

**DEPARTMENT OF AGRICULTURE AND
CONSUMER SERVICES**

**REVENUE COLLECTION PROCESS & SELECTED
INFORMATION TECHNOLOGY CONTROLS**

Operational Audit



COMMISSIONER OF THE DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

Section 20.14, Florida Statutes, created the Department of Agriculture and Consumer Services. The head of the Department is the Commissioner of Agriculture. The Commissioners who served were:

Honorable Adam H. Putnam From January 2011

Honorable Charles H. Bronson From January 2003 to January 2011

The audit team leader was Suzanne Sullenberger, CPA, and the audit was supervised by Jennifer Reeves, CPA. Please address inquiries regarding this report to David R. Vick, CPA, Audit Manager, by e-mail at davidvick@aud.state.fl.us or by telephone at (850) 487-4494.

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DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

Revenue Collection Process and Selected Information Technology Controls

SUMMARY

This operational audit of the Department of Agriculture and Consumer Services focused primarily on the revenue collection process and selected information technology controls during the period July 2009 through February 2011, and selected actions through January 2012. In addition, this audit included a follow-up on the audit findings included in our report No. 2010-020. Our audit disclosed the following.

REVENUE COLLECTION PROCESS

Finding No. 1: Internal control deficiencies existed in the multiple revenue collection processes used by the Department.

Finding No. 2: Periodic reconciliations of revenue collections to the corresponding records of licenses, permits, fees, or services were not performed for six Divisions and the Bureau of Dairy Industry. Additionally, reconciliations between the Florida Accounting Information Resource Subsystem and the Revenue and Receipts Accounting System were incomplete.

Finding No. 3: Not all collections were timely deposited, a record of the date of receipt was not maintained for all collections, and record of deposit for two receipts was not available.

Finding No. 4: Collections from timber sales were not always timely remitted to other governmental entities.

Finding No. 5: Controls were not sufficient over the collection of fair ride inspection fees. Also, improved accountability for unissued permit decals was needed.

Finding No. 6: The Division of Animal Industry did not always bill veterinarians for the animal health certificates issued to them.

Finding No. 7: The Bureau of Dairy Industry lacked a mechanism to ensure that milkfat tester permits were issued upon receipt of payment.

INFORMATION TECHNOLOGY

Finding No. 8: Delays in the termination of information technology resources access privileges upon employee separation continued to exist.

BACKGROUND

The Department of Agriculture and Consumer Services (Department) is responsible for supporting and promoting agriculture and environmental protection, assuring the safety of the food supply, and protecting consumers. The stated mission of the Department was to:

- Ensure the safety and wholesomeness of food and other consumer products through inspection and testing programs;
- Protect consumers from unfair and deceptive business practices and provide consumer information;
- Assist Florida farmers and agricultural industries with the production and promotion of agricultural products; and
- Conserve and protect the State's agricultural and natural resources by reducing wildfires, promoting environmentally safe agricultural practices, and managing public lands.

Effective July 2011, the Department was comprised of 12 divisions, including the Divisions of: Administration, Agricultural Environmental Services, Animal Industry, Aquaculture, Consumer Services, Food Safety, the Florida Forest Service (FFS), Fruit and Vegetables, Licensing, Marketing and Development, Plant Industry, and Standards.¹

FINDINGS AND RECOMMENDATIONS

Revenue Collection Process

The Department collected a combined total of approximately \$257 million for licenses, permits, fees, and fines during the 2009-10 and 2010-11 fiscal years. **Table 1** shows, by organizational entity, the total revenues by fiscal year.

**Table 1
Summary of Revenues**

Organizational Unit	Fiscal Year		Total
	2009-10	2010-11	
Administration	\$ 1,313,085	\$ 1,527,925	\$ 2,841,010
Agricultural Environmental Services	13,811,303	13,694,237	27,505,540
Animal Industry	1,179,034	1,341,558	2,520,592
Aquaculture	445,990	390,613	836,603
Consumer Services	9,519,552	10,554,573	20,074,125
Dairy Industry	18,960	16,340	35,300
Food Safety	19,416,350	21,408,946	40,825,296
Florida Forest Service	10,664,498	13,827,891	24,492,389
Fruit and Vegetables	14,120,613	15,532,909	29,653,522
Licensing	22,794,804	23,839,825	46,634,629
Marketing and Development	10,737,521	11,221,555	21,959,076
Plant Industry	3,210,705	3,011,742	6,222,447
Standards	17,208,628	16,027,537	33,236,165
Totals	\$124,441,043	\$132,395,651	\$256,836,694

Source: Department accounting records.

¹ Section 20.14, Florida Statutes.

The Department utilized multiple collection and deposit processes, which included collection points throughout the State. Department revenues were collected by the Revenue Management Unit in Tallahassee, other organizational units, and employees (as part of their regulatory duties), or through on-line payments by customers using the Department's Enterprise E-Commerce System. For some revenues, deposits were made to authorized bank accounts, while for other revenues, the amounts were mailed or hand-delivered to the Revenue Management Unit for deposit. For revenues processed by the Revenue Management Unit, the Revenue and Receipts Accounting (REV) System was used to track and validate the receipts and to update the State's accounting records, the Florida Accounting Information Resource Subsystem (FLAIR). The Department identified 27 information technology (IT) systems and databases used by Department organizational units to account for the activities related to the generation of the revenues. **EXHIBIT A** presents a summary, by organizational unit, of the revenue collection processes used and **EXHIBIT B** presents a list of the IT systems and databases used by each organizational unit.

Finding No. 1: Revenue Collection Controls

Effective internal controls for revenue collections are imperative to ensure that collections are accounted for, timely deposited, accurately recorded, and safeguarded. Such controls include the following:

- Separation of asset custody and record-keeping - Separation of asset custody and record-keeping responsibilities provides greater assurance that errors, anomalies, or theft will not be concealed from timely detection and resolution.
- Prenumbered receipts or other control documents - Prenumbered receipts or other control documents, such as a mail log or list of collections, document the initial receipt of a collection. The use of a prenumbered receipt or document provides a record of amounts received and can be used to verify the completeness of deposits. The date of collection is necessary to evaluate whether the receipt was timely deposited in compliance with State law.
- Restrictive endorsement of checks - To limit the negotiability of checks should they become lost or diverted and help deter theft, checks should be restrictively endorsed immediately upon collection.
- Documentation of transfers of collections - To clearly reflect the assignment of responsibility for amounts received, from collection to deposit, each transfer of custodial responsibility among employees should be documented.

