

**DEPARTMENT OF MILITARY AFFAIRS**

**ADMINISTRATION OF SELECTED  
PROGRAMS AND ACTIVITIES AND  
FOLLOW-UP ON PRIOR AUDIT FINDINGS**

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**Operational Audit**

For the Period July 2007 Through February 2009,  
and Selected Actions Through November 2009



## ADJUTANT GENERAL OF THE DEPARTMENT OF MILITARY AFFAIRS

Section 250.05, Florida Statutes, creates the Department of Military Affairs. The head of the Department is the Adjutant General, who is appointed by the Governor, subject to confirmation by the Senate. Major General Douglas Burnett served as Adjutant General during the audit period.

The audit team leader was Dennis W. Gay, CPA, and the audit was supervised by John P Duffy, CPA. Please address inquiries regarding this report to Sherrill F. Norman, CPA, Audit Manager, by e-mail at [sherrillnorman@aud.state.fl.us](mailto:sherrillnorman@aud.state.fl.us) or by telephone at (850) 487-9316.

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**DEPARTMENT OF MILITARY AFFAIRS**

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**SUMMARY**

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This operational audit of the Department of Military Affairs (Department) focused on the Department's administration of construction projects, the Educational Dollars for Duty Program, information technology resource access, and other selected operational activities. The scope of our audit, covering the period July 2007 through February 2009, and selected actions through November 2009, also included a follow-up on prior audit findings. Our audit disclosed the following:

**CONSTRUCTION PROJECT ADMINISTRATION**

**Finding No. 1:** Contrary to the requirements of Section 255.05(1)(a), Florida Statutes, the payment and performance bonds for several projects were less than the contract amounts, after change orders, and the bonds were not always recorded in the public records of the applicable county.

**Finding No. 2:** The Department's oversight of construction contracts did not ensure that proper insurance coverages were obtained and maintained by contractors and architects.

**ADMINISTRATION OF DEPARTMENT PROGRAMS**

**Finding No. 3:** Department administration of the Educational Dollars for Duty Program did not always identify those participants who failed to complete courses or achieve satisfactory academic progress. As a result, participants were not invoiced timely to recoup the tuition costs paid from the Program for courses dropped, failed, or repeated.

**OTHER MATTERS**

**Finding No. 4:** The Department had not developed policies and procedures for the management of Florida Accounting Information Resource Subsystem access privileges.

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**BACKGROUND**

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The Department of Military Affairs (Department) provides management oversight and administrative support to the Florida National Guard.<sup>1</sup> The Florida National Guard, as a part of the organized militia of the State, is a reserve component force of the United States Department of Defense, National Guard Bureau, and operates within the policy guidance and fiscal framework of both Federal and State authorities. While the Adjutant General serves as Department head, the Governor is the Commander in Chief of the Florida National Guard.

The Department's stated mission is to provide Florida National Guard units and personnel to support national security objectives; to protect the public safety of citizens; and to contribute to national, State, and community programs that add value to the United States of America and to the State of Florida.

The Department was authorized 324 and 334 State employee positions for the 2007-08 and 2008-09 fiscal years, respectively, and more than half of these positions were partially or fully funded by the Federal Government.<sup>2</sup> In total, according to Department records, approximately 1,900 State employees, Federal civilian employees, Federally employed military technicians, and Active Guard Reserve personnel were assigned at Army and Air National Guard units throughout the State in support of more than 12,000 Florida National Guard soldiers and airmen. According to the *Adjutant General's Report Fiscal Year 2008*, State and Federal funding of the Department and Florida National Guard

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<sup>1</sup> Section 250.05, Florida Statutes.

<sup>2</sup> Chapters 2007-072 and 2008-152, Laws of Florida.

totalled approximately \$494.6 million for 2008.<sup>3</sup> Since September 2001, more than 11,400 members of the Florida National Guard have been Federally mobilized.

**FINDINGS AND RECOMMENDATIONS**

**Construction Project Administration**

During the audit period, the Department operated 56 readiness centers, or armories, Statewide. Approximately half of the 56 readiness centers were built more than 40 years ago, 5 of which were built more than 50 years ago, and as of July 2009, 25 readiness centers had been, or were in the process of being, modernized and renovated. The Department received State appropriations of more than \$51 million for the 2001-02 through the 2008-09 fiscal years for readiness center renovation projects. The Department has also received various Federal appropriations for minor maintenance and renovation projects and for specified major construction projects. The Department reported fixed capital outlay expenditures, paid from State and Federal funding sources, totaling \$31.5 million for the 2007-08 fiscal year and \$29.2 million for the 2008-09 fiscal year.

