

**EXECUTIVE OFFICE OF THE GOVERNOR**

**STATE BUDGETARY PROCESSES  
AND INFORMATION TECHNOLOGY CONTROLS**

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**Operational Audit**



## EXECUTIVE OFFICE OF THE GOVERNOR

Pursuant to Section 14.201, Florida Statutes, the Governor is the head of the Executive Office of the Governor. The Honorable Rick Scott served as Governor during the audit period.

The audit team leader was Clint C. Boutwell, CPA, and the audit was supervised by Karen Van Amburg, CPA. Please address inquiries regarding this report to Jane Flowers, CPA, Audit Manager, by e-mail at [janeflowers@aud.state.fl.us](mailto:janeflowers@aud.state.fl.us) or by telephone at (850) 412-2757.

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**EXECUTIVE OFFICE OF THE GOVERNOR**

## State Budgetary Processes and Information Technology Controls

**SUMMARY**

This operational audit of the Executive Office of the Governor (EOG) focused on State budgetary processes for State agencies, as administered by the EOG Office of Policy and Budget (OPB), and applicable information technology controls. Our audit disclosed that, in general, the EOG OPB efficiently and effectively administered the State budgetary processes in accordance with State law and had established, for the systems utilized in the budgetary processes, information technology controls that were effective overall. However, we also found areas in which EOG procedures and controls could be enhanced.

**STATE BUDGETARY PROCESSES**

**Finding No. 1:** Although required by State law, the EOG had not published an annual report describing the State's progress toward meeting the goals and objectives of State agency Capital Improvement Program plans. In addition, in some instances, OPB staff had not ensured that State agencies submitted fixed capital outlay funding requests in the proper form.

**Finding No. 2:** EOG procedures need enhancing to address the EOG's statutory responsibilities for reviewing State agencies' applications for Federal funds and coordinating the use of Federal funds in the State.

**INFORMATION TECHNOLOGY (IT) CONTROLS**

**Finding No. 3:** The Budget Amendment Processing System needs enhancing to ensure that all State agency budget amendment reviews and approvals are traceable to the responsible individual.

**Finding No. 4:** User authentication controls over access to IT systems utilized in the State budgetary processes need improvement.

**Finding No. 5:** The EOG could not always demonstrate that system and application changes were properly authorized, tested, and approved.

**BACKGROUND**

The State Constitution<sup>1</sup> designates the Governor as the chief administrative officer of the State, responsible for the planning and budgeting for the State. State law<sup>2</sup> provides that the Executive Office of the Governor (EOG) and the Legislature jointly develop annual budget instructions for preparing the exhibits and schedules agencies must utilize to prepare Legislative Budget Requests (LBRs). The EOG is to review each agency's LBR for technical compliance with the instructions, notify the agency of any adjustments required, and ensure that any necessary corrections are made.<sup>3</sup> State law<sup>4</sup> also provides that amendments to the approved budgets for operational and fixed capital outlay expenditures from State agencies may be requested only through the EOG and approved by the Governor and the Legislative Budget Commission, as applicable. Table 1 summarizes, for State agencies, the total operating appropriations by appropriation category and the total fixed capital outlay appropriations for the 2011-12 and 2012-13 fiscal years.

<sup>1</sup> Article IV, Section 1(a), State Constitution.

<sup>2</sup> Section 216.023(3), Florida Statutes.

<sup>3</sup> Section 216.023(7), Florida Statutes.

<sup>4</sup> Section 216.181(1), Florida Statutes.

