

PAYROLL AND PERSONNEL PROCESSES
AT SELECTED STATE AGENCIES

Operational Audit



STATE AGENCY HEADS

The Florida Statutes establish the various State agencies and provide the title and selection process for the head of each State agency. The table below shows the eight State agencies included in the scope of this operational audit and the respective agency heads who served during the period of our audit.

Department of	Established by Florida Statutes	State Agency Head	Dates of Service
Agriculture and Consumer Services	Section 20.14	Adam H. Putnam, Commissioner	From January 4, 2011
Children and Families	Section 20.19	Esther Jacobo, Interim Secretary David E. Wilkins, Secretary	From July 19, 2013 Through July 18, 2013
Corrections	Section 20.315	Michael D. Crews, Secretary Kenneth S. Tucker, Secretary Edwin G. Buss, Secretary	From December 17, 2012 From August 25, 2011, through December 14, 2012 Through October 6, 2011
Environmental Protection	Section 20.255	Herschel T. Vinyard Jr., Secretary	From January 18, 2011
Financial Services	Section 20.121	Jeff Atwater, Chief Financial Officer	From January 4, 2011
Health	Section 20.43	Dr. John H. Armstrong, State Surgeon General and State Health Officer Dr. Steven Harris, Interim State Surgeon General and State Health Officer Dr. Harry Frank Farmer, Jr., State Surgeon General and State Health Officer	From May 23, 2012 From March 13, 2012, through May 22, 2012 Through March 9, 2012
Management Services	Section 20.22	Craig Nichols, Secretary Scott Stewart, Interim Secretary Jack Miles, Secretary	From July 9, 2012 From April 1, 2012, through July 8, 2012 Through March 31, 2012
Transportation	Section 20.23	Ananth Prasad, Secretary	From April 18, 2011

The audit team leader was Robin Ralston, CPA, and the audit was supervised by Jennifer Reeves, CPA. Please address inquiries regarding this report to Matthew Tracy, CPA, Audit Manager, by e-mail at matthewtracy@aud.state.fl.us or by telephone at (850) 412-2749.

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SELECTED STATE AGENCIES

Payroll and Personnel Processes

SUMMARY

This operational audit focused on following up on the findings and recommendations included in our report No. 2011-069. Those findings related to time records, unused leave compensation, dual employment, salary calculations and overtime authorizations, warrant and electronic funds transfer cancellations, and employee out processing. State agencies included in the scope of our report No. 2011-069 were the Department of Agriculture and Consumer Services (DACs), Department of Environmental Protection (DEP), Department of Financial Services (DFS), Department of Management Services (DMS), Department of Corrections (DOC), and Department of Transportation (DOT). This audit also included the performance of audit field work at two additional State agencies: the Department of Children and Families (DCF) and the Department of Health (DOH). Together, these eight State agencies represent approximately 67 percent of the \$5.3 billion in salary payments made by executive branch State agencies during the 2012-13 fiscal year.

Our audit disclosed that the payroll and personnel administrative infrastructure and controls established by the management of the State agencies included in the scope of this audit were generally effective in accomplishing management's control objectives in the categories of compliance, economic and efficient operations, the reliability of records and reports, and the safeguarding of assets and that corrective actions had been implemented for many of the findings in our report No. 2011-069. However, we noted that some deficiencies continued to exist.

Finding No. 1: State agencies did not always perform, or document the performance of, audits of unused leave balances prior to calculating leave payouts or maintain evidence that leave payouts were appropriately authorized. Additionally, errors were noted in some leave payouts.

Finding No. 2: Some State agencies had not established adequate policies and procedures related to dual employment that effectively promoted compliance with State law. Additionally, State agencies did not always document that dual employment was properly approved in accordance with the requirements of State law, DMS rules, and other guidelines.

Finding No. 3: State agency and DFS processes and procedures for salary reissuances should be enhanced to avoid overpayments to third parties for miscellaneous post-tax deductions. Additionally, State agencies did not always timely initiate efforts to collect from third parties overpayments made as a result of canceled salary payments.

Finding No. 4: State agencies did not always document, upon the employees' separation from State employment, the return of State-owned property items assigned to employees.

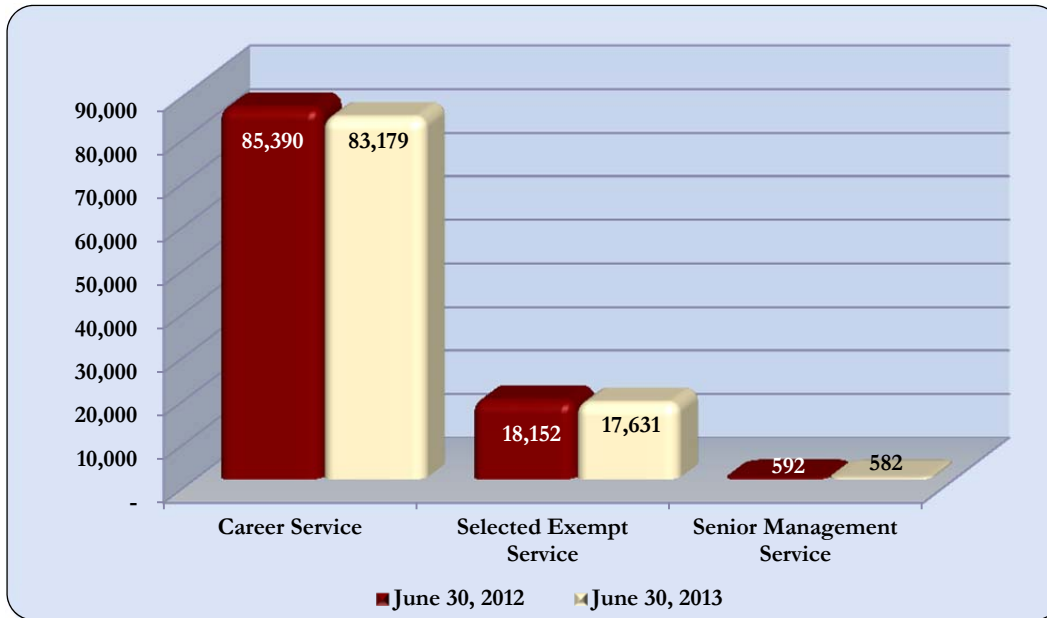
BACKGROUND

Florida's State Government had 161,648 established positions at June 30, 2012, and 161,405 established positions at June 30, 2013.¹ State employees are included in a variety of different and autonomous personnel systems each having its own set of rules and regulations, collective bargaining agreements, and wage and benefit packages. The largest of the six primary State Government personnel systems, the State Personnel System (SPS), comprises 32 State agencies and other entities within the executive and legislative branches of State Government.² As shown in Chart 1, the SPS included a total of 104,134 and 101,392 established positions in the Career Service, Selected Exempt Service, and Senior Management Service pay plans as of June 30, 2012, and June 30, 2013, respectively.

¹ Department of Management Services, Division of Human Resource Management *State Personnel System Annual Workforce Report Fiscal Year 2012-13*.

² According to the *SPS Annual Workforce Report Fiscal Year 2012-13*, the six primary State personnel systems are the State Personnel System, State Universities, Justice Administration System, State Courts System, the Legislature, and the Florida Lottery.

Chart 1
State Personnel System Established Positions by Pay Plan
as of June 30, 2012, and June 30, 2013



Source: *SPS Annual Workforce Report Fiscal Year 2012-13*.

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

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

People First, a Web-based, self-service personnel information system, is utilized by employees, managers, human resource professionals, and retirees to manage most of the State’s human resource functions.³ The DMS is the functional owner of People First, but the self-service functionality of the system is at the State agency and State employee level.⁴

The Department of Financial Services (DFS), Division of Accounting and Auditing, Bureau of State Payrolls (BOSP), is responsible for certain centralized payroll functions such as paying State employees, remitting tax and retirement contributions and withholdings to administrating agencies, maintaining the Florida Accounting Information Resources Subsystem (FLAIR) Payroll Component records, and auditing State agencies’ payroll-related processes. State agencies are responsible for ensuring that all time records and rate of pay information are entered in People First. To facilitate the generation of salary payments, People First interfaces with FLAIR. The BOSP developed a detailed *Payroll Preparation Manual* to provide State agencies with general instructions for preparing and submitting payroll and employee data, as well as schedules, tables, and codes used in the FLAIR Payroll Component. Pursuant to

³ As of February 2013, People First modules included payroll preparation, attendance and leave, recruitment, benefits administration, human resources management, and organizational management.

⁴ Section 215.94(5), Florida Statutes.

DFS rules,⁵ the *Payroll Preparation Manual* is to serve as the administrative authority in the absence of specific rules to the contrary.

State law establishes the State’s employment policy and provides requirements and guidelines relevant to the State employee payroll and personnel administrative processes.⁶ Pursuant to State law, the DMS is to adopt rules as necessary to effectuate the State employment policy, and the Chief Financial Officer may adopt rules that include procedures or policies relating to the processing of salary payments.⁷ Table 1 shows the DMS and DFS rules applicable to the State payroll and personnel processes.

**Table 1
State Payroll and Personnel Rules**

Florida Administrative Code Cite	Title
DMS Rules, Chapter 60L-29	<i>Definitions</i>
DMS Rules, Chapter 60L-30	<i>Personnel Programs and Records</i>
DMS Rules, Chapter 60L-31	<i>Classification Plan</i>
DMS Rules, Chapter 60L-32	<i>Compensation and Benefits</i>
DMS Rules, Chapter 60L-33	<i>Appointments and Status</i>
DMS Rules, Chapter 60L-34	<i>Attendance and Leave</i>
DMS Rules, Chapter 60L-35	<i>Performance Evaluation System</i>
DMS Rules, Chapter 60L-36	<i>Conduct of Employees</i>
DMS Rules, Chapter 60L-37	<i>Savings Sharing Program</i>
DMS Rules, Chapter 60L-38	<i>State Child Care Program</i>
DMS Rules, Chapter 60L-39	<i>Florida State Employees’ Charitable Campaign</i>
DFS Rules, Chapter 69I-31	<i>Bureau of State Payrolls</i>

Generally, State agencies use a payroll-by-exception methodology whereby employees, excluding Other-Personal-Services (OPS) employees,⁸ are paid a fixed authorized gross amount for each payroll cycle unless the amount is altered. A payroll-by-exception methodology assumes, absent any payroll action to the contrary, that an employee worked or used available leave for the required number of hours in the pay period. Therefore, a salary payment may be processed absent the submittal and supervisory approval of a record of the employee’s attendance and time worked. Notwithstanding this aspect of the payroll-by-exception methodology, State law⁹ requires that each State agency maintain, for each agency employee, accurate records of all hours worked and leave approved.