**Finding No. 1: Payment and Performance Bonds**

When a governmental entity engages a contractor to construct, remodel, or renovate a facility where the project costs exceed \$200,000, State law requires the contractor to execute, deliver to the governmental entity, and record in the public records of the county where the improvement is located, a payment and performance bond.<sup>4</sup> Generally, the amount of the bond is to be equal to the contract price.<sup>5</sup>

According to Department records, during the audit period, Department contracts with original amounts totaling approximately \$50 million were in effect relating to 24 Department construction projects with costs in excess of \$200,000. We reviewed Department records related to 7 of these construction projects, with contract amounts ranging from \$202,311 to \$2,682,755 and totaling approximately \$9.5 million, to determine whether Department policies and procedures were adequate to ensure that the required payment and performance bonds were timely and properly executed, delivered to the Department, and recorded in the public records of the applicable county. We noted that:

- The Department had not developed written procedures addressing the execution, delivery, and filing of payment and performance bonds for construction project contracts exceeding \$200,000.
- For 2 projects, there was no evidence in Department records showing that the contractor had obtained the required bond. For another 4 projects, the amounts of the bonds were less than the amounts of the contracts adjusted for change orders. Table 1 shows the amounts of the contracts and, if applicable, the amounts of the bonds for these 6 projects.

<sup>3</sup> Amount includes funding from State sources during the July 1, 2007, through June 30, 2008, State fiscal year and funding from Federal sources for the October 1, 2007, through September 30, 2008, Federal fiscal year.

<sup>4</sup> Section 255.05(1)(a), Florida Statutes.

<sup>5</sup> Section 255.05(1)(c), Florida Statutes.

**Table 1  
Selected Contract Amounts Compared to Bond Amounts**

Project	Amount of Contract as Adjusted for Change Orders <sup>a</sup> (in dollars)	Amount of Payment and Performance Bond (in dollars)	Difference Between Contract Amount and Bond Amount (in dollars)
Starke Armory Renovations	1,959,866	1,270,000	689,866
Assault Tower and Obstacle Course	559,220	-	559,220
Haines City Armory Renovations	1,217,534	988,000	229,534
Tallahassee Armory Renovations	2,682,755	2,174,650	508,105
Ft. Lauderdale Armory Renovations	2,399,897	1,889,809	510,088
Cecil Field Fall Protection System	202,311	-	202,311

<sup>a</sup> Amounts include project change orders dated through June 2009.

- Evidence that the contractor had recorded a payment and performance bond in the public records of the county where the project was located was not available for any of the 7 projects. For one of the projects (Camp Blanding Joint Training Center Renovations), the contractor had recorded the bond in the public records of a neighboring county, rather than in the public records of the county where the project was located.

Absent the execution, delivery, and recording of a payment and performance bond in the appropriate amount, the Department may not be adequately protected in the event of contractor nonperformance or the contractor’s failure to pay subcontractors and materials suppliers. Subsequent to our audit inquiry, Department personnel advised us that, as of October 2009, a working draft Insurance and Bonds Standing Operating Procedure had been prepared that included project insurance and bonds review checklists.

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**Recommendation:** The Department should continue its efforts to enhance and implement procedures for administering construction projects to ensure that, when construction project costs exceed \$200,000, contractor payment and performance bonds are timely executed in the appropriate amounts and properly recorded in the public records of the applicable county.

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**Finding No. 2: Contractor Insurance Requirements**

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The Department’s construction contracts required that, prior to commencing work on Department projects, contractors and architects provide certificates of insurance that name the Department as an additional insured. The types of insurance coverage required included comprehensive general liability, comprehensive automobile liability, worker’s compensation, and builder’s risk. For architectural services contracts, the Department also required certificates of professional liability insurance be provided.

