WITH REPORTING
 REQUIREMENTS OF S. 218.32 AND/OR S. 218.39, F.S.)

LOCAL GOVERNMENTAL ENTITY NAME	REPORTS NOT SUBMITTED	CURRENT STATUS
Municipalities:		
Altha, Town of (Calhoun County)	FY 2007-08 AFR	Full compliance
Belle Glade, City of (Palm Beach County)	FY 2007-08 AFR & Audit Report	Full compliance
Belleair, Town of (Pinellas County)	FY 2007-08 AFR	Full compliance
Belleair Shore, Town of (Pinellas County)	FY 2007-08 AFR & Audit Report	Full compliance
Bonifay, City of (Holmes County)	FY 2007-08 AFR	Full compliance (*)
Century, Town of (Escambia County)	FY 2007-08 AFR & Audit Report	Full compliance Funds withheld prior to compliance
Cottondale, City of (Jackson County)	FY 2007-08 AFR & Audit Report FY 2006-07 AFR & Audit Report	Full compliance (*) Funds withheld prior to compliance
Eatonville, Town of (Orange County)	FY 2007-08 AFR & Audit Report	Full compliance (*)
Esto, Town of (Holmes County)	FY 2007-08 AFR & Audit Report	Full compliance Funds withheld prior to compliance
Fort White, Town of (Columbia County)	FY 2007-08 AFR	Full compliance
Gulf Breeze, City of (Santa Rosa County)	FY 2007-08 AFR	Full compliance
Hampton, City of (Bradford County)	FY 2007-08 AFR	Full compliance Funds withheld prior to compliance
Jupiter Island, Town of (Martin County)	FY 2007-08 AFR	Full compliance
Laurel Hill, City of (Okaloosa County)	FY 2007-08 AFR & Audit Report	Full compliance (*)
Mangonia Park, Town of (Palm Beach County)	FY 2007-08 AFR & Audit Report	Full compliance Funds withheld prior to compliance
Miami Shores, Village of (Miami-Dade County)	FY 2007-08 AFR	Full compliance (*)
Pahokee, City of (Palm Beach County)	FY 2007-08 AFR & Audit Report FY 2006-07 AFR & Audit Report	Full compliance (*)
Polk City, City of (Polk County)	FY 2007-08 AFR & Audit Report	Full compliance
Port Richey, City of (Pasco County)	FY 2007-08 AFR & Audit Report	Full compliance
Sewall's Point, Town of (Martin County)	FY 2007-08 AFR & Audit Report	Full compliance
Southwest Ranches, Town of (Broward County)	FY 2007-08 AFR	Full compliance

Note: (*) FY 2008-09 financial report(s) are delinquent

JLAC ACTION TAKEN IN MARCH 2010
STATUS AS OF APRIL 1, 2011
 (LOCAL GOVERNMENTAL ENTITIES NOT IN COMPLIANCE WITH REPORTING
 REQUIREMENTS OF S. 218.32 AND/OR S. 218.39, F.S.)

LOCAL GOVERNMENTAL ENTITY NAME	REPORTS NOT SUBMITTED	CURRENT STATUS
St. Lucie Village, Town of (St. Lucie County)	FY 2007-08 AFR & Audit Report	Full compliance (*)
Umatilla, City of (Lake County)	FY 2007-08 AFR	Full compliance
Webster, City of (Sumter County)	FY 2007-08 AFR	Full compliance
Independent Special Districts:		
Almarante Fire District (Okaloosa County)	FY 2007-08 AFR & Audit Report	<p>Full compliance</p> <p><u>JLAC Action:</u> After several extensions approved by Chair and Vice Chair, letter sent to DCA in February 2011 requesting action proceed pursuant to s. 189.421(3), F.S. District submitted reports prior to end of 30-day timeframe for DCA to file petition for writ of certiorari in Leon County Circuit Court.</p>
Bella Verde Golf Community Development District (Pasco County)	FY 2008-09 AFR & Audit Report FY 2007-08 AFR & Audit Report	<p>RECOMMENDATION FOR COMMITTEE ACTION:</p> <p>Continue to delay state action. Committee staff will continue to monitor situation.</p> <p>Compliance with AFR submission for FY 2007-08 (*)</p> <p>Correspondence from CDD management company in March 2011 stated that the District's situation has not changed in respect to both FY 2007-08 and FY 2008-09 audits. An AFR with unaudited amounts for FY 2008-09 will be filed with DFS in the near future.</p> <p><u>JLAC Action:</u> In August 2010, Chair and Vice Chair approved delay of state action until a later date since District filed for foreclosure in fall 2009 and is unable to pay for an audit due to lack of funding. Negotiations are ongoing with all relevant parties to redress situation.</p>
Bermont Drainage District (Charlotte County)	FY 2007-08 AFR & Audit Report	Full compliance

Note: (*) FY 2008-09 financial report(s) are delinquent

JLAC ACTION TAKEN IN MARCH 2010
STATUS AS OF APRIL 1, 2011
 (LOCAL GOVERNMENTAL ENTITIES NOT IN COMPLIANCE WITH REPORTING
 REQUIREMENTS OF S. 218.32 AND/OR S. 218.39, F.S.)

LOCAL GOVERNMENTAL ENTITY NAME	REPORTS NOT SUBMITTED	CURRENT STATUS
Blackman Fire District (Okaloosa County)	FY 2007-08 AFR & Audit Report FY 2006-07 AFR & Audit Report	Full compliance
Broward Soil and Water Conservation District (Broward County)	FY 2007-08 AFR & Audit Report	Full compliance (*)
Buckeye Park Community Development District (Manatee County)	FY 2007-08 AFR & Audit Report	Full compliance
Chapel Creek Community Development District (Pasco County)	FY 2007-08 AFR & Audit Report	Full compliance (*)
Collier Soil and Water Conservation District (Collier County)	FY 2007-08 AFR & Audit Report	Full compliance
Cypress Club Recreation District (Broward County)	FY 2007-08 AFR	Full compliance
DeSoto County Hospital District (DeSoto County)	FY 2007-08 AFR	Full compliance
Dorcas Fire District (Okaloosa County)	FY 2007-08 AFR & Audit Report FY 2006-07 AFR & Audit Report	Full compliance JLAC Action: After several extensions approved by Chair and Vice Chair, letter sent to DCA in November 2010 requesting action proceed pursuant to s. 189.421(3), F.S. District submitted reports prior to end of 30-day timeframe for DCA to file petition for writ of certiorari in Leon County Circuit Court.
Downtown Development Authority City of Miami (Miami-Dade County)	FY 2007-08 AFR	Full compliance
Forest Brooke Community Development District (Hillsborough County)	FY 2007-08 AFR & Audit Report	Full compliance
Hardee County Housing Authority (Hardee County)	FY 2007-08 AFR	Full compliance
Heights Community Development District, The (Hillsborough County)	FY 2007-08 AFR	Full compliance
Hernando County Housing Authority (Hernando County)	FY 2007-08 AFR	Full compliance

Note: (*) FY 2008-09 financial report(s) are delinquent

JLAC ACTION TAKEN IN MARCH 2010
STATUS AS OF APRIL 1, 2011
 (LOCAL GOVERNMENTAL ENTITIES NOT IN COMPLIANCE WITH REPORTING
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LOCAL GOVERNMENTAL ENTITY NAME	REPORTS NOT SUBMITTED	CURRENT STATUS
Holt Fire District (Okaloosa County)	FY 2007-08 AFR & Audit Report	Full compliance <u>JLAC Action:</u> Audit report not submitted by 9/1/2010 deadline, so letter sent to DCA requesting action proceed pursuant to s. 189.421(3), F.S. DCA filed petition for writ of certiorari in Leon County Circuit Court (Case No. 2010 CA 3430). District submitted audit report in February 2011. Letter sent to DCA re: District's compliance, and DCA filed Notice of Voluntary Dismissal with court.
Kenmare at Lake Annie Community Development District (Polk County)	FY 2007-08 AFR	Full compliance
Kindlewood Community Development District (Clay County)	FY 2007-08 AFR & Audit Report	District <u>dissolved</u> on July 27, 2010, by Clay County Board of County Commissioners. (Note: Since no registered agent or office information had been provided to DCA, a petition for writ of certiorari could not be filed in accordance with s. 189.421, F.S. DCA proceeded with the provisions of s. 189.4044, F.S., and on June 11, 2010, DCA changed the district's status from "active" to "inactive" and notified the Clay County Board of County Commissioners that they were required to dissolve the district by repealing its enabling laws.)

Note: (*) FY 2008-09 financial report(s) are delinquent

JLAC ACTION TAKEN IN MARCH 2010
STATUS AS OF APRIL 1, 2011
 (LOCAL GOVERNMENTAL ENTITIES NOT IN COMPLIANCE WITH REPORTING
 REQUIREMENTS OF S. 218.32 AND/OR S. 218.39, F.S.)

LOCAL GOVERNMENTAL ENTITY NAME	REPORTS NOT SUBMITTED	CURRENT STATUS
Lanark Village Water and Sewer District (Franklin County)	FY 2007-08 AFR & Audit Report FY 2006-07 AFR & Audit Report	DCA has not received any response to its letter dated October 8, 2010. In addition, although requested, we have not been provided a current status regarding the dissolution of this District by the Franklin County Board of County Commissioners. (Note: Since no registered agent or office information had been provided to DCA, a petition for writ of certiorari could not be filed in accordance with s. 189.421, F.S. DCA proceeded with the provisions of s. 189.4044, F.S., and on October 8, 2010, DCA changed the district's status from "active" to "inactive." DCA notified the Franklin County Board of County Commissioners of such action in a letter dated October 8, 2010, stating that the County is unable to repeal any enabling laws of the District since it did not enact any such laws to establish the District, and requesting that the County confirm that it considers the District dissolved pursuant to the provisions of s. 189.4042, F.S.)
Naples Reserve Community Development District (Collier County)	FY 2007-08 AFR & Audit Report	Full compliance
Nassau Soil and Water Conservation District (Nassau County)	FY 2007-08 AFR & Audit Report	Full compliance
New River Community Development District (Pasco County)	FY 2007-08 AFR & Audit Report	Full compliance (*)

Note: (*) FY 2008-09 financial report(s) are delinquent

JLAC ACTION TAKEN IN MARCH 2010
STATUS AS OF APRIL 1, 2011
 (LOCAL GOVERNMENTAL ENTITIES NOT IN COMPLIANCE WITH REPORTING
 REQUIREMENTS OF S. 218.32 AND/OR S. 218.39, F.S.)

LOCAL GOVERNMENTAL ENTITY NAME	REPORTS NOT SUBMITTED	CURRENT STATUS
Ochlockonee River Soil and Water Conservation District (Leon County)	FY 2007-08 Audit Report	<p>Full compliance (*).</p> <p><u>JLAC Action:</u> After extension approved by Chair and Vice Chair, letter sent to DCA in November 2010 requesting action proceed pursuant to s. 189.421(3), F.S., after extension deadlines (per s. 189.421(1), F.S.) had expired. Audit report not submitted by 2/3/2011 deadline by DCA, so letter sent to DCA requesting action proceed pursuant to s. 189.421(3), F.S.</p> <p>DCA filed petition for writ of certiorari in Leon County Circuit Court (Case No. 2011 CA 0600).</p> <p>Subsequently determined that FY 2007-08 AFR amounts were not accurate, and revised AFR was submitted to DFS. Audit threshold not met, therefore, audit not required for FY 2007-08. Audit is needed for FY 2008-09.</p> <p>Letter sent to DCA requesting that no further action be taken against District.</p>
Orange Hill Soil and Water Conservation District (Washington County)	FY 2008-09 AFR & Audit Report FY 2007-08 AFR & Audit Report	<p><u>JLAC Action:</u> In August 2010, Chair and Vice Chair approved no state action since CPA firm could not perform audits for FY 2007-08 and FY 2008-09 due to lack of accounting records. Investigations have been or are currently being performed by DOR and DFS, Office of Fiscal Integrity. District agreed to have CPA firm perform audit for FY 2009-10, even if audit threshold is not met.</p>
Palm Vista Preserve East Community Development District (Brevard County)	FY 2007-08 Audit Report	<p>District dissolved on September 2, 2010.</p> <p><u>JLAC Action:</u> In August 2010, Chair and Vice Chair approved no state action since District was in process of dissolving.</p>

Note: (*) FY 2008-09 financial report(s) are delinquent

JLAC ACTION TAKEN IN MARCH 2010

STATUS AS OF APRIL 1, 2011

(LOCAL GOVERNMENTAL ENTITIES NOT IN COMPLIANCE WITH REPORTING
REQUIREMENTS OF S. 218.32 AND/OR S. 218.39, F.S.)

LOCAL GOVERNMENTAL ENTITY NAME	REPORTS NOT SUBMITTED	CURRENT STATUS
Peace River Soil and Water Conservation District (DeSoto County)	FY 2007-08 AFR & Audit Report FY 2006-07 AFR & Audit Report	<p>RECOMMENDATION FOR COMMITTEE ACTION:</p> <p>(1) Delay state action until April 16, 2011, and allow District to submit FY 2007-08 AFR by April 15, 2011.</p> <p>(2) Approve no state action relating to FY 2007-08 audit. District was over audit threshold for second consecutive year due to its role as pass-through grantor for USDA grant funds. It cannot afford to pay for the audit. The District usually only has several thousand dollars in revenues and expenditures each year.</p> <p>Compliance with FY 2006-07 report submissions</p> <p><u>JLAC Action:</u> In August 2010, Chair and Vice Chair approved extension until 10/31/2010. Due to the circumstances surrounding this District's noncompliance, it is our understanding that DCA would not be able to proceed with the provision of s. 189.421(3), F.S.</p>
Pembroke Harbor Community Development District (Brevard County)	FY 2007-08 Audit Report	Full compliance
Portofino Springs Community Development District (Lec County)	FY 2007-08 AFR & Audit Report	Full compliance
Sanctuary Cove Community Development District (Manatee County)	FY 2007-08 AFR & Audit Report	Full compliance
Santa Rosa Bay Bridge Authority (Santa Rosa County)	FY 2007-08 AFR & Audit Report	<p>Compliance with AFR submission (*)</p> <p><u>JLAC Action:</u> In August 2010, Chair and Vice Chair approved no state action since Authority only has restricted funds, which cannot be used to pay for an audit. DOT's Inspector General's Office compiles financial statements for Authority and also staffs day-to-day operations of Authority.</p>
Seminole County Expressway Authority (Seminole County)	FY 2007-08 AFR	Full compliance

Note: (*) FY 2008-09 financial report(s) are delinquent

March 2010 Action

Prepared by Staff of the Legislative Auditing Committee

JLAC ACTION TAKEN IN MARCH 2010

STATUS AS OF APRIL 1, 2011

(LOCAL GOVERNMENTAL ENTITIES NOT IN COMPLIANCE WITH REPORTING
REQUIREMENTS OF S. 218.32 AND/OR S. 218.39, F.S.)

LOCAL GOVERNMENTAL ENTITY NAME	REPORTS NOT SUBMITTED	CURRENT STATUS
Seminole County Housing Authority (Seminole County)	FY 2007-08 AFR	Full compliance
Shingle Creek Community Development District (Osceola County)	FY 2007-08 Audit Report	Full compliance
South Dade Soil and Water Conservation District (Miami-Dade County)	FY 2007-08 AFR & Audit Report	Full compliance (*)
Southbay Community Development District (Manatee County)	FY 2007-08 AFR & Audit Report	<p>RECOMMENDATION FOR COMMITTEE ACTION: Continue to delay state action. Committee staff will continue to monitor situation.</p> <p>Compliance with AFR submission</p> <p>Correspondence from CDD management company in March 2011 stated that the District's situation has not changed.</p> <p>JLAC Action: In August 2010, Chair and Vice Chair approved delay of state action until a later date since District is unable to pay for an audit due to lack of funding. Negotiations are ongoing with all relevant parties to redress situation.</p>
Tidewater Preserve Community Development District (Manatee County)	FY 2007-08 Audit Report	<p>Correspondence from registered agent in March 2011 stated that the City of Bradenton has passed an ordinance to allow <u>dissolution</u> of District. Dissolution has been delayed for reasons addressed in his letter. (*)</p> <p>JLAC Action: In August 2010, Chair and Vice Chair approved <u>no state action</u> since District is in process of dissolving.</p>
Treeline Preserve Community Development District (Lee County)	FY 2007-08 AFR & Audit Report	Full compliance
Tri-County Airport Authority (multi - Holmes, Jackson, and Washington Counties)	FY 2007-08 AFR & Audit Report	Full compliance
Verandahs Community Development District (Pasco County)	FY 2007-08 AFR & Audit Report	Full compliance
Verona Community Development District (Lee County)	FY 2007-08 AFR & Audit Report	Full compliance

Note: (*) FY 2008-09 financial report(s) are delinquent

March 2010 Action

Prepared by Staff of the Legislative Auditing Committee

JLAC ACTION TAKEN IN MARCH 2010

STATUS AS OF APRIL 1, 2011

(LOCAL GOVERNMENTAL ENTITIES NOT IN COMPLIANCE WITH REPORTING
REQUIREMENTS OF S. 218.32 AND/OR S. 218.39, F.S.)

LOCAL GOVERNMENTAL ENTITY NAME	REPORTS NOT SUBMITTED	CURRENT STATUS
Vizcaya In Kendall Community Development District (Miami-Dade County)	FY 2008-09 AFR & Audit Report FY 2007-08 AFR & Audit Report	<p>RECOMMENDATION FOR COMMITTEE ACTION: Continue to delay state action. Committee staff will continue to monitor situation.</p> <p>Compliance with AFR submission for FY 2007-08 (*)</p> <p>Correspondence from registered agent in March 2011 stated that the District's situation has not changed in respect to both FY 2007-08 and FY 2008-09 audits. District has not had any funds to pay the district manager, district counsel, or other service providers.</p> <p><u>JLAC Action:</u> In August 2010, Chair and Vice Chair approved delay of state action until a later date since developer has filed for bankruptcy and bank is looking at property, but no agreement yet. No funds to pay for an audit now, but anticipate having an audit performed once situation is resolved.</p>
Willford Place Community Development District (Clay County)	FY 2007-08 AFR & Audit Report	<p>District <u>dissolved</u> on September 14, 2010.</p> <p><u>JLAC Action:</u> In August 2010, Chair and Vice Chair approved no state action since District was in process of dissolving.</p>
Dependent Special Districts:		
Apalachicola Housing Authority (Franklin County)	FY 2007-08 AFR	Full compliance
Housing Authority of the City of Arcadia (DeSoto County)	FY 2007-08 AFR	Full compliance
Housing Authority of the City of Fernandina Beach (Nassau County)	FY 2007-08 AFR	Full compliance
Melbourne Housing Authority (Brevard County)	FY 2007-08 AFR	Full compliance
Ormond Beach Housing Authority (Volusia County)	FY 2007-08 AFR	Full compliance
Volusia County Industrial Development Authority (Volusia County)	FY 2007-08 AFR & Audit Report	Full compliance

Note: (*) FY 2008-09 financial report(s) are delinquent

LIST 1:

MUNICIPALITIES

ACTION SHOULD BE TAKEN NOW

Municipality Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments
Bonifay, City of (Holmes County)	2	5	FY 2008-09 AFR	Received call on 2/28/2011 from city staff and explained difference between AFR and audit report. Referred her to DFS regarding the filing of the AFR.
Hawthorne, City of (Alachua County)	14	23	FY 2008-09 AFR	No response received to 2/24/2011 letter.
St. Lucie Village, Town of. (St. Lucie County)	26	78	FY 2008-09 Audit Report	No response received to 2/24/2011 letter.

LIST 2:

MUNICIPALITIES

ACTION SHOULD BE DELAYED UNTIL MAY 2, 2011

Municipality Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments
Miami Shores, Village of (Miami-Dade County)	33	108	FY 2008-09 AFR & Audit Report	FY 2008-09 audit is in final stages and should be completed by end of April 2011. An active law enforcement investigation prevented the FY 2007-08 financial reports from being completed and submitted until October 2010.
Springfield, City of (Bay County)	6	6	FY 2008-09 AFR & Audit Report	CPA is completing audit fieldwork on FY 2008-09 audit. Expect audit report to be issued by end of April 2011.

LIST 3:

MUNICIPALITIES

ACTION SHOULD BE DELAYED UNTIL MAY 16, 2011

Municipality Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments
Laurel Hill, City of (Okaloosa County)	2	5	FY 2008-09 AFR & Audit Report	New mayor (as of March 2010) is in process of straightening out bookkeeping issues at city. CPA is currently performing audit fieldwork for FY 2008-09 and FY 2009-10. Expects 2-year audit report to be issued no later than May 15, 2011

LIST 4:

MUNICIPALITIES

ACTION SHOULD BE DELAYED UNTIL JULY 1, 2011

Municipality Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments
Cottondale, City of (Jackson County)	6	7	FY 2008-09 AFR & Audit Report	New finance director hired in November 2010. Trying to resolve bookkeeping issues left by former finance director. FY 2007-08 audit report issued in December 2010. Currently working with CPA on FY 2008-09 audit and expect audit report to be issued by <u>June 30, 2011</u> .
Noma, Town of (Holmes County)	2	5	FY 2008-09 AFR & Audit Report	Misunderstanding by town of audit threshold for state audit. CPA has been contacted and anticipates completing audit and issuing FY 2008-09 audit report by <u>June 30, 2011</u> .
Pahokee, City of (Palm Beach)	39	84	FY 2008-09 AFR & Audit Report	City manager has been trying to get city caught up on late financial reports for the past few years. FY 2007-08 audit report issued in January 2011. CPA engaged to perform audit of FY 2008-09 and FY 2009-10. Expect both audit reports to be issued by <u>late June or early July 2011</u> .

LIST 5:

MUNICIPALITIES

ACTION SHOULD BE DELAYED UNTIL OCTOBER 3, 2011

Municipality Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments
Eatonville, Town of (Orange County)	19	36	FY 2008-09 AFR & Audit Report	FY 2007-08 audit report issued in October 2010. CPA engaged to perform audit of FY 2008-09 and FY 2009-10. Expects 2-year audit report to be issued by September 30, 2011.

LIST 6:

**INDEPENDENT SPECIAL DISTRICTS
ACTION SHOULD BE DELAYED UNTIL APRIL 19, 2011**

Municipality Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments
Housing Authority of Brevard County (Brevard County)	24, 26	29, 30, 31, 32, 80	FY 2008-09 AFR (*)	Correspondence received from Authority staff indicates that the AFR will be filed by the deadline.
Gateway Services Community Development District (Lee County)	27	73	FY 2008-09 AFR & Audit Report (**)	Correspondence received from CDD management company on behalf of district indicates that the AFR and audit report will be filed by the deadline.
Martin Soil and Water Conservation District (Martin County)	28	78, 81, 82	FY 2008-09 AFR & Audit Report (**)	No response received to 3/1/2011 letter.
South Dade Soil and Water Conservation District (Miami-Dade County)			FY 2008-09 Audit Report (**)	Per DCA telephone conversation with registered agent, audit is in progress; e-mail with estimated completion date is supposed to be sent. (DCA has not yet received it).

(*) Department of Community Affairs has approved an extension to submit the AFR until April 15, 2011, pursuant to s. 189.421(1), F.S.

(**) Department of Community Affairs has approved an extension to submit the audit report until April 18, 2011, pursuant to s. 189.421(1), F.S.

LIST 7:

**INDEPENDENT SPECIAL DISTRICTS
ACTION SHOULD BE DELAYED UNTIL MAY 3, 2011(#)**

Municipality Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments
Hillcrest Preserve Community Development District (Pasco County)			FY 2008-09 AFR & Audit Report, if audit threshold met	Registered agent has indicated to DCA that District is inactive within the meaning of s. 189.4044, F.S., and will be notifying DCA in writing so that it can proceed with the inactive declaration process and request dissolution of District by Pasco County.

(#) Department of Community Affairs has approved an extension to submit the AFR until May 2, 2011, pursuant to s. 189.421(1), F.S.

LIST 8:

**INDEPENDENT SPECIAL DISTRICTS
ACTION SHOULD BE DELAYED UNTIL MAY 20, 2011(##)**

Municipality Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments
Cypress Creek of Hillsborough County Community Development District (Hillsborough County)			FY 2008-09 AFR & Audit Report	Correspondence received from CDD management company on behalf of district indicates that the AFR and audit report will be filed by the deadline.
Hamilton County Memorial Hospital (Hamilton County)	3	10	FY 2008-09 Audit Report	Correspondence received from the Chairman of the Hospital Board indicates that the audit report will be filed by the deadline.
Longleaf Community Development District (Pasco County)			FY 2008-09 AFR & Audit Report	Correspondence received from CDD management company on behalf of district indicates that the AFR and audit report will be filed by the deadline.
Ochlocknee River Soil and Water Conservation District (Leon County)	3, 6	7, 8, 9	FY 2008-09 Audit Report	DCA approved additional extension until May 15, 2011 per request by District Treasurer.
Panther Trace II Community Development District (Hillsborough County)	10	67	FY 2008-09 AFR and Audit Report	Correspondence received from CDD management company on behalf of district indicates that the AFR and audit report will hopefully be filed by April 18, 2011.

(##) Department of Community Affairs has approved an additional 30-day extension to submit the audit report until May 19, 2011, pursuant to s. 189.421(1), F.S.

LIST 9:

**INDEPENDENT SPECIAL DISTRICTS
ACTION SHOULD BE DELAYED UNTIL JUNE 2, 2011**

Municipality Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments
Lafayette Soil and Water Conservation District (Lafayette County)	3	11	FY 2008-09 AFR & Audit Report	Correspondence received from District staff stated that FY 2008-09 financial records have been provided to auditor. Audit should be completed by end of May 2011.
Saddle Creek Community Development District (Polk County)	17	66	FY 2008-09 Audit Report (*)	Correspondence received from registered agent in April 2011 indicates that audit report should be issued by deadline.
South Shore Corporate Park Industrial Community Development District (Hillsborough County)			FY 2008-09 Audit Report (*)	Correspondence received from registered agent in April 2011 indicates that audit report should be issued by deadline.

(*) Department of Community Affairs (DCA) has approved an extension to submit the audit report until June 1, 2011, pursuant to s. 189.421(1), F.S. DCA is also authorized to approve an additional 30-day extension to submit the audit report, if requested to do so by the special district.

LIST 10:

INDEPENDENT SPECIAL DISTRICTS
ACTION SHOULD BE DELAYED UNTIL JUNE 30, 2011(^)

Municipality Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments
Chapel Creek Community Development District (Pasco County)	12	61	FY 2008-09 AFR & Audit Report	
CrossCreek Community Development District (Manatee County)			FY 2008-09 AFR & Audit Report	
Highland Meadows Community Development District (Polk County)			FY 2008-09 AFR & Audit Report	
New River Community Development District (Pasco County)	12	61	FY 2008-09 AFR & Audit Report	
Palm River Community Development District (Hillsborough County)			FY 2008-09 AFR & Audit Report	

(^) Department of Community Affairs has approved an additional 30-day extension to submit the audit report until May 19, 2011, pursuant to s. 189.421(1), F.S. Correspondence has been received from CDD management company on behalf of the districts, requesting an extension from JLAC until June 30, 2011.

LIST 11:

INDEPENDENT SPECIAL DISTRICTS
VARIOUS JLAC ACTION AS NOTED

Municipality Name (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments
Broward Soil and Water Conservation District (Broward County)			FY 2008-09 AFR & Audit Report	<p>RECOMMENDATION FOR COMMITTEE ACTION: Delay state action. Committee staff will continue to monitor situation.</p> <p>Correspondence from registered agent in April 2011 stated that District does not currently have funds to pay for FY 2008-09 audit and still owes CPA firm for FY 2007-08 audit. Also stated that DEP owes District \$66,000 for work on re-vegetation project completed 2 years ago and are still trying to resolve issues with DEP related to contract. Requests additional time to complete audit and AFR.</p> <p>(Note: DCA has approved an additional 30-day extension to submit the audit report until May 19, 2011, pursuant to s. 189.421, F.S.)</p>

LIST 11:

**INDEPENDENT SPECIAL DISTRICTS
VARIOUS JLAC ACTION AS NOTED**

Cordoba Ranch Community Development District (Hillsborough County)	12	60	FY 2008-09 AFR & Audit Report (+)	<p>RECOMMENDATION FOR COMMITTEE ACTION: Delay state action. Committee staff will continue to monitor situation.</p> <p>Correspondence from registered agent in April 2011 stated that there is currently no Board, it hasn't met since 2008, and District has filed for foreclosure. Progress is finally being made, and they anticipate more normal operations in next 6 to 9 months, depending on foreclosure litigation.</p>
Gardens at Millenia Community Development District (Orange County)			FY 2008-09 AFR & Audit Report (+)	<p>RECOMMENDATION FOR COMMITTEE ACTION: Delay state action. Committee staff will continue to monitor situation.</p> <p>Correspondence from registered agent in February 2011 stated that the District does not have any funds to pay for audit. Foreclosure case is being prosecuted and hopefully payment of needed operating funds will be forthcoming. Anticipates having an audit performed once District has funds.</p>

LIST 11:

**INDEPENDENT SPECIAL DISTRICTS
VARIOUS JLAC ACTION AS NOTED**

<p>Riverwood Estates Community Development District (Pasco County)</p>			<p>FY 2008-09 AFR & Audit Report (+)</p>	<p>RECOMMENDATION FOR COMMITTEE ACTION: Delay state action. Committee staff will continue to monitor situation. Correspondence from registered agent in April 2011 stated that there is District has been involved in active foreclosure, which was stalled by bankruptcy filing by development entity. Some progress has been made, and they anticipate more normal operations in next 6 to 9 months.</p>
<p>Santa Rosa Bay Bridge Authority (Santa Rosa County)</p>	<p>2, 4</p>	<p>1, 3</p>	<p>FY 2008-09 Audit Report (+)</p>	<p>RECOMMENDATION FOR COMMITTEE ACTION: Delay state action. Committee staff will continue to monitor situation. Correspondence from registered agent stated that Authority does not have funds to pay for an audit. Same situation as in previous years.</p>

LIST II:

INDEPENDENT SPECIAL DISTRICTS
VARIOUS JLAC ACTION AS NOTED

<p>Tidewater Preserve Community Development District (Manatee County)</p>		<p>FY 2008-09 Audit Report (+)</p>	<p>RECOMMENDATION FOR COMMITTEE ACTION: Delay state action. Committee staff will continue to monitor situation. In August 2010, Chair and Vice Chair approved no state action since district is in process of dissolving. Correspondence from registered agent in March 2011 stated that the City of Bradenton has passed an ordinance to allow dissolution of District. Dissolution has been delayed for reasons addressed in his letter.</p>
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(+) Department of Community Affairs has approved an extension to submit the audit report until April 18, 2011, pursuant to s. 189.421(1), F.S.