Pursuant to State law,¹⁰ the normal pay period for salaries of State officers and employees is one month and the DFS is to issue either monthly or biweekly salary payments by State warrant or direct deposit. As State law¹¹ requires, with few exceptions, that persons appointed to positions in State government participate in the direct deposit program as a condition of employment, as of July 2013, approximately 98 percent of salary payments were made by the DFS by

⁵ DFS Rule 69I-31.108, Florida Administrative Code.

⁶ Chapter 110, Florida Statutes.

⁷ Sections 110.1055 and 17.29(1), Florida Statutes.

⁸ Pursuant to DMS Rule 60L-33.005, Florida Administrative Code, OPS employment is a temporary employer-employee relationship used solely for the completion of short-term or intermittent tasks. OPS employees do not fill established positions nor are they to be assigned the duties of any vacant authorized position.

⁹ Section 110.219(4), Florida Statutes.

¹⁰ Section 110.113(1), Florida Statutes.

¹¹ Section 110.113(2), Florida Statutes.

direct deposit via electronic funds transfer (EFT). The DFS may also make semimonthly salary payments by direct deposit if requested by an agency head and approved by the Executive Office of the Governor and the DFS. Employees working in State agencies on a monthly payroll cycle are paid on the last working day of the month while employees working in State agencies on biweekly payroll cycles are paid every other Friday.

For the 2010-11, 2011-12, and 2012-13 fiscal years, SPS employee salary payments totaled approximately \$6.3 billion, \$5.5 billion, and \$5.3 billion, respectively. Table 2 shows the number of authorized positions for the 2010-11, 2011-12, and 2012-13 fiscal years and the designated payroll cycle for each of the eight State agencies included in the scope of this audit.

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

Agency	Number of Authorized Positions ^c			Designated Payroll Cycle ^d
	2010-11	2011-12	2012-13	
Department of Agriculture and Consumer Services (DACs)	3,667.75	3,538.25	3,565.75	Biweekly
Department of Children and Families (DCF)	13,186.75	12,376.75	11,754.50	Biweekly
Department of Corrections (DOC)	29,350.00	27,599.00	25,424.00	Biweekly
Department of Environmental Protection (DEP)	3,551.50	3,434.00	3,377.00	Monthly
Department of Financial Services (DFS) ^a	2,740.50	2,706.50	2,594.50	Monthly
Department of Health (DOH)	17,367.50	17,107.50	16,550.25	Biweekly
Department of Management Services (DMS) ^b	1,261.00	1,238.00	1,307.50	Biweekly
Department of Transportation (DOT)	7,443.00	6,939.00	6,939.00	Biweekly
Totals	<u>78,568.00</u>	<u>74,939.00</u>	<u>71,512.50</u>	

- ^a Includes authorized positions in the Offices of Financial Regulation and Insurance Regulation.
- ^b Includes authorized positions in the Division of Administrative Hearings, Florida Commission on Human Relations, and Public Employees Relations Commission.
- Sources:
- ^c Chapters 2010-152, 2011-069, and 2012-118, Laws of Florida, *General Appropriations Acts*.
- ^d FLAIR.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Unused Leave Payouts

Pursuant to State law¹² and DMS rules,¹³ terminating State employees are entitled to compensation at their current rate of pay for unused sick and annual leave balances, subject to specified years of creditable State employment and lifetime maximums applicable to their employment class or pay plan. Additionally, certain State employees may be entitled to periodic payouts for annual leave,¹⁴ or unused compensatory leave credits subject to applicable collective bargaining agreement provisions.

In our report No. 2011-069, we noted that improvements in State agency oversight of unused leave payouts were necessary. To mitigate the risk of errors when processing unused leave payouts, we recommended State agencies

¹² Sections 110.122 and 110.219(7)(b), Florida Statutes.
¹³ DMS Rule 60L-34.0041, Florida Administrative Code.
¹⁴ Section 110.219(7), Florida Statutes.

make appropriate enhancements to their procedures to include the performance of leave balance audits prior to processing leave payouts, retaining documentation of such audits, and independent verification of payout calculations.

As shown in Table 3, according to FLAIR data, during the period July 2011 through February 2013, the eight State agencies included in the scope of this audit made leave payouts totaling approximately \$12.3 million for annual and sick leave to 2,959 employees, and leave payouts totaling approximately \$2.5 million for accumulated special compensatory leave¹⁵ to 1,021 employees.

Table 3
Summary of Employee Leave Payouts
July 2011 Through February 2013

Agency	Annual and Sick Leave Payouts		Special Compensatory Leave Payouts	
	Total Number of Employees	Total Amount	Total Number of Employees	Total Amount
DACS	439	\$ 1,761,575	98	\$ 136,774
DCF	754	2,626,403	188	85,812
DEP	84	593,603	10	1,138
DFS	148	675,917	20	31,244
DMS	31	264,751	5	7,173
DOC	789	2,497,377	641	2,158,104
DOH	555	2,480,892	51	32,620
DOT	159	1,379,384	8	3,717
Totals	<u>2,959</u>	<u>\$12,279,902</u>	<u>1,021</u>	<u>\$2,456,582</u>

Source: FLAIR.

To evaluate State agency controls and to determine whether payments for unused leave were properly authorized, calculated, documented, and paid in accordance with applicable laws and rules, we reviewed agency policies and procedures and examined People First and agency records, including People First leave and hourly rate records, agency leave records, and agency leave balance audits, as available, for leave payouts totaling \$943,653, made to 113 State agency employees during the period July 2011 through February 2013. As shown in Table 4, the 113 employee leave payouts tested included: 21 totaling \$94,305 at the DACS; 21 totaling \$83,316 at the DCF; 1 for \$10,343 at the DFS; 10 totaling \$105,640 at the DMS; 40 totaling \$461,922 at the DOC; and 20 totaling \$188,127 at the DOT.¹⁶

¹⁵ Special compensatory leave hours are earned as a result of hours worked on a holiday, extra hours worked during an established work week which contains a holiday, or extra hours worked when a facility is closed under emergency conditions.

¹⁶ We did not perform leave payout follow-up testing at the DEP or the DOH because our report No. 2011-069 did not disclose leave payout documentation deficiencies at the DEP and testing of DOH leave payouts was performed as part of our operational audit (report No. 2014-014) of the DOH. In our report No. 2014-014, finding No. 13, we noted deficiencies in leave balance audit documentation at the DOH.

**Table 4
Summary of Employee Leave Payout Documentation Deficiencies**

Agency	Employee Leave Payouts Tested		Test Results					
			Documentation of Payout Authorization Prior to Payout Not Available		Documentation of Leave Audit and Authorization Prior to Payout Not Available		Overpayments or (Underpayments)	
	Total Number	Total Amount	Total Number	Total Amount	Total Number	Total Amount	Total Number	Total Amount
DACS	21	\$ 94,305	-	\$ -	-	\$ -	-	\$ -
DCF	21	83,316	2	5,703	6	35,313	-	-
DFS	1	10,343	-	-	-	-	-	-
DMS	10	105,640	-	-	2	5,482	1	259
DOC	40	461,922	9	56,263	9	168,417	1	740
DOT	20	188,127	-	-	-	-	-	-
Totals	113	\$943,653	11	\$61,966	17	\$209,212	2	\$999

We noted that:

- Documentation for 11 employee leave payouts totaling \$61,966 was not available to evidence that the payouts were properly authorized. Specifically, 2 DCF payouts totaling \$5,703 were not approved by applicable human resources staff although required by DCF procedures and DOC records for 9 payouts totaling \$56,263 did not include evidence of appropriate management approval.
- Three agencies were unable to provide documentation evidencing that employee leave payouts were properly authorized and that leave audits were performed prior to payment for 17 employee leave payouts totaling \$209,212. These 17 payouts included 2 payouts totaling \$5,482 at the DMS, 9 payouts totaling \$168,417 at the DOC, and 6 payouts totaling \$35,313 at the DCF.
- Two employee leave payouts were not properly calculated. The DOC inadvertently overstated the rate of pay by \$1.40 per hour for one employee, resulting in an overpayment of \$740. The DMS paid a former employee for 372 hours, rather than the 362 hours supported by People First records, resulting in an overpayment of \$259. Leave audits performed for these two leave payouts did not prevent the overpayments.

Documentation of the authorization of employee leave payouts and the appropriate performance of leave audits is necessary to demonstrate of record that State agencies have taken the appropriate measures to ensure that employee leave payouts are made in accordance with State law and are properly calculated.

Recommendation: We recommend that State agency management ensure that appropriate records are maintained to demonstrate that all leave payments are properly authorized and accurately calculated and that leave audits are appropriately performed and documented for all employee leave payouts.

Finding No. 2: Dual Employment Policies and Procedures

State law¹⁷ specifies that an individual employed by a State agency or by the judicial branch may not fill more than a total of one full-time equivalent established position, receive compensation simultaneously from any appropriation other than appropriations for salaries, or receive compensation simultaneously from more than one State agency unless approved by the DMS, or the agency head (if such approval authority has been delegated), or by the Chief

¹⁷ Section 216.262(1)(e), Florida Statutes.

Justice, during each fiscal year. Pursuant to State law, the DMS adopted rules¹⁸ delegating to agency heads approval authority for all dual employment requests.

Pursuant to DMS rules, any State employee seeking employment and compensation from more than one State agency must initiate a *Dual Employment and Compensation Request* form. On the *Dual Employment and Compensation Request* form, employees are to certify that the secondary employment will not be within the normal working hours of the primary employment.¹⁹ The form instructions also required that the secondary employing agency provide certain information to the primary employing agency and indicate that the primary employing agency has the final approval authority. The form was to be signed by the agency head or designee of the primary and secondary employer in advance of dual employment.