As part of our audit, we surveyed the major organizational units of the Department to identify the revenue collection processes and procedures applicable to the various revenue types collected by the Department. In order to evaluate the effectiveness of revenue collection controls, we reviewed the survey responses and applicable Department records and procedures, and interviewed Department personnel. Additionally, we reviewed Department records for 229 transactions, totaling \$971,980.

Our audit disclosed control deficiencies in the revenue collection processes used. Specifically:

- Key receipt-handling responsibilities and recordkeeping duties were not appropriately separated. Our audit identified 178 Department employees with overlapping duties. **EXHIBIT C** shows the number of positions with incompatible duties for each organizational unit. Examples of the noted incompatible duties were as follows:
 - For the Revenue Management Unit, within the Division of Administration, the Professional Accountant handled collections, had access to the safe, made deposits, and had record-keeping responsibilities, including the reconciliation of deposits to the accounting records, including the REV System.
 - For the Division of Aquaculture, one employee was responsible for the collection of license payments, making deposits, and entering the applicable deposit and permit information into the Apalachicola Bay

Oyster Harvesting License Database. Two additional employees had similar receipt-handling responsibilities and recordkeeping responsibilities.

- For FFS, 64 employees, located throughout the State, had both collections handling and recordkeeping responsibilities. An additional 36 employees had both collections handling and recordkeeping responsibilities for periodic sales of timber in their assigned work areas.
 - For the Division of Fruit and Vegetables, a Data Entry Operator had both collection handling and recordkeeping responsibilities.
- Prenumbered receipts or other control documents were not issued at the time of collection by veterinarians in the Division of Animal Industry, FFS forest rangers, and for some inspections by the Division of Fruit and Vegetables.
 - Department procedures did not require immediate restrictive endorsement of checks at the point of collection.
 - For the FFS and some collections of the Divisions of Food Safety and Fruit and Vegetables, collections, including unendorsed checks and as applicable, cash, were mailed to the Revenue Management Unit for processing and deposit, without a transmittal list to document transfer of custodial responsibility. Instead, FFS included a copy of each receipt with the amounts transmitted to the Revenue Management Unit.

Absent a separation of key functions of the revenue collection process, issuance of prenumbered receipts or other documentation at the time of collection, and documentation of all transfers of custodial responsibility of collections, the Department lacks assurance that errors and fraud will be susceptible to timely detection. Additionally, through immediate restrictive endorsement of checks, the Department could further limit the risk of loss.

Recommendation: We recommend that the Department ensure that key functions of the revenue collection process, including custodial responsibilities and recordkeeping responsibilities are properly separated. Additionally, we recommend that the Department implement procedures to require the issuance of receipts or other control documents upon collection, the immediate restrictive endorsement of checks, and the use of a transmittal document for each transfer of custodial responsibility for collections.

Finding No. 2: Reconciliations

Reconciliations between accounting records, deposit records, regulatory records of permits, licenses, and certificates issued, and subsidiary system records, such as licensing or permit systems or databases, are necessary to reasonably ensure the accuracy and completeness of deposits and related records and to identify discrepancies that may require corrective actions. Reconciliations between information systems, such as FLAIR and the REV System, are necessary to ensure that the electronic transmission of data was accurate and complete. The timely completion of reconciliations, including the investigation of discrepancies, is an important component of revenue collection controls and provides assurance that all collections were deposited, that payments were received for all licenses or permits issued, and that electronic transmissions of data and applicable records were accurate and complete. Given the multiple revenue collection processes used by the Department, multiple types of reconciliations were necessary.

Pursuant to Department Administrative Policies and Procedures, monthly reconciliations between the REV System and FLAIR were required and were to be performed by the Division of Administration, Bureau of Finance and Accounting. Also, each organizational unit was responsible for daily reconciliations of the amounts collected to the various types of records (for example, permit or license numbers issued) used to document receipts at the transaction level. These reconciliations were to verify the accuracy of the collections information, and if applicable, the accuracy of the information recorded in the REV System, as well as other subsidiary systems. All discrepancies disclosed by reconciliations were then to be researched and, if necessary, correcting entries made.

Our audit disclosed that reconciliation procedures should be improved. Specifically:

- Documentation of the reconciliation process between REV and FLAIR was insufficient to evidence whether reconciliations were completed on a monthly basis and whether noted discrepancies were timely resolved. As requested, the Department provided electronic records of reconciliations between REV and FLAIR for the months of July 2009, September 2010, January 2011, and April 2011. Of the four reconciliations reviewed, two did not include any comments or explanations for noted differences. The reconciliations for September 2010 and January 2011 included comments that were dated May and June 2011. None of the reconciliations included the date of preparation or evidence of review and approval by an appropriate supervisor. As noted in Finding No. 1, the preparer of the reconciliations also had collection-handling responsibilities, including the delivery of receipts to the bank for deposit and recordkeeping responsibilities for the REV System.
- For six organizational units, including the Divisions of Agricultural Environmental Services, Animal Industry, Aquaculture, Consumer Services, Food Safety, and Standards, and the Bureau of Dairy Industry,² periodic reconciliations, or similar analyses, of the licenses or permits issued or services performed, as recorded in the applicable subsidiary system, to the deposits recorded in FLAIR, were not completed. In response to our inquiries, Department personnel indicated that such reconciliations were not performed due to staffing issues or limitations in system reports. Absent the completion of periodic reconciliations, or similar analyses, errors (for example, the absence of State Treasury deposits) may occur and not be timely detected and investigated.
- As further disclosed in Finding Nos. 3, 5, 6, and 7, our tests disclosed that reconciliations between the amounts collected and the records of permits, certificates, or licenses issued were not always effectively performed.

To provide assurance that all amounts collected are deposited and that collections are received for all licenses and permits issued or services performed, periodic reconciliations should be timely completed. Such reconciliations should be completed by personnel who do not have cash-handling responsibilities. Records of the reconciliations should be maintained and include the preparer name, date of preparation, evidence of review by an appropriate supervisor, and explanations for the resolution of noted differences.