11.40 Legislative Auditing Committee.—

(5) Following notification by the Auditor General, the Department of Financial Services, or the Division of Bond Finance of the State Board of Administration of the failure of a local governmental entity, district school board, charter school, or charter technical career center to comply with the applicable provisions within s. 11.45(5)-(7), s. 218.32(1), or s. 218.38, the Legislative Auditing Committee may schedule a hearing. If a hearing is scheduled, the committee shall determine if the entity should be subject to further state action. If the committee determines that the entity should be subject to further state action, the committee shall:

(a) In the case of a local governmental entity or district school board, direct the Department of Revenue and the Department of Financial Services to withhold any funds not pledged for bond debt service satisfaction which are payable to such entity until the entity complies with the law. The committee shall specify the date such action shall begin, and the directive must be received by the Department of Revenue and the Department of Financial Services 30 days before the date of the distribution mandated by law. The Department of Revenue and the Department of Financial Services may implement the provisions of this paragraph.

(b) In the case of a special district, notify the Department of Community Affairs that the special district has failed to comply with the law. Upon receipt of notification, the Department of Community Affairs shall proceed pursuant to the provisions specified in s. 189.421.

(c) In the case of a charter school or charter technical career center, notify the appropriate sponsoring entity, which may terminate the charter pursuant to ss. 1002.33 and 1002.34.

189.421 Failure of district to disclose financial reports.—

(1) When notified pursuant to s. 189.419, the department shall attempt to assist a special district to comply with its financial reporting requirements by sending a certified letter to the special district, and a copy of the letter to the chair of the governing body of the local general-purpose government, which includes the following: a description of the required report, including statutory submission deadlines, a contact telephone number for technical assistance to help the special district comply, a 60-day extension of time for filing the required report with the appropriate entity, the address where the report must be filed, and an explanation of the penalties for noncompliance. The department may grant an additional 30-day extension of time if requested to do so in writing by the special district. The department shall notify the appropriate entity of the new extension of time. In the case of a special district that did not timely file the reports or information required by s. 218.38, the department shall send a certified technical assistance letter to the special district which summarizes the requirements and encourages the special district to take steps to prevent the noncompliance from reoccurring.

(2) Failure of a special district to comply with the financial reporting requirements after the procedures of subsection (1) are exhausted shall be deemed final action of the special district. The financial reporting requirements are declared to be essential requirements of law. Remedy for noncompliance shall be by writ of certiorari as set forth in subsection (3).

(3) Pursuant to s. 11.40(5)(b), the Legislative Auditing Committee shall notify the department of those districts that failed to file the required report. Within 30 days after receiving this notice or within 30 days after the extension date provided in subsection (1), whichever occurs later, the department shall proceed as follows: notwithstanding the provisions of chapter 120, the department shall file a petition for writ of certiorari with the circuit court. Venue for all actions pursuant to this subsection shall be in Leon County. The court shall award the prevailing party attorney's fees and costs in all cases filed pursuant to this section unless affirmatively waived by all parties. A writ of certiorari shall be issued unless a respondent establishes that the notification of the Legislative Auditing Committee was issued as a result of material error. Proceedings under this subsection shall otherwise be governed by the Rules of Appellate Procedure.

History.—s. 10, ch. 79-183; s. 79, ch. 81-259; s. 27, ch. 89-169; s. 80, ch. 92-279; s. 55, ch. 92-326; s. 961, ch. 95-147; s. 32, ch. 96-410; s. 20, ch. 97-255; s. 21, ch. 2004-305.

Note.—Former s. 189.008.

218.32 Annual financial reports; local governmental entities.—

(1)(a) Each local governmental entity that is determined to be a reporting entity, as defined by generally accepted accounting principles, and each independent special district as defined in s. 189.403, shall submit to the department a copy of its annual financial report for the previous fiscal year in a format prescribed by the department. The annual financial report must include a list of each local governmental entity included in the report and each local governmental entity that failed to provide financial information as required by paragraph (b). The chair of the governing body and the chief financial officer of each local governmental entity shall sign the annual financial report submitted pursuant to this subsection attesting to the accuracy of the information included in the report. The county annual financial report must be a single document that covers each county agency.

(b) Each component unit, as defined by generally accepted accounting principles, of a local governmental entity shall provide the local governmental entity, within a reasonable time period as established by the local governmental entity, with financial information necessary to comply with the reporting requirements contained in this section.

(c) Each regional planning council created under s. 186.504, each local government finance commission, board, or council, and each municipal power corporation created as a separate legal or administrative entity by interlocal agreement under s. 163.01(7) shall submit to the department a copy of its audit report and an annual financial report for the previous fiscal year in a format prescribed by the department.

(d) Each local governmental entity that is required to provide for an audit in accordance with s. 218.39(1) must submit the annual financial report with the audit report. A copy of the audit report and annual financial report must be submitted to the department within 45 days after the completion of the audit report but no later than 12 months after the end of the fiscal year.

(e) Each local governmental entity that is not required to provide for an audit report in accordance with s. 218.39 must submit the annual financial report to the department no later than April 30 of each year. The department shall consult with the Auditor General in the development of the format of annual financial reports submitted pursuant to this paragraph. The format shall include balance sheet information to be utilized by the Auditor General pursuant to s. 11.45(7)(f). The department must forward the financial information contained within these entities' annual financial reports to the Auditor General in electronic form. This paragraph does not apply to housing authorities created under chapter 421.

218.32 Annual financial reports; local governmental entities.-- (cont.)

(f) If the department does not receive a completed annual financial report from a local governmental entity within the required period, it shall notify the Legislative Auditing Committee of the local governmental entity's failure to comply with the reporting requirements. The committee shall proceed in accordance with s. 11.40(5).

(2) The department shall annually by December 1 file a verified report with the Governor, the Legislature, the Auditor General, and the Special District Information Program of the Department of Community Affairs showing the revenues, both locally derived and derived from intergovernmental transfers, and the expenditures of each local governmental entity, regional planning council, local government finance commission, and municipal power corporation that is required to submit an annual financial report. The report must include, but is not limited to:

(a) The total revenues and expenditures of each local governmental entity that is a component unit included in the annual financial report of the reporting entity.

(b) The amount of outstanding long-term debt by each local governmental entity. For purposes of this paragraph, the term "long-term debt" means any agreement or series of agreements to pay money, which, at inception, contemplate terms of payment exceeding 1 year in duration.

(3) The department shall notify the President of the Senate and the Speaker of the House of Representatives of any municipality that has not reported any financial activity for the last 4 fiscal years. Such notice must be sufficient to initiate dissolution procedures as described in s. 165.051(1)(a). Any special law authorizing the incorporation or creation of the municipality must be included within the notification.

History.--s. 2, ch. 73-349; s. 15, ch. 77-165; s. 46, ch. 79-164; s. 5, ch. 79-183; s. 4, ch. 79-589; s. 42, ch. 80-274; s. 18, ch. 81-167; s. 16, ch. 83-55; s. 2, ch. 83-106; s. 43, ch. 89-169; s. 55, ch. 91-45; s. 93, ch. 92-152; s. 90, ch. 92-279; s. 55, ch. 92-326; s. 36, ch. 94-249; s. 18, ch. 96-324; s. 8, ch. 2000-152; s. 5, ch. 2000-264; s. 62, ch. 2001-266; s. 26, ch. 2004-305.

218.39 Annual financial audit reports.—

(1) If, by the first day in any fiscal year, a local governmental entity, district school board, charter school, or charter technical career center has not been notified that a financial audit for that fiscal year will be performed by the Auditor General, each of the following entities shall have an annual financial audit of its accounts and records completed within 12 months after the end of its fiscal year by an independent certified public accountant retained by it and paid from its public funds:

(a) Each county.

(b) Any municipality with revenues or the total of expenditures and expenses in excess of \$250,000.

(c) Any special district with revenues or the total of expenditures and expenses in excess of \$100,000.

(d) Each district school board.

(e) Each charter school established under s. 1002.33.

(f) Each charter technical center established under s. 1002.34.

(g) Each municipality with revenues or the total of expenditures and expenses between \$100,000 and \$250,000 that has not been subject to a financial audit pursuant to this subsection for the 2 preceding fiscal years.

(h) Each special district with revenues or the total of expenditures and expenses between \$50,000 and \$100,000 that has not been subject to a financial audit pursuant to this subsection for the 2 preceding fiscal years.

(2) The county audit report shall be a single document that includes a financial audit of the county as a whole and, for each county agency other than a board of county commissioners, an audit of its financial accounts and records, including reports on compliance and internal control, management letters, and financial statements as required by rules adopted by the Auditor General. In addition to such requirements, if a board of county commissioners elects to have a separate audit of its financial accounts and records in the manner required by rules adopted by the Auditor General for other county agencies, such separate audit shall be included in the county audit report.

(3)(a) A dependent special district may make provision for an annual financial audit by being included within the audit of another local governmental entity upon which it is dependent. An independent special district may not make provision for an annual

218.39 Annual financial audit reports.— (cont.)

financial audit by being included within the audit of another local governmental entity.

(b) A special district that is a component unit, as defined by generally accepted accounting principles, of a local governmental entity shall provide the local governmental entity, within a reasonable time period as established by the local governmental entity, with financial information necessary to comply with this section. The failure of a component unit to provide this financial information must be noted in the annual financial audit report of the local governmental entity.

(4) A management letter shall be prepared and included as a part of each financial audit report.

(5) At the conclusion of the audit, the auditor shall discuss with the chair of each local governmental entity or the chair's designee, or with the elected official of each county agency or with the elected official's designee, or with the chair of the district school board or the chair's designee, or with the chair of the board of the charter school or the chair's designee, or with the chair of the charter technical career center or the chair's designee, as appropriate, all of the auditor's comments that will be included in the audit report. If the officer is not available to discuss the auditor's comments, their discussion is presumed when the comments are delivered in writing to his or her office. The auditor shall notify each member of the governing body of a local governmental entity, district school board, charter school, or charter technical career center for which deteriorating financial conditions exist that may cause a condition described in s. 218.503(1) to occur if actions are not taken to address such conditions.

(6) The officer's written statement of explanation or rebuttal concerning the auditor's findings, including corrective action to be taken, must be filed with the governing body of the local governmental entity, district school board, charter school, or charter technical career center within 30 days after the delivery of the auditor's findings.

(7) The predecessor auditor of a district school board shall provide the Auditor General access to the prior year's working papers in accordance with the Statements on Auditing Standards, including documentation of planning, internal control, audit results, and other matters of continuing accounting and auditing significance, such as the working paper analysis of balance sheet accounts and those relating to contingencies.

218.39 Annual financial audit reports. – (cont.)

(8) All audits conducted in accordance with this section must be conducted in accordance with the rules of the Auditor General promulgated pursuant to s. 11.45.

All audit reports and the officer's written statement of explanation or rebuttal must be submitted to the Auditor General within 45 days after delivery of the audit report to the entity's governing body, but no later than 12 months after the end of the fiscal year.

(9) Each charter school and charter technical career center must file a copy of its audit report with the sponsoring entity; the local district school board, if not the sponsoring entity; the Auditor General; and with the Department of Education.

(10) This section does not apply to housing authorities created under chapter 421.

(11) Notwithstanding the provisions of any local law, the provisions of this section shall govern.

History.--s. 65, ch. 2001-266; s. 924, ch. 2002-387; s. 28, ch. 2004-305; s. 2, ch. 2006-190; s. 2, ch. 2009-214.

ADOPTION OF COMMITTEE MOTION

No meeting materials under this tab.

Chapter 24, Florida Statutes – State Lotteries

24.123 Annual audit of financial records and reports.—

(1) The Legislative Auditing Committee shall contract with a certified public accountant licensed pursuant to chapter 473 for an annual financial audit of the department. The certified public accountant shall have no financial interest in any vendor with whom the department is under contract. The certified public accountant shall present an audit report no later than 7 months after the end of the fiscal year and shall make recommendations to enhance the earning capability of the state lottery and to improve the efficiency of department operations. The certified public accountant shall also perform a study and evaluation of internal accounting controls and shall express an opinion on those controls in effect during the audit period. The cost of the annual financial audit shall be paid by the department.

(2) The Auditor General may at any time conduct an audit of any phase of the operations of the state lottery and shall receive a copy of the yearly independent financial audit and any security report prepared pursuant to s. 24.108.

(3) A copy of any audit performed pursuant to this section shall be submitted to the secretary, the Governor, the President of the Senate, the Speaker of the House of Representatives, and members of the Legislative Auditing Committee.

History.—s. 23, ch. 87-65; s. 4, ch. 2001-89.



PAYROLL AND PERSONNEL ADMINISTRATIVE PROCESSES AT SELECTED STATE AGENCIES

REPORT NO. 2011-069

1

Audit Scope

- ▣ Agencies selected for audit:
 - Department of Agriculture and Consumer Services
 - Department of Corrections
 - Department of Environmental Protection
 - Department of Financial Services
 - Department of Management Services
 - Department of Transportation
- ▣ Established positions at the agencies selected for audit represented 45% of the total established positions in the State Personnel System.
- ▣ Audit field work was conducted in 2009 and selected audit procedures were performed through October 2010.

Report No. 2011-069

2

Audit Objectives

- Overall objectives related to evaluating:
 - The effectiveness of established internal controls.
 - Management's performance in achieving compliance.
 - Management actions to correct findings noted in our prior audit on the People First System.
- Exhibit A provides a summary of specific audit objectives and results of audit testing.
 - The objectives identified are those normally ascribed to the Payroll and Personnel functions.

Report No. 2011-069

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Findings and Recommendations

- Our tests disclosed that with the exception of:
 - Time records submissions and approvals,
 - Management of unused leave credits and payout calculations,
 - Dual-employment authorizations and oversight, and
 - Overtime authorizations,
 the payroll and personnel administrative infrastructure and controls established by the management of the six agencies were generally effective.

Report No. 2011-069

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Finding No. 1

- ▣ Procedural deficiencies existed with respect to the monitoring of the timely submittal, review, and approval of employee time records.

Report No. 2011-069

5

Finding No. 2

- ▣ State agencies did not effectively manage compensatory leave credits in accordance with DMS rules and terms of relevant collective bargaining agreements, resulting in large dollar payouts of unused compensatory leave credits upon employees' separation from State employment.

Report No. 2011-069

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Finding No. 3

- ▣ State agencies had not established policies and procedures addressing unused annual and sick leave (terminal leave) payouts and did not always perform or document the performance of audits of unused leave balances prior to calculating terminal leave payouts.

Report No. 2011-069

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Finding No. 4

- ▣ Dual employment rules and guidelines were not sufficient to effectively promote compliance with State law.

Report No. 2011-069

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Finding No. 5

- ❑ Contrary to State law, State agencies did not always document that dual employment was properly approved for employees working for more than one applicable State employer. Additionally, to ensure compliance with State laws, rules, and other guidelines, a process is needed whereby State agencies can effectively monitor the dual-employment activities of employees who have been approved to receive compensation from more than one State employer.

Report No. 2011-069

9

Finding No. 6

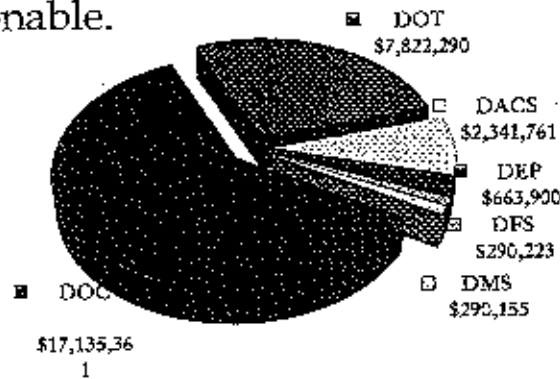
- ❑ Some salary payment calculations were incorrect.

Report No. 2011-069

10

Finding No. 7

- The number of overtime hours worked by some DOC employees did not appear reasonable.



Report No. 2011-069

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Finding No. 8

- State agencies did not always initiate efforts to collect overpayments made to third parties as a result of canceled salary payment warrants or electronic funds transfers (EFTs). Also, DACS did not timely destroy canceled paper warrants in accordance with DFS requirements.

Report No. 2011-069

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Finding No. 9

- ▣ State agencies did not always document the return of State-owned property items assigned to employees upon the employees' separation from State employment.

**PAYROLL AND PERSONNEL
ADMINISTRATIVE PROCESSES**

AT SELECTED STATE AGENCIES

Operational Audit



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

STATE AGENCY HEADS

The Florida Statutes establish the various State agencies and provide the title and selection process for the head of each State agency. The six State agencies included within the scope of this operational audit and the respective agency heads who served during the period of our audit were as follows:

Department of	Established By Florida Statutes	State Agency Head	Dates of Service
Agriculture and Consumer Services	Section 20.14	Charles H. Bronson, Commissioner	From May 2001
Corrections	Section 20.315	Walter A. McNeil, Secretary James McDonough, Secretary	From February 2008 Through April 2008
Environmental Protection	Section 20.255	Michael W. Sole, Secretary	From January 2007
Financial Services	Section 20.121	Alex Sink, Chief Financial Officer	From January 2007
Management Services	Section 20.22	Linda H. South, Secretary	From January 2007
Transportation	Section 20.23	Stephanie C. Kopelousos, Secretary	From April 2007

Source: Florida Statutes and People First records.

The audit team leader was Megan Evans and the audit was supervised by Jonathan Reeves, CPA. Please address inquiries regarding this report to Sherill E. Norman, CPA, Audit Manager, by e-mail at sherillnorman@aud.state.fl.us or by telephone at (850) 487-9316.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myfloridaz.com/audgen, by telephone at (850) 487-9173 or by mail at C-74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

SELECTED STATE AGENCIES

Payroll and Personnel Administrative Processes

SUMMARY

This operational audit focused on State agency policies and procedures relevant to payroll and personnel administrative processes; selected personnel information system (People First) controls; payroll functions and budgetary issues; changes to payroll; time records, leave, and attendance; payroll deductions and salary garnishments; salary warrant and electronic funds processing; and On-Demand Payroll and corrections processing. Audit field work was performed at six State agencies: the Department of Agriculture and Consumer Services (DACS), Department of Corrections (DOC), Department of Environmental Protection (DEP), Department of Financial Services (DFS), Department of Management Services (DMS), and the Department of Transportation (DOT). Together, these agencies on an annual basis incur approximately one-third of the salary and benefit payments made by executive branch State agencies.

Our audit tests disclosed that, with the exception of time record submissions and approvals, management of unused leave credits and payout calculations, dual-employment authorizations and oversight, and overtime authorizations, the payroll and personnel administrative infrastructure and controls established by the management of the State agencies included within the scope of this audit were generally effective in accomplishing management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the relevance and reliability of records and reports; and the safeguarding of assets.

TIME RECORDS

Finding No. 1: Procedural deficiencies existed with respect to the monitoring of the timely submittal, review, and approval of employee time records.

UNUSED LEAVE COMPENSATION

Finding No. 2: State agencies did not effectively manage compensatory leave credits in accordance with DMS rules and terms of relevant collective bargaining agreements, resulting in large dollar payouts of unused compensatory leave credits upon employees' separation from State employment.

Finding No. 3: State agencies had not established policies and procedures addressing unused annual and sick leave (terminal leave) payouts and did not always perform or document the performance of audits of unused leave balances prior to calculating terminal leave payouts.

DUAL EMPLOYMENT

Finding No. 4: Dual-employment rules and guidelines were not sufficient to effectively promote compliance with State law.

Finding No. 5: Contrary to State law, State agencies did not always document that dual employment was properly approved for employees working for more than one applicable State employer. Additionally, to ensure compliance with State laws, rules, and other guidelines, a process is needed whereby State agencies can effectively monitor the dual-employment activities of employees who have been approved to receive compensation from more than one State employer.

SALARY CALCULATIONS AND OVERTIME AUTHORIZATIONS

Finding No. 6: Some salary payment calculations were incorrect.

Finding No. 7: The number of overtime hours worked by some DOC employees did not appear reasonable.

WARRANT AND EFT CANCELLATIONS

Finding No. 8: State agencies did not always timely initiate efforts to collect overpayments made to third parties as a result of canceled salary payment warrants or electronic funds transfers (EFTs). Also, DACS did not timely destroy canceled paper warrants in accordance with DFS requirements.

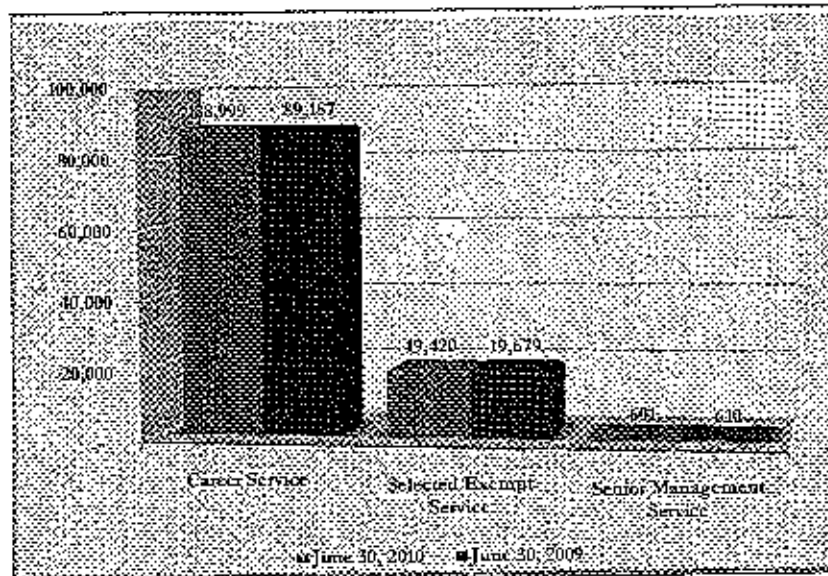
EMPLOYEE OLT PROCESSING

Finding No. 9: State agencies did not always document the return of State-owned property items assigned to employees upon the employees' separation from State employment.

BACKGROUND

Florida's State Government is the largest employer in Florida with 168,654 established positions at June 30, 2009, and 167,797 established positions at June 30, 2010.¹ State employees are included in a variety of different and autonomous personnel systems each having its own set of rules and regulations, collective bargaining agreements, and wage and benefit packages. The largest of the six primary State Government personnel systems, the State Personnel System (SPS), comprises 30 State agencies and other entities within the executive branch of State Government.² As shown in Chart 1, the SPS included a total of 109,476 and 109,020 established positions in the Career Service, Selected Exempt Service, and Senior Management Service pay plans as of June 30, 2009, and June 30, 2010, respectively.

Chart 1
State Personnel System Established Positions by Pay Plan
as of June 30, 2009, and June 30, 2010



Source: SPS Annual Workforce Reports 2008-2009 and 2009-2010.

The Career Service pay plan provides uniform pay, job classification, benefits, and recruitment for the majority of nonmanagement jobs within State agencies. Middle management and professional positions such as bureau chiefs, physicians, and attorneys are included in the Selected Exempt Service pay plan. The Senior Management Service pay plan includes upper management and policy-making jobs.

¹ Department of Management Services, Division of Human Resource Management *State Personnel System Annual Workforce Reports 2008-2009 and 2009-2010*.

² According to the *SPS Annual Workforce Report 2008-2009*, the six primary State personnel systems are the State Personnel System, State Universities, Justice Administration System, State Courts System, the Legislature, and the Florida Lottery.

While the various State agencies have personnel management responsibilities related to their agencies' employees, the Department of Management Services (DMS), Division of Human Resource Management, is responsible for developing and supporting the State's overall human resource infrastructure. DMS responsibilities include managing the SPS, Florida Retirement System, and State group insurance.

To automate the State's human resource functions, DMS contracted with Convergys to establish a personnel information system, People First, for all authorized and established positions in the State service, with the exception of employees of the Legislature.³ People First is a self-service, secure, Web-based application and enterprisewide suite of human resource services. The key components of People First include attendance and leave, employee benefits, personnel data warehouse, human resource management, organizational management, payroll administration, and staffing.

DMS is the functional owner of People First but the self-service functionality of the system is at the State agency and State employee level.⁴ To facilitate the generation of salary payments, People First interfaces with the Department of Financial Services' (DFS) Florida Accounting Information Resource Subsystem (FLAIR) Payroll Component.

The DFS, Division of Accounting and Auditing, Bureau of State Payrolls (BOSP), is responsible for certain centralized payroll functions such as, paying State employees, remitting tax and retirement contributions and withholdings to administering agencies, maintaining and protecting official State employee FLAIR payroll records, and auditing State agencies' payroll-related processes. The BOSP developed a detailed *Payroll Preparation Manual* to provide State agencies with general instructions for preparing and submitting payroll and employee data, as well as schedules, tables, and codes used in the FLAIR Payroll Component. According to DFS, the *Payroll Preparation Manual* is to serve as the administrative authority in the absence of specific rules to the contrary.

State law establishes the State's employment policy and provides requirements and guidelines relevant to the State employee payroll and personnel administrative processes.⁵ Pursuant to law, DMS is to adopt rules as necessary to effectuate the State employment policy, and the Chief Financial Officer (CFO) may adopt rules that include procedures or policies relating to the processing of salary payments.⁶ Table 1 shows DMS and DFS rules applicable to the State payroll and personnel processes.

³ In March 2010, Convergys Corporation announced the sale of its Human Resources Management Division to Northgate.Arino.

⁴ Section 215.94, Florida Statutes.

⁵ Chapter 110, Florida Statutes.

⁶ Sections 110.1055 and 17.29(1), Florida Statutes.

Table 1
State Payroll and Personnel Rules

Florida Administrative Code Cite	Title
DMS Rules, Chapter 60L-26	<i>Dual Employment and Employment in Excess of One Full-Time Equivalent Position</i>
DMS Rules, Chapter 60L-29	<i>Definitions</i>
DMS Rules, Chapter 60L-30	<i>Personnel Programs and Records</i>
DMS Rules, Chapter 60L-31	<i>Classification Plan</i>
DMS Rules, Chapter 60L-32	<i>Compensation and Benefits</i>
DMS Rules, Chapter 60L-33	<i>Appointments and Status</i>
DMS Rules, Chapter 60L-34	<i>Absence and Leave</i>
DMS Rules, Chapter 60L-35	<i>Performance Management System</i>
DMS Rules, Chapter 60L-36	<i>Conduct of Employees</i>
DMS Rules, Chapter 60L-37	<i>Savings Saving Program</i>
DMS Rules, Chapter 60L-38	<i>State Child Care Program</i>
DMS Rules, Chapter 60L-39	<i>Florida State Employees' Charitable Campaign</i>
DPS Rules, Chapter 69L-31	<i>Bureau of State Payrolls</i>

Generally, State agencies use a payroll-by-exception methodology whereby employees, excluding Other-Personal-Services (OPS) employees,⁷ are paid a fixed authorized gross amount for each payroll cycle unless the amount is altered. A payroll-by-exception methodology assumes, absent any payroll action to the contrary, that an employee worked or used available leave for the required number of hours in the pay period. Therefore, a salary payment may be processed absent the submittal and supervisory approval of a record of the employee's attendance and time worked. Notwithstanding this aspect of the payroll-by-exception methodology, State law requires that each State agency maintain, for each agency employee, accurate records of all hours worked and leave approved.⁸

Pursuant to State law, the normal pay period for salaries of State officers and employees is one month and DFS is to issue either monthly or biweekly salary payments by State warrant or direct deposit.⁹ As State law requires, with few exceptions, that persons appointed to positions in State government participate in the direct deposit program as a condition of employment, the vast majority of salary payments are made by DFS by direct deposit via electronic funds transfer (EFT).¹⁰ DFS may also make semi-monthly salary payments by direct deposit if requested by an agency head and approved by the Executive Office of the Governor and DFS. Employees working in State agencies on a monthly payroll cycle are paid on the last working day of the month while employees working in State agencies on biweekly payroll cycles are paid every other Friday.

Total State employee salary payments totaled approximately \$6.5 billion for each of the 2008-09 and 2009-10 fiscal years.¹¹ Table 2 shows the number of authorized positions for the 2007-08, 2008-09, and 2009-10 fiscal years and the designated payroll cycle for each of the six State agencies included within the scope of this audit.

⁷ Pursuant to DMS Rule 60L-33.005, Florida Administrative Code, OPS employment is a temporary employer-employee relationship used solely for the completion of short-term or intermittent tasks. OPS employees do not fill established positions nor are they to be assigned the duties of any vacant authorized position.

⁸ Section 110.219(4), Florida Statutes.

⁹ Section 110.113(1), Florida Statutes.

¹⁰ Section 110.113(2), Florida Statutes.

¹¹ Total excludes salary payments made to Department of the Lottery, State Board of Administration, State University System, and legislative employees.

Table 2
Selected State Agencies
Number of Authorized Positions and Designated Pay Periods

Agency	Number of Authorized Positions ^c			Designated Payroll Cycle ^d
	2007-08	2008-09	2009-10	
Department of Agriculture and Consumer Services (DACS)	3,799.75	3,722.75	3,658.75	Biweekly
Department of Corrections (DOC)	28,376.50	28,863.50	30,522.00	Biweekly
Department of Environmental Protection (DEP)	3,621.00	3,614.00	3,558.50	Monthly
Department of Financial Services (DFS) ^a	2,858.50	2,850.50	2,793.50	Monthly
Department of Management Services (DMS) ^b	1,277.00	1,249.00	1,266.00	Biweekly
Department of Transportation (DOT)	7,523.00	7,448.00	7,426.00	Biweekly
Totals	47,455.75	47,747.75	49,224.75	

^a Includes authorized positions in the Offices of Financial Regulation and Insurance Regulation which are subject to the governance of the Financial Services Commission.

^b Includes authorized positions in the Division of Administrative Hearings, Florida Commission on Human Relations, and Public Employees Relations Commission.

Sources:

^c Chapters 2007-72, 2007-326, 2008-1, 2008-152, 2009-1, and 2009-81, Laws of Florida, *General Appropriations Acts*.

^d People First.

FINDINGS AND RECOMMENDATIONS

As part of our audit, we identified objectives that we considered key to the effective and efficient administration of the payroll and personnel processes. We designed our audit procedures to evaluate the extent to which management at the six State agencies selected for audit had established the necessary infrastructure and controls to ensure the achievement of the objectives. Our audit procedures included an evaluation of the effectiveness of overall State Personnel System (SPS) policies and procedures, as well as selected State agency policies and procedures related to the payroll and personnel administrative processes. We also performed analytical procedures and tested the personnel records and payroll transactions at the State agencies selected for audit.