The DMS provided additional guidance for SPS agencies in the *Dual Employment and Dual Compensation Guidelines and Procedures for State Personnel System Agencies (Guidelines)*.²⁰ The *Guidelines* required that, if the dual employment was approved, the primary agency was to provide the secondary agency with copies of the *Dual Employment and Compensation Request* form and the secondary agency was to process the secondary employment in People First. The *Guidelines* further required that:

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

Three reports were available from the DMS and the BOSP to assist State agencies in identifying dual employed personnel. A People First dual hires report could be requested from the DMS that identified social security numbers recorded in People First associated with multiple active positions. The BOSP distributed to agencies two reports that were generated with each monthly, biweekly, and supplemental payroll: the *Dual Compensation Report* and the *Report for Regular and OPS Employees Paid on Different Payrolls* (FLAIR reports). The FLAIR reports were also available through the BOSP's Report Distribution System.²¹ The FLAIR reports identified, by social security number, those employees who received multiple salary payments on the same payroll and those who received multiple salary payments within the same month (e.g., a person is dual employed and is paid monthly and biweekly).

As part of our audit, we reviewed State agency policies and procedures and evaluated whether the agencies were utilizing the People First and FLAIR reports to monitor potential dual employment. Additionally, we analyzed FLAIR payroll data for the eight State agencies included in the scope of the audit to identify employees who received compensation from more than one agency or from more than one appropriation category during the 2011-12 fiscal year and July 2012 through February 2013. We identified 8,951 employees for whom it appeared there were instances of dual employment.²² We further examined People First and other State agency records for 101 of the 8,951 employees and found that 65 of the employees were dual-employed during both the 2011-12 and 2012-13 fiscal

¹⁸ DMS Rule 60L-32.003, Florida Administrative Code.

¹⁹ According to the DMS *Dual Employment and Dual Compensation Guidelines and Procedures for State Personnel System Agencies*, the primary employment is the employment that has the earliest date of hire. However, OPS employments are to be considered secondary unless both positions are OPS.

²⁰ The DMS updated the *Guidelines* effective March 2013, making only minor revisions to the May 2011 *Guidelines*.

²¹ The Report Distribution System is a function within FLAIR available to State agencies to obtain both standard and customized reports.

²² Agency records indicated that there were no employees at the DOT who were dual employed during the period subject to testing. In our report No. 2014-014, finding No. 12, we noted that *Dual Employment and Compensation Request* forms were also not always available, or not always properly completed, for DOH employees who had a vendor relationship with the DOH and received compensation simultaneously from the salaries appropriation and another appropriation.

years and 36 employees were dual employed during either the 2011-12 or 2012-13 fiscal year; therefore, 166 annual *Dual Employment and Compensation Request* forms should have been completed by the State employee. Our audit tests disclosed that improved oversight and recordkeeping for dual employment is necessary. Specifically:

- 91 of the 166 required *Dual Employment and Compensation Request* forms were not available for our review.
- 5 of the 75 *Dual Employment and Compensation Request* forms we examined did not include the required approval signatures.
- 3 of the 75 *Dual Employment and Compensation Request* forms we examined were not approved prior to the start of the employee’s dual employment. The number of days that elapsed from the start of dual employment to approval of the dual employment ranged from 10 to 339.

Table 5 provides a summary of the deficiencies we noted by applicable agency.

**Table 5
Summary of Dual Employment Approval Deficiencies**

Agency	Number of Required <i>Dual Employment and Compensation Request</i> Forms	Summary of Test Results			
		Approval for Fiscal Year Not Provided	Approval Signature Missing	Forms Not Timely Approved	Number of Days from Start of Dual Employment to Approval
DACS	22	3	-	-	-
DCF	32	25	2	1	263
DEP	32	-	-	-	-
DFS	2	-	-	1	10
DMS	1	-	1	-	-
DOC	37	33	2	1	339
DOH	40	30	-	-	-
Totals	<u>166</u>	<u>91</u>	<u>5</u>	<u>3</u>	

Sources: Agency records and auditor analysis.

Our audit tests also disclosed that some State agencies had not established effective procedures or utilized available dual employment reports to monitor dual employment, which may have contributed to the deficiencies noted. We found that the DOC had not established written procedures governing dual employment and DCF procedures did not require approval during each fiscal year, or address compensation from any appropriation other than salaries or from the judicial branch of State government. Also, our tests found that, while the DOC central office reviewed the FLAIR reports annually, the DCF and the DACS did not utilize the FLAIR reports to identify potential dual employment. In response to our audit inquiries, DCF management indicated that the People First *Dual Hires Report* was only utilized to identify errors in employee classifications and DACS management indicated that both the People First and FLAIR reports were not useful to accurately identify dual hires. Management of the DOH reported reviewing the People First reports on a semi-annual basis; however, such procedures did not appear sufficient to timely identify all dual-employed personnel. Additionally, DFS management indicated in response to our audit inquiry that the employee had not timely submitted the *Dual Employment and Compensation Request* form for approval.

Absent effective procedures that provide for approval of dual employment in accordance with established guidelines and establish periodic monitoring of dual employment reports, State agencies have reduced assurance that dual employment requests are submitted and approved in accordance with State law, DMS rules, and other guidelines.

Recommendation: We recommend that State agency management establish appropriate procedures that provide for the proper submittal and approval of dual employment requests. Additionally, we recommend that State agencies utilize available dual employment reports to ensure that the dual employment activities of all applicable personnel have received appropriate consideration in accordance with State law, DMS rules, and other guidelines.

Finding No. 3: Recovery of Deductions for Canceled Salary Payments

State agencies are periodically required to cancel salary payments if necessary changes are identified after the BOSP's payroll deadlines. Reasons for canceling salary payments include, but are not limited to, late processing of a salary rate change, duplicate payment, errors in amounts deducted from an employee's gross pay, or changes in the number of hours to be paid due to delays in the completion and approval of employee time records. Salary payments made by paper warrant may also be canceled if the warrant was lost. Cancellations are generally to be processed within 24 hours and the new payment is usually made through the On-Demand Payroll System.²³

State employee salary payments include deductions for Federal income and payroll taxes and tax-deferred deductions such as pension and other employee benefit contributions. Salary payments may also include pre-tax deductions such as deferred compensation and medical reimbursement account contributions, as well as other miscellaneous post-tax deductions. State employees may voluntarily authorize these miscellaneous post-tax deductions to be paid to third parties such as banks and credit unions; medical, dental, and life insurance providers; and charitable organizations. As described in the **BACKGROUND** section of this report, approximately 98 percent of State employee salary payments are made by EFT. Likewise, miscellaneous post-tax deductions are primarily paid through EFT.

Within the FLAIR Payroll Component, the salary payment and the deduction payment processes are separate. As a result, when State agency personnel cancel a salary payment, the payment is canceled, and any Federal income and payroll taxes and pretax deductions are automatically recovered through the BOSP payroll process; however, any miscellaneous post-tax deductions are paid. Unless State agency personnel change the default deduction codes, when a corrected payment is reissued through the On-Demand Payroll System, the miscellaneous post-tax deductions will be paid again. The BOSP *Payroll Preparation Manual* included instructions to State agencies for processing EFT and warrant salary payment cancellations. Salary payments made by EFT are to be canceled electronically in FLAIR, while those made by paper warrant require destruction of the paper warrant and a record of the destruction be maintained. The BOSP *Payroll Preparation Manual* also provided instructions for requesting refunds and recovering from third parties any overpayments for miscellaneous post-tax deductions resulting from salary payment cancellations.

Two methods were available to State agencies to electronically avoid the reissuance of miscellaneous post-tax salary deductions when a salary payment was reissued. One method included the use of a BOSP salary refund code that was available to all State agencies. The other method included the use of agency-specific recovery codes created and assigned by the BOSP. When reissuing the salary payment, the State agency could utilize these recovery codes to direct to the agency the amounts that would routinely be paid as miscellaneous post-tax deductions. By employing either of these methods, the State agency could prevent the duplicate payment of the miscellaneous post-tax deductions and avoid the need to seek a refund from a third party. Our review of the BOSP *Payroll Preparation Manual* disclosed, however, that the *Manual* did not include instructions for State agencies regarding the use of the salary

²³ The On-Demand Payroll System is administered by the BOSP and is designed to make one-time payments to employees and may be used to process payments in emergency situations.

refund code or the agency-specific recovery code to prevent miscellaneous post-tax deductions overpayments when reissuing salary payments.

As shown in Table 6, during the period July 2011 through February 2013, the eight State agencies included in the scope of this audit canceled 23,639 salary payments totaling \$11,266,971. As part of our audit, we utilized the BOSP deduction code listing to identify within State agency FLAIR records the miscellaneous post-tax deductions associated with the 23,639 salary payment cancellations. We identified 7,626 related miscellaneous post-tax deductions totaling \$283,269, and ranging from \$0.75 to \$2,910.

Table 6
Summary of Salary Payment Cancellations and
the Associated Miscellaneous Post-Tax Deductions
for the Period July 2011 through February 2013

Agency	Salary Payment Cancellations ^a		Miscellaneous Post-Tax Deductions	
	Total Number	Total Amount	Total Number	Total Amount
DACS	572	\$ 153,266	91	\$ 2,605
DCF	5,296	3,395,516	2,342	95,010
DEP	859	378,158	21	2,314
DFS	1,614	1,191,618	361	33,006
DMS	197	128,775	27	2,111
DOC	7,791	2,934,063	3,671	95,317
DOH	5,171	2,711,444	998	44,691
DOT	2,139	374,131	115	8,215
Totals	23,639	\$11,266,971	7,626	\$283,269

^a Cancellations include all salary payment cancellations for the eight agencies, including those without any related miscellaneous post-tax deductions.

Source: FLAIR and State agency records.