Recommendation: We recommend that the Department take steps to ensure that periodic reconciliations are timely performed by employees independent of the collection-handling function, that noted differences are timely resolved, and that sufficient records of these reconciliations are maintained.

Finding No. 3: Deposit Timeliness

Our audit included tests of 229 items, totaling \$971,880, to determine whether the amounts were deposited timely to an authorized account. We also reviewed the settlement documents for transactions totaling approximately \$1.7 million, which were processed using the E-Commerce System, for the months of August 2010, October 2010, and January 2011.

Our tests disclosed that not all collections were timely deposited, a record of the date of receipt was not maintained for all collections, and record of deposit for two receipts was not available. Specifically:

- For two Aquaculture for Resident Apalachicola Bay Oyster Harvesting Licenses, totaling \$1,200, the Department could not provide evidence that amounts collected, as shown by receipt documents and license records, had been deposited. According to receipt documents, the amounts were collected in October 2009 and October 2010. Information regarding these transactions was provided to the Department for further investigation.

² Effective July 2011, the Division of Dairy became a bureau of the Division of Food Safety.

- For nine collections, ranging in amount from \$189 to \$17,950, and totaling \$38,591, the deposits were not made timely. The number of days elapsed from receipt date to deposit date ranged from 14 to 56. These nine items included six collections, totaling \$36,320, for annual amusement ride permit fees and amusement ride inspection fees collected by the Division of Standards, Bureau of Fair Ride Inspections, and three FFS collections, totaling \$2,271, for pre-suppression fire services and timber harvested on State lands. Our test included 23 FFS collections, totaling \$233,703, and 9 Bureau of Fair Ride Inspections collections, totaling \$41,010. Approximately 28 percent of the number of FFS and Bureau of Fair Ride Inspections collection transactions included in our test were not timely deposited.
- For nine collections, totaling \$72,408, the Department did not maintain documentation to evidence the date of receipt. Therefore, an evaluation of the timeliness of these deposits could not be determined. These collections included: three items, totaling \$15,993, received by FFS for pre-suppression plowing and prescribed burning fees; three items, totaling \$2,750 received by the Division of Animal Industry for Contagious Equine Metritis permits; two items, totaling \$53,540, received by the Division of Marketing and Development; and one item, totaling \$125 received by the Bureau of Dairy Industry for a Milkfat Dairy Tester permit.

Delays in the deposit of moneys received by the Department increases the risk of theft and delays availability of funds for State use.

Recommendation: We recommend that the Department take steps to ensure the timely deposit of all collections and improve recordkeeping to ensure that the date of receipt and deposit are documented for all collections.

Finding No. 4: Timber Sales On Other Public Lands

FFS is responsible for the management of State forests, including wildfire protection, facilitating recreational use by the public, and stewardship and conservation of natural resources. Forest resource management and stewardship duties include the execution of planned timber harvests and restoration, as well as unplanned timber harvests made necessary by natural disaster or insect infestation. FFS oversees the harvest of timber from State forests, including areas managed by other governmental entities, including cities, counties, the Department of Environmental Protection (DEP), and the Fish and Wildlife Conservation Commission (FWC).

According to Department records, during fiscal year 2010-11, there were 84 active timber harvests for forests managed by the Department and 27 active timber harvests for land managed by other governmental entities. For the 2009-10 and 2010-11 fiscal years combined, proceeds from these timber harvests totaled approximately \$11.1 million for the Department and \$3.4 million for other governmental entities. For timber sales on land of other government entities (other public lands), FFS receives an administrative fee, usually 10 to 15 percent of the timber sales proceeds, to cover the Department's cost associated with the solicitation and receipt of bids, execution of contracts, and supervision of the timber harvest. The administrative fee, retained by the Division, for the sales of timber on other public lands, totaled \$491,107, according to Department records. **Table 2** presents the timber sales managed by FFS for the 2009-10 and 2010-11 fiscal years.

**Table 2
Timber Sales
Managed by the Florida Forest Service**

Entity Responsible for Land	Fiscal Year				Total	
	2009-2010		2010-2011		Number of Contracts	Revenues
	Number of Contracts	Revenues	Number of Contracts	Revenues		
FFS	<u>88</u>	<u>\$5,453,061</u>	<u>84</u>	<u>\$5,688,466</u>	<u>172</u>	<u>\$11,141,527</u>
Other Public Lands:						
DEP	5	67,647	11	1,261,980	16	1,329,627
FWC	12	657,781	9	788,961	21	1,446,742
Other (a)	<u>8</u>	<u>346,798</u>	<u>7</u>	<u>314,197</u>	<u>15</u>	<u>660,995</u>
	<u>25</u>	<u>\$1,072,226</u>	<u>27</u>	<u>\$2,365,138</u>	<u>52</u>	<u>\$ 3,437,364</u>
Totals	<u>113</u>	<u>\$6,525,287</u>	<u>111</u>	<u>\$8,053,604</u>	<u>224</u>	<u>\$14,578,891</u>

Source: Florida Forest Service records.

(a) Includes various cities and counties.

Procedures for the sale of timber on Department-managed lands and other public lands are included in Division of Forestry Policies and Procedures Nos. 500.109 and 500.110, *State Forests and Other Public Lands*. According to these procedures, a list of proposed timber sales and projected harvest volumes are to be prepared and reviewed by the State Lands Silviculturist and the Bureau of Forest Management. Upon review and approval by the FFS Director, bid packages are to be prepared to solicit interested timber companies. Depending on the bid requirements, timber companies are to bid either a lump sum or per unit price for the timber to be harvested from the designated tract. The winning bidder is required to sign the State Land Timber Sale Agreement and provide a security deposit.

As part of the audit, we tested records relating to sales of timber on land managed by the FFS. In addition, we reviewed Department records applicable to two contracts with DEP and two contracts with FWC for oversight of timber sales on other public lands. The amounts collected during the period July 2009 through June 2011 for these contracts totaled approximately \$1.1 million and were comprised of 98 payments. Our audit disclosed delays in the transfer of the checks to DEP and FWC. The average number of days from receipt to the transfer date to DEP or FWC ranged from 19 to 31 days, but was as long as 64 days. A summary of the totals for DEP and FWC and the corresponding days from receipt to transfer is included as **Table 3**.