We reviewed eight construction contract files and one architectural services contract file to determine whether Department contract management procedures were adequate to ensure that, for each relevant project, appropriate documentation of the required insurance coverage was provided. Our review disclosed that Department procedures were not sufficient and that the contract files did not always contain evidence of the maintenance of appropriate certificates of insurance. Specifically:

- The Department had not developed written procedures requiring verification that contractors provided appropriate documentation of required insurance coverages.

- The certificate of insurance for the selected architectural services contract (Camp Blanding Warehouse Humidity Control) did not include evidence of professional liability insurance, and the insurance coverage periods shown on the certificate expired before the project was completed.
- The certificate of insurance in the file for a construction project (Ft. Lauderdale Armory Renovations) showed that the insurance coverage periods had ended 11 days before the date the certificate was issued.
- For two construction projects (Camp Blanding Laundry Facility Upgrade and Tallahassee Armory Renovations), a certificate of insurance showing the required builder’s risk coverage was not included in the project file and was not made available for our review subsequent to audit inquiry.
- The certificate of insurance included in the file for one construction project (Camp Blanding Laundry Facility Upgrade) did not name the Department as an additional insured.

Absent receipt and maintenance of documentation evidencing that construction contractors and architects maintained insurance in the appropriate types and amounts, the Department cannot demonstrate that the Department’s exposure to various risks of loss has been appropriately mitigated. As previously mentioned, subsequent to our audit inquiry, Department personnel advised us that, as of October 2009, a working draft Insurance and Bonds Standing Operating Procedure had been prepared that included project insurance and bonds review checklists.

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**Recommendation:** To limit exposure to the various risks of loss, the Department should continue its efforts to enhance and implement procedures to ensure that construction contractors and architects provide certificates of insurance demonstrating that appropriate types and amounts of insurance are obtained and maintained.

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<b>Administration of Department Programs</b>
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**Finding No. 3: Educational Dollars for Duty Program Administration**

Established pursuant to State law, the Department’s primary education assistance program for eligible Florida National Guard members, the Educational Dollars for Duty (EDD) Program, received legislative appropriations of \$1,781,900 for the 2007-08 fiscal year and \$1,781,900 for the 2008-09 fiscal year.<sup>6</sup> For the 2007-08 and 2008-09 fiscal years, the Department recorded EDD Program expenditures totaling \$1,633,136 and \$1,400,824, respectively, for the payment of tuition and fees.

To be eligible for continuing enrollment in the EDD Program, Program guidelines require, in part, that participants furnish the Program Administrator with a copy of their grades or transcripts from the preceding term.<sup>7</sup> Program participants must maintain a minimum grade point average of 2.0 and cannot continue in the Program for more than one term without submitting grades. The EDD Program will only pay for courses completed by the participant and the tuition for any courses dropped, failed, or repeated are to be subject to recoupment from the participant.

To determine whether Department personnel appropriately verified the continuing eligibility of EDD Program participants and sought to timely recover the costs of tuition paid for courses not successfully completed, we reviewed the files for 22 participants who were enrolled for a total of 123 student semesters during the Fall 2007 through Spring 2009 terms. We noted:

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<sup>6</sup> Section 250.10(7), Florida Statutes, and Chapters 2007-72, 2007-326, 2008-1, 2008-152, and 2009-1, Laws of Florida.  
<sup>7</sup> Florida National Guard Pamphlet 621-5-2 and Department Rules 70-2001 and 70-2.002, Florida Administrative Code.

- For 15 participants, Department personnel did not, of record, obtain or review for a total of 34 student semesters the final grade reports or transcripts necessary to monitor participants’ successful completion of enrolled courses and satisfactory academic progress. Subsequent to our audit inquiries, the Department obtained 33 of the 34 transcripts.
- For 5 participants, the final grade reports or transcripts obtained subsequent to our audit inquiry indicated that the participants had either failed or dropped one or more courses. Because the Department had not timely obtained the final grade reports or transcripts, the Department had not invoiced the participants to recoup the course tuition paid from the EDD Program. For another participant, although the Department had received a transcript showing that the participant had dropped a Summer 2008 course for which tuition had been paid by the EDD Program, the Department had not timely initiated collection efforts. Subsequent to our audit inquiries, the Department invoiced these 6 participants in October and November 2009.