**Table 1**  
**Total State Agency Operating Appropriations by Appropriation Category**  
**and Total Fixed Capital Outlay Appropriations**  
**for the 2011-12 and 2012-13 Fiscal Years**

Appropriation Category	2011-12	2012-13
<b>Operating Appropriation Category:</b>		
Aid to Local Governments	\$15,341,044,300	\$15,657,178,663
Continuing Appropriations <sup>a</sup>	91,413,161	86,677,738
Data Processing Services	97,827,931	123,822,899
Expenses	866,729,638	864,045,629
Financial Assistance Payments	335,494,528	347,358,841
Food Products	63,940,163	61,443,349
Lump Sum <sup>b</sup>	61,534,598	45,888,470
Operating Capital Outlay	37,390,408	40,023,540
Other Personal Services	210,926,912	211,732,949
Payments for Claims Bills and Relief Acts	4,760,000	3,947,569
Pensions and Benefits	15,047,951	15,251,138
Qualified Expenditure Category <sup>c</sup>	19,188,868	86,493,722
Salaries and Benefits	5,285,046,836	5,109,994,022
Special Categories <sup>d</sup>	<u>30,009,845,650</u>	<u>30,750,297,675</u>
<b>Total Operating Appropriations</b>	<b><u>\$52,440,190,944</u></b>	<b><u>\$53,404,156,204</u></b>
<b>Total Fixed Capital Outlay Appropriations</b>	<b><u>\$9,024,638,647</u></b>	<b><u>\$9,091,688,214</u></b>

<sup>a</sup> A continuing appropriation is an appropriation automatically renewed without further legislative action, period after period, until altered or revoked by the Legislature.

<sup>b</sup> The lump sum category is used to fund a specific activity or project which must be transferred to one or more appropriation categories for expenditure.

<sup>c</sup> The qualified expenditure category is used to fund specific activities and projects which must be transferred to one or more appropriation categories for expenditure upon recommendation by the Governor or Chief Justice, as appropriate, and is subject to approval by the Legislative Budget Commission. The Legislature, by law, may provide that a specific portion of the funds in this category be transferred without Commission approval.

<sup>d</sup> Special categories is used to fund amounts appropriated for a specific need or classification of expenditures.

Sources: Transparency Florida Web site and Section 216.011(1), Florida Statutes.

The EOG's Office of Planning and Budgeting (OPB) provides coordinated planning, policy development, budgeting, and evaluation in support of the Governor, State agencies, and the Legislature. The OPB was organized into nine units, including seven units dedicated to the specific policy areas of Education, Public Safety, Environment, Finance and Economic Analyses, General Government, Health and Human Services, and Transportation and Economic Development, and a Budget Management Policy unit and a Systems Design and Development (SDD) unit for information technology systems support. For the 2011-12 and 2012-13 fiscal years, the OPB was assigned 104 positions and appropriations of \$8,627,999 and \$8,615,858, respectively, and the SDD was assigned 48 positions and appropriations of \$4,643,045 and \$4,567,182, respectively.

Our audit disclosed that, in general, the EOG OPB administered the State budgetary process in accordance with State law and had established, for the systems utilized in the budgetary processes, information technology controls that were effective overall. However, we also found areas in which EOG procedures and controls could be enhanced.

## FINDINGS AND RECOMMENDATIONS

### State Budgetary Processes

#### **Finding No. 1: Administration of Fixed Capital Outlay Appropriations**

State law<sup>5</sup> designates the Executive Office of the Governor (EOG) as the agency responsible for the coordination, development, direction, monitoring, and evaluation of the State's comprehensive capital facilities planning and budgeting process. Pursuant to State law,<sup>6</sup> the EOG is to prepare a state comprehensive plan for facility needs and related fixed capital outlay (FCO) expenditures that includes a 5-year schedule for preventive maintenance, replacement, improvement, or construction of facilities on a specific project-by-project basis. To assist the EOG in preparing the State's comprehensive capital facilities plan for needs and related FCO expenditures, agencies are required to include in their annual Legislative Budget Requests (LBRs) a short-term plan for facility needs covering the next 5-year period.<sup>7</sup> The EOG refers to the 5-year facility needs plans as Capital Improvements Program (CIP) Plans and annually provides State agencies with instructions to guide the agencies' preparation of the CIP Plans and the FCO-related forms required to be included in the agencies' LBRs. Additionally, State law<sup>8</sup> requires the EOG to publish an annual report of the progress being made by the State toward meeting the State goals and objectives of the plans.

