

DEPARTMENT OF MILITARY AFFAIRS

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

Operational Audit



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. The following Adjutant Generals served during the audit period:

Major General Emmett R. Titshaw, Jr.	From June 27, 2010
Major General Douglas Burnett	Through June 26, 2010

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 or by telephone at (850) 487-9316.

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DEPARTMENT OF MILITARY AFFAIRS

SUMMARY

This operational audit of the Department of Military Affairs (Department) focused on selected Department activities including non-appropriated enterprise fund activities, payroll activities, and other administrative and program activities. Our audit also included a follow-up on the findings disclosed in report No. 2010-106.

NON-APPROPRIATED ENTERPRISE FUND ACTIVITIES

Finding No. 1: The Department's administration of the Camp Blanding Joint Training Center activities did not always ensure economic and efficient operations or compliance with applicable laws, rules, and other guidelines.

PAYROLL ACTIVITIES

Finding No. 2: Department employee time records maintained in the Time Accounting System did not always agree with the Employee Time Logs prepared by Department employees or with the employees' required work schedules. As a result, the Department could not demonstrate that, as required by State law, records of hours worked and leave taken were accurately maintained for each Department employee or that salary payments were always made in compliance with the Fair Labor Standards Act.

Finding No. 3: Department payments for overtime were not always properly authorized, approved, or supported by records of overtime hours worked.

Finding No. 4: The Department did not always correctly account for holiday and applicable special compensatory leave credits.

Finding No. 5: The Department did not always correctly classify, record, or accrue leave for military training and active military duty.

OTHER ADMINISTRATIVE AND PROGRAM ACTIVITIES

Finding No. 6: The Department's contract management procedures were not sufficient to ensure that contract managers received the required training, adequate contractor monitoring was performed, deliverables were received in accordance with contract terms, and contract payments were made in appropriate amounts. In addition, the Department did not always document its determination of whether a contractor was a subrecipient or a vendor prior to entering into a contract funded, at least in part, with Federal awards.

Finding No. 7: For some purchasing cardholders, the Department had established purchasing card transaction limits that were, based on the cardholders' usage, significantly higher than necessary. In addition, the Department did not always timely cancel purchasing cards upon a cardholder's separation from Department employment.

Finding No. 8: On the organizational chart submitted to the Executive Office of the Governor pursuant to State law, the Department did not include all the Department's organizational areas. In addition, the chart showed that, contrary to State law, the Department had assigned certain statutory State Quartermaster responsibilities to an individual who was not a Federally recognized officer of the Florida National Guard.

Finding No. 9: Contrary to State law, the Department did not always provide applicable individuals with a written statement identifying the purpose for collecting social security numbers.

BACKGROUND

The Department of Military Affairs (Department) provides management oversight and administrative support to the Florida National Guard.¹ 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 is to operate 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.²

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.

In total, according to Department records, approximately 2,375 Federal civilian employees, Federally employed military technicians, Active Guard Reserve personnel, and State employees, 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 Annual Report* for the 2011 fiscal year, State and Federal funding of the Department and Florida National Guard was approximately \$452 million for 2011.³ According to Department personnel, this amount included approximately \$47.5 million from Federal cooperative agreements administered by the Department through its State budget and accounts. The Department was authorized 352 and 373 State employee positions for the 2010-11 and 2011-12 fiscal years, respectively, and more than half of these positions were partially or fully funded by the Federal Government.⁴

Headquartered in St. Augustine, the Department maintains 61 armories in 39 Florida counties. The Department also maintains and operates the Camp Blanding Joint Training Center (CBJTC) located in Clay County. CBJTC is a 72,000 acre post that supports numerous large training activities for the Florida National Guard; the United States Army, Navy, Air Force, Marines, and Coast Guard; and numerous law enforcement agencies. According to the *Adjutant General's Annual Report* for the 2011 fiscal year, CBJTC supported training on 313 days for over 161,000 personnel from 78 military and civilian organizations.

FINDINGS AND RECOMMENDATIONS

Non-Appropriated Enterprise Fund Activities

State law⁵ authorizes the Department to establish a post exchange store for members of the Florida National Guard, their families, guests, and other authorized users. The post exchange store is located at the Camp Blanding Joint Training Center (CBJTC) site to provide for the morale, recreation, and welfare of all service members training at the CBJTC. The law requires that the profits of the post exchange store, if any, be deposited in the Camp Blanding Management Trust Fund and used to enhance the facilities and services provided by the CBJTC. The Adjutant

¹ Section 250.05, Florida Statutes.

² Section 250.06, Florida Statutes.

³ Amount includes funding from State sources during the July 1, 2010, through June 30, 2011, State fiscal year and funding from Federal sources for the October 1, 2010, through September 30, 2011, Federal fiscal year.

⁴ Chapters 2010-152 and 2011-069, Laws of Florida.

⁵ Section 250.10(2)(e)3., Florida Statutes.

General is authorized by law to establish an account with a Federally insured financial institution in the State to facilitate the operations of the post exchange store.⁶

The Department established four enterprise funds in the State's accounting records (Florida Accounting Information Resource Subsystem [FLAIR]) related to CBJTC activities: Billeting, Camp Blanding Recreation, Post Exchange, and Dining Hall. The Department refers to the funds as "non-appropriated enterprise funds" and Department records indicate that the funds were established under the statutory authority for the post exchange "system." The Department also established five local bank accounts (two for the Billeting fund and one each for the other funds) for the deposit of revenues generated by CBJTC activities and the payment of related expenses. According to Department records, during the period July 1, 2009, through February 28, 2011, deposits into the five local bank accounts totaled more than \$6.6 million. As of June 30, 2011, the available cash balances in the five bank accounts totaled \$878,594.

To provide information and serve as a guide for the daily operation of accounts and the appropriate use of State moneys, the Department developed the *Florida National Guard Pamphlet, State of Florida Non-Appropriated Enterprise Fund Accounts (FLNG Pamphlet 210-5)*. *FLNG Pamphlet 210-5* establishes the CBJTC responsibilities of the State Quartermaster, CBJTC Commander, and activity directors and managers and was last revised in November 2009. According to *FLNG Pamphlet 210-5*, the State Quartermaster has oversight responsibilities and "is ultimately responsible for all State funds and property associated with the non-appropriated enterprise fund accounts." As part of these oversight responsibilities, the State Quartermaster's Office receives monthly statements of operations and periodically conducts audits of the non-appropriated enterprise fund accounts. In addition, recognizing the need for improved management of CBJTC resources, the Department created the Camp Blanding Joint Training Center Resource Advisory Committee in December 2010 and appointed the State Quartermaster as a member. One of the stated purposes for the Advisory Committee was the "internal review of processes and resource decisions to sustain a nationally recognized premier training center."

Finding No. 1: CBJTC Activities Oversight and Administration

As part of our audit, we evaluated Department oversight of the various CBJTC activities including Department processes for the administration of the related funds and accounts. We discovered instances in which the Department's oversight and administration of the CBJTC activities could be improved to better ensure economic and efficient operations and compliance with applicable laws, rules, and other guidelines. Specifically, we noted that:

- While the Department had established four enterprise funds in FLAIR, the daily CBJTC activities were maintained in five separate subsidiary accounting records. Table 1 provides a summary of the accounting records for each subsidiary account for both the 2009-10 and 2010-11 fiscal years.

⁶ Section 250.10(2)(e)3., Florida Statutes.

Table 1
Summary of CBJTC Activities
(Before Required Adjustments Identified by Audit)

Activity:	Billiting				Recreation		Post Exchange		Dining	
	Chargeable Transient Quarters (CTQ)		Cottage Account		2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
	2010-11	2009-10	2010-11	2009-10						
Revenue	\$649,036	\$651,504	\$273,712	\$291,913	\$685,744 ^a	\$ 698,428 ^a	\$1,933,389	\$2,369,226	\$1,519,495	\$1,815,414
Cost of Goods Sold	-	-	-	-	137,260	165,968	1,312,011	1,559,562	1,058,779	975,886
Gross Profit	<u>649,036</u>	<u>651,504</u>	<u>273,712</u>	<u>291,913</u>	<u>548,484</u>	<u>532,460</u>	<u>621,378</u>	<u>809,664</u>	<u>470,042</u>	<u>839,527</u>
Expenses	<u>769,983</u>	<u>514,196</u>	<u>260,612</u>	<u>257,610</u>	<u>625,802</u> ^b	<u>781,343</u> ^b	<u>636,751</u> ^c	<u>461,398</u>	<u>1,084,689</u> ^d	<u>844,618</u>
Net Income/(Loss)	<u>\$(120,947)</u>	<u>\$137,308</u>	<u>\$ 13,100</u>	<u>\$ 34,303</u>	<u>\$(77,319)</u>	<u>\$(248,883)</u>	<u>\$ (15,373)</u>	<u>\$ 348,266</u>	<u>\$(612,060)</u>	<u>\$(5,091)</u>
Available Cash Balance at June 30th	\$349,126	\$456,962	Included with CTQ	Included with CTQ	\$184,508	\$252,219	\$341,152	\$564,540	\$3,808	\$354,058

^a Includes proceeds from sale of lifetime associate memberships.

^b Together, these amounts include approximately \$389,000 for the construction and improvement of driveways, roads, and recreational vehicle campsites.