**Table 3
Selected Contracts
Timber Sales on Other Public Lands
Managed by Florida Forest Service (FFS)
During the Period July 2009 through June 2011**

Contract	Agency	Number of Checks Collected by FFS	Total	Number of Transfers	Number of Days Elapsed Between Receipt Date and Transmittal Date	
					Average	High
1	DEP	48	\$ 535,881	7	19	52
2	DEP	21	189,148	6	31	64
3	FWC	21	210,338	7	25	49
4	FWC	8	136,781	2	25	43
	Totals	98	\$1,072,148	22		

Source: Florida Forest Service records.

To minimize the risk of theft and to make State funds available for use, prompt transfer and deposit of checks is necessary.

Recommendation: We recommend that the Department ensure that all moneys received on behalf of other governmental entities are timely remitted to those entities.

Finding No. 5: Fair Rides Inspection Permits

Pursuant to State law, the Bureau of Fair Rides Inspections (Bureau) is responsible for oversight of all temporary amusement rides.³ Bureau inspectors were located throughout the State to inspect amusement rides for structural and operational integrity at temporary events (fairs, carnivals, and festivals) and nonexempt permanent facilities (defined as permanent facilities with less than 1,000 employees). All traveling amusement companies are permitted annually and applicable amusement rides are required to be inspected each time they are set up. Nonexempt permanent amusement facilities are inspected twice a year and permitted annually. During the calendar year 2010, the Bureau issued 606 permit decals for permanent amusement rides and 1,054 permit decals for temporary amusement rides.

During the 2009-10 and 2010-11 fiscal years, the Bureau collected approximately \$2.9 million. The fees for inspections of amusement rides ranged from \$35 to \$140 per ride, depending on the type of ride. Fees also included \$430 for annual permits, and \$500 for re-inspections. The inspectors were to collect payment at the time of the inspection and then mail the collections to the Bureau in Tallahassee for processing, preparation of a revenue transfer form, and delivery to the Division of Administration Revenue Management Unit for deposit.

Annually, Fair Ride Inspectors were issued a block of permit decals to be issued for inspections throughout the year. A list was to be maintained of the decals assigned to each inspector. Inspectors were to also complete an *Amusement Ride Inspection Report*, which identified the inspection certificates (i.e., decals) issued. Upon year end, the inspectors were to return the unused decals.

³ Chapter 616.242, Florida Statutes

As part of our audit, we surveyed Department personnel, reviewed records, made inquiries, and performed various analytical procedures applicable to the revenue collection process for fair ride inspection permits, including review of the accountability for permit decals. Additionally, we reviewed the records applicable to nine inspections, with receipts totaling \$41,010.

Due to the overlapping responsibilities of inspectors for revenue collection and possession of permit decals, improvements in the revenue collection process for fair ride inspection fees and permits are necessary to provide assurance that payment is received for all permit decals issued or inspections performed and that all unissued permit decals are accounted for, returned, and destroyed. The Department had not established sufficient controls to provide accountability for all permit decals or performed periodic reconciliations, as described below:

- Records were not maintained to demonstrate accountability for unissued permit decals. A list of voided permit decals was maintained, but a reconciliation of the unused permit decals shown by the Fair Ride Database and the unused permit decals returned by the inspectors was not completed. During the 2010 calendar year, 2,500 permit decals were available for use. According to the Fair Rides Database, 1,660 permit decals were issued. Based on our comparison of the number of permits ordered, issued, returned, and identified by the Department as voided, 195 decals were not accounted for.
- A periodic reconciliation of total permits issued, as indicated by an analysis of permit inventories, to the revenues collected was not performed by the Department, as described in Finding No. 2.

Given the inspectors are responsible for both the issuance of permits and revenue collection duties, the lack of accountability for unissued decals, and the lack of a reconciliation of permits issued to revenues collected, there existed a significant risk of loss. In response to our inquiries, the Department indicated that the Bureau of Fair Rides Inspections had started an audit of all 2010 permit decals and will continue to audit the permit decals at the beginning of each calendar year.

Recommendation: We recommend that the Department improve accountability for permit decals by performing periodic reconciliations of revenue collections and issued fair ride permits.

Finding No. 6: Animal Industry Health Certificates

The Division of Animal Industry is responsible for enforcing animal health regulations and protecting the State from animal pests and diseases through animal disease prevention, surveillance, and control programs. State veterinarians and animal health inspectors work with producers, animal owners, and veterinarians throughout the State. Fees are to be charged in accordance with rates established by State law or rule for the various services performed or permits or licenses issued.

The Division of Animal Industry collected approximately \$2.5 million during the 2009-10 and 2010-11 fiscal years combined. The Division's revenues are largely comprised of diagnostic laboratory fees, totaling approximately \$1.4 million, Contagious Equine Metritis (CEM) permits, totaling \$492,450, and the sale of health certificates to veterinarians, totaling \$490,150. Diagnostic laboratory fees vary according to the tests conducted. Contagious Equine Metritis (CEM) permits cost \$1,250 for the first horse, and \$750 for each additional horse. Health certificates cost \$65 for a book of 25 certificates, except for avian health certificates, which cost \$100 for 100 certificates.

The Division of Animal Industry used two information systems, VisuaLab and Empower Financial System. VisuaLab is a laboratory management information system that records the tests performed or certificates issued. VisuaLab information is electronically transmitted to the Empower Financial System, which is used to generate invoices and amounts due.

As part of our audit, we tested 26 items (18 health certificates, 4 Contagious Equine Metritis [CEM] permits, and 4 diagnostic lab fees), totaling \$24,742, to evaluate the controls for collecting, depositing, and recording revenues. Our tests disclosed that the controls were operating as intended for the 4 CEM permits and the 4 diagnostic lab fees. However, for 3 of 18 orders for health certificates, with a value totaling \$15,925, invoices had not been sent to the two applicable veterinarians. These 3 orders were for 25 books in April 2010, 20 books in August 2010, and 200 books in January 2011. In response to our inquiries regarding why payment for the health certificates had not been collected and recorded, the Department indicated that the Empower Financial System did not properly process invoices when the number of books ordered exceeded more than 20. According to information provided by the Department, there were 44 orders of 20 or more books of animal health certificates for the period July 2009 through August 2011, made by 8 veterinary offices. Of these 44 orders, 31 were not billed and 4 were billed for less than the amounts due. According to the Department, the amounts due for these 35 orders at the time of audit totaled \$74,791.