Our audit tests disclosed that, with the exception of time records submissions and approvals, management of unused leave credits and payout calculations, dual-employment authorizations and oversight, and overtime authorizations, the payroll and personnel administrative infrastructure and controls established by the management of the State agencies included within the scope of this audit were generally effective in accomplishing management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the relevance and reliability of records and reports; and the safeguarding of assets. **EXHIBIT A** presents a summary of the results of our audit testing by objective and, as applicable, includes the number of the finding in which the test results are described in more detail.

Time Records

Each State agency head is ultimately responsible for ensuring that accurate records of all hours worked and leave taken are maintained for each employee of the agency.¹² DMS rules and People First user guides provide the leave and attendance guidelines for employees in the SPS and require, in part, that each State agency:¹³

- Monitor hours worked by employees to ensure proper compensation.
- Monitor overtime to ensure compliance with the Fair Labor Standards Act (FLSA).
- Maintain accurate records of attendance, leave, and overtime worked and compensated.
- Instruct employees in the proper scheduling, use, and recording of leave and attendance, and the proper earning and recording of hours worked including overtime.
- Monitor the actual duties performed by employees to ensure continued appropriateness of overtime designations.
- Assign People First user role codes to designate responsibility for employee time record and leave request approvals.
- Process time records and leave requests for employees.

People First enables State agency management's performance of these functions. The self-service functionality of People First also allows employee completion of time records.

Finding No. 1: Time Record Submittal, Review, and Approval

The payroll process provides for salary payments to be made based on an employee's scheduled contract hours. As discussed in the **BACKGROUND** section of this report, under the payroll-by-exception methodology, unless the applicable State agency takes specific actions to change either the employee's scheduled contract hours or rate of pay, the gross salary payments will be for the same amount from one payroll cycle to the next. While use of the payroll-by-exception methodology provides simplicity and efficiency in processing payrolls, accurate and complete records of employee attendance and leave are required to support the appropriateness of salary payments made.

Utilizing People First, employees are to complete and submit time records that reflect the number of hours worked and leave taken. People First user guides and training materials direct non-OPS employees to submit their time records at the end of their agency's payroll cycle. Once an employee has submitted a time record for a payroll cycle, the designated approver (usually the employee's immediate supervisor) is responsible for the review and approval of the time record. Any errors, omissions, or discrepancies in the attendance and leave reported by the employee are to be resolved by the supervisor and employee.

To assist managers in the identification of missing time records, People First collects weekly data on time records that have not been submitted, approved, or have been approved but require corrective action. Every other week, People First places this data in a cumulative *Missing Time Records* report that is e-mailed to each applicable agency's personnel office.

The *Missing Time Records* reports are made available to State agencies and may be used by each of the agencies to identify time records that have not yet been submitted, reviewed, or approved. Agencies may also use the reports to identify employees who may have been overpaid or underpaid. If overpayments are identified, agencies are to seek

¹² Sections 110.219(4), 110.605(1)(c), and 110.403(1)(f), Florida Statutes.

¹³ DMS Rules, Chapter 60L-34, Florida Administrative Code. *Attendance and Leave*.

reimbursement from the applicable employees. If underpayments are noted, agencies may increase, by the amount underpaid, a subsequent payment to the employee or create a supplemental payment. Once time records are submitted and approved with no errors, the records will no longer appear on subsequent *Missing Time Records* reports.

We found that some additional uniformity in the policies of the individual agencies and some report enhancements would improve the functionality of and level of agency reliance on the *Missing Time Records* reports. Specifically:

- People First user guides do not provide a time frame within which managers should approve time records for non-OPS employees; DMS rules do not address time frames for time record submission; and State agency human resource policies that address employee time record submission vary from agency to agency. For example, DFS policy requires employees to submit time records 5 business days after the end of the payroll cycle while DMS policy requires employees to submit time records by 5:00 P.M. every other Thursday. Thus, many time records that are shown by the *Missing Time Records* reports may be included because the reports were run prior to the time record submittal dates authorized by a particular agency's policy.
- The *Missing Time Records* reports do not provide an aging schedule showing, for each applicable time record, the length of time between the payroll cycle end and the *Missing Time Records* report run date. Absent information showing the age of the exceptions, it was difficult for agencies to differentiate between routine and what may be more significant lengthy delays.
- The *Missing Time Records* reports do not identify the person responsible for approving the time records listed. Information identifying the approver would better facilitate management's monitoring of the processes associated with resolving the exceptions shown by the reports.
- Agency management indicated that inaccuracies had been noted in the *Missing Time Records* reports and, as a result, some agencies had implemented alternative methods for reviewing the timely submittal and approval of time records.

Time records are used to document employee attendance and use of leave, calculate overtime earnings, and adjust salary amounts due to leave without pay. Absent an effective means for monitoring, time records that have not been timely submitted or approved, or that have been approved with corrective actions required, may escape timely detection.

Recommendation: We recommend that DMS clarify in rule, policy, or procedure, the time record preparation, submission, and approval responsibilities of employees and supervisors. Such clarifications should address specific time frames for time record submission and approval. Additionally, to improve the usefulness of the *Missing Time Records* report, we recommend that DMS enhance the report by including an aging of the time records and identifying the responsible supervisors. State agencies should use such information to identify those employees whose time records frequently require corrective actions, are repeatedly missing, or are not timely approved and take appropriate corrective measures.

Unused Leave Compensation

Pursuant to State law and rules, terminating State employees are entitled to compensation at their current rate of pay for unused sick and annual leave balances, subject to specified years of creditable State employment and lifetime maximums applicable to their employment class or pay plan. Certain State employees may also be entitled to payouts for unused compensatory leave credits. Specifically:

Unused Sick Leave

- After at least 10 years of creditable State employment, terminating State employees are to receive payment for a maximum of 480 unused sick leave hours. State agencies are to calculate unused sick leave payouts by

multiplying the employee's final rate of pay by one-eighth of any sick leave hours accrued prior to October 1, 1973, plus one-fourth of any sick leave hours accumulated on or after October 1, 1973.¹⁴

Unused Annual Leave

- Career Service employees are limited to a payout for a lifetime maximum of 240 hours of unused annual leave and, subject to available funds, may elect to receive cash payouts for 24 hours of annual leave each December.¹⁵ At the close of business on December 31 of each calendar year, a Career Service employee's annual leave balance in excess of 240 hours is to be transferred to sick leave on an hour-for-hour basis.¹⁶ State agencies are to calculate lifetime maximum annual leave payouts for Career Service employees by subtracting any previous annual leave payouts made subsequent to May 13, 2001, from the employee's annual leave balance at termination.¹⁷
- Selected Exempt Service employees and Senior Management Service employees are limited to a payout for a lifetime maximum of 480 hours for annual leave and, pursuant to DMS guidelines, the payout is to be calculated by adjusting the employee's annual leave balance at termination for a proration of the current year's annual leave accrual balance.¹⁸ At the close of business on December 31 of each calendar year, a Selected Exempt Service employee's annual leave balance in excess of 480 hours is to be transferred to sick leave on an hour-for-hour basis.¹⁹
- In the event of an employee's death, the limit on lifetime maximum hours do not apply and State agencies are to pay any unused annual leave to the employee's beneficiary or estate.²⁰

Unused Compensatory Leave

- Eligible State employees may also be entitled to compensation at their current rate of pay for certain unused compensatory leave. These payouts may be made at employee separation or, in some instances, periodically in lump sum amounts. The maximum credits that may be accumulated vary based on the type of compensatory leave and applicable employee collective bargaining agreements.

Finding No. 2: Compensatory Leave Credits

Certain State employees may earn compensatory leave for hours worked in excess of the regular work period or during holidays, emergencies, and facility closures. DMS rules include provisions for the accumulation and payment of regular compensatory leave, FLSA special compensatory leave, and special compensatory leave credits. Certain collective bargaining agreements with employee bargaining units also include compensatory leave provisions.²¹ For example, the Florida Police Benevolent Association (FPBA) Security Services Bargaining Unit Agreement is applicable to DOC correctional officers and limits to a maximum of 240 hours the number of special compensatory leave credits that may be accumulated.²² Descriptions of the types of compensatory leave and the provisions contained in the DMS rules and eight collective bargaining agreements applicable to the employees of the six State agencies included within the scope of this audit are included in this report as **EXHIBIT B**.

¹⁴ Section 110.122, Florida Statutes.

¹⁵ Section 110.219(7), Florida Statutes. To qualify for the annual leave payout, the Career Service employee must have an annual leave balance of no less than 24 hours after the payout and the employee cannot receive payouts for more than 240 hours over the course of the employee's career with the State, including any annual leave payout received at the time of separation.

¹⁶ DMS Rule 60L-34.0041(4)(a), Florida Administrative Code.

¹⁷ DMS Rule 60L-34.0041(6)(a), Florida Administrative Code.

¹⁸ DMS Rule 60L-34.0041(6)(b), Florida Administrative Code.

¹⁹ DMS Rule 60L-34.0041(4)(a), Florida Administrative Code.

²⁰ DMS Rule 60L-34.0041(6)(a), Florida Administrative Code.

²¹ At the time this audit was conducted, DMS had listed on its Web site ten collective bargaining agreements between the State of Florida and various employee bargaining units.

²² Article 23, Section 1(C), The State of Florida and The Florida Police Benevolent Association, Security Services Bargaining Unit Agreement, effective July 9, 2008, through June 30, 2011.

State agencies use People First to account for the various types of compensatory leave credits earned and used by employees. People First includes four compensatory leave time and attendance codes: regular compensatory leave, FLSA special compensatory leave, special compensatory leave, and special holiday compensatory leave. Periodic payments for accumulated leave credits and payments for unused compensatory leave credits upon an employee's separation are to be recorded in FLAIR using one of three codes: regular compensatory leave in lieu of overtime, special compensatory leave in lieu of overtime, or special compensatory leave.

As noted in EXHIBIT B to this report, there are multiple compensatory leave credit rules and collective bargaining agreement provisions that State agencies must consider when monitoring leave balances and calculating compensatory leave payouts. While DMS had promulgated rules, made collective bargaining agreements available to all State agencies for reference, and provided rule interpretations upon request, the lack of a comprehensive compensatory leave information resource and inconsistent FLAIR and People First compensatory leave codes unduly complicate the effective management of unused compensatory leave credits and the processing of compensatory leave payouts.

As shown in Table 3, according to FLAIR data, during the period July 2007 through January 2009, the six agencies included within the scope of this audit made 5,658 payments totaling approximately \$10.5 million for accumulated compensatory leave.

Table 3
Payouts of Accumulated Compensatory Leave Credits
July 2007 Through January 2009

	DACS	DOC	DEP	DFS	DMS	DOT	Totals
Regular Compensatory Leave							
Number of Payments	-	-	-	2	-	-	2
Number of Hours Paid	-	-	-	111	-	-	111
Amount Paid	-	-	-	\$ 2,731	-	-	\$ 2,731
Special Compensatory Leave in Lieu of Overtime							
Number of Payments	371	54	274	84	106	14	903
Number of Hours Paid	8,574	2,754	6,428	1,593	1,670	677	21,696
Amount Paid	\$130,754	\$ 35,353	\$ 87,462	\$ 33,767	\$22,492	\$ 5,856	\$ 315,686
Special Compensatory Leave							
Number of Payments	103	4,321	101	85	26	120	4,753
Number of Hours Paid	7,776	540,106	3,232	3,502	1,732	3,007	559,355
Amount Paid	\$165,537	\$9,813,594	\$ 67,050	\$ 90,132	\$20,533	\$46,374	\$10,203,220
Total Number of Payments	471	4,375	375	171	132	134	5,658
Total Number of Hours Paid	16,350	542,860	2,660	5,206	3,402	3,684	581,162
Total Amount of Compensatory Leave Paid	\$296,221	\$9,848,949	\$154,512	\$126,630	\$43,025	\$52,230	\$10,521,637

Source: FLAIR.

Our analysis of FLAIR data and review of the DMS rules and applicable collective bargaining agreements identified instances in which additional guidance, rule clarifications, and statutory revisions may be needed with respect to the management and payout of special compensatory leave credit balances. Specifically:

- While maximums are established for purposes of annual and sick leave payouts, Florida Statutes and DMS rules do not specify a maximum balance for the payout or accumulation of special compensatory leave

credits.²³ Of the 4,753 special compensatory leave payouts, 643 were for more than 240 credit hours and totaled \$5.76 million. These 643 payments included 6 payments totaling \$56,147 at DACS, 3 payments totaling \$30,492 at DEP, 2 payments totaling \$8,258 at DMS, 630 payments totaling \$5,663,244 at DOC, and 2 payments totaling \$5,996 at DOT. According to DMS management, many of the large special compensatory leave payouts were the result of a provision in law that permits former Career Service employees to transfer these leave credits when moving to any Selected Exempt Service position.²⁴ For example, employees who voluntarily leave a Career Service position for a Selected Exempt Service position at any State agency will retain all unused special compensatory leave credits. Any unused leave credits are to be paid to the employee upon separation from State employment at the employee's rate of pay at the time of separation, which may be significantly higher than the employee's rate of pay at the time the compensatory leave credits were accrued.

➤ Our analysis of FLAIR data included an examination of the detail records for 18 special compensatory leave payments totaling \$162,988 (4 payments totaling \$12,071 at DACS, 8 totaling \$117,863 at DOC, 2 totaling \$18,174 at DEP, one for \$8,652 at DFS, 2 totaling \$1,411 at DMS, and one for \$4,817 at DOT) made to 15 employees.²⁵ With respect to these payments, we noted that the State agencies were inconsistent in the application of compensatory leave rules and other guidelines. Specifically:

- While the FPBA Security Services Bargaining Unit Agreement limited the accumulation of special compensatory leave credits to 240 hours and included a provision stating that, with 7 days notice, employees "may be required to reduce accumulated special compensatory leave credit balances to a level of 240 hours," DOC allowed 5 correctional officers to accumulate 627, 691, 948, 1,215, and 1,411 hours, respectively. Payouts to these correctional officers ranged from \$12,341 to \$37,625 and included amounts totaling \$89,595 for hours in excess of the 240-hour limit.
- State agencies did not consistently recognize the maximum special compensatory leave credit limits in the collective bargaining agreements when calculating the special compensatory leave payouts. For example, while 2 of 3 law enforcement officers (one each at DEP, DOT, and DFS) covered by the FPBA Law Enforcement Bargaining Unit Agreement were paid for accumulated special compensatory leave credits in excess of the 240 hours specified in the Agreement, the third officer's leave payout was limited to 240 hours. The DEP officer was paid \$16,498 for 513 credit hours, or \$8,780 for hours above the specified limit. The DOT officer was paid \$4,817 for 263 credit hours, or \$422 for hours above the specified limit. When calculating the special compensatory leave payout for the officer at DFS, DFS limited the payout to 240 hours even though the officer had accumulated 435 special compensatory credit hours.
- Absent any provision in DMS rules or applicable collective bargaining agreement, DACS paid \$8,822 to one employee (a seasonal worker) for 315 accumulated special compensatory leave hours. In response to our audit inquiry, DACS indicated that, according to DACS policy, Division of Fruit and Vegetable employees are permitted to accumulate up to a maximum of 480 hours of FLSA special compensatory leave credits within a designated 6-month period. However, given this explanation, the leave payout had been incorrectly recorded in FLAIR as special compensatory leave rather than FLSA special compensatory leave.

Compensatory leave is a useful tool that allows State agencies to utilize staff during periods of need, and then permit those staff to take leave at a more opportune time. Compensatory leave may also preserve salary dollars by providing employees with leave in lieu of overtime payments. However, allowing employees to accumulate large balances of

²³ As shown by **EXHIBIT B**, the accumulation of special compensatory leave credits is limited to 240 hours by the provisions of three collective bargaining agreements (FPBA Security Services Bargaining Unit, FPBA Law Enforcement Bargaining Unit, and Florida Nurses Association Professional Health Care Unit).

²⁴ Section 110.205(7), Florida Statutes, provides that if an employee is transferred or otherwise moves from the Career Service System into the Selected Exempt Service, all of the employee's unused annual leave, unused sick leave, and unused compensatory leave shall carry forward with the employee.

²⁵ As the On-Demand Payroll System limits the number of credit hours that can be used in any one payment calculation, DOC split the payment for the special compensatory leave into two payments for 3 of the 8 DOC employees.

special compensatory leave credits over long periods of time and then transfer those credits when voluntarily leaving Career Service employment for a Selected Exempt Service position exposes State agencies to increased leave liabilities and may result in large cash payouts upon employee separation. According to DMS rules and guidance, as part of an agency's efforts to manage its leave liabilities, certain employees should be required to use special compensatory leave credits prior to being approved to use other leave types, with the exception of sick leave,²⁶ and Selected Exempt Service employees with special compensatory leave balances should be compelled, upon prior notice, to use all or part of their balances.^{27 28}

Agency Supervisors are responsible for approving compensatory leave credits earned and used and for monitoring employee compensatory leave balances to ensure compliance with applicable laws, rules, and collective bargaining agreement provisions. The lack of a comprehensive compensatory leave information resource and inconsistent FLAIR and People First compensatory leave codes unduly complicate the effective management of unused compensatory leave credits and the processing of compensatory leave payouts and may lead to inconsistencies in the manner in which State agency managers apply compensatory leave provisions.

Recommendation:

- To promote compliance and ensure consistency in the application of rules and relevant collective bargaining agreement provisions by the various State agencies, we recommend that DMS and DPS provide State agencies with detailed comprehensive guidance related to leave payouts and the maximum accumulation limits for the various types of compensatory leave credits. Such guidance should also address the appropriate use of FLAIR and People First compensatory leave codes.
- To prevent large cash payouts upon employee separation from State employment and decrease State agency leave liabilities, we also recommend that State agencies periodically review their employees' compensatory leave balances and identify employees who are accumulating large compensatory leave credit balances or whose compensatory leave credits are approaching the maximum limits set forth in applicable collective bargaining agreements. When appropriate, the agencies should compel the use of accumulated special compensatory leave credits prior to approving employee use of other leave types.
- The Legislature should consider revising Section 110.205(7), Florida Statutes, to either restrict the number of special compensatory leave credits that may be transferred or to require the payment of all accumulated special compensatory leave credits when an employee voluntarily moves from a Career Service pay plan position to a position in another SPS pay plan.

Finding No. 3: Unused Annual and Sick Leave Payouts

In report No. 2007-087, we noted errors in the amounts of unused annual and sick leave (terminal leave) payouts, discrepancies in leave balances at State agencies, and functionality issues with People First leave balance screens. To mitigate the risk of errors when processing terminal leave payouts, we recommended that agencies perform audits of leave balances prior to processing terminal leave payments and that DMS issue guidelines for the proration of annual

²⁶ DMS Rule 60L-34.004, Florida Administrative Code and DMS Rule Interpretation, *SES Employees - Special Compensatory Leave Provisions*, Tracking No. 60L-34-2007-#1, effective May 22, 2007.

²⁷ DMS Rule 60L-34.0044, Florida Administrative Code, and DMS Rule Interpretation, *Compelling Use of Special Compensatory Leave*, Tracking No. 60L-34-2008-#005, effective May 1, 2008.

²⁸ Employees covered by the AFSCME agreement are exempt from being compelled to use special compensatory leave credits earned prior to April 2, 1999, and employees covered by the FPBA Law Enforcement Unit or FPBA Security Services Unit agreements may not be compelled to use any special compensatory leave credits, or to substitute such leave for credits in lieu of requested annual leave, for the first 60 days after the compensatory leave credits in question were earned.

leave for applicable employees. In response to our recommendations, DMS established, effective May 2, 2007, and provided to State agencies via the DMS Web site, Program Guidelines for the proration of annual leave for Senior Management Service and Selected Exempt Service employees.

To evaluate agency controls and to determine whether the unused annual and sick leave payouts were adequately supported, properly calculated, and paid in accordance with applicable laws and rules, we requested agency terminal leave payout policies and procedures for review and examined agency records for 51 terminal leave payouts, totaling \$469,932. The 51 payouts tested included: 10 payouts totaling \$109,116 at DACS, 9 payouts totaling \$70,169 at DOC, 5 payouts totaling \$38,250 at DEP, 9 payouts totaling \$134,120 at DFS, 3 payouts totaling \$53,198 at DMS, and 15 payouts totaling \$65,079 at DOT. Additionally, we reviewed documentation of any leave balance audits performed related to the 51 payouts to determine whether the agencies effectively ensured the proper calculation of the payouts. We noted that

- Five agencies (DACS, DOC, DEP, DMS, and DOT) had not established written terminal leave payout policies and procedures at the time of our audit request. DMS subsequently established written policies and procedures effective July 2009.
- For the 51 payouts tested:
 - Documentation for 15 terminal leave payouts totaling \$130,778 was not available to evidence that an audit of the leave balances, including identification of prior leave payments, was completed prior to payment. These 15 payouts included 5 payouts totaling \$58,096 at DACS, 3 payouts totaling \$12,353 at DOC, 2 payouts totaling \$47,506 at DMS, and 5 payouts totaling \$12,823 at DOT.
 - DOC made a duplicate payment of \$10,215 to one employee for unused sick leave at separation. Subsequent to our audit inquiry, DOC requested reimbursement from the former employee.
 - For 2 DACS unused annual leave payouts, one for a Selected Exempt Service employee and one for a Senior Management Service employee, DACS did not correctly adjust the unused annual leave balance to prorate the current year's annual leave accrual. As a result, one employee was underpaid \$277 and another employee was overpaid \$1,956.

Many factors can complicate the tracking and updating of State employee leave credits and the calculation of employee lifetime maximum terminal leave payouts including, the use and donation of leave, employee transfers between employment classes or pay plans, the rehire of former State employees, and payments of leave credits utilizing the On-Demand Payroll System. Under such circumstances, the implementation and communication of written policies and procedures may better ensure the calculation of payment amounts that are consistent with the requirements of law.

Recommendation: We recommend that each State agency's procedures be enhanced, as appropriate, to address the terminal leave payout process. Such enhancements should require the performance of leave balance audits prior to processing terminal leave payouts, and documentation of such audits should be retained. We also recommend that State agencies take other appropriate steps, including independent verification of payout calculations, to ensure that terminal leave payouts are accurate and paid in accordance with applicable laws, rules, and guidelines.

In response to this finding, DACS management indicated that documentation for the 5 payouts had been provided. DACS personnel did provide Computation Sheets, which on the first line show "Leave Credits Per Most Recent Record" and then include lines to update the recorded balance to reflect current leave transactions. As noted in the finding, the documentation provided did not demonstrate that the recorded leave balances had been audited prior to payment.

Dual Employment

State law provides that an individual employed by a State agency or by the judicial branch may not fill more than a total of one full-time equivalent established position, receive compensation simultaneously from any appropriation other than appropriations for salaries, or receive compensation simultaneously from more than one State agency unless approved by DMS, or the agency head (if such approval authority has been delegated),²⁹ or by the Chief Justice, during each fiscal year.³⁰ Pursuant to State law, DMS adopted rules delegating to agency heads approval authority for all dual-employment requests.³¹ In considering requests for dual employment, the DMS rules require State agencies to apply the following criteria:

- Compensation must be commensurate with assigned duties.
- A demonstrated need for the proposed action must exist.
- The services must not give rise to the appearance of a conflict of interest or otherwise violate legislative intent.

The DMS rules also require that any State employee seeking employment and compensation from more than one State agency initiate a *Dual Employment and Compensation Request* form (Form DMS/HRM/DUAL). On the *Dual Employment and Compensation Request* form, employees are to certify that the secondary employment will not be within the normal working hours of the primary employment.³² The form instructions also require the secondary employing agency to provide certain information to the primary employing agency and indicate that the primary employing agency has the final approval authority.

For overtime liability determinations, the *Dual Employment and Compensation Request* form requires the relevant State agencies to consider whether: there is no overtime liability as both the primary and secondary employments are excluded for overtime purposes; the secondary employment is voluntary, in a different capacity from the primary employment, and worked on an occasional or sporadic nature; or the position is outside of the SPS. However, if overtime is applicable, the primary and secondary agencies must, considering the nature of the positions involved, agree upon a method for calculating overtime as described on the *Dual Employment and Compensation Request* form and required by the FLSA.³³

DMS provided additional guidance for SPS agencies in the *Dual Employment Guidelines and Procedures for State Personnel System Agencies (Guidelines)*.³⁴ Those *Guidelines* require that, if the dual employment is approved, the primary agency provide the secondary agency with copies of the *Dual Employment and Compensation Request* form and the secondary agency process the secondary employment in the human resource information system. The *Guidelines* further require that

²⁹ Section 216.011(1)(qq), Florida Statutes, defines a "State agency" as any official, officer, commission, board, authority, council, committee, or department of the executive branch of State Government and, for the purposes of implementing Section 19(h), Article III of the State Constitution, includes the judicial branch.

³⁰ Section 216.262(1)(e), Florida Statutes.

³¹ DMS Rule 60F-32.003, Florida Administrative Code, *Dual Employment and Compensation*.

³² According to the DMS *Dual Employment Guidelines and Procedures for State Personnel System Agencies*, the primary employment is the employment that has the earliest date of hire. However, OPS employments are to be considered secondary unless both positions are OPS.

³³ The FLSA is codified in Title 29, Sections 201 through 219, United States Code. Section 207 addresses overtime pay and Section 213(a)(1) provides an exemption from overtime pay for employees employed as bona fide executive, administrative, professional, and outside sales employees. Section 213(a)(17) exempts computer systems analysts, computer programmers, software engineers, and other similarly skilled workers. To qualify for exemption, employees generally must meet certain tests regarding their job duties and weekly salary rate.

³⁴ Prior to major revision in June 2009, the *Guidelines* dated September 4, 2003, were in effect.

- Requests for dual employment be reviewed and approved annually by both the primary and secondary employing agencies.
- If either the primary or secondary employment changes, a new *Dual Employment and Compensation Request* form be submitted for approval.

Finding No. 4: Dual-Employment Rules and Guidelines

As noted above, State law requires agency approval, during each fiscal year, for all requests for dual employment and simultaneous compensation from more than one State agency in the executive branch or the judicial branch of State Government.³⁵ DMS rules do not specifically make reference to the judicial branch or define a State agency for the purpose of the rules but require agency approval for all requests for simultaneous compensation of an employee by more than one agency.³⁶

DMS *Guidelines* provided additional guidance for SPS agencies. Those *Guidelines* in effect prior to June 2009, defined dual employment to include the compensation of an employee simultaneously by more than one State employer or State agency within the SPS. The *Guidelines* defined a State employer as the SPS, State University System, Florida Lottery, Florida Legislature, Justice Administration Commission, and the State Courts System. However, DMS revised the *Guidelines* in June 2009 to indicate that the *Guidelines* do not apply to employment with any government employer outside the SPS.

In addition to the guidance in DMS rules and *Guidelines*, four of the six State agencies included within the scope of this audit had established agency dual-employment policies and procedures requiring that a dual-employment request form be initiated by the employee and approved by agency management. While all four of these agencies' policies and procedures required that the approval be performed during each fiscal year, the policies and procedures varied regarding the State employers for which dual-employment approval was required. For example, the DEP and DACS policies and procedures required that a form be completed and approved for dual employment for both SPS and non-SPS State entities, such as the State University System, while the DMS agency policies and procedures restricted the use of such a form to employment at SPS agencies.³⁷ DFS policies and procedures required that a form be completed and executed for "employment by more than one State agency" but did not define a "State agency" or differentiate between non-SPS and SPS agencies.³⁸

Absent guidance that clearly indicates when dual-employment approval is required, State agencies may not ensure that employees submit for agency approval requests for dual employment as required by State law. Lack of such guidance may have contributed to the instances noted in finding No. 5 in which proper approval for dual employment was not obtained and documented.

Recommendation: We recommend that DMS and the various State agencies establish or revise dual-employment policies and procedures to ensure that approval during each fiscal year is obtained by any employee seeking employment at, or compensation from, more than one State agency. To ensure compliance with State law, such policies and procedures should clearly address both the simultaneous compensation from any appropriation other than the appropriations for salaries and the simultaneous compensation from any State agency or the judicial branch of State Government.

³⁵ Section 216.262(1)(c), Florida Statutes.

³⁶ DMS Rule 60L-32.003, Florida Administrative Code.

³⁷ *Dual Employment – Dual Compensation* (No. DEP 401); *Outside Employment, Dual Employment, Compensation, and Other Activities* (DACS Administrative Policies and Procedures No. 5-3); and *Dual Employment Within the State Personnel System* (DMS Policy No. HR-01-112).

³⁸ *Dual Employment and Compensation* (DFS Administrative Policies and Procedures No. 5-04).

Finding No. 5: Dual-Employment Approvals and Management of Dual-Employment Activities

To effectively manage dual-employment activities, State agencies must maintain supplemental files and records related to employees' dual-employment approvals and activities. Table 4 shows, according to the records of five of the six State agencies included within the scope of this audit, the number of employees approved for dual employment during the period July 2007 through January 2009. DOC was not able to provide, in response to our audit inquiries, a complete listing or other comprehensive record of dual-employment approvals.

Table 4
Dual-Employment Approvals in Effect
July 2007 Through January 2009

Agency	Number of Employees with Dual-Employment Approvals
DACS	75
DOC	Not Documented *
DEP	96
DFS	5
DMS	11
DOT	41

* DOC did not maintain a list or other comprehensive record of employees approved for dual employment.

Source: Agency records.

There is not an established mechanism for State agency use that identifies those employees simultaneously receiving compensation from more than one State employer. Accordingly, to determine whether the listings provided by the agencies included approvals for all employees who had simultaneously received compensation from more than one State employer during the period July 2007 through January 2009, we performed analytical procedures of FLAIR payroll data to detect potential instances of dual employment. For the six agencies included within the scope of this audit, we identified 1,008 employees for whom it appeared there were instances of dual employment.³⁹ To test applicable procedures, we selected the records for 43 of these employees.

We determined that all 43 of the employees had been employed by more than one State employer, however, as shown by Table 5, the agencies had not included 21 of the 43 employees on the dual-employment listings provided for our review. Additionally, a *Dual Employment and Compensation Request* form was not available for 19 of the 21 employees. Thirteen of these 19 employees had been dual-employed by another SPS State agency and 6 had been dual-employed by a State University System employer.⁴⁰ For the other 2 employees, the *Dual Employment and Compensation Request* forms provided did not contain evidence of appropriate approval.

³⁹ As not all State employers utilize FLAIR, this analysis would not detect compensation paid by the State entities that do not utilize FLAIR. For example, with the exception of the Florida Agricultural and Mechanical University (FAMU), this analysis would not detect payments made by State universities to employees at the six agencies included within the scope of this audit as, during the audit period, FAMU was the only State university utilizing FLAIR for employee compensation payments.