^c Includes approximately \$171,000 for the construction of a loading ramp and other capital improvements and renovations.

^d Includes an \$87,285 reimbursement to the Federal Government for invoice overpayments identified in an audit performed by the National Guard Bureau, United States Property and Fiscal Office.

Source: Department subsidiary accounting records.

- At the end of each fiscal year, the Department entered summary information from the subsidiary accounting records into the FLAIR enterprise funds. However, the subsidiary accounting records were not always properly maintained and the FLAIR entries did not provide the data necessary to properly account for the CBJTC activities. For example:
 - During the 2010-11 fiscal year, payments totaling approximately \$560,000 for the construction of a loading ramp and renovations at the post exchange store and the construction and improvement of recreational vehicle campsites and roads were not capitalized in the CBJTC subsidiary accounting records or in FLAIR. Subsequent to our audit inquiry, adjustments were made in the subsidiary accounting records to capitalize the payments. As a result, for the 2010-11 fiscal year, the adjusted subsidiary accounting records for the Recreation activity reflected a net income of \$109,531 and the adjusted subsidiary accounting records for the Post Exchange activity reflected a net income of \$155,790.
 - According to generally accepted accounting principles, enterprise funds should be presented using the economic resources measurement focus and accrual basis of accounting. The Department generally maintained the CBJTC subsidiary accounting records on the accrual basis. However, the Department did not record in the FLAIR enterprise funds the capital assets, inventories, accounts receivable, or accounts payable amounts reflected in the CBJTC subsidiary accounting records. As a result, the amounts in FLAIR were not correctly stated. For example, as of June 30, 2011, the assets recorded in the four CBJTC FLAIR enterprise funds totaled \$878,594, an amount which is significantly understated and reflects only the available cash balance in the subsidiary accounts.
- State law⁷ requires that the profits of the post exchange store, if any, be deposited into the Camp Blanding Management Trust Fund. State law⁸ also requires that the funds generated by the revenue-producing activities on the Camp Blanding Military reservation be deposited into the Camp Blanding Management Trust

⁷ Section 250.10(2)(e)3., Florida Statutes.

⁸ Section 250.175(3)(a), Florida Statutes.

Fund and used to support required training of the Florida National Guard. As shown in Table 1, for the 2009-10 fiscal year, the Billeting and Post Exchange activities each generated a net income and, collectively, the CBJTC activities resulted in a net income of \$265,903. However, the Department did not transfer any of these profits, or any of the profits from earlier years, to the Camp Blanding Management Trust Fund. According to Department personnel, the only transfers the Department had made to the Camp Blanding Management Trust Fund from the revenue-producing activities were made in repayment of a loan from the Trust Fund. In response to our audit inquiry, Department management indicated that "...it was the understanding of the Recreation Director for Camp Blanding that all profits would be put towards any necessary recreational improvements and not into the Camp Blanding Management Trust Fund. These improvements were to better our facilities, benefitting our Florida National Guard Soldiers, Airmen, and families." Notwithstanding this explanation, it is not apparent that the Department had the authority to retain the profits in the local accounts rather than transfer the moneys to the Camp Blanding Management Trust Fund to support the required training of the Florida National Guard.

- The Department allows certain persons to purchase associate memberships from the CBJTC Recreation Department for an annual fee of \$125. Persons eligible to purchase an associate membership include active or retired Department employees; active or retired Army or Air National Guard members; Kingsley Lake homeowners;⁹ honorably discharged veterans from any branch of the United States Armed Forces; spouses, children, parents, and siblings of Guard members; and members of the general public who are sponsored by an active or retired member of the National Guard. The membership privileges include access to the Camp Blanding exchange store, museum, conference center, dining facility, picnic area, primitive and recreational vehicle campgrounds, and Kingsley Lake boat ramp. In 2010, the Recreation Department offered associate members an opportunity to purchase a lifetime membership for \$1,125. The proceeds from the lifetime membership were to be used to make improvements to the Recreation campgrounds. According to records obtained from the Recreation Department, 466 lifetime memberships were sold, which should have generated \$524,250. However, only \$513,375 was recorded in the Recreation subsidiary accounting records. The Department has been unable to explain the reason for the \$10,875 difference.
- *FLNG Pamphlet 210-5* requires the CBJTC activities funds to operate under the guidelines and provisions of a business plan. We requested business plans for each of the CBJTC activities, and were provided business plans for the Post Exchange and Recreation activities. Department management indicated that the Billeting and Dining Hall activities did not have such a plan. The Post Exchange and Recreation business plans provided address such information as the activity's goals, strategy, inventory methods, personnel (both contract and State employees), employee bonuses and incentives, distribution of profits, and capital improvements and also include various employee position descriptions. However, we noted that there was no Post Exchange activity business plan in effect for the 2009-10 fiscal year and the Recreation activity did not have a business plan in effect for the 2010-11 fiscal year. In response to our audit inquiries, Department management indicated that the Department was in the process of developing a new plan that could be used by both the Post Exchange and Recreation activities. We also noted that, despite the absence of an approved plan, the Department paid the Post Exchange employees \$21,400 in bonuses for the 2009-10 fiscal year. The bonuses were paid to seven employees and ranged in amount from \$200 to \$14,000.
- Goods and services obtained for the Recreation activity were not always competitively procured or evidenced by a written agreement embodying the provisions and conditions of the procurement as required by State procurement laws.¹⁰ For example:
 - In 2003, the Department entered into a contract with an independent contractor for the management of the CBJTC Recreation activity. The contract was established after direct negotiations with the independent contractor who approached the Department with a proposal. The Department had previously issued a request for proposal, but had received no responses. The Department negotiated subsequent contracts with the independent contractor absent any attempt to competitively procure the services. Pursuant to a contract for the period May 2008 through April 2009, as manager of the

⁹ According to the Web site, www.KingsleyLake.org, Kingsley Lake is an almost 2,000 acre circular lake located in Clay County. The north and west shores of the lake are privately owned and CBJTC is located on the east and south shores.

¹⁰ Sections 287.017(1)(b), 287.057(1), and 287.058(1), Florida Statutes.

Recreation activity, the independent contractor was to be personally compensated \$66,000 per year. After April 30, 2009, the independent contractor continued to serve as the manager of the Recreation activity absent a fully executed contract or agreement until May 26, 2011, when the Department and contractor entered into a memorandum of agreement for 90 days. The Department compensated the independent contractor approximately \$131,000 during the 25 months that there was not a fully executed contract or agreement in place.

- As allowed by his contract, the Recreation activity manager, on January 6, 2006, subcontracted with a vendor for the management of the Recreation restaurant and lounge. However, the subcontract was not competitively procured and the term of the subcontract was “indefinite unless terminated sooner by agreement between the parties.” Pursuant to the terms of the subcontract, for the 2009-10 and 2010-11 fiscal years, the Department directly paid this vendor \$109,366 and \$102,230, respectively, from the Recreation activity funds.
 - Absent competitive procurement or a written agreement, the Recreation activity manager obtained the services of a vendor for equipment rental and labor for the paving of campground driveways and roads. The Department paid the vendor a total of \$175,543.
- In response to our audit inquiry, Department management indicated that it was their understanding that State procurement laws did not apply to revenue-producing activities. However, other than an exemption for the purchase of finished goods or items bought for retail sale to others,¹¹ State law does not specifically exempt revenue-producing activities from State procurement laws.

As previously mentioned, the State Quartermaster’s Office conducted audits of the non-appropriated enterprise fund accounts. For various audit periods from July 2008 through March 2011, the State Quartermaster’s Office conducted four operational and procedural audits and four operational and compliance audits. Each of these eight audits included tests of employee records, verification of income, and a review of voucher file documentation. In one or more of the audits, the following areas were also reviewed: petty cash, property and equipment, standard operating procedures, and business plans. In three of the audit reports, the State Quartermaster included a total of eight findings, two findings related to the Billeting fund account (lack of cellular telephone usage policy and inadequate cottage maintenance) and six findings related to the Dining fund account (lack of review of employee attendance records, lack of competitive procurement, inadequate documentation for invoices, late paid invoices, incorrectly posted deposits, and incomplete petty cash voucher files). The audit reports did not disclose any findings related to the Post Exchange or Recreation fund accounts.

Our audit tests disclosed that, although the Department had implemented various CBJTC monitoring and oversight activities, including audits by the State Quartermaster’s Office and process and resource decision reviews performed by the Camp Blanding Joint Training Center Resource Advisory Committee, further improvements in CBJTC operations are necessary to better ensure economic and efficient operations and compliance with applicable laws, rules, and other guidelines.

¹¹ Section 287.012(5), Florida Statutes, and Attorney General’s Opinion No. 79-55, dated May 21, 1979.

Recommendation: To better ensure economic and efficient CBJTC operations; compliance with applicable laws, rules, and other guidelines; and that the activities are administered in accordance with legislative intent, we recommend that the Department continue to enhance its procedures and oversight of CBJTC activities. Such enhancements should include the proper accounting of CBJTC activities in the subsidiary accounting records and FLAIR, requiring any profits generated by the activities be deposited in the Camp Blanding Management Trust Fund, reconciling the membership records and related proceeds for the Recreation activity, ensuring that required business plans are timely executed, and competitively procuring goods and services in accordance with State procurement laws. In addition, to better reflect the variety and current operations of the CBJTC activities, the Department should consider proposing revisions to Section 250.10, Florida Statutes.