Department staff indicated that they had implemented the use of work-around procedures until the implementation of a new system, scheduled for March 2012, and were in the process of notifying these veterinarians of these billing discrepancies and obtaining payment, as applicable.

Recommendation: We recommend that the Department continue to take steps to ensure that all amounts due are collected for each health certificate issued.

Finding No. 7: Dairy Permits and Licenses

The Bureau of Dairy Industry regulates the production, processing, distribution, and labeling of milk and milk products. Regulatory responsibilities include sanitation inspections and issuance of permits and licenses, according to State Law.⁴ The programs administered by the Bureau of Dairy Industry are part of a uniform national dairy sanitation program outlined in the Pasteurized Milk Ordinance published by the U.S. Food and Drug Administration. Pursuant to Rule, the Bureau of Dairy Industry issues five types of permits or licenses related to the manufacturing and distribution of dairy products, two of which require the payment of a fee.⁵ The Bureau of Dairy Industry collected \$43,200 for the frozen dessert licenses and milkfat tester permits during the period July 2009 through August 2011.

Milkfat Tester Permits are biennial licenses, required for any person who tests milk or milk products for milkfat content by weight, volume, chemical, electronic, or other method, when the result of such test is used as a basis for payment. Each license costs \$125. Frozen dessert licenses are annual licenses, required for each frozen dessert plant that manufactures frozen desserts or other related products, or offers these products for sale in the State. The initial application fee is \$200, and the annual renewal fee is \$100.

As part of our audit, we performed analytical procedures and tested 16 milkfat tester permits, totaling \$2,000, and 4 frozen dessert licenses, totaling \$400, to evaluate the controls for collecting, depositing, and recording revenues. Our tests disclosed some deficiencies, as described below:

- Permits were not always issued for payments received, although permit requirements had been met. For 9 of 16 milkfat tester permits tested, a permit number had not been assigned or printed, although payment had been received and the requirements had been met. In response to our inquiry, the Bureau of Dairy Industry identified 7 additional instances, and indicated that the problem was due to Regulatory Information Management System connection issues in the Winter Haven office.

⁴ Chapters 502 and 503, Florida Statutes.

⁵ Rule 5D-1.003, Florida Administrative Code.

- For one collection, totaling \$125, coded as a Dairy Milkfat Tester Permit, but deposited in the remote bank account used by the Division of Fruit and Vegetables, the Department did not provide any documentation for the transaction. According to FLAIR entries, the amount was deposited in February 2010. The Department indicated that the amount had been collected on behalf of the Bureau of Dairy Inspection, during an inspection by the Division of Fruit and Vegetables.
- A reconciliation of revenues collected to permits or licenses issued was not periodically completed, as noted in Finding No. 2.

Absent the completion of periodic reconciliations of revenues and permits or licenses issued, the accuracy and completeness of records and the safeguarding of revenues cannot be assured.

Recommendation: We recommend that the Department perform periodic reconciliations of revenues collected to permits and licenses issued and take steps to timely investigate and resolve noted differences. The Department should also take steps to ensure that permit records are accurate and complete and all authorized permits are issued.

Information Technology

Finding No. 8: Access Controls

Effective security administration procedures reduce the risk of unauthorized information system access by ensuring that:

- Appropriate and timely action is taken to request, approve, add, and remove user access accounts;
- User access privileges are periodically reviewed; and
- Necessary security controls relating to the management of access privileges are in place.

Effective November 1, 2009, the Department revised Administrative Policies and Procedures, No.1-18, *CAPAS⁶ and Department-issued Property Items*, to establish the use of CAPAS to manage the assignment and termination of access privileges to user accounts, such as e-mail, network, or information system accounts. User accounts are to be cancelled no later than two-business days from the date of separation from an employee's assigned position or the last day in the office, whichever occurs first.

The Administrative Image Management System (AIMS) is the online procurement system used by the Department to facilitate the purchase of goods and services and serves as an electronic records imaging system. AIMS is used by program staff to prepare purchase requests online and by Purchasing Office staff to review the purchase requests. AIMS provides electronic storage of documents, such as vendor invoices, and is used by Bureau of Finance and Accounting staff to audit and process invoices. Information from AIMS is to be electronically communicated to FLAIR, the State's accounting system.

As part of our follow-up on report No. 2010-020, we reviewed applicable records to identify employees with FLAIR and AIMS access privileges that separated from employment during the period November 2009 through February 2011. For 34 employees with FLAIR access privileges and 102 employees with AIMS access privileges, we compared the separation dates recorded in People First to the dates the access privileges were terminated.

Our audit also included review of the access controls applicable to the REV System and the Enterprise E-Commerce System. The REV System is used to account for moneys received by the Revenue Management Unit. The Enterprise

⁶ Continuity of Operations Plan (COOP) and Personal Asset System (CAPAS).

E-Commerce System is a Web-enabled module for processing electronic payments of various fee types. As part of our audit, we compared the list of 282 REV users, as of March 2011, to the list of employees that separated during the July 2009 through February 2011.

Specifically, we noted:

- For 13 employees with AIMS access privileges, access was not timely terminated. The number of days elapsed ranged from 5 to 249 days.
- For one employee with FLAIR access privileges, the access remained active, as of March 2011, although separation occurred in August 2010. In response to our inquiry, Department personnel explained that the delay was due to an error in the process and that the access had now been cancelled.
- For one employee with REV access privileges, access was terminated 539 days after the date of separation. According to the Department, the network access had been removed for the user, but the REV access had been overlooked.

Delays in canceling user access privileges increases the possibility of unauthorized access to information technology (IT) resources and the potential for disclosure, modification, or destruction of data and IT resources.

Recommendation: To minimize the risk of compromising data and IT resources, the Department should continue its efforts to ensure that all IT access privileges are revoked immediately upon an employee termination.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the Department had taken corrective actions for the findings included in our report No. 2010-020.