⁴⁰ As stated in finding No. 4, DMS *Guidelines* were revised in June 2009 redefining dual employment to exclude employment with a State employer outside the SPS.

Table 5
Summary of Noted Dual-Employment Approval Deficiencies

Agency	Number of Employee Dual-Employment Records Tested	Dual Employment Not Included by Agency on Listing	Dual Employment and Compensation Request Form		
			Not Available	Lacked Required Signatures	Totals
DACS	10	2	2 ^a	1	3
DOC	10	10	8	-	8
DEP	10	5	5 ^b	-	5
DFS	3	-	-	1	1
DMS	5	1	1	-	1
DOT	5	3	3 ^c	-	3
Totals	43	21	19	2	21

- ^a Both dual employments were with a State University System employer.
- ^b Three of the 5 dual employments were with a State University System employer.
- ^c One of the 3 dual employments was with a State University System employer.

Source: Agency records.

Absent a mechanism that identifies those employees simultaneously receiving compensation from more than one State employer, agencies cannot be assured that their employees always properly submit dual-employment requests for management approval. In addition, absent documentation of the proper approval of dual employment, State agencies cannot demonstrate that an employee's compensation was commensurate with the employee's assigned duties, there was a need for the employee to hold more than one position with the State, or the employment did not give rise to the appearance of a conflict of interest or otherwise violate legislative intent. Further, absent a listing or other complete record of employees approved for dual employment, an agency cannot demonstrate that the dual-employment activities of all applicable employees have received appropriate consideration in accordance with State law and DMS rules and *Guidelines* or that an appropriate method for calculating applicable overtime pay has been devised.

Recommendation: We recommend that State agencies take appropriate steps to ensure that dual-employment requests are properly submitted and approved and that comprehensive records documenting all dual-employment approvals be maintained. In addition, we recommend that DMS and DFS, in conjunction with the other State agencies, create a mechanism (e.g., a People First or FLAIR report) to identify those employees who simultaneously receive compensation from more than one State employer.

In response to this finding, DACS management stated that "according to DMS rule interpretation, the two cited as not available should not have been considered a finding since those two employees were dual employed outside of the SPS at a university." At the time of the cited payroll transactions, dual-employment authorization was required for secondary employment at a State university. As stated in finding No. 4, DMS Guidelines were subsequently revised in June 2009 redefining dual employment to exclude employment with a State employer outside the SPS.

Salary Calculations and Overtime Authorizations

Most SPS salary payment calculations are made utilizing a payroll process whereby People First is responsible for certain functions supporting the payroll process, including processing personnel actions and employee time data, and at the end of each pay period, People First transmits payroll data to the FLAIR Payroll Component. However, some

"one-time" salary payment calculations are initiated by the employing agency and processed using a system referred to as the On-Demand Payroll System.

According to FLAIR records, during the period July 2007 through January 2009, approximately 1.8 million salary payments totaling approximately \$2.8 billion were made for the employees (in both authorized and OPS positions) of the six agencies included within the scope of this audit.

Finding No. 6: Salary Payment Calculations

We tested 540 salary payments totaling \$1,109,967 to determine whether the payments were properly calculated, approved, and supported by authorized sufficient time records. Table 6 shows, by agency, the total salary payments population and the total payments selected for testing.

Table 6
Salary Payments Tested
for the Period July 2007 Through January 2009

Agency	Salary Payment Population		Salary Payments Tested	
	Number of Payments	Amount of Payments	Number of Payments	Amount of Payments
DACS	163,290	\$ 218,030,942	95	\$ 153,253
DOC	1,122,732	1,544,953,759	137	266,294
DEP	109,508	258,968,365	87	210,262
DFS	51,790	182,305,173	70	214,859
DMS	41,167	66,181,514	67	151,923
DOT	297,839	526,384,301	84	113,376
Totals	1,786,326	\$2,796,824,054	540	\$1,109,967

Source: FLAIR. Salary payment amounts include payments made to employees in both authorized and OPS positions.

For the 540 salary payments tested, the agencies included within the scope of this audit generally made employee salary payments in the correct amounts based on the number of hours recorded as worked, approved rate of pay, and effective dates of any pay rate changes. However, we identified 11 salary payment errors (7 overpayments and 4 underpayments). The amounts paid in error ranged from an overpayment of \$626 to an underpayment of \$901. Specifically, we noted:

- Four errors for the 95 DACS salary payments tested. For 2 payments, DACS did not record reductions to lead worker additive pay until after the approved effective dates of the changes, resulting in overpayments of \$26 and \$31. For another payment, DACS underpaid the employee by \$137 due to an incorrectly recorded start date. In the fourth instance, an employee who transferred employment from DOC to DACS was underpaid by \$94 due to the use of the lower DACS rate of pay for hours worked at DOC.
- Two errors for the 87 DEP salary payments tested. DEP overpaid one employee \$50 due to an error in calculating the employee's overtime rate of pay and overpaid the other employee by \$16 as a result of entering incorrect flex schedule hours into People First.
- Two errors for the 70 DFS salary payments tested. In one instance, DFS paid an employee for 160 hours of work although the time records showed that the employee only worked 152 hours, resulting in an overpayment of \$80. In the other instance, DFS paid an employee \$904 when, based on the employee's rate of pay and time records, the employee should have been paid \$1,805, resulting in an underpayment of \$901.

- Two errors for the 67 DMS salary payments tested. DMS overpaid one employee by \$40 because, although the employee's pay was adjusted for a change in the rate of pay, the change in the employee's status from part-time to full-time was not taken into account. DMS underpaid the other employee by \$17 due to a delay in implementing an approved pay increase.
- One error for the 84 DOT salary payments tested. DOT overpaid one employee by \$626 as the employee separated from DOT in the middle of the payroll period but was paid based on 80 hours rather than the 40 hours recorded as worked.

Each of the instances noted above resulted from State agency payroll change processing. When payroll changes are processed, additional care should be taken to ensure that the changes are timely made considering the effective date of the change and that the changes made agree with the supporting authorization and time records. Subsequent to our audit inquiries, the agencies began taking actions to resolve the errors noted above.

Recommendation: State agencies should take appropriate measures to ensure that salary payments are accurately calculated based on the applicable rate of pay and actual hours worked. Such measures may include, for all payroll changes, an additional review of the calculations and supporting documentation prior to salary payment issuance.

Finding No. 7: Overtime Authorization

The FLSA provides for the inclusion or exclusion of certain classes of employees defined by the type of work performed. State employees who are eligible for overtime pay pursuant to the FLSA are referred to in DMS rules and guidelines as "included employees." The FLSA requires that, unless otherwise exempted, employees be paid overtime pay at a rate of not less than one and one-half times the regular rate for hours worked in excess of 40 per week.⁴³ "Excluded employees" are not subject to the FLSA and, therefore, there is no FLSA requirement to pay or otherwise compensate excluded employees for any overtime hours worked.

As part of our audit, we reviewed agency overtime policies and procedures, performed analytical procedures, and examined the records for 64 overtime payments made during the period July 2007 through January 2009 and totaling \$68,719, to evaluate whether overtime payments were reasonable, properly calculated, adequately supported, and authorized. The 64 overtime payments tested included, 10 payments totaling \$20,277 to DACS employees, 20 payments totaling \$13,686 to DOC employees, 6 payments totaling \$7,328 to DEP employees, 8 payments totaling \$15,271 to DFS employees, 10 payments totaling \$7,855 to DMS employees, and 10 payments totaling \$4,302 to DOT employees.

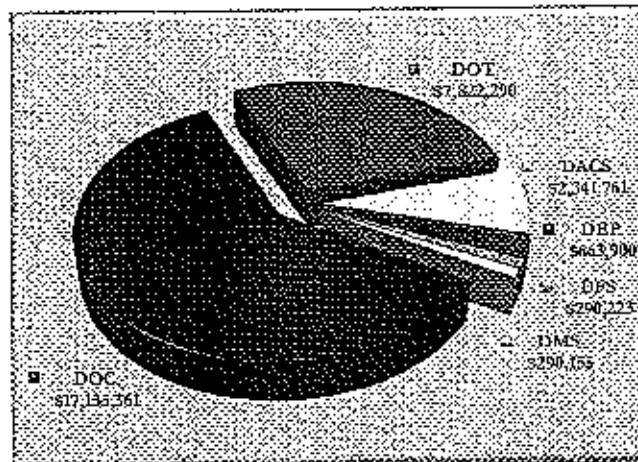
Except as otherwise noted below, we noted that the agencies had established policies and procedures regarding payment for overtime hours worked that, if consistently followed, should ensure that overtime payments are properly calculated and authorized. Also, for the overtime payment records included in our tests, we noted that the employees were properly designated as included employees, the amounts paid were properly calculated based on the rate of pay and number of hours recorded by the employees in People First as worked, and the hours recorded in People First were approved by the employees' direct supervisors or time administrators.

Our analytical procedures disclosed, as shown in Charts 2 and 3, that DOC paid a significantly higher amount of overtime pay for a significantly larger number of overtime hours than the other five agencies.

⁴³ Title 29, Section 207, United States Code.

Chart 2

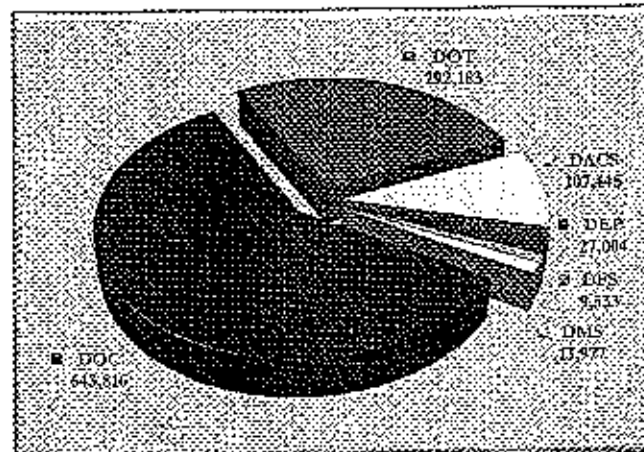
Overtime Payments by Agency
July 2007 Through January 2009



Sources: FLAIR and People First Records.

Chart 3

Overtime Hours by Agency
July 2007 Through January 2009



Sources: FLAIR and People First Records.

Further analysis of the overtime hours worked by the 25 DOC employees with the greatest number of overtime hours disclosed that, during the 19-month period July 2007 through January 2009, the average number of overtime hours recorded by the 25 DOC employees ranged from 44 to 200 hours per month (20 to 93 hours per biweekly pay period) and the rate of overtime pay ranged from \$21.55 to \$55.97 per hour. These DOC employees included nurses and other medical staff. Relative to these employees, we performed additional procedures to attempt to verify the accuracy of the number of work hours recorded and the extent to which the overtime had been authorized in advance. These additional procedures included compiling and analyzing the overtime hours and pay for each of the 25 DOC employees for the expanded 36-month period of July 2007 through June 2010. As shown in Table 7, the total overtime hours for the 25 DOC employees ranged from 1,061 to 5,678 hours. DOC management advised us that the overtime was made necessary by a shortage of nursing staff.

Table 7

**Overtime Hours and Earnings for 25 DOC Employees with the
Greatest Number of Overtime Hours During the Period July 2007 Through June 2010**

	Position	DOC Region	Total Overtime Hours	Overtime Earnings	Regular Salary or Wages Paid	Total Earnings
1	Senior Licensed Practical Nurse	III	5,678	\$ 149,219	\$ 110,060	\$ 259,279
2	Concecnational Medical Technician - Certified	II	5,528	142,825	111,729	254,554
3	OPS Senior Licensed Practical Nurse ^a	II	4,462	147,246	137,258	284,504
4	Senior Licensed Practical Nurse	III	4,014	100,265	106,554	206,819
5	Registered Nurse Specialist/Senior Registered Nurse	III	3,738	158,908	184,487	343,395
6	Senior Licensed Practical Nurse	III	3,551	85,871	100,759	186,630
7	Concecnational Medical Technician - Certified	II	3,258	76,550	98,421	174,971
8	Senior Licensed Practical Nurse	III	2,931	74,297	105,261	179,558
9	Senior Licensed Practical Nurse	III	2,919	100,706	143,141	243,847
10	Senior Licensed Practical Nurse	I	2,914	71,772	72,127	143,899
11	Senior Licensed Practical Nurse	II	2,812	74,604	120,772	195,376
12	Registered Nurse Specialist/Senior Registered Nurse	II	2,601	90,856	147,064	237,920
13	Senior Licensed Practical Nurse	III	2,462	53,858	88,678	137,016
14	Senior Registered Nurse	(II)	2,447	77,045	122,591	199,436
15	Senior Licensed Practical Nurse	I	2,394	53,576	96,404	149,980
16	Registered Nurse Specialist	III	2,366	90,728	159,223	249,951
17	Senior Licensed Practical Nurse	III	2,306	71,213	84,600	155,813
18	OPS Senior Licensed Practical Nurse	III	2,286	75,504	129,356	204,870
19	Registered Nurse Specialist	II	1,911	96,013	223,679	319,692
20	Registered Nurse Specialist/Senior Registered Nurse	II	1,735	72,131	172,646	244,777
21	Registered Nurse Specialist	II	1,663	63,663	157,801	221,464
22	Clinical Associate	III	1,551	85,839	237,841	323,680
23	Senior Registered Nurse	III	1,475	46,591	97,645	144,236
24	Senior Registered Nurse	II	1,314	40,634	209,685	250,319
25	OPS Registered Nurse Specialist	III	1,061	52,495	123,173	175,668
	Totals		69,229	\$2,151,271	\$3,335,565	\$5,486,836

^a During 14 months of this 36-month period, this nurse was employed by both DOC and the Department of Children and Family Services (DCFS). In addition to her DOC earnings of \$284,504, she was paid \$30,341 by DCFS.

Sources: People First and FLAIR.

Our analyses and tests disclosed:

- For some employees, the overtime hours worked were clearly excessive. For example,
 - The overtime earnings for 6 employees exceeded \$100,000 and overtime earnings for 3 of these 6 employees exceeded their regular wages during the 36-month period.
 - One licensed practical nurse was paid by DOC a total of \$284,504 in State wages during the period July 2007 through June 2010 and was dual employed for 400 calendar days during that time period. People First time record information for the two agencies at which she was dual employed indicated that the nurse had recorded hours for 399 of the 400 days. While holiday and leave hours had been recorded for 27 of the 399 days, the nurse recorded hours worked for 372 of the 400 calendar days she was dual employed. We also noted that the nurse's dual-employment activities had not been approved by either DOC or the other employing agency, DCFS. As the nurse's dual employment had not been approved, there was no documentation to demonstrate that the two employing agencies considered the applicability of, or agreed upon a calculation method for, overtime pay. (See finding No. 5 for a discussion of improvements needed in the approval and management of State employees' dual-employment activities.)
- In response to our audit request for sign-in logs or other facility access records to corroborate the dates and work hours recorded by certain nurses assigned to Regions I, II, and III, DOC management provided applicable control room log information for Region I and work schedules and daily assignment sheets for

Regions I and II. With respect to Region III records, DOC provided some work schedules and control room logs; however, DOC management also indicated that other requested records had been shredded and that an internal investigation had been conducted related to the nurses' hours reported in Region III. The results of that investigation indicated, in part, that nursing staff had been allowed to work excessive overtime.

- Upon comparison of the selected nurses' People First time records to the control room log information and the work schedules and daily assignment sheets, we noted numerous instances in which the dates and hours worked did not agree. The record differences have been provided to the DOC Inspector General so that additional efforts may be made to determine the accuracy of the time records.
- According to DOC management, a directive was distributed, via e-mail, instructing DOC supervisory staff that no more than 16 hours of overtime per biweekly pay period should be authorized if there was a more cost-effective alternative. In addition, according to a DOC Inspector General report,¹³ for at least one Region III correctional institution, Career Service and OPS nursing staff had been provided blanket approval to work overtime of up to 40 hours per biweekly pay period. However, beyond the 16-hour limit in the e-mailed directive and the 40-hour blanket approval, the DOC had not adopted written policies or procedures requiring of DOC management prior written authorization of overtime work and pay and verification that any overtime shown on time records had been properly authorized.

Absent written policy and procedure governing the authorization and verification of overtime hours worked, overtime may be worked that is not preceded by careful management consideration of workload; the effectiveness, safety, and well-being of State employees and those served when large amounts of overtime are involved; and the economy and fiscal impact of the overtime payments.

Recommendation: DOC should establish written policies and procedures requiring DOC supervisory staff to provide prior written authorization for employee overtime and verify that the overtime shown on employee time records did not exceed the hours authorized. In determining whether overtime should be authorized, we recommend that DOC management analyze the costs and benefits of paying overtime versus hiring additional employees or engaging contractors to perform certain responsibilities, with consideration given to the effectiveness of employees who work excessive hours. In addition, to help in the timely detection of fraud or error, should it occur, agency management should periodically evaluate the reasonableness of the overtime hours being recorded by employees and investigate those instances in which the reported hours may appear unusually large.

Warrant and EFT Cancellations

The DFS BOSP *Payroll Preparation Manual* provides instructions to agencies for processing warrant and EFT salary payment cancellations. Reasons for canceling a warrant or EFT include, but are not limited to, payment of incorrect number of hours, late processing of a salary rate change, duplicate payment, or errors in amounts deducted from the employee's gross pay. Salary payments made by EFT can be canceled electronically. If a salary payment made by paper warrant requires cancellation, the *Payroll Preparation Manual* requires that the canceled paper warrant be destroyed and a record of the destruction be maintained. Salary payments made by paper warrant may also be canceled if the warrant was lost.

Finding No. 8: Salary Payment Cancellations

Every payroll cycle, DFS BOSP sends each State agency a *Duplicate Payments Report* that identifies multiple salary payments issued by the agency to the same employee and a *Supplemental Earnings Report* that identifies rates of pay that exceed the maximum for the corresponding class and pay bands. The agencies are to review the reports for errors

¹³ Report No. R19016, *Review of the Lowell Correctional Institution Nursing Utilization Schedule*.

that may require a salary payment cancellation. If an agency identifies an overpayment, the agency is to initiate the cancellation process using FLAIR. Cancellations are normally processed within 24 hours and the correct payment is generally made through the On-Demand Payroll System.

As shown in Table 8, according to FLAIR records, for the six State agencies included within the scope of this audit, during the period July 2007 through January 2009, there were 2,722 salary payment cancellations, totaling \$1,937,409. Table 8 also shows the number and amount of cancellations included in our audit tests.

Table 8
Summary of Salary Payment Cancellations Populations and
Test Items for the Period July 2007 Through January 2009

Agency	Salary Payment Cancellations			
	Population		Test Items	
	Number of Cancellations	Total Cancellations (in dollars)	Number of Cancellations	Total Cancellations (in dollars)
DACS	327	\$ 158,279	10	\$31,867
DOC	1,629	1,089,686	10	8,088
DEP	205	110,262	10	8,132
DFS	94	110,392	10	13,332
DMS	59	31,740	10	13,852
DOT	408	437,050	10	17,949
Totals	2,722	\$1,937,409	60	\$93,220

Source: FLAIR.

Our tests of 60 salary payment cancellations totaling \$93,220 disclosed that agency controls needed improvement to ensure the timely initiation of overpayment recovery efforts and proper destruction of canceled paper warrants. Specifically, we noted:

- State agencies did not always timely initiate third-party overpayment recovery efforts. State employees may voluntarily authorize deductions from their gross pay be made and paid to third parties such as medical, dental, and life insurance providers; charitable organizations; and the State's Deferred Compensation Program investment providers. Although the dollar amounts for individual deductions may not be significant, the volume of these transactions may be great. Regarding third-party overpayments, we noted that:
 - The *Payroll Preparation Manual* did not include specific guidance for recovering from third parties any overpayments resulting from salary payment cancellations.
 - Of the 60 salary payment cancellations tested, 17 reflected a total of 41 separate voluntary deductions ranging from \$1 to \$350 and totaling \$1,724. For 9 of the 41 deductions, the agencies had not taken timely action to recover from the third parties the amounts paid. These 9 deductions (one each for the employees of DACS, DOC, and DEP for \$3, \$24, and \$18, respectively, and 6 at DOI totaling \$73) totaled \$118. Although the dates for these canceled payments ranged from February 2008 through October 2008, the agencies' recovery efforts were not initiated until subsequent to our audit inquiries in April 2009.
- DACS staff indicated that they were not aware of the *Payroll Preparation Manual* requirement that canceled paper warrants be destroyed and records of the destruction be maintained. As of April 2009, DACS was in possession of 148 canceled paper warrants, totaling \$17,244. The dates of these canceled warrants ranged from August 2002 to April 2009. Subsequent to our audit inquiry, DACS destroyed the canceled warrants and implemented new procedures for documenting the destruction of paper warrants.

Absent timely and appropriate efforts to collect overpayments made to third parties and the proper destruction of canceled paper warrants the State's exposure to loss may not be sufficiently limited.

Recommendation: We recommend that DFS enhance the *Payroll Preparation Manual* to include specific instructions for recovering from third parties any overpayments made as a result of salary payment cancellations. Additionally, we recommend that, when canceling salary payments, State agencies take appropriate action to timely recover from third parties any amounts overpaid.

Employee Out Processing

State agencies are responsible for implementing a process that ensures that, when an employee separates from State agency employment, all State-owned property is returned, access to information technology (IT) systems and resources is deleted, and State credit cards are canceled. State agencies have developed procedures and forms to facilitate and document the out processing of employees. Table 9 lists the forms used during the out processing of employees by the six State agencies subject to audit.

Table 9

Agency Forms Used for Employee Separations

Agency	Form Title and Number
DACS	<i>Employee Separation Report</i> (DACS-01092)
	<i>Employee Separation Asset form</i> (DACS-01347)
DOC	<i>Supervisor Checklist for Separating Employees</i> (DC2-280) ^a
DEP	<i>Certificate of Termination</i> (DEP 54-601)
DFS	<i>Turn-in Checklist</i> (DFS-C2-721)
DMS	<i>Employee Exit Checklist</i> (HR-103-F2) ^b
DOT	<i>Notice of Separation/ Resignation</i> (250-005-25)

^a Effective December 2007.⁴³

^b Effective May 2008.

Source: Agency records.

Finding No. 9: Employee Out-Processing Forms and Checklists

As part of our audit, we reviewed applicable records to evaluate whether the six State agencies included within the scope of this audit documented the timely return of all assigned State-owned property, including purchasing cards and other State credit cards, upon employee separation. We also considered applicable dates for terminated employees to determine whether the agencies timely canceled credit card accounts and deleted access to IT resources. We tested records for 60 terminated employees (10 at DACS, 20 at DOC, 10 at DEP, 5 at DFS, 5 at DMS, and 10 at DOT) and noted that two of the six agencies did not always document the return of State-owned property by separating employees. Specifically:

- DOC records for 9 former employees did not contain a *Supervisor Checklist for Separating Employees* (DC2-280) form or alternative documentation evidencing that the employees returned all assigned State-owned property. The positions held by those employees included correctional officer and administrative clerk.
- For 2 former employees, 2 custodial worker and a Senior Management Analyst II, DMS records did not contain documentation to evidence the return of State-owned property. These 2 employees separated prior

⁴³ Previously, DOC used various exit checklists and property collection procedures.

to the implementation of the DMS procedure requiring use of the *Employee Exit Checklist* (HR 103-F2) form and no alternative documentation was available. Subsequent to our audit inquiry, DMS provided an HR 103-F2 form for one of the 2 employees, dated one year after the employee's separation date.

Absent documentation evidencing that all State-owned property items assigned to an employee, including employee badges, access cards, keys, and purchasing and credit cards, were returned upon the employee's separation from employment, State agencies cannot demonstrate proper accountability for and safeguarding of State assets.

Recommendation: We recommend that State agencies reinforce policies requiring the use of forms designed to ensure and document the return of all State-owned property items by separating employees. State agencies should also ensure that this documentation be maintained in the separating employee's personnel file or other identifiable location.

ADDITIONAL MATTERS

As we similarly noted in report No. 2007-087, progress to improve the functionalities of People First continued to be made. Specifically, DMS enhanced State agency personnel training and communication efforts, State agency knowledge and use of People First expanded, the use of manual time records was significantly reduced, and various system enhancements were implemented. Other system enhancements needed to fully resolve the deficiencies noted in report No. 2007-087 were addressed by DMS in an amendment to the contract with the People First contractor, Convergys.⁴⁴

Pursuant to Chapter 2008-152, Laws of Florida, the Office of Program Policy Analysis and Government Accountability contracted for the conduct of an independent study of People First. The study included an analysis of the cost effectiveness and functionality of People First and identified and evaluated potential options for alternative service delivery solutions. The resulting report recommended that the contract with Convergys be renegotiated with all outsourced components remaining outsourced. Subsequent to the conduct of the study, DMS entered into a new contract with Convergys on December 8, 2009.⁴⁵ As a result of the system enhancements included in the renegotiated contract, a new release of the People First System was designed for implementation in July 2010.

During the implementation of the system enhancements, July 9 through July 19, 2010, People First was off-line. As a result, until the upgraded system was made available for agency use on July 19, 2010, State agency personnel were required to manually maintain time records and utilize the On-Demand Payroll System to process any required payroll transactions.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from January 2009 to August 2009, and performed selected audit procedures through October 2010, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for

⁴⁴ Amendment 10, dated May 28, 2008.

⁴⁵ In March 2010, the Convergys Corporation announced the sale of its Human Resources Management Division to NorthgateArinso, a company headquartered in the United Kingdom.

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.

This operational audit focused on payroll and personnel administrative processes at selected State agencies. The overall objectives of the audit were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the relevance and reliability of records and reports; and the safeguarding of assets.
- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the relevance and reliability of records and reports; and the safeguarding of assets.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

Our audit also included steps to determine whether DMS and applicable agency management had corrected, or were in the process of correcting, all applicable deficiencies disclosed in our report No. 2007-087.

In conducting our audit we:

- Obtained an understanding of State agency policies, procedures, and controls relevant to the payroll and personnel processes through interviews of employees, observations of processes, inspection of records and reports, and recalculation of selected data. Specifically, our audit focused on review of the payroll function, budgetary issues, changes to payroll records, new hires and separations, time records and leave issues, payroll deductions and salary garnishments, dual employment, overtime payments, and the On-Demand Payroll process.
- Obtained an understanding of the role of DMS and the People First System (including the role of Convergys,⁴⁶ the People First contractor) in the State's payroll and personnel processes.
- Obtained and reviewed the applicable reports on controls placed in operation and tests of operating effectiveness prepared for the period July 2007 through January 2009 for *Convergys Corporation Human Resources Information Systems and Related SAP Information Technology General Controls*.
- Considered the results of a recent Information Technology audit (report No. 2010-021) that included the FLAIR Payroll Component and On-Demand Payroll System.
- Obtained an understanding of the roles of State agency staff involved in the payroll and personnel processes and evaluated, for 95 employees (20 at DACS, 25 at DOC, 10 at DEP, 10 at DFS, 10 at DMS, and 20 at DOT), whether assignments for payroll- and personnel-related tasks were appropriate.
- Examined salary payments and related personnel records to evaluate whether the salary payments were made to bona fide employees in authorized positions that had been properly classified as Career Service, Selected Exempt Service, or Senior Management Service pay plan positions; whether salary payments were for the correct number of hours, rate of pay, pay period, and in accordance with the established position salary ranges; and whether annual, sick, and other leave was properly authorized and that applicable leave balances were appropriately adjusted. We tested the records for a total of 117 employees, with 122 salary payments totaling \$314,936, including 21 payments totaling \$27,019 at DACS, 20 payments totaling \$67,803 at DOC, 21 payments totaling \$58,518 at DEP, 20 payments totaling \$82,649 at DFS, 20 payments totaling \$49,612 at DMS, and 20 payments totaling \$29,335 at DOT.
- Compared the position descriptions for and duties assigned to 117 employees (19 at DACS, 19 at DOC, 20 at DEP, 20 at DFS, 19 at DMS, and 20 at DOT) to evaluate whether the position descriptions accurately reflected the duties performed by the employees.

⁴⁶ In March 2010, the Convergys Corporation announced the sale of its Human Resources Management Division to Northgate Arinso.

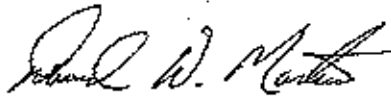
- Reviewed applicable records to evaluate whether new employees met the position requirements and the selected State agencies complied with the guidelines for new hires. We tested the records for a total of 60 employees hired during the period July 2007 through January 2009, including 10 at DACS, 20 at DOC, 10 at DEP, 5 at DFS, 5 at DMS, and 10 at DOT.
- Examined the initial salary payments made to 60 new hires to evaluate whether the payments were made for the correct hours, rate of pay, and pay period, and whether the payments were made in accordance with the established pay ranges. The tested salary payments totaled \$73,181 and included payments totaling \$8,911 at DACS, \$21,879 at DOC, \$13,715 at DEP, \$8,902 at DFS, \$8,469 at DMS, and \$11,305 at DOT.
- Examined records for selected employees with name changes to evaluate whether the employee name changes were properly authorized and approved prior to the change in the payroll and personnel records. We tested the name changes for 31 employees, including 6 at DACS, 5 at DOC, 5 at DEP, 5 at DFS, 5 at DMS, and 5 at DOT.
- Reviewed agency records for 22 overlapped positions, including 3 at DACS, 10 at DOC, 4 at DEP, and 5 at DOT, to evaluate whether the overlapped positions were properly approved and made in accordance with applicable laws, rules, and regulations.
- Reviewed agency records for four shared positions, including two at DACS, one at DEP, and one at DMS to evaluate whether the shared positions were properly approved and made in accordance with applicable laws, rules, and regulations.
- Performed analytical procedures and examined records for selected employees who received salary increases or decreases during the period July 2007 through January 2009 to evaluate whether the salary increase or decrease was properly approved and documented and that accurate and timely changes were made to the payroll records. We tested the records for a total of 106 employees, with salary payments totaling \$242,029, including 21 DACS employees with payments totaling \$30,420, 29 DOC employees with payments totaling \$41,304, 15 DEP employees with payments totaling \$68,841, 16 DFS employees with payments totaling \$56,311, 10 DMS employees with payments totaling \$14,577, and 15 DOT employees with payments totaling \$30,576.
- Evaluated the usefulness of People First *Missing Time Record* reports for resolving issues related to time records identified on the reports as unsubmitted, unapproved, or approved but requiring corrective actions.
- To determine whether the State agencies effectively managed compensatory leave credits and calculated payouts in accordance with applicable DMS rules and collective bargaining agreements, we selected and reviewed the records for 18 payments totaling \$162,988 made to 15 employees. The payments selected included 4 totaling \$12,071 at DACS, 8 totaling \$117,863 at DOC, 2 totaling \$18,174 at DEP, one for \$8,652 at DFS, 2 totaling \$1,411 at DMS, and one for \$4,817 at DOT.
- Examined 51 payouts for unused annual and sick leave totaling \$469,932 made to 23 employees who separated from State employment during the period July 2007 through January 2009, to determine whether the terminal leave payouts were adequately supported, properly calculated, and paid in accordance with applicable laws and rules. The 51 payouts tested included 10 payouts totaling \$109,116 at DACS, 9 payouts totaling \$70,169 at DOC, 5 payouts totaling \$38,250 at DEP, 9 payouts totaling \$134,120 at DFS, 3 payouts totaling \$53,198 at DMS, and 15 payouts totaling \$65,079 at DOT.
- Analyzed payroll records for the period July 2007 through January 2009 to identify employees who received salary payments from more than one State agency during a pay period.
- Examined records to determine whether dual employment had been approved for 43 employees and reviewed the applicable time records for selected pay periods, with salary payments totaling \$152,383, to identify whether the time recorded and payments made were reasonable and in accordance with applicable laws, rules, and regulations. The items tested included 10 at DACS, totaling \$22,339; 10 at DOC, totaling \$73,655; 10 at DEP, totaling \$19,338; 3 at DFS, totaling \$18,082; 5 at DMS, totaling \$7,833; and 5 at DOT, totaling \$11,136.