From these 7,626 miscellaneous post-tax deductions, we selected 40 miscellaneous post-tax deductions, totaling \$10,064 and ranging from \$9 to \$806, associated with 40 canceled employee salary payments to evaluate agency actions taken to reissue the applicable salary payments and prevent or recover any resulting overpayments of post-tax deductions. Our tests disclosed that State agency controls related to the reissuance of salary payments and prevention and recovery of overpayments of miscellaneous post-tax deductions could be improved. Specifically, we noted that:

- State agencies did not always use available methods to avoid the overpayment of miscellaneous post-tax deductions upon reissuance of salary payments. In response to our audit inquiries, State agency staff expressed uncertainty regarding the appropriate use of the BOSP salary refund code. Additionally, we found that not all State agencies had been assigned an agency-specific recovery code, as the DFS, DMS, and DOT did not have BOSP-established recovery codes. Also, while the BOSP established agency-specific recovery codes for the DCF and DOC in 1990, the DACS in 1995, the DEP in 1996, and the DOH in 2004, our tests disclosed that only the DACS was utilizing the established agency-specific code to prevent post-tax deduction overpayments when reissuing salary payments. Management at the applicable agencies indicated, in response to our audit inquiries, that they were unaware that these codes existed or that these codes should be used for this purpose.
- The DACS, DCF, and DOC had not established written procedures for recovering overpayments from third parties. The DMS had established such procedures but did not include provisions for monitoring the collection of refunds.

- As shown in Table 7, and further discussed below, State agency personnel did not take timely actions to recover from third parties 21 overpayments of miscellaneous post-tax deductions, totaling \$6,142, resulting from the cancellation and, as applicable, reissuance of salary payments.

**Table 7
Summary of Canceled Salary Payment Miscellaneous Post-Tax Deduction
Test Items and Test Results**

Agency	Items Tested		Test Results		
	Miscellaneous Post-Tax Deduction Items		Overpayments Avoided ^a	Overpayments Not Timely Recovered	
	Number	Amount	Number	Number	Amount
DACS	2	\$ 177	2	-	\$ -
DCF	10	2,646	3	3	808
DEP	2	502	-	1	413
DFS	6	1,690	6	-	-
DMS	2	262	1	1	250
DOC	10	2,106	-	10	2,106
DOH	6	1,814	1	5	1,775
DOT	2	867	-	1	790
Totals	<u>40</u>	<u>\$10,064</u>	<u>13</u>	<u>21</u>	<u>\$6,142</u>

^a Overpayments were avoided by the DACS through utilization of an agency-specific recovery code and by the DCF, DFS, DMS, and DOH through utilization of the BOSP salary refund code.

Sources: FLAIR and State agency records and auditor analysis.

- The DCF had no documentation evidencing, at the time of our audit field work, recovery efforts for 3 deductions totaling \$808. As of our April 10, 2013, request for documentation, from 92 to 481 days had elapsed since the related employee salary payments were canceled.
- The DEP did not initiate recovery for a \$413 deduction until 43 days after the related employee salary payment was canceled.
- The DMS initiated recovery for a \$250 deduction 15 days after cancellation of the related employee salary payment; however, the DMS did not receive the refund from the third-party until 592 days after the salary payment was canceled and after our audit inquiry.
- The DOC did not initiate recovery efforts for 9 deductions, totaling \$1,875, until after our audit inquiry. The refund requests were made from 68 to 598 days after the associated employee salary payments were canceled. In addition, while the DOC's initial refund request was timely for a \$231 deduction, a follow-up request was not sent until after our audit inquiry, and 138 days after the salary payment was canceled.
- The DOH did not initiate recovery for 5 deductions, totaling \$1,775, until 52 to 586 days after the related employee salary payments were canceled. Four of the five refund requests were made subsequent to our audit inquiry.
- The DOT did not initiate recovery for a \$790 deduction until after our audit inquiry and 303 days after the related employee salary payment was canceled.

The absence of detailed guidance, in both the BOSP *Payroll Preparation Manual* and agency policies and procedures, may have contributed to the untimely recovery of overpayments disclosed by our audit procedures. Establishment of specific BOSP guidance for the use of BOSP salary refund and agency-specific recovery codes to prevent overpayments, and agency policies and procedures for recovering overpayments from third-parties, would better

ensure that appropriate methods are utilized by agency personnel when canceling and reissuing salary payments and, as applicable, would promote the prevention or timely recovery of miscellaneous post-tax deduction overpayments.

Recommendation: We recommend that the DFS provide specific guidance to State agencies regarding the methods available to prevent overpayments of miscellaneous post-tax deductions related to salary payment reissuances. Additionally, we recommend that the DACS, DCF, and DOC establish policies and procedures regarding salary payment cancellations and reissuances and the recovery of overpayments from third parties and that the DMS update its policies and procedures to address monitoring the recovery of overpayments. We also recommend that State agencies take appropriate steps to ensure the timely recovery of overpayments of State funds.

Finding No. 4: Employee Out-Processing Forms and Checklists

Each State agency is responsible for implementing a process to ensure that when an employee separates from State agency employment all State-owned property is returned. State agencies have developed various procedures and forms to facilitate and document the out processing of employees. Table 8 lists the forms utilized during the out processing of employees by the DCF, DMS, DOC, and DOH.²⁴

**Table 8
Agency Forms Utilized for Out Processing Employees**

Agency	Form Title and Number
DCF	<i>Employee Separation Checklist</i> (CF 789)
DMS	<i>Employee Exit Checklist</i> (HR-103-F2) <i>Service Request for a Terminating Employee</i> (HR-103-F3)
DOC	<i>Supervisor Checklist for Separating Employees</i> (DC2-820) <i>Individual Clothing Record</i> (DC2-816)
DOH	<i>Employee Exit/Relocation Checklist</i>

Source: Agency records.

In our report No. 2011-069, finding No. 9, we noted that the DMS and the DOC did not always document the return of State-owned property by employees separating from State employment. As part of our follow-up procedures, we interviewed DMS and DOC personnel and examined records to evaluate whether corrective actions had been taken. Additionally, we reviewed agency policies and procedures and examined applicable records for 61 employees who separated from employment with selected State agencies (5 at the DMS, 20 at the DOC, 16 at the DCF, and 20 at the DOH) during the period July 2011 through February 2013 to evaluate whether the agencies had processes in place to ensure the timely return of all State-owned property, including employee badges, access cards, keys, purchasing and other State credit cards, and uniforms.

Our audit tests disclosed that the DCF, DOC, and DOH did not always document, or timely document, the return of State-owned property by separating employees. Specifically:

- DCF records for 3 of the 16 former DCF employees did not contain an *Employee Separation Checklist* (CF 789) or alternative documentation evidencing that the employees returned all State-owned property.
- DOC records for 8 of the 20 former DOC employees did not contain a *Supervisor Checklist for Separating Employees* (DC2-820) or alternative documentation evidencing that the employees returned all State-owned property. Additionally, for 6 of the 20 former employees, the *Supervisor Checklist for Separating Employees* was completed subsequent to auditor inquiry and, as of our audit inquiry on April 3, 2013, 119 to 612 days had

²⁴ The DACS, DEP, DFS, and DOT were not included in our follow-up testing as our report No. 2011-069 did not disclose employee out-processing documentation deficiencies at these four agencies.

elapsed since the employees' dates of separation. We also found that a completed *Individual Clothing Record* (DC2-816) was not always available to document the return of correctional officer uniforms upon separation from employment, as required by DOC rules.²⁵ Sixteen of the 20 former DOC employees were correctional officers and, for 15 of the 16 correctional officers' records examined, the return of the uniforms was not documented.

- DOH records for 13 of the 20 former DOH employees did not contain an *Employee Exit/Relocation Checklist* or alternative documentation evidencing that the employees returned all State-owned property.

In response to our audit inquiries, DOC management indicated that, contrary to established procedures, the required forms for employee processing were not provided by institution staff to the employee's regional personnel office and that additional training may be needed. Consequently, copies of these forms were not available for our review. DOH management indicated in response to our audit inquiries that the *Employee Exit/Relocation Checklist* was not required but the agency was in the process of requiring its use. DCF management attributed the missing forms to the transition from decentralized to centralized recordkeeping.

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

Recommendation: We recommend that State agency management take steps to ensure that forms designed to document the return of all State-owned property by separating employees are utilized during the out processing of employees.

OBJECTIVES, SCOPE, AND METHODOLOGY

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

We conducted this operational audit from January 2013 through July 2013 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 payroll and personnel administrative processes at selected State agencies. The overall objectives of the audit were:

- To evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and guidelines.
- To examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- To determine whether management had corrected, or was in the process of correcting, all deficiencies disclosed in our report No 2011-069.

²⁵ DOC Rule 33-208.101(5), Florida Administrative Code.

- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included in the scope of the audit, deficiencies in management's internal controls, instances of noncompliance with applicable governing laws, rules, or contracts, and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature, does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

In conducting our audit we:

State Payroll and Personnel Processes

- Reviewed BOSP policies and procedures, FLAIR Payroll Component error reports and relevant BOSP communications with State agencies, FLAIR Payroll Component data tables and edits, and interviewed BOSP personnel to determine whether the BOSP had adequately designed and implemented controls over payroll processing.
- Reviewed DMS policies and procedures, documentation of DMS reviews of People First access privileges, and DMS security reviews of NorthgateArinso service centers,²⁶ and interviewed DMS personnel to determine whether the DMS had adequately designed and implemented controls over the State's payroll and personnel processes, including information technology controls.
- Reviewed DMS monitoring documentation to determine whether service organization control reports related to the controls designed and established by NorthgateArinso for People First were timely received and adequately reviewed by the DMS.

Salary Payments and Time Records

- Reviewed DMS rules, People First time sheet enhancements and reports, and State agency policies and procedures; interviewed State agency personnel; and examined relevant State agency records to determine whether the DMS had adequately designed and implemented controls and tools to assist State agencies in the timely identification and resolution of missing or unapproved time records, and to determine whether State

²⁶ People First was established by Convergys pursuant to a contract with the DMS and in June 2010, NorthgateArinso purchased the Human Resources Management Division of Convergys. NorthgateArinso maintains the People First system and operates two service centers to meet customer needs.

agency management had implemented controls to ensure that leave and payroll reports were accurate and complete and supported by applicable personnel records.