Payroll Activities

State law establishes the State's employment policy and provides requirements and guidelines relevant to the State employee payroll and personnel administrative processes.¹² While the various State agencies have personnel responsibilities related to their agencies' employees, the Department of Management Services (DMS) is responsible for supporting the State's overall human resource infrastructure, including adopting rules as necessary to effectuate the State employment policy, and the Department of Financial Services (DFS) is responsible for certain centralized payroll functions. DMS is the functional owner of People First, the State's Web-based human resource information system, which interfaces with DFS' Florida Accounting Information Resource Subsystem (FLAIR) Payroll Component to facilitate the generation of State employee salary payments.

As mentioned in the **BACKGROUND** section of this report, the Department was authorized 352 and 373 fulltime positions for the 2010-11 and 2011-12 fiscal years, respectively. The Department's designated payroll cycle is monthly and, during the 2010-11 fiscal year, Department salary payments totaled approximately \$12.2 million. The Department uses a payroll-by-exception methodology whereby employees are paid a fixed authorized gross amount for each monthly payroll cycle until the amount is changed.

The Department employs individuals for a variety of positions including military police officer, firefighter, electrician, plumber, groundskeeper, treatment plant operator, as well as, numerous management, administrative, and clerical positions. Commissioned reserve officers, reserve-enlisted personnel, and members of the Florida National Guard fill many of these positions. The diversity of these positions and the associated work schedules complicates staff scheduling and time and attendance record-keeping, especially for the positions included under the overtime pay provisions of the Fair Labor Standards Act (FLSA).¹³

According to Department management, to facilitate the tracking of employee time and attendance, calculate leave earned, and determine Department leave liabilities, the Department utilizes the Time Accounting System (TAS) module of the Integrated Emergency Operation Management System (IEOMS). In 2006, the Department procured IEOMS to automate and integrate Department personnel management and fiscal activities. While the Department relies upon People First for human resource management, organizational management, and routine payroll administration, the Department uses TAS to track and document employee leave and attendance.

¹² Chapter 110, Florida Statutes.

¹³ The FLSA is codified in Title 29, Chapter 8, United States Code. Section 207 addresses overtime pay and Section 213(a) provides an exemption from overtime pay for certain types of employees including those employed as bona fide executive, administrative, professional, computer programmers and similarly skilled workers, and outside sales employees.

Department employees are to manually record on monthly Employee Time Logs their leave and attendance. On the Time Logs, employees are to report their daily start and end times for work and lunch, as well as any leave taken. The employees’ supervisors are to approve the Time Logs and then submit them to a designated “time sheet keeper” who is responsible for making any necessary entries, including overtime or leave entries, in TAS. During the period of our audit, the Department had assigned 38 employees with time sheet keeper responsibilities. The Department also designated three “time sheet administrators” to review the time sheet keeper entries for accuracy.

During the period of our audit, the Department had established in TAS a monthly Standard Schedule calendar and an Alternate Work Schedule (AWS) calendar and Department employees were assigned to one of the two work calendars. However, to comply with the FLSA overtime provisions and meet the scheduling needs of the Department, the Department also established employee work schedules. As shown in Table 2, for employees included under the FLSA overtime provisions, the Department had established four work schedule types with varying work hours and work periods. Work schedules for Department employees exempted from the FLSA overtime pay provisions covered the calendar month and were based on 8- or 9-hour workdays.

Table 2
FLSA-Included Employee Work Schedules

Schedule Type	Scheduled Work Hours	Designated Work Period for FLSA Overtime Compliance	Number of Work Hours After Which Overtime Pay is Required by FLSA
Standard Schedule	8-Hour Workdays	40-Hour Workweek Between the Hours of Midnight Friday to 11:59 PM Thursday	40
Alternate Work Schedule (AWS)	8- or 9-Hour Workdays (Flexible)	40-Hour Workweek Between the Hours of 12:01 PM Monday to Noon Monday ^a	40
Firefighter Schedule	18-Hour Shifts ^b	14-Day Work Period Between the Hours of Midnight Sunday to 11:59 PM Saturday of the Following Week	106
24/7 Operations Schedule:			
24/7 Florida Youth Challenge Academy (FLYCA) and 24/7 CBJTC (Military Police)	Varies ^c	40-Hour Workweek Between the Hours of Midnight Friday to 11:59 PM Thursday	40
24/7 125 th Fighter Wing (FW) (Military Police)	Varies ^c	40-Hour Workweek Between the Hours of Midnight Sunday to 11:59 PM Saturday	40

^a Employees scheduled for 9-hour workdays received every other Monday off. Most Department employees had elected this work schedule.

^b There were two shifts, shift “A” and shift “B” and workdays alternated by shift assignment.

^c Supervisors coordinated employee work schedules according to the 24-hours-per-day, 7-days-per-week needs of the Department.

Source: Department records and Title 29, Section 207, United States Code.

TAS was designed to pre-populate automated monthly employee time records based on the two Department-established work calendars. Accordingly, if an Employee Time Log reflected a work schedule that did not coincide with the Standard Schedule or AWS work calendar or if the Time Log reflected overtime hours worked or leave taken, the time sheet keeper was to adjust the time record created by TAS to ensure the accuracy of the

Department's automated leave and attendance records. In August 2010, the Department began requiring that the time sheet keepers include electronic copies of the Employee Time Logs in TAS when submitting TAS time records.

When not affected by overtime or leave, a Department employee's salary was paid through the routine People First interface with the FLAIR Payroll Component. However, if the amount due to the employee was affected by overtime or leave taken in excess of the employee's available leave balances, the time sheet keeper was to adjust the employee's TAS time record and the salary payment was to be generated through the FLAIR Payroll Component utilizing a manual process.

Our tests of Department time and attendance record-keeping and compliance with State laws, rules, and the FLSA overtime provisions disclosed numerous areas in which improvements were needed. As described in finding Nos. 2 through 5, most of the issues noted resulted from lack of adequate policies and procedures and the Department's use of TAS.

Finding No. 2: Employee Time Records

As previously described, TAS pre-populated employee time records based on the work calendar (Standard Schedule or AWS) assigned to the employee. As noted in Table 2, the end of the Standard Schedule work period coincided with the end of the day (i.e., 11:59 PM Thursday). Alternatively, the AWS work period ended in the middle of a regular workday (i.e., noon Monday). The majority of Department employees elected a flexible AWS work period with a combination of 8- and 9-hour workdays and every other Monday off.

To facilitate the use of the AWS by FLSA-included employees, the AWS work calendar in TAS generated a time record that separated Mondays into two segments, Monday AM and Monday PM. TAS prepopulated Monday AM attendance on applicable employee time records as 4 hours and Monday PM attendance as 5 hours. The AWS work calendar in TAS also prepopulated every other Friday as an 8-hour workday. Should an employee's daily work schedule differ from the TAS prepopulated work calendar hours, manual adjustments to the TAS time records were required.

As part of our audit, we examined 40 TAS time records and the available supporting Employee Time Logs and work schedules to verify that the time and attendance recorded by the employee and approved by the employee's supervisor was accurately reflected in TAS. We noted instances in which the TAS time records did not agree with the Employee Time Log information or the employee's required work schedule. Specifically:

- As the beginning day and time of the Firefighter and 24/7 FW work schedules did not coincide with the beginning day and time of either the Standard Schedule or AWS work calendar in TAS, manual adjustments were always required to reallocate the daily hours on the applicable pre-populated time records. Four of the 40 time records tested were for employees on the Firefighter and 24/7 FW work schedules. However, none of these 4 time records accurately reflected the applicable employee's work schedule or attendance, as recorded on the associated Employee Time Log. In addition, the TAS time records did not demonstrate that three employees met the required work schedule hours, as the total hours noted on the time records differed from the employees' scheduled work hours. The differences ranged from 20 to 118 hours. In response to our audit inquiry, Department management indicated that, if the daily entries had accurately reflected the time worked, TAS would have inappropriately calculated overtime. This is because TAS does not recognize that the FLSA overtime requirements for employees on the Firefighter and 24/7 FW work schedule differ from the overtime requirements for other FLSA-included employees.
- Nineteen of the 40 TAS time records reviewed were for employees on the AWS work schedule who were included in the FLSA overtime pay provisions. For 16 of the 19 time records tested, the time recorded on the Employee Time Logs resulted in less than 40 hours being recorded in one work period and more than 40 hours being recorded in either the previous or following work period. For example, one Employee Time Log

showed 3.5 hours on Monday PM followed by three 9-hour days (Tuesday through Thursday) and an 8-hour work day on Friday resulting in 38.5 hours for the work period. The Employee Time Log for the following week showed four 9-hour days (Tuesday through Friday) and 5.5 hours on Monday AM, resulting in 41.5 hours for the work period. However, as Department time sheet keepers did not adjust the TAS time records to reflect the actual hours worked, the employees were paid as if they had worked 40 hours in each workweek. As a result, the employees did not receive overtime pay (or FLSA special compensatory leave credits) as required by the FLSA and DMS rules¹⁴ and employee leave balances were not properly adjusted for the workweek in which the employee worked fewer than 40 hours. In response to our audit inquiries, Department management indicated that employees on the AWS had been instructed to adjust their lunch hour on Mondays so that their Employee Time Log would reflect 5 hours in the morning and 4 hours in the afternoon. However, as evidenced by the 16 instances noted, employees did not always follow these instructions and the Department did not monitor employee compliance.