- Examined the records for 64 overtime payments, totaling \$68,719, to evaluate whether the payments were properly calculated, supported, and authorized. These overtime payments included 10 payments totaling \$20,277 at DACS, 20 payments totaling \$13,686 at DOC, 6 payments totaling \$7,328 at DEP, 8 payments totaling \$15,271 at DFS, 10 payments totaling \$7,855 at DMS, and 10 payments totaling \$4,302 at DOT. Performed additional procedures for the 25 employees at DOC and DOT with the greatest number of overtime hours to determine the reasonableness of the hours recorded.
- For ten selected DOC employees with large amounts of overtime compensation during the period July 2007 through June 2010, compared time recorded as worked in People First to available work schedules, daily assignment sheets, and control room logs for selected dates to determine whether the hours recorded in People First were corroborated by other records of employee attendance.
- Tested 95 On-Demand Payroll transactions, totaling \$718,789, to determine whether such transactions were timely, properly authorized, documented, and calculated. The transactions tested included 20 at DACS, totaling \$129,577; 25 at DOC, totaling \$212,262; 10 at DEP, totaling \$61,954; 10 at DFS, totaling \$132,001; 10 at DMS, totaling \$110,553; and 20 at DOT, totaling \$72,442.
- Examined the records for 60 salary payments (10 at DACS, 20 at DOC, 10 at DEP, 5 at DFS, 5 at DMS, and 10 at DOT) to determine whether payments were made to employees through direct deposit as required by Sections 17.076 and 110.113, Florida Statutes.
- Examined BOSP records for salary garnishments, totaling \$2,925, for 10 employees (one at DACS for \$259; 4 at DOC, totaling \$956; one at DEP for \$361; one at DFS for \$400; one at DMS for \$235; and two at DOT, totaling \$714) to determine whether the deducted amounts were properly authorized, supported, and calculated.
- Reviewed applicable records to evaluate whether employees who separated from State employment during the period July 2007 through January 2009 were timely removed from the payroll and, as applicable, whether all State-owned property, purchasing cards, and other credit cards were returned, and access to IT systems was timely terminated. We tested the records for a total of 60 employees, including 10 at DACS, 20 at DOC, 10 at DEP, 5 at DFS, 5 at DMS, and 10 at DOT.
- Examined the final salary payments for the employees who separated during the period July 2007 through January 2009 to evaluate whether the payments were made for the correct hours, rate of pay, and pay period. The tested salary payments totaled \$75,019 and included payments totaling \$6,277 at DACS, \$15,797 at DOC, \$30,849 at DEP, \$9,640 at DFS, \$6,229 at DMS, and \$6,227 at DOT.
- Performed analytical procedures to identify any instances in which access to FLAIR was not timely terminated upon employee separation.
- Tested 60 warrant and EFT cancellations, totaling \$93,220, to evaluate whether cancellations were timely, properly documented, and recorded and, if applicable, recovery of overpayment was timely initiated. The items tested included 10 at DACS, totaling \$31,867; 10 at DOC, totaling \$8,088; 10 at DEP, totaling \$8,132; 10 at DFS, totaling \$13,332; 10 at DMS, totaling \$13,852; and 10 at DOT, totaling \$17,949.
- Examined the records for 30 salary overpayments, totaling \$28,698, to determine whether the agency timely notified the applicable employee, took timely and appropriate action to recover the overpayment, maintained documentation to evidence agency collection efforts, and, when appropriate, referred uncollected overpayments to DFS for collection. The items tested included 5 at DACS, totaling \$9,191; 5 at DOC, totaling \$4,801; 5 at DEP, totaling \$1,639; 5 at DFS, totaling \$3,771; 5 at DMS, totaling \$4,495; and 5 at DOT, totaling \$4,801.
- Tested 35 salary payments that had been coded to reflect leave without pay to determine whether the leave was timely detected and the employee's pay appropriately adjusted. The items tested included 10 at DACS, 5 at DOC, 5 at DEP, 5 at DFS, 5 at DMS, and 5 at DOT.
- Performed analytical procedures to identify employees with dual employment who were paid in excess of the applicable FICA contribution thresholds and verified that the amount of contributions withheld from the employee, and matched by the State, was in accordance with the applicable laws, rules, and regulations.

- Performed analytical procedures to evaluate agency compliance with salary rate and evaluated agency records regarding the accuracy of the number of authorized, filled, and vacant positions.
- Performed analytical procedures to identify any employees who may have received duplicate payments. We also performed analytical procedures to identify and evaluate any payments made to employees with out-of-State addresses and any payments made to vendors who were also State employees.
- Performed analytical procedures to evaluate the reasonableness of the number of time records approved by a single supervisor and to identify excessive delays between the time record completion and approval date when compared to the payroll date. Also, we analyzed the data applicable to the number of missing time records and made follow-up inquiries regarding the circumstances for the missing time records.
- Performed various other audit procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe those matters requiring corrective actions.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a biennial basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA
Auditor General

MANAGEMENT'S RESPONSES

In response letters dated December 7, through December 9, 2010, the agency heads generally concurred with our audit findings and recommendations. The response letters are included as **EXHIBIT C**.

EXHIBIT A
SUMMARY OF OBJECTIVES AND RESULTS OF AUDIT TESTING

Objectives		Total No.	DACS	DOC	DEP	DFS	DMS	DOT	Finding No(s).
Were positions properly classified as Career Service, Selected Exempt Service, or Senior Management Service pay plan positions?	Tested	117	19	19	20	20	19	20	
	Yes	117	19	19	20	20	19	20	
	No	-	-	-	-	-	-	-	
Were agency assignments for payroll-related tasks appropriate?	Tested	95	20	25	10	10	10	20	
	Yes	95	20	25	10	10	10	20	
	No	-	-	-	-	-	-	-	
Did new employees meet requirements for the position (e.g., education or licensing requirements and background screenings)?	Tested	60	10	20	10	5	5	10	
	Yes	60	10	20	10	5	5	10	
	No	-	-	-	-	-	-	-	
Were changes to personnel and payroll records for employee name changes properly authorized and documented?	Tested	31	6	5	5	5	5	5	
	Yes	31	6	5	5	5	5	5	
	No	-	-	-	-	-	-	-	
Did a current position description exist for the employee that accurately reflected the employee's duties?	Tested	117	19	19	20	20	19	20	
	Yes	117	19	19	20	20	19	20	
	No	-	-	-	-	-	-	-	
Were any overlapped positions properly approved and made in accordance with applicable laws, rules, and regulations?	Tested	22	3	10	4	-	-	5	
	Yes	22	3	10	4	-	-	5	
	No	-	-	-	-	-	-	-	
Were any shared positions properly approved and made in accordance with applicable laws, rules, and regulations?	Tested	4	2	-	1	-	1	-	
	Yes	4	2	-	1	-	1	-	
	No	-	-	-	-	-	-	-	
Was the employee's salary rate within the applicable pay grade limits?	Tested	287	49	69	49	41	34	45	
	Yes	287	49	69	49	41	34	45	
	No	-	-	-	-	-	-	-	
Were salary payments properly supported by records of time worked?	Tested	515	95	132	82	65	60	79	
	Yes	515	95	132	82	65	60	79	
	No	-	-	-	-	-	-	-	
Were annual, sick, and other leave credits properly authorized and recorded?	Tested	188	35	32	31	30	30	30	
	Yes	188	35	32	31	30	30	30	
	No	-	-	-	-	-	-	-	
Were payments for unused compensatory leave balances properly calculated, authorized, and paid?	Tested	18	4	8	2	1	2	1	2
	Yes	7	3	-	1	1	2	-	
	No	11	1	8	1	-	-	1	
Were payments for unused annual and sick leave balances properly calculated, documented, authorized, and paid?	Tested	51	10	9	5	9	3	15	3
	Yes	38	3	5	5	9	1	10	
	No	18	7	4	-	-	2	5	
Were dual-employment activities properly authorized?	Tested	43	10	10	10	3	5	5	4 and 5
	Yes	24	8	2	5	3	4	2	
	No	19	2	8	5	-	1	3	
Were salary payments made only to bona fide employees of the State agency?	Tested	319	53	77	56	43	40	50	
	Yes	319	53	77	56	43	40	50	
	No	-	-	-	-	-	-	-	
Were salary payments properly calculated and for authorized amounts (including any overtime pay earned)?	Tested	540	95	137	87	70	67	84	6 and 7
	Yes	528	91	137	85	68	65	83	
	No	11	4	-	2	2	2	1	
Were salary payments properly recorded in the State's payroll and accounting systems?	Tested	235	40	72	39	27	20	37	
	Yes	225	40	72	39	27	20	37	
	No	-	-	-	-	-	-	-	

EXHIBIT A (CONTINUED)
SUMMARY OF OBJECTIVES AND RESULTS OF AUDIT TESTING

Objectives		Total No.	DACS	DOC	DEP	DFS	DMS	DOT	Finding No(s)
Were salary payments made to employees through direct deposit as required by Sections 17.078 and 119.113, Florida Statutes?	Tested	60	10	20	10	5	5	10	
	Yes	60	10	20	10	5	5	10	
	No	-	-	-	-	-	-	-	
Were deductions for garnishments from salary payments properly authorized and documented?	Tested	10	1	4	1	1	1	2	
	Yes	10	1	4	1	1	1	2	
	No	-	-	-	-	-	-	-	
Were no unauthorized payments made to separated employees for pay periods subsequent to the employees' separation dates?	Tested	60	10	20	10	5	5	10	
	Yes	60	10	20	10	5	5	10	
	No	-	-	-	-	-	-	-	
For those instances in which salary payment errors occurred, did the agency take timely and appropriate action to cancel the warrant or EFT?	Tested	60	10	10	10	10	10	10	8
	Yes	43	9	4	8	6	10	6	
	No	17	1 ^a	6	2	4	-	4	
For those instances in which salary overpayments occurred, did the agency take appropriate action to recover the overpayment?	Tested	30	5	5	5	5	5	5	
	Yes	30	5	5	5	5	5	5	
	No	-	-	-	-	-	-	-	
Were salary payments properly adjusted for instances of leave without pay?	Tested	35	10	5	5	5	5	5	
	Yes	35	10	5	5	5	5	5	
	No	-	-	-	-	-	-	-	
If any dual employment resulted in salary payments in excess of the thresholds for Federal Insurance Contributions Act (FICA) (social security) contributions, was only the appropriate amount withheld and matched by the State?	Tested	20	1	14	2	2	1	-	
	Yes	20	1	14	2	2	1	-	
	No	-	-	-	-	-	-	-	
Did the agency document that employees returned all State-owned property and that employee access to IT systems and other resources (e.g., credit and purchasing cards) was immediately canceled upon the employee's separation from State employment?	Tested	60	10	20	10	5	5	10	9
	Yes	49	10	11	10	5	3	10	
	No	11	-	9	-	-	2	-	
Did the agency comply with its overall agency salary rate and number of authorized positions?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Did agency records accurately reflect the number of authorized, filled, and vacant positions?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Did a process exist to assist State agencies in the identification and resolution of missing or unapproved time records?		Yes ^b	Yes ^b	Yes ^b	Yes ^b	Yes ^b	Yes ^b	Yes ^b	1
Was the number of time records to be approved by a single supervisor reasonable?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Did processes ensure the timely payment of salaries?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Did processes ensure that deductions from salary payments were authorized?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Did processes ensure that deductions from employee salary payments were subsequently paid in the appropriate amounts to the appropriate parties?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Did processes ensure that salary payments were accurately and completely reported to the Florida Retirement System?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Did a process exist to ensure that payroll-related forms and reports were timely prepared and submitted?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	

^a In addition, 148 canceled warrants had not been destroyed by DACS.

^b While agency policies related to the submittal and approval of time records existed and People First provided a *Missing Time Records* report to assist State agencies in the identification of time records that were unsubmitted, unapproved, or approved but requiring corrective actions, some additional uniformity in agency policies and report enhancements would improve the functionality of and level of agency reliance on the *Missing Time Records* reports.

**EXHIBIT B
SUMMARY OF COMPENSATORY LEAVE GUIDANCE AND
COLLECTIVE BARGAINING AGREEMENT PROVISIONS**

	Regular Compensatory Leave Credits	FLSA Special Compensatory Leave Credits (In Lieu of Overtime)	Special Compensatory Leave Credits
Eligible Employees:	Excluded Career Service (CS) Employees DMS Rule 60L-34.0043(1)	Included CS and Included Selective Exempt Service (SES) Employees DMS Rule 60L-34.0031(3)	All CS and SES employees below the Bureau Chief level DMS Rules 60L-34.0032(2)(a), 34.0032(4), and 34.0071(3)(e)
Basis for Earning Credits:	Hour-for-hour for time worked in excess of regular work period when an agency activates a payment plan due to an unforeseen extraordinary event. DMS Rule 60L-34.0043(5)	One and one-half hours for every hour worked in excess of regular work period. DMS Rule 60L-34.0031(4)	Time worked during established holidays (CS) or, for all CS and those SES employees below Bureau Chief, facility closures pursuant to Executive Order of the Governor during emergencies. DMS Rules 60L-34.0032(4) and 34.0071(3)(a)
Limit on Accumulation of Credits per Rule of Collective Bargaining Agreement:			
Florida Administrative Code	240 hours DMS Rule 60L-34.0043(1)	80 hours DMS Rule 60L-34.0031(4)(b)	Not addressed (According to DMS, most of these credits are for time worked by CS employees during established holidays. As a general rule, the only time these credits can be paid is when the employee separates or retires from State Government or moves to a CS position at another State agency.)
American Federation of State, County, and Municipal Employees (AFSCME)	Not addressed	Not addressed	Not addressed
Florida Police Benevolent Association (FPBA) Security Services Unit	Not addressed	Not addressed	240 hours
FPBA Law Enforcement Unit	Not addressed	80 hours	240 hours
Federation of Physicians and Dentists (FPD) SES Physicians Unit	Not addressed	Not addressed	Not addressed
FPD SES Supervisory Non-Professional Unit	Not addressed	Not addressed	Not addressed
Florida State Fire Service Association	Not addressed	Not addressed	Not addressed
State Employees Attorneys' Guild	Not addressed	Not addressed	Not addressed
Florida Nurses Association Professional Health Care Unit	Not addressed	80 hours	240 hours
Payment for Accumulated Credits Per Rule of Collective Bargaining Agreement:			
Florida Administrative Code	<ul style="list-style-type: none"> Subject to DMS-approved agency-wide plan. Plan may include periodic lump sum payments (according to DMS, most agencies rarely make such payments. Most employees are paid on an "as you go" basis through People First.) Payment to be made at employee's regular hourly rate of pay. Payment at employee separation: not addressed. DMS Rule 60L-34.0043(5)	<ul style="list-style-type: none"> Payment for all unused credits at the close of business on December 31 and June 30 of each year (or other dates approved by DMS). Payment to be made at employee's regular hourly rate of pay. Upon employee separation, payment for all unused credits. DMS Rule 60L-34.0031(4)(b) and (c)	<ul style="list-style-type: none"> Payment to be made at employee's current regular hourly rate of pay. Upon employee separation, payment for all unused credits. DMS Rules 60L-34.0044(1), 34.0071, and 34.0032
AFSCME	Not addressed	Not addressed	Not addressed
FPBA Security Services Unit	Not addressed	Not addressed	Not addressed
FPBA Law Enforcement Unit	Not addressed	<ul style="list-style-type: none"> Payment for all unused credits at the close of business on December 31 and June 30 of each year (or other dates approved by DMS). Payment to be made at the employee's regular hourly rate of pay. An employee who separates from the CS, moves to an excluded position, or moves to another State agency to be paid for all unused credits. 	Not addressed
FPD SES Physicians Unit	Not addressed	Not addressed	Not addressed
FPD SES Non-Supervisory Non-Professional Unit	Not addressed	Not addressed	Not addressed
Florida State Fire Service Association	Not addressed	Not addressed	Not addressed
State Employees Attorneys' Guild	Not addressed	Not addressed	Not addressed
Florida Nurses Association Professional Health Care Unit	Not addressed	<ul style="list-style-type: none"> Payment for all unused credits at the close of business on December 31 and June 30 of each year (or other dates approved by DMS). Payment to be made at the employee's regular hourly rate of pay. An employee who separates from the CS, moves to an excluded position, or moves to another State agency to be paid for all unused credits. 	Not addressed

Sources: DMS Rules, Chapter 60L, Florida Administrative Code, and collective bargaining agreements with applicable employee bargaining units.

EXHIBIT C
MANAGEMENTS' RESPONSES

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EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES



Florida Department of Agriculture and Consumer Services
CHARLES H. BRONSON, Commissioner
 The Capitol • Tallahassee, FL 32399-0800
www.dacs.state.fl.us

Please Respond to:

December 7, 2010

David W. Martin, CPA
 Auditor General
 111 West Madison Street
 Claude Pepper Building, G-74D
 Tallahassee, Florida 32399

Dear Mr. Martin:

The following comments are provided in response to the preliminary and tentative findings and recommendations in your audit of "Payroll and Personnel Management" in the Department of Agriculture and Consumer Services (DACS).

Finding No. 1: Time Record Submittal, Review, and Approval

Procedural deficiencies existed with respect to the monitoring of the timely submittal, review, and approval of employee time records.

Auditor General Recommendation

DMS clarify in rule, policy, or procedure, the time record preparation, submission, and approval responsibilities of employees and supervisors. Such clarifications should address specific time frames for time record submission and approval. Additionally, to improve the usefulness of the Missing Time Records report, we recommend that DMS enhance the report by including an aging of the time records and identifying the responsible supervisors. State agencies should use such information to identify those employees whose time records frequently require corrective actions, are repeatedly missing, or are not timely approved and take appropriate corrective measures.

DACS Response

The Bureau of Personnel Management staff will run a monthly delinquent timesheet report for each division and make contact with any employees that have outstanding timesheets. In addition, starting July 2010, People First updated their system that will not allow an employee to submit a timesheet for the current pay period if any previous timesheets are outstanding.



Florida Agriculture and Forest Products
 Over \$100 Billion for Florida's Economy

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

David W. Martin
 Auditor General
 Page 2 of 6

Finding No. 3: Compensatory Leave Credits

State agencies did not effectively manage compensatory leave credits in accordance with DMS rules and terms of relevant collective bargaining agreements, resulting in large dollar payouts of unused compensatory leave credits upon employees' separation from State employment.

- Of the 4,753 special compensatory leave payouts, 643 were for more than 240 credit hours and totaled \$5.76 million. These 643 payments included 6 payments totaling \$56,147 at DACS.
- Analysis of FLAIR data included an examination of the detail records for 18 special compensatory leave payments totaling \$162,988 (4 payments totaling \$12,071 at DACS). With respect to these payments, State agencies were inconsistent in the application of compensatory leave rules and other guidelines. Specifically:
 - Absent any provisions in DMS rules or applicable collective bargaining agreement, DACS paid \$8,822 to one employee (a seasonal worker) for 315 accumulated special compensatory leave hours. In response to our audit inquiry, DACS indicated that, according to DACS policy, Division of Fruit and Vegetable employees are permitted to accumulate up to a maximum of 480 hours of FLSA special compensatory leave credits within a designated 6-month period. However, given this explanation, the leave payout had been incorrectly recorded in FLAIR as special Compensatory leave rather than FLSA special compensatory leave.

Auditor General Recommendation

DMS and DFS should provide state agencies with detailed comprehensive guidance related to leave payouts and the maximum accumulation limits for the various types of compensatory leave credits.

State agencies should periodically review their employees' compensatory leave balances and identify employees who are accumulating large compensatory leave credit balances or whose compensatory leave credits are approaching the maximum limits set forth in applicable collective bargaining agreements. When appropriate, the agencies should compel the use of accumulated special compensatory leave credits prior to approving employee use of other leave types.

The Legislature should consider revising Section 110.205(7), Florida Statutes.

DACS Response

DACS Bureau of Personnel Management, Attendance and Leave, made a coding mistake. The code, 9111 (special compensation) was used and the code, 9121 (FLSA special compensation) should have been used.

To prevent these mistakes from happening, DACS Bureau of Personnel Management, will develop a quality assurance checklist for the attendance and leave section to follow when processing compensatory leave credits.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

David W. Martin
 Auditor General
 Page 3 of 6

According to DACS Administrative Policies and Procedures No. 5-1, (section VI, G, 1), "special compensatory leave earned should be monitored by supervisors and used by the employee as soon as it is feasible". Division supervisors have done a satisfactory job in monitoring special compensatory leave. Therefore, DACS does not feel that this is an issue that needs to be addressed at this time.

Finding No. 3: Unused Annual and Sick Leave Payouts

State Agencies had not established policies and procedures addressing unused annual and sick leave (terminal leave) payouts and did not always perform or document the performance of audits of unused leave balances prior to calculating terminal leave payouts.

To evaluate agency controls and to determine whether the unused annual and sick leave payouts were adequately supported, properly calculated, and paid in accordance with applicable laws and rules, agency terminal leave payout policies and procedures were requested for review and 51 terminal leave payouts agency records were examined, totaling \$469,932. The 51 payouts tested included: 10 payouts totaling \$109,116 at DACS.

- Five agencies, including DACS, had not established written terminal leave payout policies and procedures at the time of the audit request.
- For the 51 payouts tested:
 - Documentation for 15 terminal leave payouts totaling \$130,778 was not available to evidence that an audit of the leave balances, including identification of prior leave payments, was completed prior to payment. These 15 payouts included 5 payouts totaling \$58,096 at DACS.
 - For 2 DACS unused annual leave payouts, one for a Selected Exempt Service employee and one for a Senior Management Service employee, DACS did not correctly adjust the unused annual leave balance to prorate the current year's annual leave accrual. As a result, one employee was underpaid \$277 and another employee was overpaid \$1,956.

Auditor General Recommendation

State agency's procedures should be enhanced, as appropriate, to address the terminal leave payout process. Such enhancements should require the performance of leave balance audits prior to processing terminal leave payouts, and documentation of such audits should be retained. State agencies should also take other appropriate steps, including independent verification of payout calculations, to ensure that terminal leave payouts are accurate and paid in accordance with applicable laws, rules, and guidelines.

DACS Response

DACS records indicated that the personnel office provided the documentation requested for the 5 payouts totaling \$58,096. Notification of receipt along with a satisfactory response from the Auditor General's office is on file in the DACS personnel office.

DACS Bureau of Personnel Management will establish a written Standard Operating Procedure (SOP), by January 2011, to follow when calculating terminal leave payouts.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

David W. Martin
 Auditor General
 Page 4 of 6

To prevent these mistakes from happening, DACS Bureau of Personnel Management will develop a quality assurance checklist for the attendance and leave section to follow when processing terminal leave payouts.

DACS Bureau of Personnel Management made mistakes for 2 unused annual leave payouts and because of the miscalculations one employee was underpaid by \$277 and another overpaid by \$1,956. As a result, the two retired employees have been identified and the Bureau of Personnel Management will resolve the payment discrepancies.

Finding No. 4: Dual Employment Rules and Guidelines

Dual-employment rules and guidelines were not sufficient to effectively promote compliance with state law.

DACS policies and procedures require that a form be completed and approved for dual employment for both SPS and non-SPS State entities, such as the State University System, while the DMS agency policies and procedures restricted the use of such a form to employment at SPS agencies.

Auditor General Recommendation

DMS and the various State agencies establish or revise dual-employment policies and procedures to ensure that approval during each fiscal year is obtained by any employee seeking employment at, or compensation from, more than one State agency. To ensure compliance with State law, such policies and procedures should clearly address both the simultaneous compensation from any appropriation other than the appropriations for salaries and the simultaneous compensation from any State agency or the judicial branch of State Government.

DACS Response

DACS Bureau of Personnel Management is in the process of revising its policy and procedure to clearly differentiate between non-State Personnel System (SPS) and SPS agencies.

Finding No. 5: Dual-Employment Approvals and Management of Dual Employment Activities

Contrary to State law, State agencies did not always document that dual employment was properly approved for employees working for more than one applicable State employer. Additionally, to ensure compliance with State laws, rules, and other guidelines, a process is needed whereby State agencies can effectively monitor the dual-employment activities of employees who have been approved to receive compensation from more than one State employer.

Auditor General Recommendation

State agencies take appropriate steps to ensure that dual-employment requests are properly submitted and approved and that comprehensive records documenting all dual-employment approvals be maintained. In addition, we recommend that DMS and DFS, in conjunction with

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

David W. Martin
 Auditor General
 Page 5 of 6

the other State agencies, create a mechanism to identify those employees who simultaneously receive compensation from more than one State employer.

DACS Response:

According to DMS rule interpretation, the two cited as not available should not have been considered a finding since those two employees were dually employed outside of the SPS at a university. Since the audit, the one form lacking required signatures has been received from the secondary employer, appropriately signed, and placed on file in both agencies personnel offices.

DACS Bureau of Personnel Management is in the process of revising its policy and procedure to clearly differentiate between non-SPS and SPS agencies.

Finding No. 6: Salary Payment Calculations

Some salary payment calculations were incorrect.

11 salary payment errors were identified (7 overpayments and 4 underpayments). The amounts paid in error ranged from an overpayment of \$626 to an underpayment of \$901. Specifically:

- Four errors for the 95 DACS salary payments tested. For 2 payments, DACS did not record reductions to lead worker additive pay until after the approved effective dates of the changes, resulting in overpayments of \$26 and \$31. For another payment, DACS underpaid the employee by \$157 due to an incorrectly recorded start date. In the fourth instance, an employee who transferred employment from DOC to DACS was underpaid by \$94 due to the use of the lower DACS rate of pay for hours works at DOC.

Auditor General Recommendation

State agencies should take appropriate measures to ensure that salary payments are accurately calculated based on the applicable rate of pay and actual hours worked. Such measures may include for all payroll changes, an additional review of the calculations and supporting documentation prior to salary payment issuance.

DACS Response

The employee that was incorrectly overpaid for \$26 and \$31 because the Personnel Action Request (PAR) was not completed correctly by the division personnel liaison. DACS Bureau of Personnel Management will provide additional PAR training for personnel liaisons.

An underpayment of \$157 was due to not timely inputting the employee's termination date in the People First system. The Bureau of Personnel Management has taken corrective measures to ensure all separation reports are received in a centralized location within the personnel office. In addition, division personnel liaisons will receive routine email updates to remind them of the importance of the personnel office receiving separation reports on time.

The employee that was underpaid by \$94 was paid correctly by DACS for the 56 hours at the contracted rate. When transferring from DOC to DACS, his rate was not adjusted appropriately by DOC. It appears that he was paid at the DACS lower rate for the DOC hours during that pay period. Therefore, no action is required by DACS.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

David W. Madia
 Auditor General
 Page 6 of 6

Finding No. 8: Salary Payment Cancellations

State agencies did not always timely initiate efforts to collect overpayments made to third parties as a result of canceled salary payment warrants or electronic funds transfers (EFTs). Also, DACS did not timely destroy canceled paper warrants in accordance with DFS requirements.

Of the 60 salary payment cancellations tested, 17 reflected a total of 41 separate voluntary deductions ranging from \$1 to \$350 and totaling \$1,724. For 9 of the 41 deductions, the agencies had not taken timely action to recover from the third parties the amounts paid. Of these 9 deductions, one for \$3 was from DACS. Although the dates for these canceled payments ranged from February 2008 through October 2008, the agencies' recovery efforts were not initiated until subsequent to our audit inquiries in April 2009.

DACS staff indicated that they were not aware of the *Payroll Preparation Manual* requirement that canceled paper warrants be destroyed and records of the destruction be maintained. As of April 2009, DACS was in possession of 148 canceled paper warrants, totaling \$17,244. The dates of these canceled warrants ranged from August 2002 to April 2009. Subsequent to our audit inquiry, DACS destroyed the canceled warrants and implemented new procedures for documenting the destruction of paper warrants.

Auditor General Recommendations

DFS enhance the *Payroll Preparation Manual* to include specific instructions for recovering from third parties any overpayment made as a result of salary payment cancellations. Additionally, we recommend that, when canceling salary payments, State agencies take appropriate action to timely recover from third parties any amounts overpaid.

DACS Response

As indicated, the Department destroyed all canceled warrants on hand during the audit and has implemented a SOP for documenting the destruction of canceled paper warrants on a monthly basis. Additionally, the Department will take appropriate action to recover payments to third parties when canceling salary payments.

I appreciate the interest and efforts of your staff and the professionalism they exhibited in helping to improve operations of state government.

Sincerely,



CHARLES H. BRONSON
 COMMISSIONER OF AGRICULTURE

CHB/hh

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF CORRECTIONS



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Fax: (850) 922-2648

December 9, 2010

David W. Martin, CPA
Auditor General
Office of the Auditor General
674 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

In accordance with section 11.45(4) (d), Florida Statutes, I am enclosing the Department's response to the preliminary and tentative findings and recommendations contained in the Operational Audit of Payroll and Personnel Management at Selected State Agencies.

This response reflects the specific action taken or contemplated to address the findings cited in your report.

Thank you for the opportunity to review and provide comments. If you have any questions or need additional information, please let me know.