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 2011 to January 2012 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 revenue collection process, and selected information technology controls. 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 our report No. 2010-020.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

In conducting our audit we:

- Surveyed the organizational units of the Department to identify the revenue collection processes, the procedures applicable to the various revenue types collected by the Department, and the types of information technology systems or databases utilized.
- Tested the accuracy and completeness of the Department's accounting records by confirming amounts received during the period July 2009 through April 2011 for 24 revenue types collected by 10 Divisions. Confirmation letters were sent to 85 businesses and individuals for amounts totaling \$5,672,389 and 5 businesses with active licenses that had no remittances recorded during the period.
- Performed tests for 229 items, totaling \$971,980, to evaluate the sufficiency of transaction documentation, the accuracy and completeness of Department accounting records, the timeliness of deposit, whether amounts were deposited to an authorized fund, and the existence and effectiveness of key controls, including a separation of duties. Specifically, these tests included amounts from multiple organizational units as follows:
 - Agricultural Environmental Services, 20 items, totaling \$43,332, including pesticide brand registrations, feed master registration fees, fertilizer reporting fees, seed dealer license fees, nitrogen fees, and pest control business licenses. Amounts ranged from \$100 to \$12,256.
 - Animal Industry, 26 items, totaling \$24,742, including Contagious Equine Metritis (CEM) Permits, Small Animals for Sale Health Certificates, Equine Health Certificates, Small Animal Interstate Health Certificates, and diagnostic laboratory Fees. Amounts ranged from \$65 to \$13,000.
 - Aquaculture, 19 items, totaling \$4,782, including Aquaculture Certifications, Resident Apalachicola Bay Oyster Harvesting Licenses, and Aquaculture Leases. Amounts ranged from \$33 to \$1,000.
 - Consumer Services, 15 items, totaling \$20,285, including health studio filing fees, charitable contribution solicitation registration, motor vehicle repair shop registration, commercial telephone salesperson registration, and administrative fines. Amounts ranged from \$10 to \$15,000.
 - Dairy Industry, 16 items, totaling \$1,900, including frozen dessert licenses and milkfat tester permits. Amounts ranged from \$100 to \$125.
 - Food Safety, six items, totaling \$2,429, including food establishment permits that ranged from \$114 to \$650.
 - FFS, 23 items, totaling \$233,703, including timber sales, fire suppression fees, pre-suppression fees, and prescribed burning assistance fees. Amounts ranged from \$118 to \$67,500.
 - Fruit and Vegetables, 28 items, totaling \$63,825, including citrus packing house inspection fees, USDA finished cannery inspection fees, vegetable shipping point inspection fees, vegetable inspection fees, citrus budwood inspection fees, Citrus Customer Assisted Certification Program (CACP) fees, and citrus road guard fees.
 - Licensing, 14 items, totaling \$864, including concealed weapon licenses, concealed weapon fingerprint fees, and security officer licenses. Amounts ranged from \$42 to \$75.
 - Marketing and Development, 19 items, totaling \$132,216, including State Farmers' Markets leases, citrus crop estimate fees, Peanut Market Order Assessments, Citrus Market Order Assessments, and Agricultural Products Dealers' Licenses. Amounts ranged from \$152 to \$32,807.
 - Plant Industry, 22 items, totaling \$66,623, including nursery registration inspection fees, stock dealer registration inspection fees, burrowing nematode fees, plant entomology special inspection fees, fruit fly protocol fees, and citrus budwood registration fees. Amounts ranged from \$25 to \$15,018.

- Standards, 21 items, totaling \$377,279, including annual amusement ride permit fees, non-kiddie amusement ride inspection fees, meter/scale permit fees, petroleum inspection fees, and LP gas unit operator license. Amounts ranged from \$40 to \$122,301.
- Confirmation letters were sent to 8 veterinary offices, with orders of 20 or more books of health certificates, during the period January 2009 through September 2011, to evaluate the accuracy and completeness of Department records of the number of certificates ordered and the amounts paid.
- Examined Department records for collection efforts made during the period July 2009 through September 2011, for 25 delinquent accounts receivable, totaling \$115,375, to determine whether established procedures were followed and to evaluate the timeliness of the actions and compliance with Section 17.20, Florida Statutes. Examined documentation of approvals and reasons for write-off of 10 delinquent accounts receivable, totaling \$81,221.
- Examined Department records to evaluate the accuracy and completeness of the annual reports: *Accounts Referred for Collection*, *Accounts Not Referred for Collection*, and *Accounts Written Off or Waived*, submitted October 2010.
- Tested five refunds, totaling \$37,206, made during the period July 2009 through February 2011, to determine if the transactions were properly authorized and documented, and recorded correctly in the accounting records.
- Reviewed survey responses and interviewed key personnel to gain an understanding of the 26 information technology systems and databases identified by the Department as applicable to the revenue collection process and to identify applicable information exchanges between FLAIR, the Revenue Receipts Accounting (REV) System, and the Enterprise E-Commerce System.
- Tested the general access controls applicable to the Revenue Receipts Accounting (REV) System and the Enterprise E-Commerce System. We reviewed the user access privileges, termination of privileges, and password controls. Examined the Department's user access reviews completed for REV and Enterprise E-Commerce System.
- Reviewed the Department's policies and procedures applicable to information technology resources and the Agriculture Management Information Center, for general access controls, security awareness training, and the change management process. Reviewed the additions, upgrades, and changes for the REV System and the E-Commerce System.
- Examined documents and made inquiries related to application controls for the REV System. Evaluated input, processing, and output controls.
- Gained an understanding of the Department's procedures related to the use of E-Commerce by five Divisions. Examined records related to the \$184,605 in fees paid to Bank of America, Govolution, and American Express, and the \$8,120,269 in revenues collected through the Enterprise E-Commerce System, for the period July 2009 through March 2011. Performed tests of three months of E-Commerce transactions, totaling \$1,693,870, to evaluate whether the Department had adequate controls to ensure that the amounts collected on behalf of the Department were timely remitted and in the appropriate amounts, and fees paid for E-Commerce services, totaling \$38,448, were in accordance with established rates in the contract.
- Performed inquiries and reviewed Department records and applicable contract provisions to determine the types of information transmitted using the E-Commerce application, and the applicability of the Payment Card Industry Data Security Standards.
- Performed inquiries and examined the 14 reports, titled *Annual Report to the Chief Financial Officer for Electronic Receipts Operations*, submitted by the Department for the 2009-2010 fiscal year, to evaluate compliance with Rule 69C-4.009, Florida Administrative Code. One report was submitted for each of the 14 areas within the Department that had credit card, charge card, or debit card operations.
- Reviewed the Department's organization chart and selected position descriptions to evaluate the reasonableness of the list of positions identified as positions of special trust. Examined records to determine

whether background screenings, including fingerprinting, had been performed for eight employees in positions of special trust.