- Manual adjustments to the TAS time records were also required to account for employee work schedule exceptions, such as leave used and overtime worked. For 3 of the 40 time records, the Department was unable to demonstrate the accuracy of the time records or any required manual adjustments as the applicable Employee Time Log could not be located.

The TAS work calendar limitation, multiple designated work periods, and work hour flexibility provided to Department employees necessitated extensive manual adjustments to ensure the accuracy of the TAS time records used to track employee time and attendance, calculate leave earned, and determine Department leave liabilities. The large number and complicated nature of the required manual adjustments is labor intensive and increases the risk of inaccurate time records and leave balances and improper salary payments. Established guidelines and procedures for preparing and documenting time record adjustments may have somewhat mitigated this risk; however, the Department had not developed or implemented such guidelines or procedures.

State law¹⁵ provides that each State agency head is ultimately responsible for ensuring that accurate records of all hours worked and leave taken are maintained for each employee of the agency. DMS rules¹⁶ provide, in part, that each State agency monitor hours worked by employees to ensure proper compensation; monitor overtime to ensure compliance with the FLSA; maintain accurate records of attendance, leave, and overtime worked and compensated; and process time records and leave requests for employees. People First enables State agency management's performance of these functions. The self-service functionality of People First also allows employee completion of electronic time records. Expanded use of People First by the Department would have eliminated the need for the manual adjustments to employee time records and may have prevented the overtime pay and leave balance errors described above.

Recommendation: To ensure compliance with State law and rules and the FLSA overtime pay provisions, the Department should reevaluate its employee work schedule policies and methods for maintaining attendance and leave records. To promote economy and efficiency in Department payroll activities, we recommend that Department management consider expanding Department use of People First to include tracking employee time and attendance. In the meanwhile, Department time sheet keepers and time sheet administrators should take more care when adjusting and reviewing employee time and attendance in TAS.

¹⁴ DMS Rule 60L-34.0031(4), Florida Administrative Code, provides that, in lieu of overtime pay (and if mutually agreed to by the employee and the agency), applicable employees may receive overtime hours as FLSA special compensatory leave credits at the rate of one and one-half hours credit for each hour of overtime.

¹⁵ Sections 110.219(4), 110.605(1)(c), and 110.403(1)(f), Florida Statutes.

¹⁶ DMS Rules, Chapter 60L-34, Florida Administrative Code.

Finding No. 3: Overtime Authorizations and Payments

The FLSA requires that, unless otherwise exempted, employees be paid overtime at a rate of not less than one and one-half time the regular rate for hours worked in excess of a specified number of hours per designated work period (e.g., after 40 hours per week). In addition, DMS rules¹⁷ require that each agency, among other things, monitor hours worked by employees to ensure proper compensation and compliance with the FLSA; maintain accurate records of attendance, leave, overtime worked and compensated; and instruct employees in the proper scheduling, use, and recording of leave and attendance. During the period July 2009 through February 2011, the Department paid \$173,438 to State employees for 8,360 hours of overtime.

To document the authorization and approval of overtime, the Department developed a Request for Overtime form and, in Employee Time Log instructions, noted that the form must be approved in advance of overtime being worked. In addition to seeking overtime authorization via the Request for Overtime form, according to Department personnel, Department employees were required to provide an explanation for and document on the monthly Employee Time Log any time worked in excess of their regularly scheduled hours. Supervisors were required to indicate their approval by signing the Time Log and initialing and dating each individual occurrence of overtime worked.

As part of our audit, we reviewed Department overtime policies and procedures and examined the records for 20 overtime payments totaling \$25,714 made during the period July 2009 through February 2011 to evaluate whether the overtime payments were authorized, reasonable, properly calculated, and adequately supported. We also tested an additional ten time and attendance records for employees who recorded overtime to determine whether the recorded overtime was properly authorized. Our tests disclosed that:

- For 5 of the 20 payments, Department time records did not support the amount of overtime paid. The 5 payments totaled \$7,053 and were for overtime ranging from 5 to 151 hours. However, the TAS time records and available Employee Time Logs associated with the payments did not reflect overtime hours. In response to our audit inquiries, Department management indicated that the employees paid did not work the overtime and that records authorizing the payments of overtime were unavailable. Subsequent to our audit inquiry, the Department sought reimbursement from the applicable employees.
- For 9 overtime payments totaling \$5,965, and nine of the ten additional time and attendance records tested, a Request for Overtime form was not available for our review. For 2 of the 9 payments and two of the nine additional records tested, the individual occurrences of overtime were not properly approved on the Employee Time Logs. In addition, for one of the payments, there was no written explanation or justification for the associated 56 hours of overtime on the associated Employee Time Log.

Other than the instructions included on the Request for Overtime form and Employee Time Log, the Department had not established written procedures addressing the approval and payment of overtime. Although, according to Department management, Department time sheet keepers may verbally provide Department supervisors with guidance related to overtime, the lack of established procedures with detailed guidelines and instructions may have contributed to the instances of unauthorized overtime noted above.

Absent the establishment, implementation, and consistent application of procedures governing the authorization and verification of overtime hours worked, overtime may be worked that is not preceded by careful management consideration of workload and the fiscal impact of the overtime payments. In addition, absent effective procedures

¹⁷ DMS Rule 60L-34.002, Florida Administrative Code.

for the review and verification of overtime hours reported as worked, payments may be made for overtime not earned or correctly calculated.

Recommendation: We recommend that the Department enhance procedures governing the authorization, verification, and payment of overtime worked. Such enhanced procedures should address supervisory consideration of workload and the fiscal impact of the overtime payments and should also require verification, prior to payment, that the overtime hours were sufficiently documented and approved. In addition, the Department should perform periodic reviews of overtime payments and, if overpayments are identified, seek reimbursement from the applicable employees.

Finding No. 4: Paid Holidays

State law¹⁸ identifies nine paid holidays to be observed by all State agencies, providing that if any holiday falls on a Saturday, the preceding Friday shall be observed as a holiday, and if any holiday falls on a Sunday, the following Monday shall be observed as a holiday. DMS rules¹⁹ provide further paid holiday guidance to State agencies, indicating that, for full-time employees:

- If the holiday is observed on an employee's established day off, the employee is to be credited with an 8-hour holiday.
- If the holiday is observed on an employee's established workday and the employee is not required to work, the employee be credited with holiday hours equal to the employee's established workday hours. If the holiday falls on an employee's established workday of less than 8 hours, the employee is to be credited with an 8-hour holiday.
- For Career Service²⁰ employees, if the holiday is observed on an employee's established workday and the employee is required to work, the employee is to be credited with special compensatory leave equal to the time worked on the holiday, not to exceed the number of hours in the employee's established workday. If the holiday falls on an employee's established workday of less than 8 hours, the employee is to be credited with an 8-hour holiday. DMS rules²¹ also state that, for any holiday observed during a Career Service employee's work period, agencies shall credit the holiday by granting special compensatory leave credits on an hour-for-hour basis for those hours that are not necessary to bring the employee's rate of pay up to the normal rate of pay for the work period.

For 25 Department employees, 20 of whom were Career Service employees (or entitled to Career Service benefits), we selected a month that contained a paid holiday and reviewed the related attendance and leave records to determine whether the Department had correctly accounted for the holiday and any applicable special compensatory leave credits for which the employees may have been entitled. We noted that:

- Due to the TAS work calendar limitation described in finding No. 2, TAS prepopulated employee time records with either a 9- or 18-hour holiday. Therefore, for holidays that fell on workdays for which an employee was scheduled to work other than 9 or 18 hours, the time sheet keeper was required to prepare a manual adjustment to the time record. For 13 of the 25 employees, the TAS time record entries for the applicable holiday were inconsistent with the employees' established workday schedule. As a result, the total

¹⁸ Section 110.117, Florida Statutes.

¹⁹ DMS Rule 60L-34.0032(3), Florida Administrative Code.

²⁰ Career Service is one of three pay plans included in the State Personnel System. The Career Service pay plan provides uniform pay, job classification, benefits, and recruitment for the majority of nonmanagement jobs within State agencies. Section 110.205(2)(p), Florida Statutes, exempts Department military personnel from the Career Service provision, but also states that military police chiefs, military police officers, firefighter trainers, firefighter-rescuers, and electronic security system technicians shall have salary and benefits the same as Career Service employees.

²¹ DMS Rule 60L-34.0032(4), Florida Administrative Code.

hours on the TAS time record were incorrect and did not demonstrate that the employee satisfied the scheduled work hours required for the month.

- The Department did not always correctly credit employees with holiday-related special compensatory leave in accordance with DMS rules for Career Service employees. Specifically:
 - For one Career Service employee who worked on a holiday that was an established workday, the Department credited the employee with an 8-hour holiday, but did not credit the employee with special compensatory leave for the 2 hours worked on the holiday.
 - For holidays observed on the employees' established days off, the Department credited the employees with holiday hours. However, for 4 Career Service employees, the Department failed to also credit the employees with special compensatory leave for one or more holidays during a month in which the holiday hours plus the hours worked by the employees exceeded the scheduled work period hours.