- Analyzed December 2012 People First *Missing Timesheet Reports* for the eight State agencies included in the scope of our audit, and examined State agency records for 40 time records identified in the reports, including 10 DCF time records and 30 DOH time records, to evaluate the effectiveness of agency processes for time record completion and approval, the reasonableness of the number of time records approved by a single supervisor, and whether management took timely actions to follow up on the missing time records.
- Examined State agency records for 120 On-Demand payroll transactions, totaling \$1,300,206, made during the period July 2011 through February 2013 to evaluate whether the transactions were properly approved and adequately supported, and whether the On-Demand payroll process was properly utilized. The transactions tested included: 10 transactions totaling \$135,645 at the DACS; 20 transactions totaling \$112,003 at the DCF; 10 transactions totaling \$124,670 at the DEP; 10 transactions totaling \$177,141 at the DFS; 20 transactions totaling \$44,424 at the DMS; 20 transactions totaling \$323,032 at the DOC; 20 transactions totaling \$205,378 at the DOH; and 10 transactions totaling \$177,913 at the DOT.
- Examined State agency records to evaluate the reasonableness of the number of hours worked and rate of pay associated with 30 regular payroll (i.e., biweekly and monthly) transactions, totaling \$431,198, made during the period July 2011 through February 2013. The transactions tested included: 2 transactions totaling \$21,435 at the DACS; 3 transactions totaling \$42,712 at the DCF; 3 transactions totaling \$29,739 at the DEP; 1 transaction for \$45 at the DFS; 4 transactions totaling \$28,770 at the DMS; 7 transactions totaling \$146,531 at the DOC; 7 transactions totaling \$93,178 at the DOH; and 3 transactions totaling \$68,788 at the DOT.
- Examined State agency records to identify instances of payments made to vendors who were also State employees, during the period July 2011 through February 2013, and to evaluate whether the nature of the transaction was reasonable and whether the transaction was properly documented. Tested 12 transactions, totaling \$167,973, including: 2 transactions totaling \$208 at the DACS; 3 transactions totaling \$6,149 at the DCF; 2 transactions totaling \$3,952 at the DMS; 3 transactions totaling \$5,114 at the DOC; and 2 transactions totaling \$152,550 at the DOT.
- Analyzed State agency records to identify and evaluate whether 30 employees identified as being deceased by DOH Office of Vital Statistics death records were timely removed from State agency payrolls during the period July 2011 through February 2013. Specifically, examined agency records for 3 DACS employees, 5 DCF employees, 2 DEP employees, 3 DFS employees, 1 DMS employee, 4 DOC employees, 8 DOH employees, and 4 DOT employees.

Leave Compensation

- Reviewed applicable laws, rules, regulations, collective bargaining agreements, and State agency policies and procedures, and interviewed State agency personnel to gain an understanding of processes and controls related to leave payouts and monitoring of special compensatory leave credits. Additionally, evaluated through a review of policies and procedures and examination of relevant records whether State agency management had enhanced or established written leave payout procedures to ensure leave balance audits were completed prior to leave payouts, leave balance audit documentation was maintained, and leave payout calculations were verified prior to payment; whether State agencies had established adequate policies and procedures to effectively manage special compensatory leave credits; and whether DCF and DOH policies and procedures were consistent with applicable laws, rules, regulations, and collective bargaining agreements.
- Examined State agency records for leave payouts made to 113 employees, totaling \$943,653, during the period July 2011 through February 2013 to evaluate whether the payments were properly authorized, calculated, and documented. The payouts tested included: 21 payouts totaling \$94,305 at the DACS; 21 payouts totaling \$83,316 at the DCF; 1 payout for \$10,343 at the DFS; 10 payouts totaling \$105,640 at the DMS; 40 payouts totaling \$461,922 at the DOC; and 20 payouts totaling \$188,127 at the DOT.

Dual Employment

- Reviewed applicable laws, rules, regulations, and State agency policies and procedures, and interviewed State agency personnel to gain an understanding of processes and controls related to dual employment.

Additionally, examined relevant State agency records to determine whether State agency management had adequately designed and implemented appropriate controls to ensure dual employment activities were properly documented and whether the DMS and the DFS provided State agencies with an adequate mechanism to monitor dual employment.

- Examined State agency records to evaluate whether dual employment had been appropriately documented and approved for 101 employees on the required approval form for the 2011-12 and 2012-13 fiscal years, as applicable. The forms tested included: 22 forms related to 18 DACS employees; 32 forms related to 20 DCF employees; 32 forms related to 20 DEP employees; 2 forms related to 2 DFS employees; 1 form related to 1 DMS employee; 37 forms related to 20 DOC employees; and 40 forms related to 20 DOH employees.

Overtime

- Reviewed applicable laws, rules, regulations, and State agency policies and procedures, and interviewed State agency personnel to gain an understanding of processes and controls related to overtime and to evaluate whether State agency management had established written overtime procedures to ensure overtime was properly authorized and documented. Also, reviewed State agency policies and procedures, interviewed State agency personnel, and examined relevant State agency records and communications to determine whether State agency management performed periodic evaluations of overtime costs.
- Analyzed People First data for the period July 2011 through February 2013 and identified the employees with the greatest number of overtime hours. Examined State agency records to evaluate the reasonableness of the overtime recorded during selected pay periods. The examination included records related to 20 DCF employees, 20 DOC employees, and 20 DOH employees.
- Examined State agency records for 60 overtime payments, totaling \$92,362, made during the period July 2011 through February 2013 to evaluate whether the payments were properly authorized, calculated, and documented. The records examined included those related to: 20 DCF payments totaling \$35,951; 20 DOC payments totaling \$34,178; and 20 DOH payments totaling \$22,233.

Salary Payment Cancellations

- Reviewed applicable laws, rules, regulations, and State agency policies and procedures; interviewed State agency personnel; and examined relevant State agency records to gain an understanding of processes and controls related to salary payment cancellations and to evaluate whether management established effective procedures for recovering from third parties any overpayments made as a result of salary payment cancellations.
- Reviewed State agency policies and procedures, interviewed State agency personnel, and examined relevant State agency records to determine whether the DACS had implemented procedures to ensure that canceled paper warrants were properly and timely destroyed.
- Examined State agency records for 40 salary payment cancellations, with miscellaneous post-tax deductions totaling \$10,064, made during the period July 2011 through February 2013 to evaluate whether the State agencies took timely and appropriate steps to cancel the payment and recover any of the deductions paid to third parties. The salary payment cancellations tested included: 2 DACS cancellations with deductions totaling \$177; 10 DCF cancellations with deductions totaling \$2,646; 2 DEP cancellations with deductions totaling \$502; 6 DFS cancellations with deductions totaling \$1,690; 2 DMS cancellations with deductions totaling \$262; 10 DOC cancellations with deductions totaling \$2,106; 6 DOH cancellations with deductions totaling \$1,814; and 2 DOT cancellations with deductions totaling \$867.

Employee Out Processing

- Reviewed State agency policies and procedures, interviewed State agency personnel, and examined relevant State agency records to evaluate whether management had established adequate policies and procedures to effectively manage employee out processing.
- Reviewed State agency records for 61 former employees to evaluate whether State agencies properly documented the timely return of all State-owned property upon employee separation during the period July 2011 through February 2013. The records examined included those related to 16 DCF employees, 5 DMS employees, 20 DOC employees, and 20 DOH employees.

Overall, we:

- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe those matters requiring corrective action.

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

MANAGEMENTS' RESPONSES

In response letters dated March 25, 2014, through April 8, 2014, management of the selected State agencies provided responses to our audit findings and recommendations. The response letters are included as **EXHIBIT A**.

EXHIBIT A
MANAGEMENTS' RESPONSES

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EXHIBIT A
MANAGEMENTS' RESPONSES
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

DIVISION OF ADMINISTRATION
(850) 617-7000



THE MAYO BUILDING
407 SOUTH CALHOUN STREET
TALLAHASSEE, FLORIDA 32399-0800

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

April 8, 2014

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

Dear Auditor General Martin:

This letter is in response to your letter dated March 6, 2014, regarding the audit of Payroll and Personnel Processes that included the Florida Department of Agriculture and Consumer Services (FDACS). We appreciate the opportunity to respond to the findings outlined in your report. FDACS feels that payroll and personnel processes are in excellent condition which allows us to implement and maintain above par safeguards of our accounting and employment information. We are always interested in improving our processes and will continue to implement improvements as appropriate. As a general response to this report FDACS will continue to work alongside the Department of Management Services (DMS) and the People First system to monitor each of our processes in order to ensure each record is accurately handled. We are very pleased to only have one finding in this report and we look forward to correcting this finding to the best of our ability.

Finding No. 2:

Some State agencies had not established adequate policies and procedures related to dual employment that effectively promoted compliance with State law. Additionally, State agencies did not always document that dual employment was properly approved in accordance with the requirements of State law, DMS rules, and other guidelines.

Recommendation:

We recommend that State agency management establish appropriate procedures that provide for the proper submittal and approval of dual employment requests. Additionally, we recommend that State agencies utilize available dual employment reports to ensure that the dual employment activities of all applicable personnel have received appropriate consideration in accordance with State law, DMS rules, and other guidelines.

Response:

Although there are some reports designed to account for identifying employees who are in Dual Employment status, FDACS has found those report processes to be in need of modification to



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

David W. Martin, CPA, Auditor General
April 8, 2014
Page 2

enhance navigation and accuracy. We will be reaching out to request specific reports from DMS to ensure that we have the most accurate information possible to ensure all *Dual Employment and Compensation Request* forms are completed timely and included in each personnel file. Additionally, FDACS will continue to utilize our annual Ethics Training requirements, which includes an acknowledgement of reporting responsibilities for outside and dual employment.

Finding No. 3:

State agency and DFS processes and procedures for salary reissuances should be enhanced to avoid overpayments to third parties for miscellaneous post-tax deductions. Additionally, State agencies did not always timely initiate efforts to collect from third parties overpayments made as a result of canceled salary payments.