The OPB developed written operating procedures and a Technical Review Checklist to guide OPB staff in reviewing State agency LBRs and any FCO-related budget requests for compliance with the LBR instructions. According to OPB records, during the 2011-12 and 2012-13 fiscal years, 266 FCO appropriations totaling approximately \$27 billion<sup>9</sup> were available to 21 State agencies for new or existing FCO projects. We examined EOG documentation, including records related to 25 FCO appropriations totaling \$2,270,557,140 that were included in the approved budgets of 9 State agencies for the 2011-12 and 2012-13 fiscal years and noted that:

- For the 2011-12 and 2012-13 fiscal years, the EOG did not prepare an annual report describing the progress being made toward meeting the State goals and objectives of the CIP plans. In response to our audit inquiry, OPB management indicated that the annual report is not a separate report. Rather, the EOG annually directs the agencies to submit CIP Plans, including goals and objectives, and then publishes this information, by year, on the Florida Fiscal Portal Web site along with the LBRs. OPB management also indicated that no requests for an annual report had been received. However, while the State agency CIP Plans and LBRs were published, by agency, on the Florida Fiscal Portal Web site, the information provided did not include a description or assessment of the progress being made toward achieving the State's capital facilities goals and objectives.
- State law<sup>10</sup> requires agencies submitting requests for FCO funding to identify the anticipated sources of funding during the next fiscal year and, for those FCO projects proposed to be funded by new debt, to provide specific documentation in order to ensure uniform consideration of essential elements related to the issuance of the FCO-related debt. Additionally, the LBR instructions for the 2011-12 and 2012-13 fiscal

<sup>5</sup> Section 216.015, Florida Statutes.

<sup>6</sup> Section 216.0158(3), Florida Statutes.

<sup>7</sup> Section 216.0158(2), and (3), Florida Statutes.

<sup>8</sup> Sections 216.015(4), Florida Statutes.

<sup>9</sup> The \$27 billion included approximately \$9 billion for FCO appropriations made prior to the 2011-12 and 2012-13 fiscal years that, pursuant to Section 216.301(2)(a), Florida Statutes, were not subject to reversion during those fiscal years.

<sup>10</sup> Sections 216.0442(2) and 216.043(1)(a) and (c), Florida Statutes.

years instructed State agencies to submit a Truth-in-Bonding Statement<sup>11</sup> for proposed new bonds. For 11 of the 25 FCO appropriations, the agencies' LBRs included requests for projects to be funded by new debt. However, we noted that the EOG procedures for review and approval of the State agencies' FCO funding requests did not always ensure that the agencies had properly completed all the required schedules and submitted the required documentation. Specifically, an agency incorrectly completed one FCO funding request in the LBR as the associated debt was actually a reissuance and not related to new debt. Another agency failed to submit the required Truth-in-Bonding Statements for three FCO projects. In response to our audit inquiry, OPB management indicated that the agencies' errors and omissions had not been timely detected by OPB staff. Absent appropriate review of agencies' FCO-related funding requests, there is an increased risk that appropriate consideration may not be given to proposed issuances of new debt.

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**Recommendation:** We recommend that the EOG enhance its reporting of CIP plans by publishing an annual report describing the State's progress being made toward meeting the goals and objectives of CIP Plans, or seek clarification from the Legislature regarding the continued necessity for the annual report. We also recommend that the EOG enhance its review of State agency FCO funding requests to ensure that State agencies accurately completed and submitted the required schedules and documentation.