In response to our audit inquiry, Department management indicated that TAS did not properly calculate special compensatory leave and necessary adjustments had not been made.

Absent the proper recording of holiday and any associated special compensatory leave credits, the Department cannot demonstrate compliance with State law and DMS rules. In addition, improper recording of special compensatory leave credits results in the misstatement of leave liabilities in Department accounting records.

Recommendation: We recommend that the Department demonstrate compliance with State laws and DMS rules by ensuring that Department employees are properly credited with holiday and applicable special compensatory leave. The Department should also ensure that the total hours reflected in TAS are correct and supported by records that accurately reflect employee time worked, holidays, and leave.

Finding No. 5: Military Leave Records

State law²² and DMS rules²³ provide for military leaves of absence for State employees who are service members in the National Guard or a reserve component of the Armed Services of the United States. The types of military leave provided include military reserve or Guard training and active military service.²⁴ During the period of our audit, the Department classified military leave as "MIL," "AD," or "FAD" in TAS.

The MIL classification was to represent leave for military reserve or National Guard training. Pursuant to State law,²⁵ such leave may not exceed 240 working hours in any one annual period. Prior to July 1, 2010, State law allowed 17 days per Federal annual period (October 1 through September 30).

According to Department personnel, AD was the original TAS classification for active military service leave; however, the Department later began using FAD to represent such leave. State law²⁶ provides, for a service member called to active military service, full pay for the first 30 days of leave for each call to active military service. DMS has provided additional guidance on active military service leave,²⁷ stating that the employee may only receive paid leave for the first 30 calendar days of such leave for each call to active military service.

²² Sections 115.07 through 115.09 and 250.48, Florida Statutes.

²³ Department of Management Services Rule 60L-34.0062, Florida Administrative Code.

²⁴ Section 115.08(1), Florida Statutes, states that the term active military service includes active duty in the Florida defense force or Federal service in training or on active duty with any branch of the Armed Forces or Reservists of the Armed Forces, and the Florida National Guard, for purposes of Section 115, Florida Statutes.

²⁵ Section 115.07(2), Florida Statutes.

²⁶ Sections 115.08(2) and 115.09, Florida Statutes.

²⁷ DMS, Division of Human Resource Management, Program Guidelines, *Active Duty Military Leave of Absence ("Military Leave")*, dated May 4, 2007.

Six of the 40 time records included in our test of employee time records reflected one or more types of military leave. For the six applicable employees reporting the military leave, we reviewed orders, time records, and leave balances for a 20-month period (July 2009 through February 2011). In total, we reviewed 40 time records and 38 orders and noted that:

- For all six employees, leave classified as MIL, AD, and FAD was not always correctly recorded or accrued in TAS. As a result, the employees may have been under or overpaid and MIL, AD, and FAD leave balances did not accurately reflect the actual leave activity or remaining leave available. For example, because the Department failed to record the correct number of days a firefighter was on FAD leave, the Department considered the firefighter on leave without pay and he was underpaid \$1,640. In another instance, an employee was granted 3 days of MIL leave in November 2009; however, the employee's available MIL leave balance was increased by 3 days (16 to 19 days) rather than decreased to reflect the leave used. In yet another instance, TAS showed an employee's FAD leave used as 52 days, when the employee had only taken 22 days for a particular active service duty order.
- The type of leave recorded on the Employee Time Logs was not always consistent with the type of military leave recorded in TAS. For four of the six employees, we noted numerous instances in which, although the TAS time records reflected MIL, AD, or FAD; on their Time Logs, the employees recorded administrative leave, a different type of military leave, or did not indicate a leave type at all.
- The Department did not consistently interpret orders when granting leave. Six orders for National Guard training (pertaining to three employees) were incorrectly treated as AD or FAD, rather than MIL. In each instance, the employee was granted 30 calendar days of leave with pay, rather than the leave for National Guard training (17 days prior to July 1, 2010, and 240 hours, thereafter) established by State law. In response to our audit inquiries, Department management indicated that Federal training qualified as FAD. Notwithstanding this explanation, these six orders were for National Guard training and State law specifies leave provisions for National Guard training that differ from those for active duty for Federal service in training.

Although employees are required to submit orders in support of military leave requests, the orders are not consistently formatted, and, therefore, must be interpreted on a case-by-case basis. Under such conditions, procedures or guidelines should be in place to reasonably ensure the correct and consistent classification of military leave. We noted, however, that the Department had not established procedures to promote the consistent interpretation of orders necessary to clearly identify the applicable type of military leave.

Absent the consistent interpretation of orders and the correct classification, recording, and accrual of military leave, the Department cannot demonstrate compliance with State laws and DMS rules and the risk is increased that employee leave balances will be incorrect and that salary payments may be made in improper amounts.

Recommendation: We recommend that the Department develop and implement procedures that provide for the consistent interpretation of orders and ensure that military leave granted to employees is correctly classified, recorded, and accrued in accordance with applicable laws and rules.

Other Administrative and Program Activities
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In addition to the Department's non-appropriated enterprise fund and payroll activities, as part of our audit we also evaluated Department policies and procedures and tested Department compliance with governing laws and rules related to various other administrative and program activities including contract management, purchasing card administration, development and maintenance of organizational charts, and collection of social security numbers. As described in finding Nos. 6 through 9, our audit tests disclosed that improvements are needed in the Department's management of these activities.

Finding No. 6: Contract Management

Effective contract management requires the monitoring of contractor performance and service delivery to ensure compliance with the terms and conditions of the contract, verify the provision of contract deliverables, and evaluate the achievement of related Department goals. Effective contract management also requires verification, prior to payment, that contractor-submitted charges are allowable and adequately documented.

State law²⁸ provides that for each contractual services contract, the agency shall designate an employee to function as contract manager who shall be responsible for enforcing performance of the contract terms and conditions. In addition, each contract manager who is responsible for contracts in excess of the Category Two threshold amount (\$35,000) must attend contract management training conducted by the State's Chief Financial Officer (CFO). Further, the CFO has established and disseminated uniform procedures²⁹ to ensure that contractual services are rendered in accordance with contract terms before agencies process contractor invoices for payment.

To evaluate the effectiveness of Department contract management and test Department compliance with applicable State laws and CFO procedures, we reviewed Department processes related to contract management, including contract manager assignment and training, and examined selected contract file documentation and payments. Our tests disclosed:

- The Department did not have procedures to identify those employees who should attend contract manager training. In response to our audit request, the Department provided a list of eight contract managers. We reviewed Department contract training records for the individuals on the list and noted one contract manager who had not attended the required training as of February 24, 2012. This contract manager was responsible for three contracts with expenditures totaling \$5,346,125 during the period July 2009 through February 2011.
- The Department had not established policies and procedures for reviewing contractor invoices prior to payment. In the absence of Department procedures, we were advised by Department personnel that they relied on training presentation slides prepared by the Department of Financial Services (DFS). However, not all Department personnel responsible for reviewing and processing contractor invoices attended the training and the slides were not disseminated to all applicable staff.
- The Department did not always perform appropriate contract monitoring or adequately document contractor performance. Our review of documentation related to 12 contracts with payments totaling \$28,723,377 during the period July 2009 through February 2011 disclosed that:
 - Two contracts, authorized under United States Department of Labor grants, were for the administration of at-risk youth and adult community outreach programs. Both contracts were with the same contractor. With respect to these two contracts, we noted that:
 - Although the contracts provided for financial reports and specified goals for the number of students trained and placed in jobs, the Department did not have monitoring procedures in place to review the contractor-reported information for accuracy and reasonableness. In addition, the Department had not implemented procedures to verify that the persons being served were eligible for the programs.
 - The Department did not document a determination of whether the contractor was a subrecipient or a vendor, nor was it evident from the contract terms and conditions that a determination had been made. For Federal awards received and expended by State agencies, the State's Chief Financial Officer (CFO) provided guidance, in the form of a CFO Memorandum,³⁰ requiring State agencies to determine whether agencies were passing on Federal awards in the form of Federal financial

²⁸ Section 287.057(14), Florida Statutes.

²⁹ CFO Memorandum No. 01 (10-11), dated July 6, 2010.

³⁰ CFO Memorandum No. 04 (2005-06).

assistance to subrecipients or procuring goods and services from a vendor. The CFO memorandum requires State agencies to use criteria established by the United States Office of Management and Budget (OMB), Circular No. A-133, *Audits of States, Local Governments and Non-Profit Organizations* when making the determinations and retain documentation in support thereof. In response to our audit inquiry, Department personnel stated that it was their understanding that if competitive selection was used, the determination was not required. However, we noted that the contractor proposals included reimbursements for costs related to OMB Circular A-133 audits and those proposals had been incorporated by reference into the two contracts. We also noted that the audit reports, for the contractor's fiscal years ended December 31, 2010, and December 31, 2011, submitted to the Department by the contractor under the terms of the contract, both included a *Schedule of Expenditures of Federal Awards* showing amounts totaling \$1,996,503 and \$653,395 respectively, as financial assistance passed through from the Department.