Recommendation:

We recommend that the DFS provide specific guidance to State agencies regarding the methods available to prevent overpayments of miscellaneous post-tax deductions related to salary payment reissuances. Additionally, we recommend that the DACS, DCF, and DOC establish policies and procedures regarding salary payment cancellations and reissuances and the recovery of overpayments from third parties and the DMS update its policies and procedures to address monitoring the recovery of overpayments. We also recommend that State agencies take appropriate steps to ensure the timely recovery of overpayments of State funds.

Response:

Although as indicated in Table 7, DACS had no overpayments identified, DACS will establish written procedures for recovering of overpayments from third parties.

Please let me know if you have any questions or concerns at (850) 617-7700 or at Mike.Joyner@FreshFromFlorida.com

Sincerely,



Mike Joyner
Assistant Commissioner/Chief of Staff

MJ/kh

cc: D. Alan Edwards, Director of Administration
Ron Russo, Inspector General
Nedra Harrington, Director of Auditing
Joey Hicks, Bureau Chief of Personnel Management

EXHIBIT A (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF CHILDREN AND FAMILIES



State of Florida
Department of Children and Families

Rick Scott
Governor

Esther Jacobo
Interim Secretary

March 27, 2014

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

Dear Mr. Martin:

Thank you for your March 6 letter and the accompanying preliminary and tentative audit findings and recommendations on the audit of *Payroll and Personnel Processes at Selected State Agencies*. The Department generally concurs with the findings of your report. Our responses to the findings and recommendations are attached.

If you or your staff have any questions, please contact Mr. Shelby Jefferson, Assistant Director for Human Resources, at (850) 717-4548.

We appreciate the work you and your staff do and look forward to working with you on future audits.

If I may be of further assistance, please let me know.

Sincerely,

Esther Jacobo
Interim Secretary

Attachment

1317 Winewood Boulevard, Tallahassee, Florida 32399-0700

Mission: Protect the Vulnerable, Promote Strong and Economically Self-Sufficient Families, and Advance Personal and Family Recovery and Resiliency

EXHIBIT A (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF CHILDREN AND FAMILIES

RESPONSE TO PRELIMINARY AND TENTATIVE FINDINGS

DEPARTMENT OF CHILDREN AND FAMILIES

PAYROLL AND PERSONNEL PROCESSES
AT SELECTED STATE AGENCIES

OPERATIONAL AUDIT

Finding No. 1: State agencies did not always perform, or document the performance of, audits of unused leave balances prior to calculating leave payouts or maintain evidence that leave payouts were appropriately authorized. Additionally, errors were noted in some leave payouts.

Recommendation: We recommend that State agency management ensure that appropriate records are maintained to demonstrate that all leave payments are properly authorized and accurately calculated and that leave audits are appropriately performed and documented for all employee leave payouts.

Response: The Department concurs with the recommendation. To mitigate the risk of errors when processing unused leave payouts, the Department will ensure the utilization of the People First Leave Audit report as the official leave audit documentation for leave payouts. The People First Leave Audit report will be added as a required item on a Payroll Checklist to be used by all applicable Human Resources staff to demonstrate that all leave audits were appropriately performed and documented for all employee leave payouts. The applicable Human Resources staff will be required to electronically print their name and date of review on all People First Leave Audits as evidence of independent authorization and verification of accurate payout calculations. The Department will retain audit and payout documentation in the Department's case management system, Footprints Numara, and the employee's personnel record. This process improvement will be implemented by April 1, 2014.

Finding No. 2: Some State agencies had not established adequate policies and procedures related to dual employment that effectively promoted compliance with State law. Additionally, State agencies did not always document that dual employment was properly approved in accordance with the requirements of State law, DMS rules, and other guidelines.

Recommendation: We recommend that State agency management establish appropriate procedures that provide for the proper submittal and approval of dual employment requests. Additionally, we recommend that State agencies utilize available dual employment reports to ensure that the dual employment activities of all applicable personnel have received appropriate consideration in accordance with State law, DMS rules, and other guidelines.

Response: The Department concurs with the recommendation. The Department will continue to utilize the Department of Management Services' Dual Employment and Dual Compensation Guidelines and Procedures for State Personnel System Agencies for guidance on procedures for proper submittal and approval of dual employment requests and approval of compensation from appropriations other than salaries and the judicial branch of State government. The Department will also require approval during each fiscal year and utilize the FLAIR report to identify potential dual employment. This process improvement will be implemented by July 1, 2014.

EXHIBIT A (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF CHILDREN AND FAMILIES

Finding No. 3: State agency and DFS processes and procedures for salary reissuances should be enhanced to avoid overpayments to third parties for miscellaneous post-tax deductions. Additionally, State agencies did not always timely initiate efforts to collect from third parties overpayments made as a result of canceled salary payments.

Recommendation: We recommend that the DFS provide specific guidance to State agencies regarding the methods available to prevent overpayments of miscellaneous post-tax deductions related to salary payment reissuances. Additionally, we recommend that DACS, DCF, and DOC establish policies and procedures regarding salary payment cancellations and reissuances and the recovery of overpayments from third parties and that the DMS update its policies and procedures to address monitoring the recovery of overpayments. We also recommend that State agencies take appropriate steps to ensure the timely recovery of overpayments of State funds.

Response: The Department concurs with the recommendation. The Department will collaborate with DFS to seek guidance on available methods to prevent overpayments of miscellaneous post-tax deductions for salary payment reissuances. The Department will establish policies and procedures in accordance with DFS guidance regarding salary payment cancellations, reissuances, and the recovery of overpayments. The Department will also use the DCF specific Bureau of State Payrolls (BOSP) salary refund code to prevent the duplicate payment of miscellaneous post-tax deductions and avoid the need to seek a refund from a third party. This process improvement will be implemented by May 1, 2014.

Finding No. 4: State agencies did not always document, upon the employees' separation from State employment, the return of State-owned property items assigned to employees.

Recommendation: We recommend that State agency management take steps to ensure that forms designed to document the return of all State-owned property by separating employees are utilized during the out processing of employees.

Response: The Department concurs with the recommendation. The Department will reinforce its current procedures to use the Employee Separation Checklist (CF 789) during the employee out processing to ensure the return of all State-owned property by separating employees.

EXHIBIT A (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF CORRECTIONS



*Changing Lives to
Ensure a Safer Florida*

FLORIDA
DEPARTMENT of
CORRECTIONS

Governor
RICK SCOTT
Secretary
MICHAEL D. CREWS

501 South Calhoun Street, Tallahassee, FL 32399-2500

<http://www.dc.state.fl.us>

April 2, 2014

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

Dear Mr. Martin:

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

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

Thank you for the opportunity to review and provide comments. If you have any questions or need additional information, please contact Paul Strickland, Chief Internal Auditor, at (850) 717-3408.

Sincerely,

Michael D. Crews
Secretary

Enclosure

EXHIBIT A (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF CORRECTIONS

**RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS
AUDIT OF PAYROLL AND PERSONNEL PROCESSES
AT SELECTED STATE AGENCIES.**

Finding No. 1: State agencies did not always perform, or document the performance of, audits of unused leave balances prior to calculating leave payouts or maintain evidence that leave payouts were appropriately authorized. Additionally, errors were noted in some leave payouts.

Recommendation: We recommend that State agency management ensure that appropriate records are maintained to demonstrate that all leave payments are properly authorized and accurately calculated and that leave audits are appropriately performed and documented for all employee leave payouts.

Agency Response: Leave audits are the contractual responsibility of People First, who has developed a leave audit report for agency use to satisfy this responsibility. In response to the previous audit, the Department developed Procedure 208.061, "Unused Leave Payout", to ensure leave audits are performed. Our process does not require printing the leave audit report because it is too large to print and maintain in a personnel file. To address this audit, Procedure 208.061 will be amended to outline a process for documenting a leave audit has been performed. Additionally, the Department will add a reviewer signature to form DC2-8041, "Employee Leave Disposition Checklist", to satisfy as evidence appropriate management approval for unused leave payouts.

Finding No. 2: Some State agencies had not established adequate policies and procedures related to dual employment that effectively promoted compliance with State law. Additionally, State agencies did not always document that dual employment was properly approved in accordance with the requirements of State law, DMS rules, and other guidelines.

Recommendation: We recommend that State agency management establish appropriate procedures that provide for the proper submittal and approval of dual employment requests. Additionally, we recommend that State agencies utilize available dual employment reports to ensure that the dual employment activities of all applicable personnel have received appropriate consideration in accordance with State law, DMS rules, and other guidelines.

Agency Response: The Department utilizes DMS Dual Employment Guidelines and forms; however, in response to this audit we will develop a procedure based on these guidelines. Direction and instruction will be provided to Personnel staff regarding dual employment reports located in the Report Distribution System (RDS) in FLAIR. However, it must be noted that these reports provide little assistance due to the extraneous information they contain.

EXHIBIT A (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF CORRECTIONS

Finding No. 3: State agency and DFS processes and procedures for salary reissuances should be enhanced to avoid overpayments to third parties for miscellaneous post-tax deductions. Additionally, State agencies did not always timely initiate efforts to collect from third parties overpayments made as a result of canceled salary payments.

Recommendation: We recommend that the DFS provide specific guidance to State agencies regarding the methods available to prevent overpayments of miscellaneous post-tax deductions related to salary payment reissuances. Additionally, we recommend that the DACS, DCF, and DOC establish policies and procedures regarding salary payment cancellations and reissuances and the recovery of overpayments from third parties and that the DMS update its policies and procedures to address monitoring the recovery of overpayments. We also recommend that State agencies take appropriate steps to ensure the timely recovery of overpayments of State funds.

Agency Response: In the past, the Department relied upon the Bureau of State Payrolls (BOSP) manual for detailed instruction regarding payroll processes. The Department will issue a Personnel Information Memorandum (PIM) to provide guidance to our payroll offices regarding salary payment cancellations and reissuances, and the recovery of overpayments from third parties.

Finding No. 4: State agencies did not always document, upon the employees' separation from State employment, the return of State-owned property items assigned to employees.