Sincerely,

Chief Walter A. McNeil
Secretary

WAM/ps

Enclosure

cc: Richard D. Davison, Deputy Secretary
Gene Hatcher, Inspector General

**EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF CORRECTIONS**

**RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS,
OPERATIONAL AUDIT OF PAYROLL AND PERSONNEL MANAGEMENT AT
SELECTED STATE AGENCIES**

Time Records

Finding No. 1: Time Record Submittal, Review, and Approval

Recommendation: We recommend that DMS clarify in rule, policy, or procedure, the time record preparation, submission, and approval responsibilities of employees and supervisors. Such clarifications should address specific time frames for time record submission and approval. Additionally, to improve the usefulness of the Missing Time Records report, we recommend that DMS enhance the report by including an aging of the time records and identifying the responsible supervisors. State agencies should use such information to identify those employees whose time records frequently require corrective actions, are repeatedly missing, or are not timely approved and take appropriate corrective measures.

Agency Response: The Department of Corrections concurs with the recommendation that DMS provide guidance and enhanced reporting of missing timesheets. The current missing timesheet report must be run for the entire agency and then converted to an excel file, sorted, saved and routed to the appropriate institution/office for review. It was our understanding that the agency would have the ability to run the missing timesheet report by organizational code which would allow each institution/circuit/bureau to run their respective reports.

Unused Leave Commensation

Finding No. 2: Compensatory Leave Credits

Recommendation: To promote compliance and ensure consistency in the application of rules and relevant collective bargaining agreement provisions by the various State agencies, we recommend that DMS and DPS provide State agencies with detailed comprehensive guidance related to leave payouts and the maximum accumulation limits for the various types of compensatory leave credits. Such guidance should also address the appropriate use of FLAIR and People First compensatory leave codes.

To prevent large cash payouts upon employee separation from State employment and decrease State agency leave liabilities, we also recommend that State agencies periodically review their employees' compensatory leave balances and identify employees who are accumulating large compensatory leave credit balances or whose compensatory leave credits are approaching the maximum limits set forth in applicable collective bargaining agreements. When appropriate, the agencies should compel the use of accumulated special compensatory leave credits prior to approving employee use of other leave types.

EXHIBIT C (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF CORRECTIONS

The Legislature should consider revising Section 110.205(7), Florida Statutes, to either restrict the number of special compensatory leave credits that may be transferred or to require the payment of all accumulated special compensatory leave credits when an employee voluntarily moves from a Career Service pay plan position to a position in another SPS pay plan.

Agency Response: To clarify, the only compensatory leave that has a terminal leave value is special compensatory leave. The Security Services Collective Bargaining Agreement states that an employee may reduce their special compensatory leave credits to 240 hours; however, 60L34-0044 states that employees separating from state government shall be paid for all unused special compensatory leave hours. The rule does not indicate a maximum. Prior to Service First and the changes to People First, the Department of Corrections maintained two concurrent balances; one for special compensatory leave credits that could not exceed 240 hours and another for Holiday Compensatory Leave. This was necessary because there was no way to compensate an included employee who worked on the holiday and was at the maximum of special comp hours. When we went live with People First, a decision was made by DHS that the two balances could be combined and included in one leave balance, entitled special-comp because they were both compensable. The uniqueness of our agency and the requirements for 24/7 coverage has increased this leave liability in this agency. A policy decision will be evaluated to determine if the agency shall compel employees to use special compensatory leave credits prior to using annual leave (could not compel them to use instead of sick leave).

Finding No. 3: Unused Annual and Sick Leave Payouts

Recommendation: We recommend that each State agency's procedures be enhanced, as appropriate, to address the terminal leave payout process. Such enhancements should require the performance of leave balance audits prior to processing terminal leave payouts, and documentation of such audits should be retained. We also recommend that State agencies take other appropriate steps, including independent verification of payout calculations, to ensure that terminal leave payouts are accurate and paid in accordance with applicable laws, rules, and guidelines.

Agency Response: The Department of Corrections relies on the guidance provided in the DHS leave rules and the Bureau of State Payrolls Manual. However, based on this recommendation, the agency concurs with your recommendation and will update the agency "Personnel Operating Procedures" to include a procedure on Unused Annual and Sick Leave Payouts. This agency was hopeful that, through the use of People First for leave payment processing and leave audit reports, we could discontinue the manual audit process.

**EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF CORRECTIONS**

The system is programmed to pay in accordance with the applicable laws, rules and guidelines. A proposal to screen print the applicable leave balances, hourly rate and leave histories for documentation will hopefully be sufficient to meet this requirement.

Dual Employment

Finding No. 4: Dual-Employment Rules and Guidelines

Recommendation: We recommend that DMS and the various State agencies establish or revise dual-employment policies and procedures to ensure that approval during each fiscal year is obtained by any employee seeking employment at, or compensation from, more than one State agency. To ensure compliance with State law, such policies and procedures should clearly address both the simultaneous compensation from any appropriation other than the appropriations for salaries and the simultaneous compensation from any State agency or the judicial branch of State Government.

Agency Response: The Department of Management Services provides Dual Employment Guidelines for agencies that are included in State Personnel System. The Department of Corrections is an agency that is covered under the definition of the State Personnel System and therefore utilizes these guidelines for dual employment approval. The Department of Corrections is not currently required to complete dual employment forms for agencies outside of the State Personnel System (i.e., judicial branch, legislative branch, State University System). If DMS were to revise the Dual Employment Guidelines to include these other entities, this agency would change our process accordingly.

Finding No. 5: Dual-Employment Approvals and Management of Dual-Employment Activities

Recommendation: We recommend that State agencies take appropriate steps to ensure that dual-employment requests are properly submitted and approved and that comprehensive records documenting all dual-employment approvals be maintained. In addition, we recommend that DMS and DFS, in conjunction with the other State agencies, create a mechanism (e.g., a People First or FLAIR report) to identify these employees who simultaneously receive compensation from more than one State employer.

Agency Response: The Department of Corrections concurs that there is a need for a mechanism (in People First or FLAIR) to identify employees who are simultaneously receiving compensation from more than one State employer. If these employees were more easily identified, the agency could ensure that the appropriate forms are completed and approved.

**EXHIBIT C (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF CORRECTIONS**

Overtime Authorizations

Finding No. 7: Overtime Authorization

Recommendation: DOC should establish written policies and procedures requiring DOC supervisory staff to provide prior written authorization for employee overtime and verify that the overtime shown on employee time records did not exceed the hours authorized. In determining whether overtime should be authorized, we recommend that DOC management analyze the costs and benefits of paying overtime versus hiring additional employees or engaging contractors to perform certain responsibilities, with consideration given to the effectiveness of employees who work excessive hours. In addition, to help in the timely detection of fraud or error, should it occur, agency management should periodically evaluate the reasonableness of the overtime hours being recorded by employees and investigate those instances in which the reported hours may appear unusually large.

Agency Response: The finding has been addressed. On November 2, 2010, Office of Health Services (OHS) institutional staff was notified that overtime hours for nurses have been restricted to no more than 16 hours a week, except in declared emergency situations, when authorization must be sought from the Warden and relevant Regional Personnel. This is being monitored regularly for compliance. In addition, clinical staff (physicians, ARNP's, etc.) who work at the Reception and Medical Center-Emergency Room (the Department's State-licensed 100-bed hospital) have been instructed to not exceed 20 hours a week, unless authorization is given by the Warden and relevant Regional Personnel, again except in declared emergency situations. This is also being monitored regularly for compliance.

Lastly, for more than a year, OHS went through the procurement process to purchase staff scheduling software for nursing to give institutional supervisors a tool to manage staff more effectively and provide better management oversight. The product was purchased this year and is currently in the implementation process.

The Department has begun sending an overtime report (produced by Budget) to Regional Directors and Central Office staff to assist with the monitoring of the overtime hours.

Warrant and EFT Cancellations

Finding No. 8: Salary Payment Cancellations

Recommendation: We recommend that DFS enhance the Payroll Preparation Manual to include specific instructions for recovering from third parties any overpayments made as a result of salary payment cancellations. Additionally, we recommend that, when canceling salary payments, State agencies take appropriate action to timely recover from third parties any amounts overpaid.

EXHIBIT C (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF CORRECTIONS

Agency Response: The Department of Corrections concurs with the recommendation that DFS enhance the Payroll Preparation Manual to include specific instructions for recovering from third parties any overpayments made as a result of salary payment cancellations. Based on these instructions from DFS, the Department of Corrections will update personnel operating procedures to provide guidance to agency staff for recovery of funds from third parties for any amounts overpaid.

Employee Out Processing

Finding No. 9: Employee Out-Processing Forms and Checklists

Recommendation: We recommend that State agencies reinforce policies requiring the use of forms designed to ensure and document the return of all State-owned property items by separating employees. State agencies should also ensure that this documentation be maintained in the separating employee's personnel file or other identifiable location.

Agency Response: The Department of Correction's Procedure 308.029 Separation Process for Terminated Employees details the process to collect State-owned property and document on the Form DC2-820 "Supervisor Checklist for Separating Employees". Supervisors are directed to send the completed form to the servicing personnel office to be filed in the employee's personnel file. During the audit, it was noted that 9 of the employee records tested did not contain a Supervisor checklist or alternative documentation evidencing that the employees returned all assigned State-owned property. Reminders were sent out to the supervisors to complete the forms and send to Personnel upon completion.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF ENVIRONMENTAL PROTECTION



Florida Department of
Environmental Protection

Marjory Stoneman Douglas Building
3900 Commonwealth Boulevard
Tallahassee, Florida 32399-3000

Charlie Crist
Governor

Jeff Bortman
Lt. Governor

Mimi A. Drew
Secretary

December 6, 2010

Mr. David W. Martin, CPA
Office of the Auditor General
674 Claude Denson Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Enclosed is the Florida Department of Environmental Protection's response to the preliminary and tentative audit findings and recommendations pertaining to the Auditor General's Audit on Payroll and Personnel Management at Selected State Agencies. If you have questions in this regard, please call Joseph Aita, Director of Auditing, at 850-245-3151. Thank you for the opportunity to respond.

Sincerely,


Mimi A. Drew,
Secretary

Enclosure

cc: Doug Darling, Inspector General, DEP

EXHIBIT C (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Department of Environmental Protection Response
Auditor General Preliminary and Tentative Findings
Payroll and Personnel Management at Selected State Agencies

This operational audit focused on State agency policies and procedures relevant to the payroll and personnel management processes; selected personnel information system (People First) controls; payroll functions and budgetary issues; changes to payroll; time records, leave, and attendance; payroll deductions and salary garnishments; salary warrant and electronic funds processing; and On-Demand Payroll and corrections processing. Audit field work was performed at six State agencies: the Department of Agriculture and Consumer Services (DACS), Department of Corrections (DOC), Department of Environmental Protection (DEP), Department of Financial Services (DFS), Department of Management Services (DMS), and the Department of Transportation (DOT). Together, these agencies on an annual basis incur approximately one-third of the salary and benefit payments made by executive branch State agencies.

Finding No. 1:

Time Record Submittal, Review, and Approval

Procedural deficiencies existed with respect to the monitoring of the timely submittal, review, and approval of employee time records.

Recommendation:

We recommend that DMS clarify in rule, policy, or procedure, the time record preparation, submission, and approval responsibilities of employees and supervisors. Such clarifications should address specific time frames for time record submission and approval. Additionally, to improve the usefulness of the Missing Time Records report, we recommend that DMS enhance the report by including an aging of the time records and identifying the responsible supervisors. State agencies should use such information to identify those employees whose time records frequently require corrective actions, are repeatedly missing, or are not timely approved and take appropriate corrective measures.

Agency Response: We concur with the recommendation. DEP Directive 425, Attendance and Leave, addresses the time frame for timesheet preparation, submission, and approval responsibilities of employees and supervisors:

"Once the employee has entered and saved all work (with approved charge objects), leave and holiday hours, the timesheet must be submitted so that the supervisor or delegated person reviews and approves the timesheet on or before close of business on the seventh day of each month for the previous month. All regular work hours should be recorded on the timesheet using hours type 1009. Should the seventh day of the month fall on Saturday the preceding Friday becomes the deadline. Should the seventh day of the month fall on a Sunday, the

EXHIBIT C (CONTINUED)
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Auditor General Preliminary and Tentative Findings

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following Monday becomes the deadline after which day the timesheet is considered delinquent."

DEP will take the following corrective measures to identify those employees whose time records frequently require corrective actions, are repeatedly missing, or are not timely approved:

- We currently maintain a spreadsheet to track timesheets that have been "unapproved" for correction. We use this spreadsheet to monitor the resubmission and ensure any additional payments and/or overpayments are processed timely.
- We will modify our internal missing timesheet report to include the supervisor of the employee. In addition, we will review prior month reports so that we can advise directors monthly of any employees/supervisors that routinely miss the required deadline dates.
- With the July 2010 enhancements to People First, the system will not allow an employee to submit a timesheet until all previous timesheets have been approved so this will also assist in keeping current with missing timesheet information.

Finding No. 2:

Compensatory Leave Credits

State agencies did not consistently recognize the maximum special compensatory leave credit limits in the collective bargaining agreements when calculating the special compensatory leave payouts. For example, while 2 of 3 law enforcement officers (one each at DEP, DOT, and DFS) covered by the FPBA Law Enforcement Bargaining Unit Agreement were paid for accumulated special compensatory leave credits in excess of the 240 hours specified in the Agreement, the third officer's leave payout was limited to 240 hours. The DEP officer was paid \$16,498 for 513 credit hours, or \$8,780 for hours above the specified limit. The DOT officer was paid \$4,817 for 263 credit hours, or \$422 for hours above the specified limit. When calculating the special compensatory leave payout for the officer at DFS, DFS limited the payout to 240 hours even though the officer had accumulated 435 special compensatory credit hours.

Recommendation:

- To promote compliance and ensure consistency in the application of rules and relevant collective bargaining agreement provisions by the various State agencies, we recommend that DMS and DFS provide State agencies with detailed comprehensive guidance related to leave payouts and the maximum accumulation limits for the various types of compensatory leave credits. Such guidance should also address the appropriate use of FLAIR and People First compensatory leave credits.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
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- To prevent large cash payouts upon employee separation from State employment and decrease State agency leave liabilities, we also recommend that State agencies periodically review their employees' compensatory leave balances and identify employees who are accumulating large compensatory leave credit balances or whose compensatory leave credits are approaching the maximum limits set forth in applicable collective bargaining agreements. When appropriate, the agencies should compel the use of accumulated special compensatory leave credits prior to approving employee use of other leave types.
- The Legislature should consider revising Section 110.205(7), Florida Statutes, to either restrict the number of special compensatory leave credits that may be transferred or to require the payment of all accumulated special compensatory leave credits when an employee voluntarily moves from a Career Service pay plan position to a position in another State Personnel System pay plan.

Agency Response: We concur with the recommendations. It is confusing when there is a difference in the DMS rule and the collective bargaining agreement. To reduce the chance of an incorrect payout, it would be extremely helpful if DMS included any deviations from the standard information provided in the rule and covered these collective bargaining contract exceptions in the rule. DFS could also address this in the Payroll Manual. The DMS rule states that employees are to be paid for all special compensatory leave when they leave and does not mention a limit on the number of hours.

60L-34.0044 Special Compensatory Leave,

(1) When an employee separates from an agency, the agency shall pay the employee for all unused special compensatory leave credits at the employee's current regular hourly rate of pay.

(2) Leave credits shall not be transferred from the agency where the credits were earned to another agency or pay plan, unless the employee is moving from a career service position to a selected exempt service position.

(3) Upon prior notice, an agency may compel the use of all or part of an employee's accumulated holiday special compensatory leave credits or special compensatory leave credits, or both, based on agency needs, provided such usage requirement is in accordance with any collective bargaining agreement provisions. An agency may also require an employee to use accumulated special compensatory leave credits prior to approving an employee's request to use other types of approved leave, with the exception of sick leave.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
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(5) All unused special compensatory leave credits for an employee who is laid off shall be paid for in lump-sum, based on the employee's current regular hourly rate of pay, at the time of layoff.

(5) At the time of entry into the DROP, an employee electing to participate in the program may request payment of any unused special compensatory leave that was earned within eleven months before entry into the DROP."

The Florida Police Benevolent Association Contract for the Law Enforcement Unit states that employees will only be allowed to accumulate 240 hours of Special Compensatory Leave:

Section 6 - Special Compensatory Leave

(A) An employee shall be eligible to earn compensatory leave credits as a result of hours worked on a holiday; extra hours worked during an established work period which contains a holiday or when a facility is closed under Executive Order during emergency conditions. When an employee is required to work in circumstances as set forth in this paragraph, any special compensatory leave earned at the end of the workweek, work period, or extended work period, shall be taken with the mutual agreement of the employee and the supervisor provided the special compensatory leave is taken within sixty (60) calendar days of the holiday or last date the facility remained closed under Executive Order. Thereafter, the special compensatory leave will be scheduled at the discretion of the supervisor. The State compensatory leave will be scheduled at the discretion of the supervisor. The State shall not offset special compensatory leave earned during a work period due to a holiday with approved sick leave used during the same work period or administrative leave used in the work period for negotiations pursuant to Article 5.

(B) Law Enforcement bargaining unit Employees may, at their option, use special compensatory leave before using accrued annual leave credits. Employees will only be permitted to accumulate a maximum of two hundred and forty (240) hours of special compensatory leave credits.

At DEP, we provide directors with a report of Special Compensatory Leave balances each quarter including beginning balance, additional Special Compensatory Leave earned during the quarter and the ending balance. A cover memorandum is provided reminding directors "We ask that you continue to assist in reducing the Department's leave liability by limiting the accrual of special compensatory leave credits when possible. Please remind managers and employees that they are to use special compensatory leave credits (People First Code 0055) prior to using annual leave or regular compensatory leave so that these balances do not continue to carry forward."

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
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Department of Environmental Protection Response
Auditor General Preliminary and Tentative Findings
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Finding No. 3:**Unused Annual and Sick Leave Payouts**

Five agencies (DACS, DOC, DEF, DMS, and DOT) had not established written terminal leave payout policies and procedures at the time of our audit request. DMS subsequently established written policies and procedures effective July 2009.

Recommendation: We recommend that each State agency's procedures be enhanced, as appropriate, to address the terminal leave payout process. Such enhancements should require the performance of leave balance audits prior to processing terminal leave payouts, and documentation of such audits should be retained. We also recommend that State agencies take other appropriate steps, including independent verification of payout calculations, to ensure that terminal leave payouts are accurate and paid in accordance with applicable laws, rules, and guidelines.

Agency Response: We concur with the recommendation. We are in the process of revising DEF Directive 425, Attendance and Leave, to include terminal leave payout policies and procedures.

Finding No. 4:**Dual-Employment Rules and Guidelines**

As noted above, State law requires agency approval, during each fiscal year, for all requests for dual employment and simultaneous compensation from more than one State agency in the executive branch or the judicial branch of State Government. DMS rules do not specifically make reference to the judicial branch or define a State agency for the purpose of the rules but require agency approval for all requests for simultaneous compensation of an employee by more than one agency.

DMS *Guidelines* provided additional guidance for State Personnel System (SPS) agencies. Those *Guidelines* in effect prior to June 2009, defined dual employment to include the compensation of an employee simultaneously by more than one State employer or State agency within the SPS. The *Guidelines* defined a State employer as the SPS, State University System, Florida Lottery, Florida Legislature, Justice Administration Commission, and the State Courts System. However, DMS revised the *Guidelines* in June 2009 to indicate that the *Guidelines* do not apply to employment with any government employer outside the SPS.

In addition to the guidance in DMS rules and *Guidelines*, four of the six State agencies included within the scope of this audit had established agency dual-employment policies and procedures

EXHIBIT C (CONTINUED)
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requiring that a dual-employment request form be initiated by the employee and approved by agency management. While all four of these agencies' policies and procedures required that the approval be performed during each fiscal year, the policies and procedures varied regarding the State employers for which dual-employment approval was required. For example, the DEP and DACS policies and procedures required that a form be completed and approved for dual employment for both SPS and non-SPS State entities, such as the State University System, while the DMS agency policies and procedures restricted the use of such a form to employment at SPS agencies.

Recommendation: We recommend that DMS and the various State agencies establish or revise dual-employment policies and procedures to ensure that approval during each fiscal year is obtained by any employee seeking employment at, or compensation from, more than one State agency. To ensure compliance with State law, such policies and procedures should clearly address both the simultaneous compensation from any appropriation other than the appropriations for salaries and the simultaneous compensation from any State agency or the judicial branch of State Government.

Agency Response: We concur with this recommendation. We are in the process of revising DEP Directive #01, Dual Employment, to address this concern.

Finding No. 5:

Dual-Employment Approvals and Management of Dual-Employment Activities

Recommendation: We recommend that State agencies take appropriate steps to ensure that dual-employment requests are properly submitted and approved and that comprehensive records documenting all dual-employment approvals be maintained. In addition, we recommend that DMS and DFS, in conjunction with the other State agencies, create a mechanism (e.g., a People First or FLAIR report) to identify those employees who simultaneously receive compensation from more than one State employer.

Agency Response: We concur with this recommendation. We are in the process of revising DEP Directive 401, Dual Employment, to address this concern.

Finding No. 6:

Salary Payment Calculations

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Department of Environmental Protection Response
Auditor General Preliminary and Tentative Findings
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Two errors for the 87 DEP salary payments tested. DEP overpaid one employee \$50 due to an error in calculating the employee's overtime rate of pay and overpaid the other employee by \$16 as a result of entering incorrect flex schedule hours into People First.

Recommendation: State agencies should take appropriate measures to ensure that salary payments are accurately calculated based on the applicable rate of pay and actual hours worked. Such measures may include, for all payroll changes, an additional review of the calculations and supporting documentation prior to salary payment issuance.

Agency Response: We concur with this recommendation and will ensure we review approved timesheet information when calculating all payroll changes.

DEP will take the following corrective measures to ensure that salary payments are accurately calculated based on the applicable rate of pay and actual hours worked:

- With the July 2010 enhancements to People First, we have begun requiring that employees have an accurate flex schedule entered and approved in People First prior to the monthly payroll processing. We follow-up to verify flex schedule information for all new hires, separations and other payroll changes prior to the payroll processing. This information is provided in our recently updated Attendance and Leave Directive;
- Prior to a payroll processing, we use supporting documentation to calculate the gross salary payment that is due. Once the payroll has processed, we use this information to verify the accuracy of the payment.

Finding No. 8:

Salary Payment Cancellations

Specifically, we noted:

- State agencies did not always timely initiate third-party overpayment recovery efforts. State employees may voluntarily authorize deductions from their gross pay be made and paid to third parties such as medical, dental, and life insurance providers; charitable organizations; and the State's Deferred Compensation Program investment providers. Although the dollar amounts for individual deductions may not be significant, the volume of these transactions may be great.

Regarding third-party overpayments, we noted that:

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
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Department of Environmental Protection Response
Auditor General Preliminary and Tentative Findings
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- *The Payroll Preparation Manual did not include specific guidance for recovering from third parties any overpayments resulting from salary payment cancellations.*
- *Of the 60 salary payment cancellations tested, 67 reflected a total of 41 separate voluntary deductions ranging from \$1 to \$350 and totaling \$1,724. For 9 of the 41 deductions, the agencies had not taken timely action to recover from the third parties the amounts paid. These 9 deductions (one each for the employees of DACS, DOC, and DEP for \$3, \$24, and \$18, respectively, and 6 at DOT totaling \$73) totaled \$118. Although the dates for these canceled payments ranged from February 2008 through October 2008, the agencies' recovery efforts were not initiated until subsequent to our audit inquiries in April 2009.*

Recommendation: We recommend that DFS enhance the Payroll Preparation Manual to include specific instructions for recovering from third parties any overpayments made as a result of salary payment cancellations. Additionally, we recommend that, when canceling salary payments, State agencies take appropriate action to timely recover from third parties any amounts overpaid.

Agency Response: We concur with this recommendation and will adopt procedures to comply with enhanced instructions issued by DFS for recovering any overpayments to third parties made as a result of salary payment cancellations.

EXHIBIT C (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF FINANCIAL SERVICES



CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

ALEX SINK

December 8, 2010

Mr. David W. Martin
Auditor General
State of Florida
Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Pursuant to Section 11.45(4)(d), Florida Statutes, the enclosed response is provided for the preliminary and tentative audit findings included in the Auditor General's operational audit of Payroll and Personnel Management at Selected State Agencies.

If you have any questions or would like to discuss the matter further, please contact Alan Sands, Audit Director, at (850) 413-4962.

Sincerely,

A handwritten signature in cursive script that reads "Alex Sink".

Alex Sink

Enclosure

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF FINANCIAL SERVICES

Florida Department of Financial Services
Response to Preliminary and Tentative Audit Findings
Payroll and Personnel Management at Selected State Agencies
Operational Audit

Finding No. 1: Time Record Submittal, Review, and Approval

Procedural deficiencies existed with respect to the monitoring of the timely submittal, review, and approval of employee time records.

Recommendation: We recommend that DMS clarify in rule, policy, or procedure, the time record preparation, submission, and approval responsibilities of employees and supervisors. Such clarifications should address specific time frames for time record submission and approval. Additionally, to improve the usefulness of the *Missing Time Records* report, we recommend that DMS enhance the report by including an aging of the time records and identifying the responsible supervisors. State agencies should use such information to identify those employees whose time records frequently require corrective actions, are repeatedly missing, or are not timely approved and take appropriate corrective measures.

Division of Administration Response: Because there is no statewide standard for timesheet submission, the Department will continue to enforce its current timesheet submission standard of 5 days after the payroll period ends. In addition, the Department will continue to review the monthly missing timesheet report and process accordingly. This review process includes identifying and notifying employees whose time records require corrective actions, are repeatedly missing, or are not timely approved.

Finding No. 2: Compensatory Leave Credits

State agencies did not effectively manage compensatory leave credits in accordance with DMS rules and terms of relevant collective bargaining agreements, resulting in large dollar payouts of unused compensatory leave credits upon employees' separation from State employment.

Recommendation:

- To promote compliance and ensure consistency in the application of rules and relevant collective bargaining agreement provisions by the various State agencies, we recommend that DMS and DFS provide State agencies with detailed comprehensive guidance related to leave payouts and the maximum accumulation limits for the various types of compensatory leave credits. Such guidance should also address the appropriate use of FLAIR and People First compensatory leave codes.
- To prevent large cash payouts upon employee separation from State employment and decrease State agency leave liabilities, we also recommend that State agencies periodically review their employees' compensatory leave balances and identify employees who are accumulating large compensatory leave credit balances or whose compensatory leave credits are approaching the maximum limits set forth in applicable collective bargaining agreements. When appropriate,

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF FINANCIAL SERVICES

the agencies should compel the use of accumulated special compensatory leave credits prior to approving employee use of other leave types.

- The Legislature should consider revising Section 110.205(7), Florida Statutes, to either restrict the number of special compensatory leave credits that may be transferred or to require the payment of all accumulated special compensatory leave credits when an employee voluntarily moves from a Career Service pay plan position to a position in another SPS pay plan.

Division of Accounting and Auditing – Bureau of State Payrolls Response: Pursuant to Section 110.1055, Florida Statutes, the Department of Management Services is charged with the responsibility for establishing detailed comprehensive guidance related to leave payouts and maximum accumulation limits for all agencies in the State Personnel System. The Bureau of State Payrolls will coordinate with DMS to ensure their guidance addresses the proper uses of FLAIR compensatory leave codes. The Bureau of State Payrolls Payroll Preparation Manual already instructs agencies to make compensatory leave payments in accordance with current DMS rules/policies/state laws. We will update our Payroll Preparation Manual as needed whenever new guidance is issued by DMS.

Finding No. 4: Dual-Employment Rules and Guidelines

Dual-employment rules and guidelines were not sufficient to effectively promote compliance with State law.

Recommendation: We recommend that DMS and the various State agencies establish or revise dual-employment policies and procedures to ensure that approval during each fiscal year is obtained by any employee seeking employment at, or compensation from, more than one State agency. To ensure compliance with State law, such policies and procedures should clearly address both the simultaneous compensation from any appropriation other than the appropriations for salaries and the simultaneous compensation from any State agency or the judicial branch of State Government.

Division of Administration Response: We concur. Currently the Department's Dual-Employment policy requires approval during each fiscal year by any employee seeking employment at, or compensation from, more than one State agency. In addition, the current Dual-Employment policy clearly addresses both the simultaneous compensation from any appropriation other than the appropriations for salaries and the simultaneous compensation from any State agency or the judicial branch of State Government. The Department will update the policy to include definitions for "State Agency," "SPS Agency" and "Non-SPS Agency."

Finding No. 5: Dual-Employment Approvals and Management of Dual Employment Activities

Contrary to State law, State agencies did not always document that dual employment was properly approved for employees working for more than one applicable State employer. Additionally, to ensure compliance with State laws, rules, and other guidelines, a process is needed whereby State agencies can effectively monitor the dual-employment activities of employees who have been approved to receive compensation from more than one State employer.

Recommendation: We recommend that State agencies take appropriate steps to ensure that dual-employment requests are properly submitted and approved and that comprehensive records

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF FINANCIAL SERVICES

documenting all dual-employment approvals be maintained. In addition, we recommend that DMS and DFS, in conjunction with the other State agencies, create a mechanism (e.g., a People First or FLAIR report) to identify those employees who simultaneously receive compensation from more than one State employer.

Division of Administration Response: We concur. The Department will implement steps to ensure that dual-employment requests include the proper approval signatures.

Division of Accounting and Auditing – Bureau of State Payrolls Response: There are two existing FLAIR reports that identify employees who receive multiple compensation from one agency or more than one agency. These reports are sent to the Bureau of State Payrolls. The first report contains employees who have more than one salary and/or OPS wage payment on a single payroll only. That report is split out by the Bureau's Payroll Processing Section and sent out to each affected agency for their review. The second report contains employees who have salary and/or OPS wage payments on more than one regular payroll within any particular month. This report is not currently split out or sent to agencies. The Bureau of State Payrolls will take steps to distribute the data from the second report to all affected agencies.

Finding No. 6: Salary Payment Calculations

Some salary payment calculations were incorrect.

Recommendation: State agencies should take appropriate measures to ensure that salary payments are accurately calculated based on the applicable rate of pay and actual hours worked. Such measures may include, for all payroll changes, an additional review of the calculations and supporting documentation prior to salary payment issuance.

Division of Administration Response: The Department will explore the implementation of additional mechanisms to ensure accurate payments.

Finding No. 8: Salary Payment Cancellations

State agencies did not always timely initiate efforts to collect overpayments made to third parties as a result of canceled salary payment warrants or electronic funds transfers (EFTs). Also, DACS did not timely destroy canceled paper warrants in accordance with DFS requirements.

Recommendation: We recommend that DFS enhance the *Payroll Preparation Manual* to include specific instructions for recovering from third parties any overpayments made as a result of salary payment cancellations. Additionally, we recommend that, when canceling salary payments, State agencies take appropriate action to timely recover from third parties any amounts overpaid.