- Reviewed applicable records to identify employees with FLAIR or AIMS access privileges that separated from employment during the period July 2009 through February 2011. Compared the separation date recorded in People First to the date the access privileges were terminated for 116 employees with AIMS privileges and 34 employees with FLAIR access privileges.
- Reviewed 11 Change Log Forms for additions, updates, or changes to the AIMS application during the period July 2009 through February 2011, for documentation of approval for the change and whether an appropriate separation of duties existed for change management responsibilities. Also, reviewed the revised policies and procedures and forms pertaining to change management.
- Reviewed applicable records, including a FLAIR access report, organization charts, and position descriptions, and made inquiries of Department management to evaluate the appropriateness of FLAIR access privileges assigned to 68 employees with key update capabilities.
- Reviewed the memorandum of understanding between the Department and British Petroleum Exploration and Production, Inc. (BP) and the referenced scope of work plans related to the Deep-water Horizon Incident, and examined accounting records to evaluate the methodology established to account for revenues and expenditures related to this agreement. According to Department records as of June 2011, the Department had received \$4,825,000 and incurred related expenditures totaling \$1,428,215.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Communicated on an interim basis with applicable Department officials to ensure the timely resolution of issues involving controls and noncompliance.
- 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 periodic 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 March 16, 2012, the Assistant Commissioner of the Department provided responses to our audit findings and recommendations. The Department’s response is included as **EXHIBIT D**.

EXHIBIT A
SUMMARY OF REVENUE COLLECTION PROCESSES

Major Organizational Unit	Revenue-Collection Process			
	Collection and Deposit by Revenue Management Unit (a)	Collection by Organizational Unit and Deposit by Revenue Management Unit (a)	Collection and Deposit by Organizational Unit	Collections through E-Commerce (b)
Administration	X			
Agricultural Environmental Services	X	X	X	X
Animal Industry	X		X	
Aquaculture		X	X	
Consumer Services	X			X
Dairy Industry	X	X		
Food Safety	X			X
Florida Forest Service		X	X	
Fruit and Vegetables			X	X
Licensing			X	
Marketing and Development	X	X	X	
Plant Industry			X	
Standards	X	X		X

Source: Department records and surveys of Department personnel.

- (a) All revenues processed by the Revenue Management Unit are accounted for in the Revenue and Receipts Accounting (REV) System. For the 2009-10 and 2010-11 fiscal years, the revenues processed through the REV System totaled \$68,049,443 and \$78,866,606, respectively.
- (b) For the 2009-10 and 2010-11 fiscal years, revenues received through E-commerce totaled \$2,205,168 and \$6,393,264, respectively.

EXHIBIT B
IT SYSTEMS OR DATABASES

Organizational Unit	IT Systems or Databases
Agricultural Environmental Services	Agricultural Environmental Services Suntrack System (Suntrack)
	Fertilizer Enforcement and Analysis Program (FEA)
	Fertilizer Tonnage Database (FTD)
	Feed Registration and Laboratory Information Management System (FRALIMS)
	Seed Registration and Laboratory Information Management System (SRALIMS)
	Compliance DB30 (DB30)
	Registration Tracking System (RTS)
Animal Industry	Visual Laboratory System (VLAB)
	Empower Financial System
Aquaculture	Apalachicola Shellfish Harvesting License Database (ASHL)
	Aquaculture Lease Database (AQL)
	Aquaculture Certification Program (AQC)
	Shellfish Shippers Database (SS)
Consumer Services	Division of Consumer Services System (DOCS)
Dairy Industry	Regulatory Information Management System (RIMS)
Food Safety	Food Safety System (FOOD)
Florida Forest Service	Florida Fire Management Information System (FMIS)
	Forest Management Timber Sales System (FMSALES)
Fruit and Vegetables	Fruit and Vegetables System (FAVR)
Licensing	Licensing Reflections System (LICG)
Marketing and Development	License and Bond System (LBL)
	Florida Agriculture Client Tracking System (FACTS)
	Tenant and Lease Database (LEASE)
Plant Industry	Plant Inspection Trust Revenue System (PITR)
Standards	Liquefied Petroleum Gas Database (LPGAS)
	Weights and Measure Permitting System (WAM)
	Fair Ride Database (FAIRS)

Source: Department records and surveys of Department personnel.

EXHIBIT C
POSITIONS WITH INCOMPATIBLE DUTIES

Organizational Unit	Number of Positions with Incompatible Duties		Revenue Collection Responsibilities				
			Collection-Handling			Record Keeping	
	Total	For the Specified Responsibilities:	Handle Collections	Access to Collections	Make Deposits	Update Records	Investigate Billing Errors
Administration	1	1	X	X	X	X	X
Agricultural Environmental Services	4	1		X	X	X	X
		2	X	X	X	X	X
		1	X			X	
Animal Industry	6	3	X	X		X	
		1	X	X		X	X
		1	X	X	X	X	X
		1	X			X	
Aquaculture	3	1	X	X		X	X
		1	X			X	X
		1	X	X	X	X	X
Food Safety	5	3	X	X		X	
		1	X			X	
		1	X			X	X
Florida Fire Service	100	37	X			X	
		1	X	X		X	
		5	X	X	X	X	X
		7	X	X	X	X	
		22	X	X		X	X
		7	X	X		X	
		13	X			X	X
		4	X			X	
		1		X		X	X
		3		X		X	
Fruit and Vegetables	1	1	X	X		X	
Marketing and Development	21	4	X	X	X	X	X
		8	X	X	X	X	
		6	X			X	X
		3	X			X	
Plant Industry	3	1	X	X	X	X	
		1	X			X	
		1		X		X	X
Standards	34	2	X	X		X	X
		11	X			X	X
		4	X			X	
		17	X			X	
Total Positions	178						

Source: Department records and surveys of Department personnel.