Absent timely receipt, review, and maintenance of final grade reports and transcripts, the Department cannot demonstrate that EDD Program funds have only been used to pay for courses successfully completed by participants. In addition, absent review of grade reports and transcripts, the Department lacks assurance that participants are achieving satisfactory academic progress in accordance with EDD Program requirements. We noted similar findings in prior audit reports, most recently in report No. 2008-022.

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**Recommendation:** The Department should improve its EDD Program procedures for obtaining and reviewing transcripts and final grade reports. In addition, the Department should take appropriate actions to ensure that EDD Program participants are timely invoiced to recoup the tuition costs paid from the Program for courses dropped, failed, or repeated.

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<b>Other Matters</b>
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**Finding No. 4: Management of Access Privileges**

The Department relies on the Florida Accounting Information Resource Subsystem (FLAIR) to record and report its financial transactions. Effective controls should limit access to FLAIR to prevent any improper or unauthorized use, as well as, promote an adequate separation of incompatible access privileges. The periodic review of employee access privileges helps management ensure that the privileges granted are necessary to the performance of, and are compatible with, employee job duties. Procedures requiring that the access privileges for employees be promptly removed upon employee separation also help prevent unauthorized access.

Our audit tests disclosed that the Department had not developed written procedures for the management of FLAIR access privileges and, during the audit period, had not routinely performed periodic reviews of FLAIR access privileges. Additionally, the Department did not remove the FLAIR access privileges for one employee until 36 days after her separation date.

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**Recommendation:** The Department should develop written policies and procedures for the management of FLAIR access privileges. Such procedures should require periodic reviews of the appropriateness of employee FLAIR access privileges and prescribe a process for ensuring that the access privileges of all former employees are timely removed.

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**PRIOR AUDIT FOLLOW-UP**

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Except as discussed in the preceding paragraphs, the Department had taken corrective actions for the findings included in our report No. 2008-022.

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**OBJECTIVES, SCOPE, AND METHODOLOGY**

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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 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 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 the Department's administration of construction projects, the Educational Dollars for Duty (EDD) Program, information technology resource access, and other selected operational activities and included a follow-up on prior audit findings in audit report No. 2008-022. 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 economic, efficient, and effective operation of State government; 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 economic, efficient, and effective operation of State government; the relevance and reliability of records and reports; and the safeguarding of assets.
- To determine whether management had corrected, or was in the process of correcting, all applicable deficiencies disclosed in audit report No. 2008-022.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

Our audit included examinations of various records and transactions (as well as events and conditions) occurring during the period July 2007 through February 2009, and selected actions through November 2009. In conducting our audit we:

- Interviewed selected Department staff.
- Obtained an understanding of internal controls and observed, documented, and tested the effectiveness of key processes and procedures.
- Reviewed Department organization charts to evaluate whether the Department's organizational structure was in accordance with Section 250.10, Florida Statutes.
- Evaluated the Department's construction contract management and oversight processes.
- Determined the extent of the Department's compliance with the requirements of Section 119.071(5), Florida Statutes, relating to the collection and safeguarding of social security numbers by interviewing Department staff, examining records related to the seven areas for which the Department required submission of an individual's social security number, and reviewing Department policies and procedures.
- Examined invoices and related documentation for 26 cellular telephones for the month of December 2007 and 31 cellular telephones for the month of December 2008. Reviewed position descriptions for those

individuals assigned wireless devices to ascertain whether the assignment of the devices appeared appropriate for the positions' responsibilities.

- Examined payments for unused accrued leave made to five terminated employees to determine whether terminal leave payments were adequately supported, properly calculated, and paid in accordance with applicable laws and rules.
- Reviewed FLAIR access privileges to determine whether the Department routinely reviewed the appropriateness of the access privileges granted and whether the Department timely removed access privileges upon employee termination.
- Evaluated Department actions taken to resolve findings disclosed in audit report No. 2008-022. Specifically, we:
  - Reviewed Department records to ascertain whether the Department had made a subrecipient or vendor determination for Multi-Jurisdictional Counterdrug Task Force Training Program payments made to the St. Petersburg College.
  - For the Family Readiness Program, tested the adequacy of case record documentation for five denied cases and for eight cases with payments totaling \$35,701. We also reviewed the Program requirements and noted that the Program was discontinued during the audit period.
  - For the EDD Program, evaluated Department actions to promulgate rules in accordance with Section 250.10, Florida Statutes, and tested the Program records for 22 participants who received tuition assistance to determine whether evidence of Program compliance was demonstrated.
  - Reviewed Department procedures to determine whether the procedures adequately addressed the competitive selection and negotiation of architectural services.
  - Reviewed documentation of Department construction contract monitoring activities to determine whether the monitoring included consideration of compliance with contract requirements.
  - Evaluated the status of the Department's development of comprehensive procedures manuals.
  - Reviewed the Department's process for ensuring that applicable staff file Statements of Financial Interests and, for ten selected Department employees, verified that the required forms were timely filed with the Commission on Ethics.
  - Reviewed the Department's property insurance coverages for adequacy and appropriateness.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.