Division of Accounting and Auditing – Bureau of State Payrolls Response: The Payroll Preparation Manual already contains specific instructions for recovering from third parties any overpayments made as a result of salary payment cancellations. The instructions are located in Volume V, Section 4, F, 1, d (Recovery of Employee's Miscellaneous Deduction Funds) and Volume V, Section 4, G (Refund from Vendor of Miscellaneous Deductions). We will review the existing instructions to determine if further enhancements are needed.

EXHIBIT C (CONTINUED)
 MANAGERMENTS' RESPONSES
 DEPARTMENT OF MANAGEMENT SERVICES



Governor Charlie Crist

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 4050 Esplanade Way
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 www.dms.myflorida.com

Secretary Linda H. South

December 8, 2010

Mr. David W. Martin, CPA
 Auditor General
 674 Claude Pepper Building
 111 West Madison Street
 Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Pursuant to Section 11.45(4)(d), Florida Statutes, this is our response to your report, *Payroll and Personnel Management at Selected State Agencies*. Our response corresponds with the order of the preliminary and tentative findings and recommendations contained in the draft report.

On May 28, 2008, the Department of Management Services executed Amendment 10 to the contract with the People First service provider. This amendment required the service provider to implement a number of enhancements to the People First system. These enhancements were implemented on July 19, 2010. As discussed in our response many of these enhancements effectively address certain issues raised in the report.

If further information is needed concerning our response, please contact Steve Rumph, Inspector General, at 488-5285.

Sincerely,

Linda H. South
 Secretary

Attachment

cc: David Faulkenberry, Deputy Secretary
 Sharon Larson, Director of Human Resources Management
 Debra Forbes, Director of Administration
 David DiSalvo, Director of People First
 Queenell Fox, Director of Human Resources

We serve those who serve Florida.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF MANAGEMENT SERVICES

Mr. David W. Martin, CPA
December 8, 2010
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Department of Management Services' Response
To the Auditor General's Preliminary and Tentative Report *Payroll*
and Personnel Management at Selected State Agencies

Finding No. 1: Time Records

Procedural deficiencies existed with respect to the monitoring of the timely submittal, review, and approval of employee time records.

Recommendation No. 1:

We recommend that DMS clarify in rule, policy, or procedure, the time record preparation, submission, and approval responsibilities of employees and supervisors. Such clarifications should address specific time frames for time record submission and approval. Additionally, to improve the usefulness of the Missing Time Records report, we recommend that DMS enhance the report by including an aging of the time records and identifying the responsible supervisors. State agencies should use such information to identify those employees whose time records frequently require corrective actions, are repeatedly missing, or are not timely approved and take appropriate corrective measures.

Response No. 1:

State Personnel System Rule 60L-34.002, F.A.G., currently directs each agency to monitor all hours, maintain accurate records, and instruct employees on the proper scheduling, use, and recording of leave and attendance. The rule thus provides the agencies with the appropriate parameters for managing work records in an accurate and timely manner. However, based on their specific operational needs, each agency must then develop its own internal policies and procedures to ensure timesheets are submitted, reviewed, and approved within the prescribed timeline for payroll processing. To help clarify this point and reiterate to the agencies their responsibilities, DMS's Division of Human Resource Management will issue a rule interpretation to this effect.

Enhancements to the People First system implemented on July 19, 2010 effectively address the Auditor General's concerns regarding the usefulness of the *Missing Timesheet Report*. These enhancements do not permit employees to submit timesheets until all prior (missing) timesheets have been submitted and approved. This feature encourages timely submission of timesheets by employees and more accountability from supervisors. The enhancements to the *Missing Timesheet Report* also assist managers in the identification of missing time records. The report is available online for state agencies to access as needed. The data for this report is updated weekly (on Sunday); therefore, timesheets approved prior to the Sunday extract will not appear on the report unless hours for the pay period are missing.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF MANAGEMENT SERVICES

Mr. David W. Martin, CPA
December 8, 2010
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Because the "Run Date" is included on the report agencies can calculate the age of each missing report. In addition, the report includes "Supervisor Name" to assist with identifying timesheets that need supervisory approval.

Finding No. 2: Unused Leave Compensation

State agencies did not effectively manage compensatory leave credits in accordance with DMS rules and terms of relevant collective bargaining agreements, resulting in large dollar payouts of unused compensatory leave credits upon employees' separation from State employment.

Recommendation No. 2:

- To promote compliance and ensure consistency in the application of rules and relevant collective bargaining agreement provisions by the various State agencies, we recommend that DMS and DFS provide State agencies with detailed comprehensive guidance related to leave payouts and the maximum accumulation limits for the various types of compensatory leave credits. Such guidance should also address the appropriate use of FLAIR and People First compensatory leave codes.
- To prevent large cash payouts upon employee separation from State employment and decrease State agency leave liabilities, we also recommend that State agencies periodically review their employees' compensatory leave balances and identify employees who are accumulating large compensatory leave credit balances or whose compensatory leave credits are approaching the maximum limits set forth in applicable collective bargaining agreements. When appropriate, the agencies should compel the use of accumulated special compensatory leave credits prior to approving employee use of other leave types.
- The Legislature should consider revising Section 110.205(7), Florida Statutes, to either restrict the number of special compensatory leave credits that may be transferred or to require the payment of all accumulated special compensatory leave credits when an employee voluntarily moves from a Career Service pay plan position to a position in another SPS pay plan.

Response No. 2:

- The applicability of and payment for the various forms of compensatory leave is currently addressed in rule. DMS's Division of Human Resource Management has also issued a myriad of supplemental guidance documents to assist the agencies in the proper application of the rule provisions. Regarding maximum accumulation limits, only Career Service employees are authorized to accrue holiday special compensatory leave when they are precluded from observing a state holiday due to: required work on the day the holiday is observed; required

EXHIBIT C (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF MANAGEMENT SERVICES

Mr. David W. Martin, CPA
December 8, 2010
Page 3

work during the same work period as the holiday thereby offsetting the holiday hours; or when the holiday falls on a workday that is an established day off. Although the rules do not establish a maximum amount that may be accrued or paid, agencies with responsibility for public safety and/or round the clock staffing of institutions persistently report that the underlying cause of excessive accruals is chronic shortages among law enforcement, correctional, firefighting, and human services staff. This perpetual understaffing not only results in the same personnel repeatedly covering holidays (and accruing holiday special compensatory leave credits) but also obstructs the agencies' ability to compel use of accrued leave during subsequent work periods. Furthermore, even if the accrual limits negotiated in the collective bargaining contracts are strictly enforced, the staffing issues would still necessitate holiday coverage. This category of compensatory leave does continue to pose significant fiscal consequences for the state, which either incurs the fiscal liability of paying straight time for the hours in excess of the cap or faces an unfair labor practice charge if the employees are forced to forfeit such hours. Because of the complex ramifications of either outcome and the likelihood that any rule proposal by DMS would lead to collective bargaining impasse with the unions, the final resolution of this issue requires intervention by the legislature.

On July 19, 2010, the service provider implemented a Leave Payout screen in the People First system to give state agencies the ability to process leave payouts. This screen is designed to make the processing of payments easier (i.e., a "Payout Type" description is available for selection). Further, the leave codes in the People First system are now the same as those used in FLAIR. These enhancements provide the additional guidance needed to process leave payouts. In June 2010, the DMS People First team conducted training sessions for agency HR professionals, which included training specific to the Leave Payout screen.

- The Department of Management Services' internal policy, HR-03-124 Hours of Work, Overtime and all Compensatory Leave Credits, was created on November 3, 2008. This policy provides guidance to supervisors on the use and approval of overtime and compensatory leave. Additionally, the department's Human Resources team works with supervisors to ensure they monitor compensatory leave balances, and since July 2010, the department's Human Resources team has used the newly implemented Leave Payout screen in People First to verify compensatory leave payouts. The department's supervisors are also encouraged to coordinate with employees that accrue compensatory leave time or have compensatory leave balances (both Regular and Special Compensatory) to use those hours before using all other types of leave, excluding sick leave. The examples cited by the Auditor General occurred prior to the availability of the Leave Payout screen in July 2010.
- DMS supports this proposal.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF MANAGEMENT SERVICES

Mr. David W. Martin, CPA
December 8, 2010
Page 4

Finding No. 3: Unused Leave Compensation

State agencies had not established policies and procedures addressing unused annual and sick leave (terminal leave) payouts and did not always perform or document the performance of audits of unused leave balances prior to calculating terminal leave payouts.

Recommendation No. 3:

We recommend that each State agency's procedures be enhanced, as appropriate, to address the terminal leave payout process. Such enhancements should require the performance of leave balance audits prior to processing terminal leave payouts, and documentation of such audits should be retained. We also recommend that State agencies take other appropriate steps, including independent verification of payout calculations, to ensure that terminal leave payouts are accurate and paid in accordance with applicable laws, rules, and guidelines.

Response No. 3:

The Department of Management Services' internal policy, HR 09-126 Auditing Employee Leave Balances and HR-126-F1 - Leave Correction Request Affidavit were created on July 16, 2009. This policy and affidavit established guidelines for conducting terminal leave audits within DMS. The examples cited by the Auditor General occurred prior to the establishment of this policy in July 2009.

Finding No. 4: Dual Employment

Dual-employment rules and guidelines were not sufficient to effectively promote compliance with State law.

Recommendation No. 4:

We recommend that DMS and the various State agencies establish or revise dual-employment policies and procedures to ensure that approval during each fiscal year is obtained by any employee seeking employment at, or compensation from, more than one State agency. To ensure compliance with State law, such policies and procedures should clearly address both the simultaneous compensation from any appropriation other than the appropriations for salaries and the simultaneous compensation from any State agency or the judicial branch of State Government.

Response No. 4:

DMS's Division of Human Resource Management will revise the applicable guidelines and procedures to clearly articulate that agency heads are responsible for approving

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF MANAGEMENT SERVICES

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Page 5

both dual employment and dual compensation actions delineated in Section 216.252(1)(e), F.S.

Department of Management Services' internal policy, HR 01-112 Dual Employment within the State Personnel System was revised on September 30, 2010 to require dual employment approval each fiscal year. Reminders are sent to all employees the first week of June of each year requiring that all dually employed employees complete and submit to Human Resources form HR 112-F1 Dual Employment and Compensation Request.

Finding No. 5: Dual Employment

Contrary to State law, State agencies did not always document that dual employment was properly approved for employees working for more than one applicable State employer. Additionally, to ensure compliance with State laws, rules, and other guidelines, a process is needed whereby State agencies can effectively monitor the dual-employment activities of employees who have been approved to receive compensation from more than one State employer.

Recommendation No. 5:

We recommend that State agencies take appropriate steps to ensure that dual-employment requests are properly submitted and approved and that comprehensive records documenting all dual-employment approvals be maintained. In addition, we recommend that DMS and DFS, in conjunction with the other State agencies, create a mechanism (e.g., a People First or FLAIR report) to identify those employees who simultaneously receive compensation from more than one State employer.

Response No. 5:

In addition to the department's internal policy, HR 01-112 Dual Employment within the State Personnel System, the department's form HR 112-F1 Dual Employment and Compensation Request was created on July 31, 2009 to ensure all employees have documented requests for dual employment. The department's human resource team reviews dual employment data from People First and reviews the DFS report of all DMS employees holding dual employment within the State.

As part of the July 2010 enhancements, the People First system now provides a *Potential Overtime Report* that identifies potential overtime for employees who use the People First timesheet and hold multiple positions. However, state agencies are still responsible for verifying if overtime has occurred and the rate at which the employee should be compensated. In addition, it is our understanding that DFS maintains dual payment data for all state agencies including those that do not use the People First system. A full verification of dual payments would necessitate a review of both agencies' data.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF MANAGEMENT SERVICES

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Finding No. 6: Salary Calculations and Overtime Authorizations

Some salary payment calculations were incorrect.

Recommendation No. 6:

State agencies should take appropriate measures to ensure that salary payments are accurately calculated based on the applicable rate of pay and actual hours worked. Such measures may include, for all payroll changes, an additional review of the calculations and supporting documentation prior to salary payment issuance.

Response No. 6:

In October 2008, the department's Human Resource team implemented internal operating procedures whereby all salaries contained in PARs are verified by an employee in the department's Office of Planning and Budget. A second review is performed by a Human Resources team member. Each pay period a Human Resources team member reviews the payroll register to verify number of hours worked compared to salary paid. PARs for new employees, terminations or any position or salary change are kept in a pay period specific file folder. These documents are then used when the payroll register is reviewed for payment accuracy each pay period.

Finding No. 9: Employee Out Processing

State agencies did not always document the return of State-owned property items assigned to employees upon the employees' separation from State employment.

Recommendation No. 9:

We recommend that State agencies reinforce policies regarding the use of forms designed to ensure and document the return of all State-owned property items by separating employees. State agencies should also ensure that this documentation be maintained in the separating employee's personnel file or other identifiable location.

Response No. 9:

The department's internal procedures require that when an employee terminates, each division completes form HR 103-F2, Employee Exit Checklist revised on October 25, 2010. Once completed this document is sent to Human Resources where the document is filed in the terminating employee's personnel file. To verify the supervisor has correctly completed the checklist and collected the necessary items from the employee, Human Resources compares the termination PAR to the employee file.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF TRANSPORTATION



Florida Department of Transportation

CHARLIE CRIST
GOVERNOR

605 Suwannee Street
Tallahassee, FL 32399-0450

STEPHANIE C. KOPELOUSOS
SECRETARY

December 7, 2010

Mr. David W. Martin, CPA
Auditor General
674 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

I am pleased to respond to the preliminary and tentative audit findings and recommendations concerning the operational audit of:

Payroll and Personnel Management
at Selected State Agencies
for the period July 1, 2008 through February 28, 2010

As required by Section 11.45(4)(d), Florida Statutes, our response to the findings is enclosed.

I appreciate the efforts of you and your staff in assisting to improve our operations. If you have any questions, please contact our Inspector General, Ron Russo, at 410-5800.

Sincerely,

Stephanie C. Kopelousos
Secretary

SCK:tw

Enclosure

cc: Ron Russo, Inspector General

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF TRANSPORTATION

FLORIDA DEPARTMENT OF TRANSPORTATION

Response to the Auditor General's
Preliminary and Tentative Audit Findings and Recommendations

Payroll and Personnel Management
at Selected State Agencies
July 1, 2008 through February 28, 2010

Finding No. 1: Time Record Submitted, Review, and Approval

Procedural deficiencies existed with respect to the monitoring of the timely submission, review, and approval of employee time records.

Utilizing People First, employees are to complete and submit time records that reflect the number of hours worked and leave taken. People First user guides and training materials direct non-OPS employees to submit their time records at the end of their agency's payroll cycle. Once an employee has submitted a time record for a payroll cycle, the designated approver (usually the employee's immediate supervisor) is responsible for the review and approval of the time record. Any errors, omissions, or discrepancies in the attendance and leave reported by the employee are to be resolved by the supervisor and employee.

To assist managers in the identification of missing time records, People First collects weekly data on time records that have not been submitted, approved, or have been approved but require corrective action. Every other week, People First places this data in a cumulative *Missing Time Records* report that is e-mailed to each applicable agency's personnel office.

The *Missing Time Records* reports are made available to State agencies and may be used by each of the agencies to identify time records that have not yet been submitted, reviewed, or approved. Agencies may also use the reports to identify employees who may have been overpaid or underpaid. If overpayments are identified, agencies are to seek reimbursement from the applicable employees. If underpayments are noted, agencies may increase, by the amount underpaid, a subsequent payment to the employee or create a supplemental payment. Once time records are submitted and approved with no errors, the records will no longer appear on subsequent *Missing Time Records* reports.

We found that some additional uniformity in the policies of the individual agencies and some report enhancements would improve the functionality of and level of agency reliance on the *Missing Time Records* reports. Specifically:

- The *Missing Time Records* reports do not provide an aging schedule showing, for each applicable time record, the length of time between the payroll cycle end and the *Missing Time Records* report run date. Absent information showing the age of the exceptions, it was difficult for agencies to differentiate between routine and what may be more significant lengthy delays.
- The *Missing Time Records* reports do not identify the person responsible for approving the time records listed. Information identifying the approver would better facilitate management's monitoring of the processes associated with resolving the exceptions shown by the reports.
- Agency management indicated that vacancies had been noted in the *Missing Time Records* reports and, as a result, some agencies had implemented alternative methods for reviewing the timely submission and approval of time records.

Time records are used to document employee attendance and use of leave, calculate overtime earnings, and adjust salary amounts due to leave without pay. Absent an effective means for monitoring, time records that have not been timely submitted or approved, or that have been approved with corrective actions required, may escape timely detection.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF TRANSPORTATION

Recommendation: We recommend that State agencies should use such information to identify those employees whose time records frequently require corrective actions, are repeatedly missing, or are not timely approved and take appropriate corrective measures.

Management Response:

Agree. Since the inception of People First, the Department developed and maintained a process documented in the Office of Comptroller Disbursement Operations Office (DOO) Payroll Processing Handbook to identify missing timesheets, notify responsible employees and managers and track resolutions. The recent upgrades to the People First system have made the system-generated Missing Timesheet Report significantly more accurate and reliable. A change in the Department's notification process has also resulted in more timely responses and submission of outstanding timesheets.

Finding No. 2: Compensatory Leave Credits

Certain State employees may earn compensatory leave for hours worked in excess of the regular work period or during holidays, emergencies, and facility closures. DMS rules include provisions for the accumulation and payment of regular compensatory leave, FLSA special compensatory leave, and special compensatory leave credits. Certain collective bargaining agreements with employee bargaining units also include compensatory leave provisions. For example, the Florida Police Personnel Association (FPPA) Security Services Bargaining Unit Agreement is applicable to DOC correctional officers and limits to a maximum of 240 hours the number of special compensatory leave credits that may be accumulated.

State agencies use People First to account for the various types of compensatory leave credits earned and used by employees. People First includes four compensatory leave time and attendance codes: regular compensatory leave, FLSA special compensatory leave, special compensatory leave, and special holiday compensatory leave. Periodic payments for accumulated leave credits and payments for unused compensatory leave credits upon an employee's separation are to be reported in FLAIR using one of three codes: regular compensatory leave in lieu of overtime, special compensatory leave in lieu of overtime, or special compensatory leave.

Recommendation: State agencies should periodically review their employees' compensatory leave balances and identify employees who are accumulating large compensatory leave credit balances or whose compensatory leave credits are approaching the maximum limits set forth in applicable collective bargaining agreements. When appropriate, the agencies should compel the use of accumulated special compensatory leave credits prior to approving employee use of other leave types.

Management Response:

Agree. Executive Management issued a directive in July 2009 requiring a review of Special Compensatory Leave balances and requesting a reduction of total department balances by 50% within a year. At the time of the directive, the Department's balance was 45,766 hours. As of 11/25/2010, the balance was 27,357 hours, a decrease of 18,409 hours or 40%.

Finding No. 3: Unused Annual and Sick Leave Payouts

To evaluate agency controls and to determine whether the unused annual and sick leave payouts were adequately supported, properly calculated, and paid in accordance with applicable laws and rules, we requested agency retirement leave payout policies and procedures for review and examined agency records for 51 terminal leave payouts, totaling \$469,932. The 51 payouts tested included: 10 payouts totaling \$109,116 at DACS, 9 payouts totaling \$70,169 at DCC,

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF TRANSPORTATION

5 payouts totaling \$38,250 at DEP, 9 payouts totaling \$134,120 at DFS, 3 payouts totaling \$53,193 at DMS, and 15 payouts totaling \$65,079 at DOT. Additionally, we reviewed documentation of any leave balance audits performed related to the 51 payouts to determine whether the agencies effectively ensured the proper calculation of the payouts.

We noted that:

- Five agencies (DACS, DOC, DEP, DMS, and DOT) had not established written terminal leave payout policies and procedures at the time of our audit request. DMS subsequently established written policies and procedures effective July 2009.
- For the 51 payouts tested:
 - Documentation for 15 terminal leave payouts totaling \$130,276 was not available to evidence that an audit of the leave balances, including identification of prior leave payments, was completed prior to payment. These 15 payouts included 5 payouts totaling \$53,096 at DACS, 3 payouts totaling \$12,953 at DOC, 2 payouts totaling \$47,508 at DMS, and 5 payouts totaling \$12,833 at DOT.

Under certain circumstances, the implementation and communication of written policies and procedures may better ensure the calculation of payment amounts that are consistent with the requirements of law.

Recommendation: We recommend that each State agency's procedures be enhanced, as appropriate, to address the terminal leave payout process. Such enhancements should require the performance of leave balance audits prior to processing terminal leave payouts, and documentation of such audits should be retained. We also recommend that State agencies take other appropriate steps, including independent verification of payout calculations, to ensure that terminal leave payouts are accurate and paid in accordance with applicable laws, rules, and guidelines.

Management Response:

Agree. The Department is using all resources available in the People First system to validate terminal leave payouts. The DOC Payroll Processing Handbook, which includes a section on processing terminations and leave payouts, was available and submitted to Auditor General staff as requested on 3/25/2009. The termination section includes guidance requiring a review of the previously paid leave report from the Bureau of State Payroll, along with ensuring no timebars are outstanding in People First. The final leave balances as shown in People First are used for eligible payments and are adjusted for any previous leave payouts or required provisions for SES/SMS employees. The People First System does not permit a review of payments or leave records from beginning of employment (only the previous 18 months are available to be viewed in People First).

Finding No. 4: Dual Employment Rules and Guidelines

In addition to the guidance in DMS rules and Guidelines, four of the six State agencies included within the scope of this audit had established agency dual-employment policies and procedures requiring that a dual-employment request form be initiated by the employee and approved by agency management. While all four of these agencies' policies and procedures required that the approval be performed during each fiscal year, the policies and procedures varied regarding the State employers for which dual-employment approval was required. For example, the DEP and DACS policies and procedures required that a form be completed and approved for dual employment for both SPS and non-SPS State entities, such as the State University System, while the DMS agency policies and procedures restricted the use of such a form to employment at SPS agencies. DFS policies and procedures required that a form be completed and executed for "employment by more than one State agency" but did not define a "State agency" or differentiate between non-SPS and SPS agencies.

Absent guidance that clearly indicates when dual-employment approval is required, State agencies may not ensure that employees submit for agency approval requests for dual employment as required by State law. Lack of such guidance may have contributed to the instances noted in Finding No. 3 in which proper approval for dual employment was not obtained and documented.

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF TRANSPORTATION

Recommendation: We recommend that DMS and the various State agencies establish or revise dual-employment policies and procedures to ensure that approval during each fiscal year is obtained by any employee seeking employment at, or compensation from, more than one State agency. To ensure compliance with State law, such policies and procedures should clearly address both the simultaneous compensation from any appropriation other than the appropriations for salaries and the simultaneous compensation from any State agency or the judicial branch of State Government.

Management Response:

Agree. A Policy Document on "Dual Employment: Guidelines and Procedures for State Personnel System Agencies" was issued by the Department of Management Services in June 2009. This policy delegates dual-employment approvals to agencies that are within the "State Personnel System (SPS)."

Finding No. 5: Dual-Employment Approvals and Management of Dual-Employment Activities

Dual-employment rules and guidelines were not sufficient to effectively promote compliance with State law. There is not an established mechanism for State agency use that identifies those employees simultaneously receiving compensation from more than one State employer. Accordingly, to determine whether the listings provided by the agencies included approvals for all employees who had simultaneously received compensation from more than one State employer during the period July 2007 through January 2009, we performed analytical procedures of FLAIR payroll data to detect potential instances of dual employment. For the six agencies included within the scope of this audit, we identified 1,008 employees for whom it appeared there were instances of dual employment.

Absent a mechanism that identifies those employees simultaneously receiving compensation from more than one State employer, agencies cannot be assured that their employees always properly submit dual-employment requests for management approval. In addition, absent documentation of the proper approval of dual employment, State agencies cannot demonstrate that an employee's compensation was commensurate with the employee's assigned duties, there was a need for the employee to hold more than one position with the State, or the employment did not give rise to the appearance of a conflict of interest or otherwise violate legislative intent. Further, absent a listing or other complete record of employees approved for dual employment, an agency cannot demonstrate that the dual-employment activities of all applicable employees have received appropriate consideration in accordance with State law and DMS rules and Guidelines or that an appropriate method for calculating applicable overtime pay has been devised.

Recommendation: We recommend that State agencies take appropriate steps to ensure that dual-employment requests are properly submitted and approved and that comprehensive records documenting all dual-employment approvals be maintained. In addition, we recommend that DMS and DPS, in conjunction with the other State agencies, create a mechanism (e.g., a People First or FLAIR report) to identify those employees who simultaneously receive compensation from more than one State employer.

Management Response:

Agree. DOT Procedure no. 250-040-010-e relating to Dual Employment is currently being updated to reflect the policy changes by the Department of Management Services (DMS); however, approval process within the department (as noted in the current procedures) will continue to apply. Additionally, the policy document issued by DMS provides that employees who in the past have requested approval to work as OPS for the State University System will no longer require this approval. Specifically, the policy states the following: "The provisions of this guideline do not apply to employment with any government employer outside the SPS or any private sector employer."

EXHIBIT C (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF TRANSPORTATION

Finding No. 6: Salary Payment Calculations

We tested 540 salary payments totaling \$1,109,967 to determine whether the payments were properly calculated, approved, and supported by authorized sufficient time records. For the 540 salary payments tested, the agencies included within the scope of this audit generally made employee salary payments in the correct amounts based on the number of hours recorded as worked, approved rate of pay, and effective dates of any pay rate changes. However, we identified 11 salary payment errors (7 overpayments and 4 underpayments). The amounts paid in error ranged from an overpayment of \$626 to an underpayment of \$901. Specifically, we noted:

- One error for the 84 DOT salary payments tested DOT overpaid one employee by \$626 as the employee reported from DOT in the middle of the payroll period but was paid based on 80 hours rather than the 40 hours recorded as worked.

Each of the instances noted above resulted from State agency payroll change processing. When payroll changes are processed, additional care should be taken to ensure that the changes are timely made considering the effective date of the change and that the changes made agree with the supporting authorization and time records. Subsequent to our audit inquiries, the agencies began taking actions to resolve the errors noted above.

Recommendation: State agencies should take appropriate measures to ensure that salary payments are accurately calculated based on the applicable rate of pay and actual hours worked. Such measures may include, for all payroll changes, an additional review of the calculations and supporting documentation prior to salary payment issuance.

Management Response:

Agree. A series of reports, including total pay period transactions, leave without pay and overpayments, is reviewed by the Payroll Office approximately four business days prior to the warrant date. Any evident overpayments can be cancelled during this window. The referenced overpayment resulted because the Personnel and Payroll Offices were not notified of the employee's termination until after the date the warrant could have been cancelled. Overpayments of this type cannot be eliminated through the report review process. The overpayment was immediately recovered by deducting the amount from the employee's leave payout.

Finding No. 8: Salary Payment Cancellations

According to FLATR records, for the six State agencies included within the scope of this audit during the period July 2007 through January 2009, there were 2,722 salary payment cancellations, totaling \$1,937,409.

State agencies did not always timely initiate efforts to collect overpayments made to third parties as a result of canceled salary payment warrants or electronic funds transfers (EFTs).

Our tests of 60 salary payment cancellations totaling \$93,220 disclosed that agency controls needed improvement to ensure the timely initiation of overpayment recovery efforts and proper destruction of canceled paper warrants. Specifically, we noted:

- State agencies did not always timely initiate third-party overpayment recovery efforts. State employees may voluntarily authorize deductions from their gross pay to be made and paid to third parties such as medical, dental, and life insurance providers; charitable organizations; and the State's Deferred Compensation Program investment providers. Although the dollar amounts for individual deductions may not be significant, the volume of these transactions may be great. Regarding third-party overpayments, we noted that:
 - The Payroll Preparation Manual did not include specific guidance for recovering from third parties any overpayments resulting from salary payment cancellations.

EXHIBIT C (CONTINUED)
MANAGEMENT'S RESPONSES
DEPARTMENT OF TRANSPORTATION

- Of the 60 salary payment cancellations tested, 17 reflected a total of 41 separate voluntary deductions ranging from \$1 to \$350 and totaling \$1,724. For 9 of the 41 deductions, the agencies had not taken timely action to recover from the third parties the amounts paid. These 9 deductions (one each for the employees of DACS, DOC, and DEP for \$5, \$24, and \$18, respectively, and 6 at DOT totaling \$75) totaled \$118. Although the dates for these canceled payments ranged from February 2008 through October 2008, the agencies' recovery efforts were not initiated until subsequent to our audit inquiries in April 2009.

Absent timely and appropriate efforts to collect overpayments made to third parties and the proper destruction of canceled paper warrants the State's exposure to loss may not be sufficiently limited.

Recommendation: We recommend that when canceling salary payments, State agencies take appropriate action to timely recover from third parties any amounts overpaid.

Management Response:

Agree. The DOC Payroll Processing Handbook was updated to include more detailed instructions for collection of miscellaneous deductions from vendors and state pre-tax deductions. Guidance was given to all district Payroll Offices at the 2009 Financial Administration Meeting. Since then, Quality Assurance Reviews have been conducted in all districts and all deductions have been appropriately collected.