- The Department had substantially amended the two contracts to revise the contract budgets for allowable administrative and overhead costs and contractor profit. For example, the contract amounts allowed for contractor profit increased from 8 percent during the 2008-09 fiscal year to 10 percent during the 2009-10 and 2010-11 fiscal years. However, the contract files did not contain documentation of negotiations for the increases or justification for the amendments. Further, if, as described above, the contractor was determined to be a subrecipient, profit of \$181,818 for each of the 2009-10 and 2010-11 fiscal years, should not have been paid by the Department as Federal regulations³¹ prohibit the payment of any profit (or other increment above allowable costs) to subrecipients.
- For four contracts, the Department reimbursed contractors for direct labor charges, totaling approximately \$247,000 that were not supported by documentation evidencing that someone with direct knowledge of time worked had verified or certified the time charged.
- The Department did not always verify that contractor invoices only reflected documented charges that were provided for in the contract. For example, one of the persons listed on a hotel receipt provided with a contractor invoice did not appear on the list of persons assigned to the program. In response to our audit inquiry, Department personnel stated that, when asked, the contractor indicated that the person had previously worked on the program and was invited to attend a training course as a courtesy. The Department reimbursed the contractor \$430 for this person's lodging. In addition, some invoiced charges were not supported by required documentation. Subsequent to our audit inquiry, the Department obtained documentation from the vendor for \$836 in charges related to conference rooms and food and determined that the food charge of \$406 was not an allowable contract expense.
- Department contract managers did not always compare the invoiced amounts with the supporting documentation. For example, for one contract, the invoice reflected an \$874 charge for 43 hours of services provided by a computer support specialist; however, the time record submitted with the invoice showed that the specialist only worked 3 hours related to the contract. Subsequent to our audit inquiry, the Department contacted the contractor, determined that the Department had been overcharged \$815, and requested reimbursement.
- The contract file for one contract did not contain evidence that the dishonesty bonds required for certain employees had been obtained and remained in effect. Subsequent to our audit inquiry, the Department obtained the required documentation.
- For five contracts, the contract files did not contain evidence that the contractor had maintained the required liability insurance coverage. Although the contract files contained insurance certificates evidencing that the contractor had obtained insurance, the effective dates for the certificates had expired. Subsequent to our audit inquiry, the Department requested the contractors to provide current insurance certificates. A similar finding was noted in audit report No. 2010-106.

³¹ Title 32, Section 33.22, Code of Federal Regulations.

Absent effective contract management procedures, the Department has limited assurance that contractual services are being rendered in accordance with contract terms and Department expectations. In addition, absent proper contract monitoring and the careful review of contractor charges, the risk is increased that contractor performance issues and billing errors may occur and not be timely detected and resolved. Further, the Department cannot demonstrate compliance with State and Federal laws and guidelines absent documentation of consideration of the requirements of OMB Circular A-133 prior to entering into contracts funded, at least in part, by Federal awards.

Recommendation: To promote effective management of Department contracts, we recommend that the Department develop procedures to ensure all contract managers timely receive the statutorily required training. To provide a means for early detection of performance problems and ensure the proper expenditure of State funds and Federal awards, we also recommend that the Department enhance its procedures to address contract monitoring and contract payment approval processes. In addition, the Department should document its determination of whether a contractor is a subrecipient or a vendor prior to entering into a contract funded, at least in part, with Federal or State financial assistance program awards.

Finding No. 7: Administration of Purchasing Cards

The Department participates in the State's Purchasing Card Program (Program), which allows authorized personnel to charge authorized Department expenses on purchasing cards. The Department had 142 active purchasing cards as of February 28, 2011, and purchasing card charges totaled approximately \$5 million during the period July 2009 through February 2011.

As a condition of participation in the Program, the Department is responsible for the implementation of key controls, including procedures for approving the issuance of purchasing cards; establishing single, daily, and monthly transaction limits for cardholders; and timely canceling purchasing cards upon a cardholder's separation from Department employment. According to the Department's *Purchasing Card Guidelines*, the Purchasing Card Program Administrator (PCPA) is responsible for issuing and canceling purchasing cards, assisting in the determination of cardholder transaction limits, and monitoring the progress of the Department's goals for purchasing card usage. During the period of our audit, the Finance and Accounting Director II served as the Department's PCPA.

As part of our audit, we reviewed the Department's *Purchasing Card Guidelines (Guidelines)* and *Purchasing Card Agency Plan (Plan)* and evaluated the adequacy of Department controls for purchasing card transactions during the period July 2009 through February 2011. We noted that improvements were needed in the Department's establishment and approval of purchasing card limits and cancellation of purchasing cards upon employee separation. Specifically:

- Based on usage, the transaction limits for 22 cardholders were set too high. The limits for these 22 cardholders ranged from \$25,000 to \$99,000 for single transactions and from \$25,000 to \$300,000 for monthly transactions. However, as shown in Table 3, during the period July 2009 through February 2011, these cardholders' maximum single transaction charge amounts and monthly total charges were both significantly less than the established limits. In response to our audit inquiry, Department personnel indicated that these cardholders had high limits because of their duties, such as duties in support of the State mission when the Governor issues an executive order. Notwithstanding this explanation, as purchasing card limits can be promptly increased as needed, it was not apparent that the higher limits were necessary for the cardholders' daily duties.

Table 3

Comparison of Purchasing Cardholder Limits and Charges

	Single Transaction		Monthly Transaction			Single Transaction		Monthly Transaction	
	Limit	Maximum Actual Charge	Limit	Maximum Actual Total		Limit	Maximum Actual Charge	Limit	Maximum Actual Total
1	\$25,000	\$5,953	\$ 25,000	\$22,128	12	\$99,000	\$ 992	\$250,000	\$ 3,300
2	25,000	3,333	25,000	5,081	13	50,000	7,389	50,000	23,720
3	99,000	29,391	100,000	49,173	14	25,000	5,454	25,000	14,657
4	25,000	7,320	25,000	15,882	15	25,000	6,729	25,000	6,729
5	75,000	3,851	75,000	24,456	16	75,000	3,421	75,000	6,700
6	25,000	3,373	25,000	15,668	17	25,000	9,066	25,000	24,771
7	99,000	3,911	250,000	5,794	18	99,000	7,396	100,000	7,504
8	25,000	509	25,000	800	19	50,000	9,752	50,000	24,684
9	75,000	6,802	75,000	58,659	20	99,000	23,998	100,000	69,493
10	25,000	1,415	25,000	13,131	21	25,000	9,340	25,000	22,877
11	25,000	3,442	25,000	12,645	22	99,000	23,993	300,000	105,975

Source: Department records.

- Contrary to Program requirements,³² the Department’s *Guidelines* and *Plan* did not mandate that single transaction limits above \$1,000 be approved by the Adjutant General or his designee. Subsequent to our audit inquiry, the Department’s *Guidelines* and *Plan* were revised to include such a mandate and the Adjutant General formally delegated this authority to the State Purchasing Director II.
- The Department issued purchasing cards to 27 employees who did not make any charges during the period July 2009 through February 2011 and, therefore, may not require a purchasing card for the performance of their job duties.
- The Department did not timely cancel the purchasing cards for 5 of the 71 cardholders who separated from the Department during the period July 2009 through February 2011. The Department canceled these 5 cards 14, 48, 84, 106, and 258 days, respectively, after the applicable employee’s termination date. According to Department personnel, the 5 cards were not timely canceled as the employees’ supervisors had not properly notified the PCPA of the employees’ terminations.

Absent effective controls to timely identify cardholders who separate from the Department, promptly cancel cards upon employee separation, and periodically monitor the reasonableness of card assignments and transaction limits, the risk of unauthorized purchasing card use is increased. In addition, while cardholder duties may, at times, justify the need for higher transaction limits, setting limits significantly higher than the cardholder’s normal usage thwarts the purpose for the limits and unnecessarily exposes the Department to potential loss.

Recommendation: We recommend that the Department further enhance its purchasing card controls by addressing the delegation of authority for approving single transaction limits, monitoring the reasonableness of card assignments and transaction limits, ensuring the timely identification of terminated cardholders, and promptly canceling purchasing cards upon a cardholder’s separation from Department employment.

Finding No. 8: Organizational Charts

State law³³ establishes the Department and describes its general structure and operations. The Adjutant General serves as the Department head and is responsible for the overall command and coordination of all personnel. In

³² Comptroller’s Memorandum No. 04 (1998-99).

³³ Section 250.05, Florida Statutes.

addition, State law³⁴ provides that the Adjutant General shall employ personnel as necessary for the proper conduct of the Department and allows the Adjutant General to accept personnel provided by the Federal Government. As noted in the **BACKGROUND** section of this report, approximately 2,375 Federal civilian employees, Federally employed military technicians, Active Guard Reserve personnel, and State employees, were assigned at Army and Air National Guard units throughout the State to support approximately 12,000 National Guard members.