EXHIBIT D
MANAGEMENT'S RESPONSE

OFFICE OF THE COMMISSIONER
(850) 488-3022



THE CAPITOL
400 SOUTH MONROE STREET
TALLAHASSEE, FLORIDA 32399-0800

FLORIDA DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES
COMMISSIONER ADAM H. PUTNAM

March 16, 2012

David W. Martin, CPA
Auditor General
111 West Martin 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 "Revenue Collection Process and Selected Information Technology Controls" in the Department of Agriculture and Consumer Services.

Revenue Collection Controls

Finding No. 1:

The Department had not implemented appropriate revenue collection controls throughout all Divisions.

Response:

The Department concurs with the recommendation. All Divisions that collect revenue are revising their Standard Operating Procedures for revenue collection to address separation of duties, the use of prenumbered receipts, immediate restrictive endorsement of checks upon receipt, and the use of revenue chain of custody forms. Where the limited number of employees does not allow for ideal separation of duties, compensating controls will be implemented. In addition, the Department will conduct training on revenue collection procedures by June 30, 2012.

Reconciliations

Finding No. 2:

The Department did not always adequately document the reconciliation process between the REV System and FLAIR. Not all Divisions completed reconciliations of the licenses or permits issued or services performed to the deposits recorded in FLAIR. For some Divisions, reconciliations between the amounts collected and the records of permits, certificates, or licenses issued were not always effectively performed.



EXHIBIT D
MANAGEMENT'S RESPONSE (CONTINUED)

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Response:

The Department concurs with the recommendation. All Divisions that collect revenue are revising their Standard Operating Procedures for revenue collection to address the timely completion of revenue reconciliations. The reconciliations will be performed by personnel independent of the collection-handling function and will be documented to include reconciliations of the REV System to FLAIR, and of the revenue collected to the number of licenses or permits issued or services rendered. In addition, the Department will conduct training on revenue collection procedures by June 30, 2012.

Deposit Timeliness

Finding No. 3:

The Department did not always deposit funds in a timely manner.

Response:

The Department concurs with the recommendation. All Divisions that collect revenue are revising their Standard Operating Procedures for revenue collection to address the timely deposit of funds. The procedures will set the timeline for the deposit of revenue and will indicate required documentation of the date of receipt and deposit. In addition, the Department will conduct training on revenue collection procedures by June 30, 2012.

The Division of Aquaculture and the Bureau of Finance and Accounting conducted extensive research regarding the \$1,200 collected for which evidence could not be provided that the amounts were deposited. To date, the Division has not been able to find any record of the collections being received and processed by the Bureau of Finance in Accounting. In addition, beginning in July 2011 and continuing through February 2012, the Division has been unsuccessful in attempts to contact the licensees.

Timber Sales On Other Public Lands

Finding No. 4:

The Department did not always ensure that moneys received on behalf of other governmental entities for the sale of timber were timely remitted to those entities.

Response:

The Department concurs with the recommendation. Revenue generated from timber sales on other public lands is received via two checks. One check is payable to the Department and the other check is made out to the specific agency for which Florida Forest Service (FFS) is managing the timber sales. FFS normally receives several checks as payment for a single sale; therefore, the checks are kept in-house and delivered to the corresponding agency according to the timeframe established in the executed Memorandum of Agreement (MOA), which can range

EXHIBIT D
MANAGEMENT'S RESPONSE (CONTINUED)

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up to 30 days. On occasion, checks were not transferred by FFS to other agencies in a timely manner. FFS is updating the Timber Sales Policy and Procedure to reflect the new payment method currently in place, including the handling of check transfers. FFS will also reinforce with its employees the importance of meeting the requirements of the MOA.

Fair Rides Inspection Permits

Finding No. 5:

The Department had not established sufficient controls to provide accountability for all Fair Ride Inspection Permit decals. The Department had not performed periodic reconciliations of the permit decal inventory or the total permits issued to the revenues collected.

Response:

The Department concurs with the recommendation. During the time of the audit field work, the Bureau of Fair Rides implemented a permit decal auditing procedure requiring inspectors to turn in all unused permit decals each January. The Department has completed the audit for calendar year 2010 decals and all discrepancies have been resolved. The audit of calendar year 2011 decals is currently underway with an anticipated completion date of March 31, 2012.

Animal Industry Health Certificates

Finding No. 6:

The Department's Empower Financial System did not properly process invoices for Animal Industry Health Certificates when the number of books ordered exceeded more than 20. Consequently, the Department had not collected for the sales of these health certificates.

Response:

The Department concurs with the recommendation. The Department implemented a new Laboratory Information Management System (LIMS) on January 3, 2012. The order processing/invoicing for health certificates was incorporated in the LIMS known as FLLIMS. Staff in the Bureau of Animal Disease Control (BADC) receives orders for health certificates and inputs the orders into the FLLIMS. Financial staff at the Bureau of Diagnostic Laboratories processes the billing and fee collection for these orders. BADC staff reconciles the orders and payments on a monthly basis. This finding is resolved.

In addition, the Department has collected all of the unbilled total of \$74,791, except for \$16,629, which is scheduled for collection before June 30, 2012.

EXHIBIT D
MANAGEMENT’S RESPONSE (CONTINUED)

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Dairy Permits and Licenses

Finding No. 7:

The Department had not performed periodic reconciliations of revenues to Dairy Permits and Licenses issued and had not always issued permits for payments received.

Response:

The Department concurs with the recommendation. All Divisions (including the Bureau of Dairy Industry) that collect revenue are revising their Standard Operating Procedures for revenue collection to address the timely completion of revenue reconciliations. The procedures will require reconciliations of the revenue collected to the number of licenses or permits issued or services rendered and the timely investigation and resolution of any differences noted.

Information Technology – Access Controls

Finding No. 8:

The Department did not always timely remove employee access to AIMS, the REV System, and FLAIR when employees separated from the Department.

Response:

The Department concurs with the recommendation. The Department will continue to emphasize in supervisory training the importance of timely notification to remove user access privileges for terminating employees. In addition, the Department will amend Administrative Policies and Procedures No. 1-18, which addresses termination of user accounts, to require a more reasonable time period to revoke user access accounts.

I appreciate your staff’s efforts in helping to improve the operations of state government.

Sincerely,



Michael A. Joyner
Assistant Commissioner of Agriculture

MJ/nrh