Recommendation: We recommend that State agency management take steps to ensure that forms designed to document the return of all State-owned property by separating employees are utilized during the out processing of employees.

Agency Response: The Department will work with managers and supervisors to stress the importance of documenting the return of all State-owned property and complying with Procedure 208.029, "Separation Process for Terminated Employees Procedure".

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



FLORIDA DEPARTMENT OF
ENVIRONMENTAL PROTECTION

MARJORY STONEMAN DOUGLAS BUILDING
3900 COMMONWEALTH BOULEVARD
TALLAHASSEE, FLORIDA 32399-3000

RICK SCOTT
GOVERNOR

CARLOS LOPEZ-CANTERA
LT. GOVERNOR

HERSCHEL T. VINYARD JR.
SECRETARY

April 4, 2014

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

Dear Mr. Martin:

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

Sincerely,

Herschel T. Vinyard Jr.
Secretary

Enclosure

cc: Candie Fuller, Inspector General, DEP

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

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

This operational audit focused on following up on the findings and recommendations included in report No. 2011-069. Those findings related to time records, unused leave compensation, dual employment, salary calculations and overtime authorizations, warrant and electronic funds transfer cancellations, and employee out processing. State agencies included in the scope of report No. 2011-069 were the Department of Agriculture and Consumer Services (DACS), Department of Environmental Protection (DEP), Department of Financial Services (DFS), Department of Management Services (DMS), Department of Corrections (DOC), and Department of Transportation (DOT). This audit also included the performance of audit field work at two additional State agencies: the Department of Children and Families (DCF) and the Department of Health (DOH). Together, these eight State agencies represent approximately 67 percent of the \$5.3 billion in salary payments made by executive branch State agencies during the 2012-13 fiscal year.

Finding No. 1:

Unused Leave Payouts

DEP was not included in the leave payout follow-up testing because report No. 2011-069 did not disclose leave payout documentation deficiencies.

Finding No. 2: Dual Employment Policies and Procedures

The follow-up audit did not disclose any deficiencies in DEP's Dual Employment processing.

Finding No. 3: Recovery of Deductions for Canceled Salary Payments

Specifically, we noted:

- State agencies did not always use available methods to avoid the overpayment of miscellaneous post-tax deductions upon reissuance of salary payments. In response to our audit inquiries, State agency staff expressed uncertainty regarding the appropriate use of the BOSP salary refund code. Additionally, we found that not all State agencies had been assigned an agency-specific recovery code, as the DFS, DMS, and DOT did not have BOSP-established recovery codes. Also, while the BOSP established agency-specific recovery codes for the DCF and DOC in 1990, the DACS in 1995, the DEP in 1996, and the DOH in 2004, our tests disclosed that only the DACS was utilizing the established agency-specific code to prevent post-tax deduction overpayments when reissuing salary payments. Management at the applicable agencies indicated, in response to our audit inquiries, that they were unaware that these codes existed or that these codes should be used for this purpose.

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

Department of Environmental Protection Response

Auditor General Preliminary and Tentative Findings

Payroll and Personnel Processes at Selected State Agencies

- The DACS, DCF, and DOC had not established written procedures for recovering overpayments from third parties. The DMS had established such procedures but did not include provisions for monitoring the collection of refunds.
- As shown in Table 7, and further discussed below, State agency personnel did not take timely actions to recover from third parties 21 overpayments of miscellaneous post-tax deductions, totaling \$6,142, resulting from the cancellation and, as applicable, reissuance of salary payments.

Table 7
Summary of Canceled Salary Payment Miscellaneous Post-Tax Deduction
Test Items and Test Results

Agency	Items Tested		Test Results		
	Miscellaneous Post-Tax Deduction Items		Overpayments Avoided ^a	Overpayments Not Timely Recovered	
	Number	Amount	Number	Number	Amount
DACS	2	\$ 177	2	-	\$ -
DCF	10	2,646	3	3	808
DEP	2	502	-	1	413
DFS	6	1,690	6	-	-
DMS	2	262	1	1	250
DOC	10	2,106	-	10	2,106
DOH	6	1,814	1	5	1,775
DOT	2	867	-	1	790
Totals	40	\$10,064	13	21	\$6,142

^a Overpayments were avoided by the DACS through utilization of an agency-specific recovery code and by the DCF, DFS, DMS, and DOH through utilization of the BOSP salary refund code.

Sources: FLAIR and State agency records and auditor analysis.

- The DCF had no documentation evidencing, at the time of our audit field work, recovery efforts for 3 deductions, totaling \$808. As of our April 10, 2013, request for documentation, from 92 to 481 days had elapsed since the related employee salary payments were canceled.
- The DEP did not initiate recovery for a \$413 deduction until 43 days after the related employee salary payment was canceled.

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

Department of Environmental Protection Response

Auditor General Preliminary and Tentative Findings

Payroll and Personnel Processes at Selected State Agencies

- The DMS initiated recovery for a \$250 deduction 15 days after cancellation of the related employee salary payment; however, the DMS did not receive the refund from the third-party until 592 days after the salary payment was canceled and after our audit inquiry.
- The DOC did not initiate recovery efforts for 9 deductions, totaling \$1,875, until after our audit inquiry. The refund requests were made from 68 to 598 days after the associated employee salary payments were canceled. In addition, while the DOC's initial refund request was timely for a \$231 deduction, a follow-up request was not sent until after our audit inquiry, and 138 days after the salary payment was canceled.
- The DOH did not initiate recovery for 5 deductions, totaling \$1,775, until 52 to 586 days after the related employee salary payments were canceled. Four of the five refund requests were made subsequent to our audit inquiry.
- The DOT did not initiate recovery for a \$790 deduction until after our audit inquiry and 303 days after the related employee salary payment was canceled.

The absence of detailed guidance, in both the BOSP *Payroll Preparation Manual* and agency policies and procedures, may have contributed to the untimely recovery of overpayments disclosed by our audit procedures. Establishment of specific BOSP guidance for the use of BOSP salary refund and agency-specific recovery codes to prevent overpayments, and agency policies and procedures for recovering overpayments from third-parties, would better ensure that appropriate methods are utilized by agency personnel when canceling and reissuing salary payments and, as applicable, would promote the prevention or timely recovery of miscellaneous post-tax deduction overpayments.

Recommendation: We recommend that the DFS provide specific guidance to State agencies regarding the methods available to prevent overpayments of miscellaneous post-tax deductions related to salary payment reissuances. Additionally, we recommend that the DACS, DCF, and DOC establish policies and procedures regarding salary payment cancellations and reissuances and the recovery of overpayments from third parties and that the DMS update its policies and procedures to address monitoring the recovery of overpayments. We also recommend that State agencies take appropriate steps to ensure the timely recovery of overpayments of State funds.

Agency Response: We concur with this recommendation. We are updating our internal warrant cancellation process and procedures document to ensure that it includes the following:

- Use of the DEP specific recovery code when reissuance of a cancelled salary payment is necessary;
- Improved coordination between the Bureau of Human Resource Management and the Bureau of Finance and Accounting in handling the warrant cancellation and recovery of post-tax deductions process; and,

**EXHIBIT A (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF ENVIRONMENTAL PROTECTION**

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

- Establish timeframes to initiate a written request for recovery of post-tax deductions, follow-up to ensure receipt, and turning over for collections when necessary.

Finding No. 4: Employee Out-Processing Forms and Checklists

DEP was not included in the employee out-processing follow-up testing because report No. 2011-069 did not disclose employee out-processing documentation deficiencies.

**EXHIBIT A (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF FINANCIAL SERVICES**



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

March 25, 2014

Mr. David W. Martin
Auditor General
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

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

If you have any questions concerning this response, please contact Teresa Michael, Interim Inspector General, at (850) 413-4970.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jeff Atwater".

Jeff Atwater

JA:rlg

Enclosure

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

DEPARTMENT OF FINANCIAL SERVICES
PAYROLL AND PERSONNEL PROCESSES AT
SELECTED STATE AGENCIES - OPERATIONAL AUDIT

RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS

Finding No. 2: Dual Employment Policies and Procedures

Some State agencies had not established adequate policies and procedures related to dual employment that effectively promoted compliance with State law. Additionally, State agencies did not always document that dual employment was properly approved in accordance with the requirements of State law, DMS rules, and other guidelines.

Recommendation:

We recommend that State agency management establish appropriate procedures that provide for the proper submittal and approval of dual employment requests. Additionally, we recommend that State agencies utilize available dual employment reports to ensure that the dual employment activities of all applicable personnel have received appropriate consideration in accordance with State law, DMS rules, and other guidelines.

Response:

We concur. The Division of Administration Bureau of Human Resource Management (BHRM) has identified additional means of communicating to employees and managers the process for completing dual employment request forms. The BHRM will continue to send an email to all employees in May of each year reminding them of the dual employment Administrative Policy and Procedure 5-04 (AP&P). In addition, a reminder email will be sent quarterly to management staff reminding them of the dual employment process and AP&P 5-04. The payroll office will continue to utilize the available dual employment reports and communicate with BHRM when a duplicate payment has been made. The BHRM will verify whether or not the employee is entitled to both payments.

Expected Completion Date for Corrective Action: The email to all employees will be sent in early May 2014 and the first reminder email to management staff will be sent quarterly beginning in September 2014.

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

DEPARTMENT OF FINANCIAL SERVICES
PAYROLL AND PERSONNEL PROCESSES AT
SELECTED STATE AGENCIES - OPERATIONAL AUDIT

Finding No. 3: Recovery of Deductions for Canceled Salary Payments

State agency and DFS processes and procedures for salary reissuances should be enhanced to avoid overpayments to third parties for miscellaneous post-tax deductions. Additionally, State agencies did not always timely initiate efforts to collect from third parties overpayments made as a result of canceled salary payments.

Recommendation:

We recommend that the DFS provide specific guidance to State agencies regarding the methods available to prevent overpayments of miscellaneous post-tax deductions related to salary payment reissuances. Additionally, we recommend that the DACS, DCF, and DOC establish policies and procedures regarding salary payment cancellations and reissuances and the recovery of overpayments from third parties and that the DMS update its policies and procedures to address monitoring the recovery of overpayments. We also recommend that State agencies take appropriate steps to ensure the timely recovery of overpayments of State funds.