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### **Finding No. 2: Oversight and Coordination of Federal Funds**

Pursuant to State law,<sup>12</sup> the EOG is to establish a clearinghouse for Federal programs and activities. The clearinghouse is to respond to Federal grant opportunities and coordinate the use of Federal funds in the State. State law<sup>13</sup> also requires that, prior to making a request or preparing a budget to be submitted to the Federal Government for funds, equipment, materials, or services, every State agency must submit the request or budget to the EOG for review. The law also provides, however, that the EOG may specifically authorize a State agency to submit specific types of grant proposals directly to the Federal Government. Regardless of whether a request for Federal funds is provided to and reviewed by the EOG or submitted directly to the Federal Government, State agencies are to submit documentation to the EOG showing Federal approval.<sup>14</sup>

We inquired of EOG management and examined available EOG documentation related to Federal grant information and found that the EOG had not established a clearinghouse or procedures for obtaining and reviewing State agencies' requests or budgets for Federal funds, equipment, materials, or services prior to submission; or for authorizing State agencies to directly submit requests to the Federal Government. We also noted that the EOG had not established procedures for tracking the receipt of Federal approval documentation. As part of our audit, we identified 34 new Federal grants with expenditures totaling \$50,716,593 included in the State's Schedule of Expenditures of Federal Awards (SEFA) for the 2012-13 fiscal year. We requested documentation of the EOG's review and evidence that Federal approval had been received by the EOG for 11 of these grants, with expenditures totaling \$50,079,689. For the 11 Federal grants we tested, EOG staff indicated that they had not received or reviewed the applicable nine State agencies' requests, and could not provide documentation that the agencies had been authorized to submit the requests directly to the Federal Government. EOG staff were also unable to provide documentation received from the State agencies showing Federal approval.

Administration of the State budgetary process includes oversight of Federal funding applications and approvals to ensure that appropriate consideration is given to the use of the Federal funds and the associated Federal grant

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<sup>11</sup> A Truth-in-Bonding Statement is a document that may be required for new debt pursuant to Section 216.0442(2), Florida Statutes. Such document should state the proposed principal amount, purpose, expected repayment term in years, forecasted interest rate, and total dollar amount of interest expected to be paid for any proposed new debt.

<sup>12</sup> Section 216.212(1), Florida Statutes.

<sup>13</sup> Section 216.212(1)(a), Florida Statutes.

<sup>14</sup> Section 216.212(1)(a),(2), Florida Statutes.

requirements, such as the need for any State matching funds. Absent the statutorily required clearinghouse and established procedures addressing the review and approval of requests for Federal funds, the authorization for State agencies to submit specific requests directly to the Federal Government, and the tracking and receipt of Federal approval documentation, management’s assurances related to the efficient coordination and utilization of Federal funds and the appropriate consideration of those funds in the State budgetary process are reduced. In response to our audit inquiry, EOG management stated that the EOG previously had a unit with a database and procedures for administering Federal grants. However, the EOG no longer had such a unit or procedures and the grant database had been reassigned to another State agency. Notwithstanding this response, State law<sup>15</sup> assigns to the EOG responsibility for the coordination of Federal funds, the prior review of State agency requests for Federal funds, and the receipt of Federal approval documentation and it was not apparent from the information provided by EOG management that these responsibilities had been eliminated or transferred to another State agency.

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**Recommendation:** We recommend that EOG management establish procedures to address the EOG’s statutory responsibilities related to a clearinghouse for Federal programs and activities, the review and approval of State agencies’ applications for Federal funds, authorization for some State agencies to submit specific types of grant proposals directly to the Federal Government, and tracking receipt of Federal approvals from applicable State agencies or, alternatively, seek clarification from the Legislature regarding the assignment of these responsibilities.

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<b>Information Technology Controls</b>
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Effective information technology (IT) controls ensure the confidentiality, integrity, and availability of data and are essential to the overall efficient management of IT resources. The OPB’s Systems Design and Development (SDD) unit was responsible for IT applications, including the Legislative Appropriations Subsystem/Planning and Budgeting Subsystem (LAS/PBS) and Budget Amendment Processing System (BAPS), to support OPB operations and activities. Authorized staff of OPB and the various State agencies were assigned unique user names and passwords when granted LAS/PBS and BAPS access via the EOG’s or the applicable State agency’s secure networks.