**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 RESPONSE**

In a response letter dated February 23, 2010, the Adjutant General of the Department of Military Affairs concurred with our audit findings and recommendations. The Adjutant General's response is included as EXHIBIT A.

**EXHIBIT A**  
**MANAGEMENT'S RESPONSE**



STATE OF FLORIDA  
Department of Military Affairs  
**Office of the Adjutant General**

St. Francis Barracks, P.O. Box 1008  
St. Augustine, Florida 32085-1008

February 23, 2010

Mr. David Martin, CPA  
Auditor General of Florida  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Pursuant to Section 11.45(4)(d), Florida Statutes, below is our statement of explanation concerning our actual or proposed corrective actions relating to those recommendations which may be included in your report to be prepared on your operational audit, The Department of Military Affairs (DMA), Administration of Selected Programs and Activities and Follow-Up on Prior Audit Findings, for the period July 2007 through February 2009, and selected actions through November 2009.

Recommendation No. 1 regarding the Construction Project Administration states that contrary to the requirements of Section 255.05(1)(a), Florida Statutes, the payment and performance bonds for several projects were less than the contract amounts, after change orders, and the bonds were not always recorded in the public records of the applicable county.

The Actual or Proposed Corrective Action: The DMA implemented the Insurance and Bonds Standing Operating Procedure that includes, but is not limited to, project insurance and bonds review checklists. The DMA will continue to enhance and implement procedures for administering construction projects, to ensure that, when construction project costs exceed \$200,000, contractor payment and performance bonds are timely executed in the appropriate amounts.

Recommendation No. 2 regarding the Construction Project Administration states that the DMA's oversight of construction contracts did not ensure that proper insurance coverage was obtained and maintained by contractors and architects.

The Actual or Proposed Corrective Action: The DMA has implemented procedures to ensure that construction contractors and architects provide certificates of insurance demonstrating that appropriate types and amounts of insurance are obtained and maintained.

**EXHIBIT A**  
**MANAGEMENT'S RESPONSE (CONTINUED)**

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Recommendation No. 3 regarding the Administration of Department Programs states that the Department Administration of the Educational Dollars for Duty Program (EDD) did not always identify those participants who failed to complete courses or achieve satisfactory academic progress. As a result, participants were not invoiced timely to recoup the tuition costs paid from the Program for courses dropped, failed, or repeated.

The Department Administration of the EDD has implemented new control measures that will improve the tracking and recording of all grades to prevent future discrepancies. No additional registrations will be approved until grades are received from prior classes.

Recommendation No. 4 regarding Other Matters states the Department had not developed policies and procedures for the management of Florida Accounting Information Resource Subsystem (FLAIR) access privileges.

The Department has implemented written policies and procedures for the management of FLAIR access privileges. These procedures provide controls for access to FLAIR information to minimize inadvertent employee error and negligence, and reduce opportunities for computer related crime. Supervisors will be responsible for determining FLAIR access requirements for their employees. Supervisors will complete the FLAIR Access Request Form. The FLAIR Security Coordinator will verify and update Access Control in FLAIR. The FLAIR Security Coordinator will review, quarterly, each FLAIR Access Request Form.

We appreciate the courtesies and professionalism of your staff throughout the audit process. If you have any questions, or if you require any additional information, please do not hesitate to contact Mr. Jesse D. Kinghorn Jr., Director of Financial Management, at (904) 823-0200 or Mr. Edward C. Mosca, CPA, State Inspector General, at (904) 823-0220.

Sincerely,



DOUGLAS BURNETT  
Major General  
Florida National Guard  
The Adjutant General

Copy Furnished:

Mr. John Duffy