Response:

DFS concurs. DFS will provide specific guidance to State agencies regarding the methods available to prevent overpayments of miscellaneous post-tax deductions related to salary payment reissuances. This guidance will include revisions to DFS's Payroll Preparation Manual and distribution of a memorandum to State agencies with detailed instructions related to salary reissuances and recovery of salary overpayments.

Expected Completion Date for Corrective Action: April 30, 2014

EXHIBIT A (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF HEALTH

Mission:
To protect, promote & improve the health of all people in Florida through integrated state, county & community efforts.



Vision: To be the Healthiest State in the Nation

Rick Scott
Governor

John H. Armstrong, MD, FACS
State Surgeon General & Secretary

April 7, 2014

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

Dear Mr. Martin:

We are pleased to respond to the preliminary and tentative audit findings and recommendations concerning the Auditor General's audit: *Payroll and Personnel Processes at Selected State Agencies*. Our response to the findings is enclosed, as required by section 11.45(4)(d), *Florida Statutes*.

We appreciate the effort of you and your staff in assisting to improve our operations. If you have any questions, please contact our Director of Auditing, Michael J. Bennett by calling (850) 245-4444 extension 2150.

Sincerely,

John H. Armstrong, MD, FACS
State Surgeon General

JHA/kir
Attachment

cc: James D. Boyd, CPA, MBA
Inspector General
Michael J. Bennett, CIA
Director of Auditing

**EXHIBIT A (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF HEALTH**

Preliminary and Tentative Findings

Report # TBD
Report Title: Payroll and Personnel Processes at Selected State
Agencies Report Date: TBD
Preliminary and Tentative Findings



Number Finding	Recommendation	Management Response	Corrective Action Plan
1	This finding did not apply to Department of Health.	N/A	N/A
2	Some State agencies had not established adequate policies and procedures related to dual employment that effectively promoted compliance with State law. Additionally, State agencies did not always document that dual employment was properly approved in accordance with requirements of State Law, DMS rules, and other guidelines.	We concur.	The Bureau of HRM currently requests dual employment reports from DMS twice per year, and notifies impacted offices which have not submitted their required forms. Additionally, the Division of Administration has been looking into the possibility of developing a system which will identify employees paid from more than one position or funding source.
3	State agency and DFS processes and procedures for salary reissuances should be enhanced to avoid overpayments to third parties for miscellaneous post-tax deductions. Additionally, State agencies did not always timely initiate efforts to collect from third parties overpayments made as a result of canceled salary payments.	We recommend that DFS provide specific guidance to State agencies regarding the methods available to prevent overpayments of miscellaneous post-tax deductions related to salary payment reissuances. Additionally, we recommend that the DACS, DCF, and DOC establish policies and procedures regarding salary payment cancellations and reissuances and the recovery of overpayments from third parties and that the DMS update its policies and procedures to address monitoring the recovery of overpayments. We also recommend that State agencies take appropriate steps to ensure the timely recovery of overpayments of State funds.	At the close of each month, beginning in April 2014, cancelled checks will be randomly sampled to determine if proper procedure was followed. Timely recovery of state funds will be added as an expectation has been added to the performance expectations for payroll staff members. Projected Completion Date: 4/15/2014
4	State agencies did not always document, upon the employees' separation from State employment, the return of State-owned property items assigned to employees.	We recommend that State agency management take steps to ensure that forms designed to document the return of all State-owned property by separating employees are utilized during the out processing of employees.	A new policy will be developed which will require supervisors to utilize the Exit Checklist. Projected Completion Date: 4/15/2014

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



4050 Esplanade Way
Tallahassee, Florida 32399-0950
Tel: 850.488.2784 | Fax: 850. 922.6149

Rick Scott, Governor

Craig J. Nichols, Agency Secretary

April 8, 2014

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

Dear Mr. Martin:

Pursuant to subsection 11.45(4)(d), Florida Statutes, this is our response to your report, **Payroll and Personnel Processes at Selected State Agencies**, our response corresponds with the finding and recommendation related to the Department of Management Services contained in the draft report.

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

Sincerely,

Craig J. Nichols
Agency Secretary

Attachment

- cc: Stacy Arias, Deputy Secretary, Business Operations
- Darren Brooks, Deputy Secretary, Workforce Operations
- Debra Forbess, Director, Administration
- Mitchell Clark, Chief, Bureau of Financial Management Services
- Brett Shively, Human Resources Director
- Walter Sachs, Inspector General
- Yolanda Lockett, Audit Director

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



4050 Esplanade Way
Tallahassee, Florida 32399-0950
Tel: 850.488.2786 | Fax: 850.922.6149

Rick Scott, Governor

Craig J. Nichols, Agency Secretary

Department of Management Services' Response
To the Auditor General's Payroll and Personnel Processes of Selected State Agencies Audit

Finding No. 1: Unused Leave Payouts

State agencies did not always perform, or document the performance of, audits of unused leave balances prior to calculating leave payouts or maintain evidence that leave payouts were appropriately authorized. Additionally, errors were noted in some leave payouts.

Recommendation:

We recommend that State agency management ensure that appropriate records are maintained to demonstrate that all leave payments are properly authorized and accurately calculated and that leave audits are appropriately performed and documented for all employee leave payouts.

Response:

Concur

Non-Concur

Future leave payout audits will be prepared by Human Resources and delivered to the Payroll Coordinator in Financial Management Services (FMS) prior to the payout being processed. The appropriate records, along with the leave payout, will be properly documented and maintained by FMS.

Finding No. 2: Dual Employment Policies and Procedures

Some State agencies had not established adequate policies and procedures related to dual employment that effectively promoted compliance with State law. Additionally, State agencies did not always document that dual employment was properly approved in accordance with the requirements of State law, DMS rules, and other guidelines.

Recommendation:

We recommend that State agency management establish appropriate procedures that provide for the proper submittal and approval of dual employment requests. Additionally, we recommend that State agencies utilize available dual employment reports to ensure that the dual employment activities of all applicable personnel have received appropriate consideration in accordance with State law, DMS rules, and other guidelines.

Response:

Concur

Non-Concur

Communicating an annual reminder and through New Employee Orientation, Human Resources (HR) will ensure DMS Policy and Procedures (HR 01-112) are followed to provide for the proper submittal and approval of dual employment requests. In conjunction with DMS legal team, HR will also use the available dual employment reports to ensure that dual employment activities of all applicable personnel have received appropriate consideration in accordance with State law, DMS rules, and other guidelines.

**EXHIBIT A (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF MANAGEMENT SERVICES**

Mr. David W. Martin, CPA
April 4, 2014
Page Two

Finding No. 3: Recovery of Deductions for Canceled Salary Payments

State agency and DFS processes and procedures for salary reissuances should be enhanced to avoid overpayments to third parties for miscellaneous post-tax deductions. Additionally, State agencies did not always timely initiate efforts to collect from third parties overpayments made as a result of canceled salary payments.

Recommendation:

We recommend that the DFS provide specific guidance to State agencies regarding the methods available to prevent overpayments of miscellaneous post-tax deductions related to salary payment reissuances. Additionally, we recommend that the DACS, DCF, and DOC establish policies and procedures regarding salary payment cancellations and reissuances and the recovery of overpayments from third parties and that the DMS update its policies and procedures to address monitoring the recovery of overpayments. We also recommend that State agencies take appropriate steps to ensure the timely recovery of overpayments of State funds.

Response:

Concur

Non-Concur

DMS has updated the payment cancellation procedures to address monitoring the recovery of overpayments.

EXHIBIT A (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF TRANSPORTATION



Florida Department of Transportation

RICK SCOTT
GOVERNOR

605 Suwannee Street
Tallahassee, FL 32399-0450

ANANTH PRASAD, P.E.
SECRETARY

April 2, 2014

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

Dear Mr. Martin:

I am pleased to respond to the preliminary and tentative audit finding and recommendation concerning your audit of:

Department of Transportation – Payroll and Personnel Processes at Selected State Agencies

As required by Section 11.45(4) (d), Florida Statutes, the department's response to the audit finding is enclosed.

I appreciate the efforts of you and your staff in assisting to improve our operations.

If you have any questions, please contact our Inspector General, Bob Clift, at 850-410-5800.

Sincerely,

Ananth Prasad
Secretary

AP: cm

Enclosure (1)

cc: Brian Peters, Assistant Secretary
Robert E. Clift, Inspector General
Kristofer Sullivan, Director of Audit
Robin Naitove, Comptroller

www.dot.state.fl.us

EXHIBIT A (CONTINUED)
MANAGEMENTS' RESPONSES
DEPARTMENT OF TRANSPORTATION

Auditor General Audit of Payroll and Personnel Processes at
Selected State Agencies
Department of Transportation

Response to Finding

PAYROLL

Finding No. 3: Recovery of Deductions for Canceled Salary Payments

Recommendation: We recommend that the DFS provide specific guidance to State agencies regarding the methods available to prevent overpayments of miscellaneous post-tax deductions related to salary payment reissuances. Additionally, we recommend that the DACS, DCF, and DOC establish policies and procedures regarding salary payment cancellations and reissuances and the recovery of overpayments from third parties and that the DMS update its policies and procedures to address monitoring the recovery of overpayments. We also recommend that State agencies take appropriate steps to ensure the timely recovery of overpayments of State funds.

Agency Response and Corrective Action Plan: Agree. The Office of Comptroller Disbursement Operations Office (DOO) Payroll Processing Handbook includes detailed instructions for collection of miscellaneous deductions from vendors and state pretax deductions. Instructions include requirements for timeliness and follow-up. Although significant delay occurred in this one instance, upon recognition the overpayment was immediately recovered from the vendor and the funds have been deposited.

Estimated Corrective Action Date: May 21, 2013

Agency Contact and Telephone Number:

Kelly Lutz,
Quality Assurance/Payroll Manager
Disbursement Operations Office
Office of the Comptroller
Florida Department of Transportation
605 Suwannee Street, MS 42
Tallahassee, FL 32399
(850)414-4819
Fax (850) 414-4490