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**Finding No. 3: Evidence of Budget Amendment Review and Approval**

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State law<sup>16</sup> requires State agencies to request amendments to their operating and FCO budgets through the EOG and obtain approval from the Governor and the Legislative Budget Commission, as applicable. The OPB utilized the LAS/PBS and BAPS to administer the State budgetary process. Each State agency’s approved financial plan was entered into LAS/PBS at the beginning of every fiscal year to provide appropriation authority for agency expenditures. Each agency’s appropriation authority was updated throughout the fiscal year through scheduled releases of appropriations, regular downloads of disbursements from FLAIR,<sup>17</sup> and other budget actions including supplemental appropriations, implementation of pay packages, reorganizations, and certified forwards and reversions of funds. Additionally, approved budget amendments were downloaded from BAPS to update the State agencies’ appropriation authority in LAS/PBS. OPB policies and procedures provided that State agency requests for budget amendments, the OPB’s acknowledgment of review and approval, and documentation supporting the OPB’s analyses be submitted via BAPS and retained in BAPS.

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<sup>15</sup> Section 216.212(1),(2), Florida Statutes.

<sup>16</sup> Section 216.181(1), Florida Statutes.

<sup>17</sup> The Florida Accounting Information Resource Subsystem (FLAIR) is the State’s accounting system.

To ensure security over State agencies' IT systems and data, minimum security standards were established in the Agency for Enterprise Information Technology (AEIT) rules.<sup>18</sup> One such standard requires all administrative account activities to be traceable to an individual.<sup>19</sup> BAPS tracked budget amendments through a task list that included the specific tasks required for each budget amendment type. The list was divided into four tasks to be consecutively performed: the Initial Budget Management Policy (BMP) Unit Review, Policy Unit Review, Final BMP Review, and Budget Director's Final Actions. One task on the list had to be completed and approved before the users performing the next task could obtain update access. Upon completion of an assigned task, OPB staff were to sign off on the approval of that task by entering their unique password into BAPS, at which time the system automatically recorded their name, OPB unit, and the date and time.

During the 2011-12 and 2012-13 fiscal years, the OPB processed 1,619 budget amendments totaling \$607,433,108 to the various State agencies' approved financial plans, and 24 amendments to State agencies' performance measures. We examined documentation and records related to 26 operating and FCO budget amendments, totaling \$123,061,143, and 3 performance measures amendments and noted that, for 14 budget amendments, totaling \$107,277,515, and the 3 performance measures amendments, BAPS did not include appropriate evidence of reviews and approvals. In these instances, BAPS allowed designated users within the BMP Unit to simultaneously perform multiple steps in the review and approval process and recorded the identity of these users as "system" when this capability was utilized. Although some of these users had been delegated authority for some of these approvals, other users who had not been delegated this approval authority were also assigned security roles that permitted this update capability. Additionally, we noted that some users with the capability to perform multiple steps were also given the ability to initiate budget amendment requests, regardless of being delegated approval authority.

Providing BAPS users with the capability to initiate budget amendments and approve those amendments without the approval being traceable to the individual user, limits security over EOG systems and data and is not consistent with the minimum security standards established in AEIT rules. Subsequent to our audit inquiry, OPB management indicated that a programming change to assign accountability to the user who entered the approval had been made and implemented.

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**Recommendation:** We recommend that EOG OPB management continue with planned BAPS enhancements.

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#### **Finding No. 4: User Authentication Controls**

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Security controls are intended to minimize the risk of unauthorized access to data and IT resources. Our audit procedures disclosed that certain OPB security controls related to user authentication over access to the IT systems utilized in the State budgetary process needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising OPB data and IT resources. However, we have notified appropriate OPB management of the specific issues. Without adequate security controls related to user authentication, the risk is increased that the confidentiality, integrity, and availability of the OPB data and IT resources may be compromised.

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<sup>18</sup> AEIT Rules, Chapter 71A-1, Florida Administrative Code. During the 2014 Legislative Session, a bill (HB 7073) was passed creating the Agency for State Technology (AST) within the Department of Management Services and authorizing a type two transfer of all records; property; administrative authority; administrative rules in Chapters 71A-1 and 71A-2, Florida Administrative Code; and existing contracts of the AEIT to the AST.