The Department has established three different organizational charts to represent the structure of the Department and the relationships and ranks of Department employee positions and jobs. One chart was developed and submitted to the Executive Office of the Governor (EOG) as required by State law³⁵ and the two other charts were developed for internal purposes. As part of our audit, we reviewed the Department's organizational charts and existing structure and noted that:

- The chart submitted to the EOG did not include all the Department's organizational areas, referred to by the Department as "directorates." Specifically, several directorates that report to the Director of the Joint Staff were not listed on the chart. State law³⁶ requires that, for each agency of the executive branch, the EOG maintain a current organizational chart that must identify all divisions, bureaus, units, and subunits of the agency. We were advised by Department personnel that they were preparing an overall organizational chart that will include all the Department's directorates.
- State law³⁷ requires the Adjutant General to employ a Federally recognized officer of the Florida National Guard as the State Quartermaster who, under the direction of the Adjutant General, shall account for all funds, property, and facilities. State law³⁸ also provides that unless specifically authorized by law, the head of a department may not reallocate duties and functions specifically assigned by law. Our review of the chart provided to the EOG disclosed that the Department had divided the statutory State Quartermaster responsibilities between the Director of Financial Management (who was responsible for purchasing, contracting, budget, finance and accounting) and the State Quartermaster (who was responsible for property, audit, and services maintenance). However, the individual acting as the Director of Financial Management and performing certain duties statutorily assigned to the State Quartermaster, was not a Federally recognized officer of the Florida National Guard.

The unique organization of the Department, its reliance on Federal employees to support Department and Florida National Guard activities, and the dual State and Federal roles of the Florida National Guard may have contributed to the Department's difficulties in appropriately documenting the structure and clearly defining the lines of authority. Absent accurate organization charts that reflect the current Department structure and accurately define the lines of authority, the Department cannot demonstrate compliance with applicable State laws and other guidelines. In addition, the lack of clearly defined lines of authority may have contributed to the absence of effective procedures as noted in finding Nos. 1 and 6.

Recommendation: The Department should continue its efforts to properly document its organizational structure and establish procedures to clearly define the lines of authority. In addition, the Department should take steps to ensure its compliance with State law establishing the duties of the State Quartermaster.

³⁴ Section 250.10(2)(h), Florida Statutes.

³⁵ Section 20.04(8), Florida Statutes.

³⁶ *Ibid.*

³⁷ Section 250.10(6), Florida Statutes.

³⁸ Section 20.04(7)(a), Florida Statutes.

Finding No. 9: Collection of Social Security Numbers

The Legislature has acknowledged in State law³⁹ the necessity of collecting individuals' social security numbers (SSNs) for certain purposes. The Legislature has also recognized that SSNs can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

Pursuant to State law,⁴⁰ the Department may not collect an individual's SSN unless the Department is specifically authorized by law to do so. State law requires the Department to identify the purpose for which the SSN is being collected and provide the individual with a copy of a written statement indicating the purpose for collecting the SSN. The Department may not use the SSNs collected for any purpose other than that indicated in the written statement.

We reviewed various Department forms requiring individuals to provide their SSNs and noted that the Department did not always provide individuals with the required written statement identifying the purpose for collecting the SSNs. For example, we noted two Youth Challenge Program forms and one Education Assistance Program form available on the Department's Web site that did not contain or provide a reference to the required purpose statement.

Recommendation: To ensure compliance with State law and provide the extra care necessary when collecting and maintaining individuals' SSNs, we recommend that the Department make the required written statements available to applicable individuals at the time of SSN collection.

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. 2010-106.

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 March 2011 to September 2011 and performed selected audit procedures through May 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 selected Department activities including non-appropriated enterprise fund activities, payroll activities, and other administrative and program activities. 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,

³⁹ Section 119.071(5)(a)1.a. and b., Florida Statutes.

⁴⁰ Section 119.071(5)(a), Florida Statutes.

efficient, and effective operation of State government; the validity 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 validity and reliability of records and reports; and the safeguarding of assets.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

Our audit also included steps to determine whether management had corrected, or was in the process of correcting, all applicable deficiencies disclosed in report No. 2010-106.

In conducting our audit we:

- Reviewed applicable laws, rules, and other State and Federal guidelines to obtain an understanding of the legal framework governing the Department's operations. Obtained an understanding of selected internal controls and observed, documented, and evaluated the effectiveness of key processes and procedures.
- Interviewed selected Department personnel and reviewed Department policies, procedures, administrative rules, and other applicable guidance.
- Reviewed documentation related to accounts held and maintained by the Department in local banks to determine whether the bank accounts were properly authorized and administered.
- Interviewed Department personnel, reviewed supporting documentation, and compared financial information reported in subsidiary records maintained for the Department's four enterprise funds (Billeting, Camp Blanding Recreation, Post Exchange, and Dining Hall) with that recorded in the State's accounting records (FLAIR) to evaluate the completeness of the amounts recorded in FLAIR.
- For the Department's four enterprise funds, reviewed Department policies, interviewed applicable personnel, and examined various records and reports to evaluate Department oversight and determine whether the funds were being administered economically, efficiently, and in compliance with applicable laws, rules, and other guidelines.
- Reviewed the general application and data input, processing, and output controls for the Time Accounting System (TAS) module of the Integrated Emergency Operations Management System (IEOMS) to evaluate the reasonableness of the Department's reliance on the system to ensure that salary payments were supported by accurate and complete records of time worked and that leave liabilities were supported by accurate and complete leave records.
- Examined attendance and payroll records for 20 overtime payments totaling \$25,714 to determine whether the overtime was authorized, approved, reasonable, and adequately supported, and that overtime payments or leave accruals were properly calculated. During the period July 2009 through February 2011, the Department made 292 payments totaling \$173,438 for 8,360 hours of overtime.
- Examined the attendance and leave records for 20 of the 401 employees who received a State salary payment during the period July 2009 through February 2011 to determine whether leave accruals were accurately calculated and properly recorded.
- Reviewed records for basic allowances totaling \$361,606 for housing (BAH) and subsistence (BAS) perquisites provided to 16 employees to determine whether the Department was in compliance with State laws, rules, and regulations governing the authorization, approval, and reporting of perquisites. Perquisites, including BAH and BAS, totaled \$395,552 during the period July 2009 through February 2011.
- Examined personnel and payroll records for 5 of the 78 employees who had a change in salary amount effective during the period July 2009 through February 2011, to verify that the salary increases or decreases were properly authorized, accurately calculated, and timely recorded.
- To determine whether Department policies and procedures were effective to ensure that salary payments were supported by accurate and complete records of time worked, examined attendance, leave, and payroll

records related to a salary payment for 40 of the 401 employees who received a State salary payment during the period July 2009 through February 2011. The 40 salary payments tested totaled \$110,884 and 25 of the payments were for a pay period that included a paid holiday. During the period July 2009 through February 2011, the Department made salary payments totaling \$19,942,301, including a total of \$1,732,254 paid to the 40 selected employees.

- For 6 of the 40 Department employees who were selected for the test of time records and used military leave in the selected pay period, examined the military orders and corresponding attendance, leave, and payroll records for the period July 2009 through February 2011. These 6 employees had been granted military leave pursuant to 38 separate sets of military orders during this 20-month period.
- Evaluated Department controls established to ensure that goods and services were procured and contracts were managed in accordance with applicable laws and rules. In performing this evaluation, we examined documentation for 12 contracts for which the Department made payments during the period July 2009 through February 2011, and for which selected events occurred through December 2011, to evaluate Department compliance with laws, rules and other applicable guidelines. The 12 contracts subject to testing included:
 - Four Contracted Services contracts with payments totaling \$552,160.
 - Two Engineering Services contracts with payments totaling \$626,639.
 - Five Contract Employee Service Provider contracts with payments totaling \$11,482,162.
 - One Construction Manager contract with payments totaling \$16,062,416.
- Reviewed the Department's *Purchasing Card Agency Plan* and *Purchasing Card Guidelines* and evaluated Department controls related to the issuance of purchasing cards, establishment of cardholder transaction limits, and cancellation of cards upon a cardholder's termination from Department employment. As of February 28, 2011, the Department had 142 active purchasing cards.
- Examined Department purchasing card records for the 22 cardholders with single transaction limits set at or above \$25,000 as of February 28, 2011, to determine whether the established card limits were reasonable based upon the cardholders' job responsibilities and whether the cardholders had properly filed financial disclosure forms.
- Analyzed the purchasing card cancellation dates for the 71 cardholders who terminated from Department employment during the period July 2009 through February 2011 to determine whether the cards were timely cancelled.
- Reviewed Department organizational charts and existing structure to evaluate whether the charts accurately reflected the Department's existing operating structure; the structure was designed in compliance with Florida Statutes; and the charts included any new programs, activities, or significant changes dictated by the General Appropriations Acts. We also evaluated whether the Department's organizational structure promoted effective internal controls by providing for adequate separation of duties and appropriate management oversight.
- To verify compliance with State law, reviewed the Department's process for collecting and maintaining social security numbers (SSNs) by interviewing Department personnel; reviewing information on the Department's Web site, forms, and documents requesting, and providing the purpose for requesting, individuals' SSNs; and observing the Department's use and safeguarding of SSNs.
- Examined records for 44 Florida National Guard members who were granted education assistance totaling \$135,377 from the Educational Duty for Dollars (EDD) Program during the Fall 2010 term to verify the accuracy of tuition assistance payments and that Program participants maintained their eligibility and Program conditions were met. If participants became ineligible or the conditions of the Program were not met, we verified that the Department took appropriate action to seek reimbursement for tuition paid. During the Fall 2010 term, 872 Guard members participated in the EDD Program and the Department made Program payments totaling \$1,144,386.