Most Local Governments Participating in the Expedited Review Process Report Benefits

Presentation to the
Joint Legislative Auditing Committee

April 4, 2011

Larry Novey, Chief Legislative Analyst

Florida Legislature Office of Program Policy Analysis & Government Accountability

Comprehensive Plans Guide Local Development

- Describes the way a community proposes to use its land to guide future growth and development
- Defines a community's land use by addressing several issues
 - Transportation and Infrastructure
 - Housing and Schools
 - Conservation, Recreation and Open Space
 - Capitol Improvements

Florida Legislature Office of Program Policy Analysis & Government Accountability

7

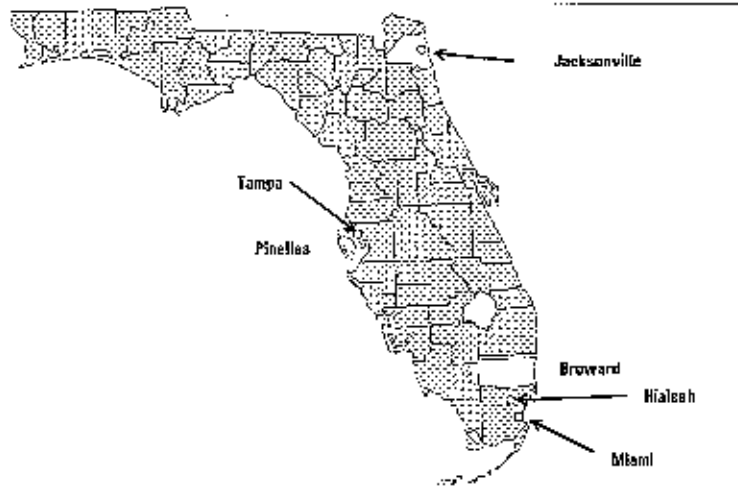
The Legislature Created a Pilot Program to Expedite the Process

- The Legislature created a program within the Department of Community Affairs to expedite the process for state review of comprehensive plan amendments
- Several local governments were selected to participate
- The program began on July 1, 2007

Pilot Program's Expedited Process Differs Significantly From Traditional Process

Traditional Process	Expedited Process
<ul style="list-style-type: none">- DCA reviews for completeness- DCA issues Objections, Recommendations, and Comments (OCR) report- Stakeholder comments go through the state agency	<ul style="list-style-type: none">- No state level review for completeness- No Objections, Recommendations, and Comments report issued- Stakeholder comments go directly to the local government

Pilot Program Was Implemented in Selected Local Governments



Florida Legislature Office of Program Policy Analysis & Government Accountability

6

Pilot Program Has Reduced Review Time

- Traditional process took up to 136 days
- Expedited review has reduced maximum time needed to approve amendments by 71 days

Florida Legislature Office of Program Policy Analysis & Government Accountability

8

Pilot Program Participation Has Increased

Period	Fiscal Year		
	2007-08	2008-09	2009-10
Local governments transmitting amendments	14	37	41
Amendments transmitted for review	273	435	601
Amendments adopted	51	757	411

Florida Legislature Office of Program Policy Analysis & Government Accountability

7

Most Local Governments Report That the Program Is Beneficial

- Reduces time to adopt amendments
- Saves time and money for plan sponsors
- Increases flexibility and efficiency in scheduling staff work

Florida Legislature Office of Program Policy Analysis & Government Accountability

8

Reviewing Agencies Cite Advantages and Disadvantages

- Advantages
 - Has not increased workload
 - Facilitates collaboration with local governments
- Disadvantages
 - May not have enough time to adequately review amendments
 - DCA does not conduct completeness review
 - DCA does not compile an ORC report

Florida Legislature Office of Program Policy Analysis & Government Accountability

9

For More Information

Report:

<http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/1053rpt.pdf>

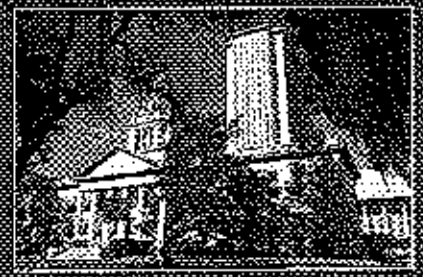
Larry Novey,

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Office of Program Policy Analysis & Government Accountability



Most Local Governments Participating in the Expedited Review Process Report Benefits

at a glance

Since our 2008 review, the Legislature has amended the expedited comprehensive plan amendment review process and has considered expanding the program to additional local governments. The number of local governments that have used the pilot program has increased, while the number of challenged plan amendments remains small.

Most local governments report that the expedited review process is working well. State and regional agencies that review comprehensive plan amendments report that the pilot project has both advantages and disadvantages; cited concerns include less thorough reviews of plan amendments and inadequate inter-agency coordination. Local governments and reviewing agencies offered many suggestions for modifying the program.

Scope

In accordance with state law, this progress report informs the Legislature of actions taken in response to a 2008 OPPAGA report.^{1,2}

¹ Section 11.51(6), *F.S.*

² *Expedited State Review Pilot Program Working Well But Faces Challenges*, OPPAGA Report No. 08-62, November 2008.

Background

The 2007 Legislature created a pilot program within the Department of Community Affairs (DCA) to expedite the process for state review of comprehensive plan amendments.³ Several local governments were selected to participate in the pilot program: Broward and Pinellas counties and their municipalities, and the cities of Hialeah, Jacksonville, Miami, and Tampa.

The pilot program differs from the traditional comprehensive plan review process in several ways. Under the pilot program, DCA and other reviewing entities simultaneously review proposed amendments and separately submit their comments to the local government, rather than DCA collecting and summarizing all agency comments in an Objections, Recommendations, and Comments report.⁴ The state portion of the expedited review process may take up to 65 days, compared to up to 136 days for the traditional process.⁵

³ Section 163.32465, *F.S.* The program began on July 1, 2007.

⁴ Reviewing agencies include the Department of Community Affairs, regional planning councils, the Department of Transportation, the Department of Environmental Protection, the Department of Education, and the Department of State.

⁵ Under expedited review, local governments do not have a statutorily mandated period for amendment adoption, while

Our 2008 report noted that participating city and county government representatives indicated that the pilot program had significantly reduced the time needed to approve their comprehensive plan amendments. However, local governments and stakeholders identified several challenges in implementing the program. Some local governments were unsure how to respond to state agency review comments or how to handle split amendment packages, which contain both traditional and expedited amendments, and they were concerned about pilot program deadlines.⁶ In addition, some citizen group representatives expressed concern that public participation requirements were unclear.

Current Status

The Legislature has modified the expedited review pilot program. The 2009 Legislature amended s. 163.32465(2), *Florida Statutes*, to allow any local government, in addition to the pilot program jurisdictions, to use the alternative process to designate an urban service area in its comprehensive plan. An urban service area is a built-out area where public facilities and services, including central water and sewer capacity and roads, are already in place or are committed in the first three years of the capital improvement schedule.⁷ To date, no local governments have used the legislation to designate an urban service area.

The 2009 Legislature also considered but did not pass a bill that would have expanded the program, using municipality or county population size and density to identify additional municipalities or counties to participate in the pilot program.⁸

⁶ Under the traditional review process, the law prescribes up to 60 days (or 120 days for a major plan update) for final local action.

⁷ A split package includes both traditional and expedited review amendments.

⁸ Section 163.3164(29), *F.S.*

⁹ House Bill 7049.

Pilot program participation has increased, while the number of challenged amendments remains small. In Fiscal Year 2007-08, relatively few (14) local governments had used the process, and they had transmitted 273 plan amendments for review by DCA and other reviewing agencies (see Exhibit 1). The local governments had adopted slightly less than one-fifth (51) of these amendments. Since the program's inception, participation in the pilot project has substantially increased, with 41 local governments transmitting 601 plan amendments in the most recent fiscal year. Overall, as of June 30, 2010, local governments have used the pilot project for 1,309 plan amendments. During this period, local governments adopted 1,219 plan amendments.

**Exhibit 1
Pilot Program Participation Has Increased**

Period	Fiscal Year		
	2007-08	2008-09	2009-10
Local governments transmitting amendments	14	37	41
Amendments transmitted for review	273	435	601
Amendments adopted	51	757 ¹	411

¹ Because capital improvement elements are transmitted as adopted rather than proposed, it is possible for the number of adopted amendments to be greater than the number transmitted.

Source: Department of Community Affairs.

Of the adopted amendments, only five have been challenged through the Division of Administrative Hearings.⁹ Concerns with these amendments included inconsistency with state law regarding increasing residential densities in the coastal high hazard area and inconsistency with requirements to ensure that

⁹ Affected persons challenged two amendments, with the Division of Administrative Hearings finding one amendment in compliance with state growth management laws and one out of compliance. The Department of Community Affairs has challenged three amendments, one of which has been settled; the remaining cases are still pending. For the same period, the percentage of challenges for the expedited process (4.3% of adopted amendments) was slightly lower than challenges for the traditional process (6.8% of adopted amendments).

development around military installations is compatible with installation operations.

Most local governments report that the expedited review process is beneficial. Local governments that have used the pilot project report that the expedited review process is beneficial. Of the 27 local governments that responded to our survey, more than half (16) indicated that the pilot program is working well. Most (14) reported reduced time to adopt amendments, with some of these local governments reporting the time saved was from one to three months. Additional reported benefits include saving time and money for amendment sponsors and having more flexibility and efficiency in scheduling staff work.

However, some local governments reported that the process also had disadvantages. For example, eliminating DCA's Objections, Recommendations, and Comments report requires local governments to collect and assess comments from each reviewing agency. In addition, some municipalities within Broward and Pinellas counties report that the expedited process had not reduced time for their amendment adoption because these counties, which are charter counties, require additional review of local government amendments. Several local governments also expressed uncertainty regarding whether state review comments could become the basis for legal challenges and confusion about how the process worked, and indicated that statutory timeframes allowed insufficient time due to separate government adoption timeframes.

Reviewing agencies cite both advantages and disadvantages of the expedited review process. State and regional agencies that review comprehensive plan amendments indicated that the expedited process has both advantages and disadvantages. They reported that they have adapted to the expedited process and noted that it has not substantially increased their workload. They indicated that the process enables them to collaborate more closely with local governments and

respond more quickly to their questions. Reviewing agencies also indicated that the expedited process allows developers to begin construction projects more quickly than under the traditional comprehensive plan amendment process.

The reviewing agencies also voiced several concerns about the expedited review process. These concerns included

- belief that the expedited process does not enable them to work with DCA to address issues with comprehensive plan amendments as is done during the traditional review process;
- uncertainty about how to handle split amendment packages, which contain both traditional and expedited amendments;
- concern about inadequate time to sufficiently review amendments to protect state interests; and
- belief that the process, because it tends to involve small incremental changes, can have a negative impact on development patterns and long-term planning.

Department of Community Affairs officials expressed concern that the expedited review process is less thorough than the traditional process and that it is more difficult to coordinate with reviewing agencies and local governments. To address these concerns, the department has identified several technical revisions.

- Establish a completeness review prior to a substantive review of a proposed amendment, which would help ensure that all parties have a clear understanding of the proposed amendment.
- All agencies providing comments to the local government should provide a copy to the department.
- Provide authority to local governments to elect to use the traditional review process for all amendment types, which would avoid procedural difficulties when an

amendment package is split between expedited and traditional amendments.

- Clarify the effective date of expedited amendments.
- Provide authority to the department to adopt procedural rules.

The department also suggests additional types of amendments be considered for inclusion under the expedited review process.

- Future land use map amendments and associated special area policies within areas designated for downtown revitalization, urban redevelopment, urban infill development, or urban infill and redevelopment.
- Future land use map amendments for proposed developments within areas the

Governor has designated rural areas of critical economic concern.¹⁶

Local governments and reviewing agencies recommend several program modifications. The local governments and reviewing entities who responded to our survey offered several recommendations for improving the expedited review process. These recommendations can be grouped into three categories: amendment review and adoption; expedited process timeframes; and program expansion. Appendix A includes stakeholder recommendations within these categories.

¹⁶Such amendments should include written certification by the Office of Tourism, Trade, and Economic Development that the amendment furthers the economic objectives set forth in the executive order issued under s. 288.0656(7), *F.S.*, and is for a qualified job creation project under ss. 288.0656 or 405.973, *F.S.*

Appendix A

Local Governments and Reviewing Agencies Have Diverse Suggestions for Modifying the Expedited Review Process

To obtain stakeholder perspectives about the expedited review process and recommendations for improving the program, we surveyed the 41 local governments that have used the process and the 11 state and regional agencies that review plan amendments. We received responses from 27 local governments and 9 reviewing agencies. The following table lists respondent recommendations for modifying the program. We grouped these recommendations into three categories: amendment review and adoption; expedited process timeframes; and program expansion. Within each of these categories, local government and reviewing agency recommendations were diverse and sometimes contradictory; for example, some respondents advocated program expansion to all local governments, while others suggested eliminating the program.

Recommendation Category	Local Government	Reviewing Agency
Amendment Review and Adoption	<ul style="list-style-type: none"> ▪ Objections, Recommendations, and Comments (ORC) Report <ul style="list-style-type: none"> – Reinststate the ORC. – Allow local governments to ask DCA for an ORC report to determine what issues may result in a challenge. – Either issue an ORC or make no comments at all. – Institute a final ORC-type conference call with reviewing agencies. 	<ul style="list-style-type: none"> ▪ Objections, Recommendations, and Comments (ORC) Report <ul style="list-style-type: none"> – Reinststate the ORC.
	<ul style="list-style-type: none"> ▪ Split Amendment Package Process <ul style="list-style-type: none"> – Eliminate the possibility of split packages. – Require DCA to provide guidance on handling split packages. 	<ul style="list-style-type: none"> ▪ Split Amendment Package Process <ul style="list-style-type: none"> – Require clear labeling of split packages.
	<ul style="list-style-type: none"> ▪ Agency Comment Process <ul style="list-style-type: none"> – Require DCA to provide local governments guidance on addressing agency comments. – Require agency comments to be submitted to local governments and DCA. – Require reviewing agencies to clearly identify issues that, if not resolved, may result in a challenge. – Require reviewing agencies to compile a list of conditions that would be considered serious issues of regional or statewide importance. 	<ul style="list-style-type: none"> ▪ Agency Comment Process <ul style="list-style-type: none"> – Clarify what degree of emphasis local governments should place on reviewing agency comments. – Revise plan amendment submission requirements to clarify the need, when applicable, to send to the Department of Education for agency review. – Require all agencies, including DCA, to have the same review and comment period, promoting better coordination. – Change the statutory reviewing agency deadline from the date that local governments receive comments to the date that agencies submit the comments.
Expedited Process Timeframes	<ul style="list-style-type: none"> – Increase amendment transmittal and adoption timelines to accommodate local government legislative and scheduling processes. – Synchronize local government and DCA timeframes so that challenges precede amendment effective dates.¹ 	<ul style="list-style-type: none"> – Extend the review period from 30 to 45 days.

Recommendation Category	Local Government	Reviewing Agency
Program Expansion	<ul style="list-style-type: none"> ▪ Program Expansion <ul style="list-style-type: none"> - Expand the pilot program to all local governments. - Allow any local government that is a Dense Urban Land Area to use the expedited process. - Use the expedited process for all amendments. ▪ Program Limitation <ul style="list-style-type: none"> - Limit the expedited review to built-out areas. - Require that the expedited review process apply to all plan amendments except as related to the evaluation and appraisal report. - Restrict the program to current participants. 	<ul style="list-style-type: none"> ▪ Program Expansion <ul style="list-style-type: none"> - Expand program if DCA can handle workload. - Expand to all local governments or eliminate. ▪ Program Limitation <ul style="list-style-type: none"> - Allow local governments with rapid growth and adequate staff resources to use the process. - Restrict additional program participation to local governments that have demonstrated that they have not exceeded the need for land use. Restrict the program to urban areas without regional or statewide impacts. - Do not allow rural areas to participate in the program.
	<ul style="list-style-type: none"> ▪ Program Elimination <ul style="list-style-type: none"> - Eliminate the program. 	

¹ Under the pilot program, once a local government adopts an amendment, it becomes effective after 30 days, while DCA has 35 days to challenge the amendment. Consequently, it is possible for DCA to challenge an amendment that has already been put into effect by a local government.

Source: OPPAGA analysis.

The Florida Legislature
Office of Program Policy Analysis
and Government Accountability



OPPAGA provides performance and accountability information about Florida government in several ways.

- Reports deliver program evaluation and policy analysis to assist the Legislature in overseeing government operations, developing policy choices, and making Florida government better, faster, and cheaper.
- PolicyCasts, short narrated slide presentations, provide bottom-line briefings of findings and recommendations for select reports.
- Government Program Summaries (GPS), an online encyclopedia, www.oppaga.state.fl.us/government, provides descriptive, evaluative, and performance information on more than 200 Florida state government programs.
- The [Florida Monitor Weekly](#), an electronic newsletter, delivers brief announcements of research reports, conferences, and other resources of interest for Florida's policy research and program evaluation community.
- Visit OPPAGA's website at www.oppaga.state.fl.us

OPPAGA supports the Florida Legislature by providing evaluative research and objective analyses to promote government accountability and the efficient and effective use of public resources. This project was conducted in accordance with applicable evaluation standards. Copies of this report in print or alternate accessible format may be obtained by telephone (850/488-0021), by FAX (850/487-3804), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475). Cover photo by Mark Foley.

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Kara Collins-Gomez, Staff Director
Gary R. VanLandingham, Ph.D., OPPAGA Director

**Auditor General Report No. 2011-167, State of Florida – Compliance
and Internal Controls Over Financial Reporting and Federal Awards**

Because of the large size of this audit report, only the Executive Summary is included in the Committee's meeting packet.

The full report is available on the Auditor General's website



Summary of the Single Audit for the Fiscal Year Ended June 30, 2010

Florida Auditor General

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Overview of the Most Recent Single Audit of the State of Florida

- State's Financial Statements
 - Prepared by DFS
 - Auditor General provides Independent Auditors' Report
- Report No. 2011-176:
 - Required reports:
 - Report on Compliance and Internal Controls Relative to Financials
 - Reports for Federal Programs:
 - Opinion on compliance for each major financial assistance program
 - Report on internal controls in place to reasonably ensure compliance

Florida Auditor General

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Financial Statements

- http://www.myfloridacfo.com/aadir/statewide_financial_reporting/index.htm
- Material internal control weaknesses disclosed in Report No. 2011-176
 - Agency for Health Care Administration's reporting of Medicaid-related receivables and accounts payable (Finding Nos. FS 10-001, FS 10-002, and FS 10-004)

Financial Statements

- Material Weaknesses
 - Department of Financial Services' recording of advances related to the Unclaimed Property Trust Fund and activity in the external investment pool (Finding Nos. FS 10-003 and FS 10-006)
 - Agency for Workforce Innovation's methodology for estimating unemployment compensation amounts payable (Finding No. FS 10-005)

Federal Financial Assistance Programs

- Examination of compliance and internal controls for each major program
- Major program determined based on magnitude of expenditure and risk
- Major program threshold for 2009-10:
 - \$60,662,918
 - 39 major programs
 - Expenditures represented 98 percent of total reported expenditures of \$40.4 billion

Florida Auditor General

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Federal Financial Assistance Programs Examples of Major Programs for the 2009-10 Fiscal Year

■ Medicaid Cluster	\$12,252,702,942
■ Unemployment Insurance	\$7,800,486,729
■ Student Financial Assistance	\$3,760,429,432
■ SNAP Cluster	\$4,241,379,471
■ Highway Planning and Construction Cluster	\$1,745,243,876
■ State Fiscal Stabilization Fund	\$1,371,756,821
■ Title I Cluster	\$818,817,398
■ Research and Development Cluster	\$678,081,149
■ Temporary Assistance to Needy Families	\$480,371,074
■ CCDF Cluster	\$429,563,197
■ State Children's Insurance Program	\$331,096,184
■ Disaster Grants - Public Assistance	\$303,331,622
■ Weatherization Assistance Program	\$27,152,703

Florida Auditor General

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Federal Financial Assistance Programs Compliance Issues

- "Clean" opinions on all, but 10 major programs audited
- Qualified opinions for:
 - Capitalization Grants for Drinking Water State Revolving Funds
 - TANF (Temporary Assistance for Needy Families) Cluster
 - Child Support Enforcement

Florida Auditor General

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Federal Financial Assistance Programs Compliance Issues

- Qualified Opinions
 - Special Education Cluster
 - State Fiscal Stabilization Fund
 - Block Grants for Community Mental Health Services
 - Block Grant for Prevention and Treatment of Substance Abuse

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Federal Financial Assistance Programs Compliance Issues

- Qualified Opinions
 - Vocational Rehabilitation Cluster
 - Medicaid Cluster
 - Disaster Grants

Florida Auditor General

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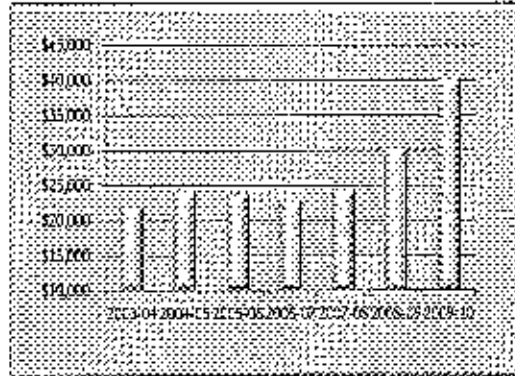
Federal Financial Assistance Programs Internal Control Over Compliance

- Reported 9 internal control deficiencies which were considered material weaknesses and impacted one or more compliance requirements of the following Programs:
 - Vocational Rehabilitation Cluster
 - Public Health Emergency Preparedness
 - Child Support Enforcement
 - Medicaid Cluster
 - Block Grants for Community Mental Health Services
 - Block Grants for Prevention and Treatment of Substance Abuse
 - Disaster Grants – Public Assistance
- Additionally, we reported 67 significant deficiencies in internal control

Florida Auditor General

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State Expenditures of Federal Awards
Comparison by Year
(in Millions)



Florida Auditor General

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ARRA Audit Issues

- While adding additional compliance testing to the Single Audit, no direct funding was provided for State or local audits
- The Auditor General participated in the 2009 and 2010 OMB Pilot Projects for ARRA
 - Provided early reporting of material weaknesses and significant deficiencies for ARRA-funded programs
- 23 of the 39 major programs included ARRA-funded expenditures

Florida Auditor General

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STATE OF FLORIDA
COMPLIANCE AND INTERNAL CONTROLS OVER
FINANCIAL REPORTING AND FEDERAL AWARDS

In Accordance With OMB Circular A-133

For the Fiscal Year Ended
June 30, 2010



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

EXECUTIVE SUMMARY

SUMMARY OF INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

The State of Florida's basic financial statements, as of and for the fiscal year ended June 30, 2010, were fairly presented in all material respects, in accordance with accounting principles generally accepted in the United States. Our report is included in the Florida Comprehensive Annual Financial Report for fiscal year ended June 30, 2010, issued by the Chief Financial Officer.

**SUMMARY OF INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS****Internal Control Over Financial Reporting**

We noted the following matters involving the internal control over financial reporting and its operation to be significant deficiencies:

- The Agency for Health Care Administration did not record a receivable and deferred revenue to represent its claim on Federal financial resources related to incurred but not reported (IBNR) Medicaid claims liabilities. (Finding No. FS 10-001)
- For receivable and related financial statement accounts, we found that the Agency for Health Care Administration did not properly accrue revenues in accordance with generally accepted accounting principles. (Finding No. FS 10-002)
- The Department of Financial Services made an error in estimating the portion of escheat collections received that is expected to be reclaimed and paid. This error lead to overstated assets and deductions in the Unclaimed Property Trust Fund and understated liabilities and revenues in the Public Education fund. (Finding No. FS 10-003)
- For accounts payable and related accounts, the Agency for Health Care Administration did not follow established fiscal year-end procedures to accrue expenditure amounts in accordance with generally accepted accounting principles. (Finding No. FS 10-004)
- For accounts payable and accrued liability accounts, the Agency for Workforce Innovation did not correctly record amounts due related to benefit payments. Additionally, the Agency for Workforce Innovation did not properly record a receivable to represent its claim on Federal financial resources for the payment of the Federally-funded portion of unemployment benefit payments. (Finding No. FS 10-005)
- The Department of Financial Services, Statewide Financial Reporting Section did not record all financial statement transactions for the State Treasury External Investment Trust Fund. (Finding No. FS 10-006)

We consider the significant deficiencies described above relating to finding Nos. FS 10-001 through FS 10-006 to be material weaknesses.

We noted additional matters that were reported to management but that we did not consider to be significant deficiencies or material weaknesses.

- For accounts payable and accrued liabilities, the Department of Environmental Protection did not accrue expenditures in accordance with generally accepted accounting principles. (Finding No. FS 10-007)
- The Departments of Management Services and Corrections did not properly record the assets and liabilities resulting from the issuance of certificates of participation. Although responsible for the resulting debt, the Department of Management Services did not record any entries in its records related to the issuance of the certificates of participation. (Finding No. FS 10-008)

- The Department of Financial Services did not have sufficient procedures or did not completely follow established procedures to ensure that adjustments made to the financial statements had the intended results and that a reserve account was properly established. (Finding No. FS 10-009)
- The Department of Financial Services did not adequately review the data presented on the Schedule of Expenditures of Federal Awards (SEFA) and Notes to the SEFA to ensure accuracy and completeness. (Finding No. FS 10-010)
- The Department of Children and Family Services did not follow written procedures related to the steps required to complete the Schedule of Expenditures of Federal Awards. (Finding No. FS 10-011)

Compliance

The results of our audit of the State's basic financial statements disclosed no instances of noncompliance that are required to be reported by *Government Auditing Standards*.

SUMMARY OF INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

State agencies, universities, colleges, and community colleges administered approximately 650 Federal awards programs or program clusters during the 2009-10 fiscal year. Expenditures for the 38 major programs totaled \$39.4 billion, or approximately 98 percent of the total expenditures of \$40.4 billion, as reported on the supplementary Schedule of Expenditures of Federal Awards.

Compliance requirements for major programs are identified pursuant to the OMB *Circular A-133 Compliance Supplement*. Types of compliance requirements include: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Eligibility; Equipment and Real Property Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Awards; Procurement and Suspension and Debarment; Program Income; Real Property Acquisition/Relocation Assistance; Reporting; Subrecipient Monitoring; and Special Tests and Provisions.

Compliance

The State of Florida complied, in all material respects, with the compliance requirements applicable to each of its major Federal awards programs, except as described in the following instances, which resulted in opinion qualifications:

- The Department of Environmental Protection did not provide for and submit an annual audit required by grant agreements for the Capitalization Grants for Drinking Water State Revolving Funds. (Finding No. FA 10-015)
- The Department of Education did not meet maintenance of effort requirements for the Special Education Cluster or the State Fiscal Stabilization Fund - Education State Grants, Recovery Act. (Finding Nos. FA 10-026 and FA 10-034)
- The Department of Education was continuing to negotiate an agreement on its time distribution system and, as a result, the Department did not maintain appropriate records to support salaries and benefits charged to the Vocational Rehabilitation Cluster. (Finding No. FA 10-029)
- The Department of Children and Family Services did not timely impose child support sanctions on clients who were receiving benefits under the TANF (Temporary Assistance for Needy Families) Cluster. (Finding No. FA 10-042)
- The Department of Revenue did not timely establish support obligations or commence proceedings to establish support obligations and, if necessary, paternity. Additionally, for interstate cases, the Department of Revenue did not provide required child support services within specified time frames. (Finding Nos. FA 10-044 and FA 10-045)

- The Department of Children and Family Services did not document, in a significant number of instances, the eligibility of clients to receive benefits under the Medicaid Cluster. Additionally, data exchange processes were not timely performed. (Finding No. FA 10-064)
- Agency for Health Care Administration procedures did not reasonably ensure that current provider agreements were in effect for Medicaid providers receiving payments. (Finding No. FA 10-067)
- The Department of Children and Family Services did not meet maintenance of effort requirements for the Block Grants for Community Mental Health Services and the Block Grants for the Prevention and Treatment of Substance Abuse Programs. (Finding Nos. FA 10-071 and FA 10-072)
- The Division of Emergency Management's final inspections and project closeout procedures did not provide an adequate and timely accounting of eligible costs for completed large projects. Additionally, Division of Emergency Management records were inaccurate and incomplete. (Finding No. FA 10-079)

The results of our audit also disclosed other instances of noncompliance pertaining to programs administered by various State agencies, universities, colleges, and community colleges as described in the SCHEDULE OF FINDINGS AND QUESTIONED COSTS. Some of the instances of noncompliance resulted in questioned costs subject to disallowance by the grantor agency.

Internal Control Over Compliance

We noted numerous matters at various State agencies, universities, colleges, and community colleges involving internal control over compliance and its operation that we considered to be significant deficiencies. Significant deficiencies are described in the SCHEDULE OF FINDINGS AND QUESTIONED COSTS and pertained to several compliance requirements. The following significant deficiencies were considered material weaknesses:

- The Department of Health did not always maintain records to support salaries and benefits charged to the Public Health Emergency Preparedness Program. Additionally, various methodologies used by county health departments to allocate salaries resulted in overcharges to the Program. (Finding No. FA 10-039)
- The instances described in the previous paragraphs on compliance for Vocational Rehabilitation Cluster (Finding No. FA 10-029); Child Support Enforcement (Finding Nos. FA 10-044 and FA 10-045); Medicaid Cluster (Finding Nos. 10-064 and FA 10-067); Block Grants for Community Mental Health Services (Finding No. FA 10-071); Block Grants for the Prevention and Treatment of Substance Abuse (Finding No. FA 10-072); and Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Finding No. FA 10-079) also involved material weaknesses in internal control.

SUMMARY OF INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

The State's supplementary Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the State's basic financial statements. The State's SEFA does not include the State's blended component units, Workforce Florida, Inc., and Scripps Florida Funding Corporation; discretely presented component units of the State's universities, colleges, and community colleges; or discretely presented component units other than the State's universities, colleges, and community colleges. Information on the SEFA is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRA)

During the 2009-10 fiscal year, the State of Florida received and expended over \$8.2 billion in Federal funding provided pursuant to the ARRA. The United States Congress mandated additional reporting and transparency requirements to be met by recipients of ARRA funds, and the Federal Single Audit has been identified as one of the tools that will be used to measure the degree of stewardship and accountability provided by the states for moneys provided under ARRA. Expenditures of ARRA funds are separately identified on the supplementary Schedule of Expenditures of Federal Awards. Programs that included

ARRA funds, and for which findings are disclosed in the SCHEDULE OF FINDINGS AND QUESTIONED COSTS, are distinctively identified in the INDEX OF FINDINGS BY FEDERAL AGENCY AND COMPLIANCE REQUIREMENT.

SCOPE

As a condition of receiving Federal funds, the U.S. Office of Management and Budget (OMB) requires, as described in OMB Circular A-133, an audit of the State's financial statements and major Federal awards programs. Pursuant to Section 11.45, Florida Statutes, we conducted an audit of the basic financial statements of the State of Florida as of and for the fiscal year ended June 30, 2010. We also subjected supplementary information contained in the State's Comprehensive Annual Financial Report and the State's Schedule of Expenditures of Federal Awards to auditing procedures applied in our audit of the basic financial statements. Additionally, we audited the State's compliance with governing requirements for the Federal awards programs or program clusters that we identified as major programs for the fiscal year ended June 30, 2010.

OBJECTIVES

The objectives of our audit were:

- The expression of opinions concerning whether the State's basic financial statements were presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States.
- The expression of an opinion concerning whether the State's Schedule of Expenditures of Federal Awards is presented fairly, in all material respects, in relation to the State's basic financial statements taken as a whole.
- To obtain an understanding of the internal control over compliance for each major Federal program, assess the control risk, and perform tests of controls, unless the controls were deemed to be ineffective.
- The expression of opinions concerning whether the State complied, in all material respects, with laws, regulations, and the provisions of contracts or grant agreements that may have a direct and material effect applicable to each of the major Federal programs.

METHODOLOGY

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Circular A-133.