<sup>19</sup> AEIT Rule, 71A-1.013(5), Florida Administrative Code.

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**Recommendation:** EOG OPB management should strengthen security controls related to user authentication over access to the IT systems utilized in the State budgetary process to ensure the confidentiality, integrity, and availability of the data and IT resources.

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**Finding No. 5: Change Management Controls**

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To promote effective configuration management over IT resources, AEIT rules<sup>20</sup> required State agencies to implement a change management process for modifications to IT resources. Effective change management processes should provide for appropriate separation of duties and ensure system and application changes are properly authorized, tested, approved, and tracked. Additionally, the change management records should clearly document and track the change management process from initial authorization to the final approval of the change. If performance of multiple tasks is necessary due to the small size of the organization, greater emphasis should be placed on mitigating controls, such as supervisory review and approval and sufficient documentation of the actions performed.

As part of our review of the SDD's processes, we noted that the SDD had not established written procedures for the OPB systems change management processes. According to SDD staff, typically, system change requests were either received verbally or via e-mail. Actions taken to make the modifications necessary to implement the change requests, test the modifications, and move the completed changes into production were separated among SDD programming staff. Documentation related to change requests for the LAS/PBS was retained in a designated library using a specific document called a "yellow sheet," and documentation regarding BAPS change requests was retained in various forms, including Visual Studio Team Foundation Server (TFS) software.

As part of our audit, we tested 5 of the LAS/PBS change requests and 5 of the BAPS change requests made during the period of July 2011 through February 2013. Our audit tests disclosed that the SDD's change management processes did not always ensure that all the actions taken were sufficiently documented. Specifically:

- For the 5 LAS/PBS change requests we tested, the appropriate authorization and user acceptance for the applicable system modifications was not sufficiently documented. For all 5 change requests, the SDD analyst assigned to perform the system modification was recorded as the originator of the request, rather than the State agency or EOG personnel actually initiating and authorizing the request. Additionally, user acceptance was not documented for any of the applicable completed modifications. In response to our audit inquiry, SDD management indicated that their process did not require documentation be maintained for the user's request and acceptance but that documentation requirements would be implemented.
- The SDD could not demonstrate, for any of the 5 BAPS change requests we tested, that appropriate authorization, testing, approval, or user acceptance had been established. SDD documentation of the BAPS modifications identified only the SDD analyst assigned to make the modifications. The requesting user group, the user group's authorization for and acceptance of the modifications, and the SDD personnel responsible for performing or approving the testing of the applicable modifications was not documented. In response to our audit inquiry, SDD management indicated that the TFS software included the functionality to record and maintain evidence of all the levels of request and approval for change management and that SDD staff training regarding utilization of this functionality was in process.

Absent documentation of the change management process from the initial user request and authorization to the final approval and user acceptance of the change, SDD management cannot demonstrate that the system modifications met the needs of the users and that the integrity and security of OPB data and IT resources were appropriately protected.

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<sup>20</sup> AEIT Rule 71A-1.011(4), Florida Administrative Code.

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**Recommendation:** We recommend that EOG OPB management strengthen change management controls by establishing and implementing procedures that require documentation of the actions taken for LAS/PBS and BAPS change requests.