- Examined ten tuition assistance payments totaling \$22,276 made on behalf of Guard members to verify that the payments were for authorized courses and did not exceed the average tuition and fees paid at a public postsecondary educational institution. These ten payments were selected from Department EDD Program payments which totaled \$3,547,142 during the period July 2009 through February 2011.
- Reviewed evidence of accreditation for the 78 institutions receiving tuition payments from the EDD Program to verify that the Department had properly determined that the institutions were accredited by the Department of Education (Commission for Independent Education) or the United States Department of Education.
- For 10 payments totaling \$6,696 made by the Department from the Soldier and Airman Assistance Fund, examined the payment documentation to determine whether the payments were made and the program was administered in accordance with State law and contractual arrangements. For 2010-11 fiscal year, the Department made Soldier and Airman Assistance Fund payments totaling \$109,810 related to 210 assistance requests.
- Reviewed applicable rules and processes for administrating the armory operations accounts, as well as the results of audits made by the State Quartermaster's Property and Audit Section, to determine whether Department-established controls were effective in calculating, distributing, and disbursing allowances to the various armories.
- Examined 10 payments totaling \$214,113 from the Department's Armory Projects Account to determine whether the payments were made for allowable expenditures. During the period July 2009 through February 2011, there were 345 payments and transfers totaling \$1,734,197 made from this account to fund armory capital improvements and maintenance.
- To evaluate the Department's efforts to avoid the assignment of incompatible or excessive FLAIR access privileges, reviewed the access privileges for the 29 FLAIR user IDs active during the period July 2009 through February 2011 and examined evidence of the Department's quarterly access reviews.
- For the three employees with FLAIR access who terminated from Department employment during the period July 2009 through February 2011, verified that the Department timely cancelled the access.
- Reviewed the most recent renewal of the Department's rental and royalties mining contract at the Camp Blanding Joint Training Center, as well as the August 23, 2010, internal audit report issued by the Department's Office of the State Inspector General (IG) regarding the contract. We also interviewed Department personnel to determine whether the Department had renegotiated, or was in the process of renegotiating, the contract as recommended in the IG report.
- 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 facilitate 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 August 29, 2012, 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

August 29, 2012

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 explanation concerning our actual or proposed corrective actions relating to those preliminary and tentative audit findings and recommendations which may be included in your operational audit of the Department of Military Affairs (DMA).

Recommendation No. 1: To better ensure economic and efficient Camp Blanding Joint Training Center (CBJTC) operations; compliance with applicable laws, rules and other guidelines; and that the activities are administered in accordance with legislative intent, we recommend that the Department continue to enhance its procedures and oversight of CBJTC activities. Such enhancements should include the proper accounting of CBJTC activities in the subsidiary accounting records and Florida Accounting Information Resource (FLAIR), requiring any profits generated by the activities be deposited in the Camp Blanding Management Trust Fund (TF), reconciling the membership records and related proceeds for the Recreation activity, ensuring that required business plans are timely executed, and competitively procuring goods and services in accordance with State procurement laws. In addition, to better reflect the variety and current operations of the CBJTC activities, the Department should consider proposing revisions to Section 250.10, Florida Statutes.

Actual or Proposed Corrective Action: We concur. The DMA has implemented procedures and has increased oversight of CBJTC activities regarding the Non Appropriated Fund (NAF) accounts which include Billeting, the Consolidated Dining Facility, the Post Exchange, and the Recreation Department. Additionally, we are in process of developing, with ensuing execution of, business plans and operating budgets for all enterprise activities. We believe that implementation of the foregoing will accomplish the matters noted in the recommendation set forth above.

Recommendation No.2: To ensure compliance with State law and rules and the Fair Labor Standards Act (FLSA) overtime pay provisions, the Department should reevaluate its

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

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employee work schedule policies and methods for maintaining attendance and leave records. To promote economy and efficiency in Department payroll activities, we recommend that department management consider expanding Department use of People First to include tracking employee time and attendance. In the meanwhile, Department time sheet keepers and time sheet administrators should take more care when adjusting and reviewing employee time and attendance in Time Accounting System (TAS).

Actual or Proposed Corrective Action: We concur. The Department has implemented procedures to audit each employee's time record on a monthly basis. Additionally, State Human Resource personnel proficient in time sheet controls will perform secondary audits to ensure accuracy. Also, State Human Resource personnel will conduct quarterly timesheet keeper training to ensure full understanding of the TAS, personnel rules and regulations pertaining to time keeping procedures, therefore precluding the possibility of errors/oversights from occurring.

Recommendation No. 3: We recommend that the Department enhance procedures governing the authorization, verification and payment of overtime worked. Such enhanced procedures should address supervisory consideration of workload and the fiscal impact of the overtime payments and should also require verification, prior to payment, that the overtime hours were sufficiently documented and approved. In addition, the Department should perform periodic reviews of overtime payments and, if overpayments are identified, seek reimbursement from the applicable employees.

Actual or Proposed Corrective Action: We agree. The Department has implemented procedures to ensure the authorizations, verifications and payments of overtime are accurate. Additionally, overtime payments will require verification of documentation and justification prior to payment.

Recommendation No. 4: We recommend that the Department demonstrate compliance with State laws and Department of Management Services (DMS) rules by ensuring that Department employees are properly credited with holiday and applicable Special Compensatory Leave (SPC). The Department should also ensure that the total hours reflected in TAS are correct and supported by records that accurately reflect employee time worked, holidays and leave.

Actual or Proposed Corrective Action: We concur and have implemented a requirement that a review will be performed on all timesheets which have manual SPC accruals. The review will include, but not be limited to, examining the employee's leave log to ensure the total hours worked, holiday hours and leave are accurately reflected in TAS.

Recommendation No. 5: We recommend that the Department develop and implement procedures that provide for the consistent interpretation of orders and ensure that military leave granted to employees is correctly classified, recorded and accrued in accordance with applicable laws and rules.

Actual or Proposed Corrective Action: We concur and have implemented procedures

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

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which include, but are not limited to, audits of military leave to ensure proper accrual recording prior to being validated and paid. This will ensure that military leave granted to employees is correctly recorded and accrued in accordance with Florida laws.

Recommendation No. 6: To promote effective management of Department contracts, we recommend that the Department develop procedures to ensure all contract managers timely receive the statutorily required training. To provide a means for early detection of performance problems and ensure the proper expenditure of State funds and Federal awards, we also recommend that the Department enhance its procedures to address contract monitoring and contract payment approval processes. In addition, the Department should document its determination of whether a contractor is a sub recipient or a vendor prior to entering into a contract funded, at least in part, with Federal or State financial assistance program awards.

Actual or Proposed Corrective Action: We concur. To ensure that Departmental staff members meet all requirements, the DMA is coordinating with the Department of Financial Services and/or the DMS to schedule statutory training. Also, to ensure proper contract monitoring and payment processes, DMA has implemented procedures for early detection of problems and clarification of whether a contractor is a sub recipient or a vendor prior to entering into a contract funded, at least in part, with federal or state financial assistance.

Recommendation No. 7: We recommend that the Department further enhance its purchasing card controls by addressing the delegation of authority for approving single transaction limits, monitoring the reasonableness of card assignments and transaction limits, ensuring the timely identification of terminated cardholders, and promptly canceling purchasing cards upon a cardholder's separation from Department employment.

Actual or Proposed Corrective Action: We agree. The Department has developed a revised Purchasing Card Guidelines and Agency Plan awaiting approval by the DMS. In addition, a review of all issued Purchasing Cards has begun and will determine the reasonableness of card assignments and limits, as well as the identification of cards recalled after an employee is terminated.

Recommendation No. 8: The Department should continue its efforts to properly document its organizational structure and establish procedures to clearly define the lines of authority. In addition, the Department should take steps to ensure its compliance with State law establishing the duties of the State Quartermaster.

Actual or Proposed Corrective Action: We agree. The responsibilities of the State Quartermaster have been re-established to be in compliance with Florida Statutes. The Department is developing a new organizational chart which will include all Directorates and their reporting responsibilities. This chart will be made available to the Executive Office of the Governor.

Recommendation No. 9: To ensure compliance with State law and provide the extra care necessary when collecting and maintaining individuals' SSNs, we recommend that the

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


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Department make the required written statements available to applicable individuals at the time of SSN collections.

Actual or Proposed Corrective Action: We concur. A written statement of notification and instructions for collecting and maintaining individuals' SSN will be distributed to all Directorates/ work sections and also be available to all employees on the DMA's Intranet Share Point site under the State Quartermaster/ HR section.

We believe our Actual or Proposed Corrective Actions will ensure compliance to all Florida Statutes for the DMA and properly address the Preliminary and Tentative Findings noted in the report submitted by the Office of the Auditor General. If you require any further information or have additional questions, please contact Jesse D. Kinghorn, Jr., Director of Financial Management at (904) 823-0230 or jesse.d.kinghorn@us.army.mil or Edward C. Mosca, CPA, State Inspector General, at (904) 823-0220 or ed.mosca@us.army.mil.

Sincerely,


EMMETT R. TITSHAY, JR.
Major General
Florida National Guard
The Adjutant General