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## OBJECTIVES, SCOPE, AND METHODOLOGY

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

We conducted this operational audit from August 2013 through November 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 State budgetary processes. 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 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 within 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:

- Conducted inquiries with EOG staff, reviewed policies and procedures, and examined records to evaluate whether EOG procedures for the administration of the State budgetary process effectively ensured compliance with applicable laws, rules, and other guidelines.
- Examined 10 of the 14 reports required to be prepared by the EOG for the 2012-13 and 2013-14 fiscal years to determine whether the reports were accurate, complete, prepared timely, and adequately supported.
- From the population of 266 FCO appropriations available to State agencies for the 2011-12 and 2012-13 fiscal years and totaling approximately \$27 billion,<sup>21</sup> tested 25 FCO appropriations totaling \$2,270,557,140 to determine whether EOG procedures ensured compliance with applicable laws, rules, and guidelines for the review and approval of State agency requests for FCO appropriations and the processing of associated FCO appropriation releases, certified forwards, and reversions.
- Identified 34 new Federal grants on the State's 2012-13 Schedule of Expenditures of Federal Awards (SEFA) with expenditures totaling \$50,716,593 and requested documentation of approvals for 11 grants with expenditures totaling \$50,079,689 to determine whether EOG procedures ensured that State agency requests for Federal funds and the associated approvals were received by the EOG.
- Examined the recommended appropriations for 9 of the 31 State agencies from the Governor's budget recommendations and related revenue and expenditure estimates for the 2012-13 fiscal year to determine whether the OPB prepared the recommendations timely, accurately, and in compliance with governing laws and EOG procedures.
- Tested 7 of 62 LBRs, and 8 of 63 Long-Range Program Plans (LRPPs) submitted by State agencies for the 2012-13 and 2013-14 fiscal years to evaluate EOG actions taken to ensure that State agencies submitted LBR documents that were prepared accurately, timely, and included appropriate information.
- Tested 26 operating and FCO budget amendments totaling \$123,061,143 and 3 performance measures amendments from the population of 1,619 operating and FCO budget amendments and 24 performance measure amendments processed by the EOG during the 2011-12 and 2012-13 fiscal years to determine whether EOG procedures ensured that the amendments were reviewed for compliance with applicable laws and EOG procedures and approved, as appropriate.
- Performed inquiries, observations, inspections of documents and records, and analytical procedures related to the EOG's budget and administrative expenditures to determine whether the EOG had established adequate controls to ensure the proper administration of the EOG's budget and expenditures.
- Conducted inquiries with OPB SDD staff, reviewed policies and procedures, and evaluated selected IT controls to determine whether controls had been designed and implemented to ensure the reliability and safeguarding of OPB data and IT resources.
- Tested 5 of the 555 LAS/PBS change requests and 5 of the 74 BAPS change requests made during the period July 2011 through February 2013, to determine whether all the actions taken during the change management process were sufficiently documented.
- Examined documentation for 15 annual and sick leave payouts totaling \$108,037 from the population of 99 annual and sick leave payouts totaling \$630,677 made to EOG employees during the period July 2011 through February 2013, to determine whether the leave payouts were properly calculated, authorized, recorded, and paid.
- Identified 262 potential dual-employment payments and tested 10 payments totaling \$105,374 to determine whether the payments represented instances of actual dual employment and if so, whether EOG procedures

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<sup>21</sup> The \$27 billion included approximately \$9 billion for FCO appropriations made prior to the 2011-12 and 2012-13 fiscal years that, pursuant to Section 216.301(2)(a), Florida Statutes, were not subject to reversion during those fiscal years.

ensured that the applicable employee submitted an application for dual employment and that the dual employment was properly authorized.

- From the population of 82 On-Demand salary payments totaling \$157,170 made by the EOG during the period July 2011 through February 2013, examined documentation for 15 payments totaling \$34,103 to determine whether the On-Demand salary payments were properly calculated, authorized, recorded, and paid.
- Tested 15 salary or leave payment cancellations totaling \$16,629 from the population of 74 salary or leave payment cancellations totaling \$83,875 made by the EOG during the period July 2011 through February 2013, to determine whether the EOG timely canceled the payments and took appropriate actions to recover any amounts inappropriately paid.
- From the population of 44 special compensatory leave payments totaling \$24,950 made by the EOG during the period July 2011 through February 2013, examined documentation for 10 special compensatory leave payments totaling \$5,705 to determine whether the payments were properly calculated, authorized, recorded, and paid.
- Reviewed applicable laws, rules, and other guidelines to obtain an understanding of the legal framework governing EOG operations.
- Performed inquiries, observations, inspections of documents and records, and analytical procedures related to the EOG's procedures for the collection and use of social security numbers, cancellation of terminating employees' access to buildings and IT systems, and performance of selected reconciliations to determine whether the EOG had established sufficient controls over these processes to promote compliance with laws, rules, and other guidelines.
- Performed inquiries, observations, inspections of documents and records, and analytical procedures to determine whether the EOG ensured compliance with the Florida Single Audit Act by providing required training for applicable personnel; utilizing required forms and supplements, as needed; including required language in contract and grant agreements; and properly recording Florida Single Audit Act information in EOG accounting records.
- Performed inquiries, observations, inspections of documents and records, and analytical procedures related to EOG purchasing cards and purchasing card expenditures totaling \$232,751 and \$256,992 for the 2010-11 and 2011-12 fiscal years, respectively, to evaluate EOG procedures for the issuance and use of purchasing cards.
- Performed inquiries, observations, inspections of documents and records, and analytical procedures related to EOG revenues totaling \$26,821,682 and \$20,106,884 for the 2011-12 and 2012-13 fiscal years, respectively, to determine whether the EOG had established effective procedures for the proper collection and recording of revenues and cash receipts.
- Performed inquiries, observations, inspections of documents and records, and analytical procedures related to EOG tangible personal property (TPP) valued at \$2,844,062 at June 30, 2013, to determine whether the EOG had established appropriate controls for the assignment, inventory, and disposal of TPP items. Observed 93 of the 1,125 TPP items owned by the EOG at June 30, 2013, to verify the items' existence and to evaluate the accuracy of EOG property records.
- Performed inquiries, observations, inspections of documents and records, and analytical procedures related to EOG expenditures for wireless services and devices totaling \$42,618 and \$8,186 for the 2011-12 and 2012-13 fiscal years, respectively, to determine whether the EOG had established appropriate controls for the assignment and use of wireless devices.
- Performed inquiries, observations, inspections of documents and records, and analytical procedures related to EOG travel expenditures totaling \$183,209 and \$29,732 for the 2011-12 and 2012-13 fiscal years, respectively, to determine whether the EOG had established appropriate controls for the approval, payment, documentation, and recording of travel expenditures.
- 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 the matters requiring corrective actions.

**AUTHORITY**

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



David W. Martin, CPA  
Auditor General

**MANAGEMENT'S RESPONSE**

In a response letter dated June 6, 2014, EOG management provided responses to our audit findings and recommendations. The response letter is included as **EXHIBIT A**.

EXHIBIT A  
MANAGEMENT'S RESPONSE



RICK SCOTT  
GOVERNOR

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**Office of the Governor**

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June 6, 2014

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

Dear Auditor General Martin:

The 2014 audit of State budgetary processes and information technology (IT) controls found that, in general, the Office of Policy and Budget efficiently and effectively administered the State budgetary processes and had established IT controls that were effective overall. However, your audit noted five (5) areas in which procedures and controls could be enhanced. In response to your preliminary and tentative audit findings and recommendations we offer the following:

**Finding No. 1: Administration of Fixed Capital Outlay Appropriations**

As you noted, the EOG prepares guidelines and instructions for state agencies to submit a Capital Improvement Plan (CIP) annually as part of their Legislative Budget Request (LBR) submission. These plans are evaluated by the Department of Management Services (DMS) who then provides advice to the EOG. The EOG, while considering all funding priority needs of the state, submits budget recommendations to the Legislature based on the advice provided by DMS and the revenues available at that time. While not a consolidated report, this combination of submissions covers much of the information addressed. However, we agree that the Executive Office of the Governor (EOG) has not published a separate annual report describing progress toward meeting the goals and objectives of the State agency Capital Improvement plans.

The EOG plans to review Chapter 216, Florida Statutes, during the summer of 2014 to determine if any provisions are obsolete or inefficient and develop recommended changes for further discussion with the Legislature. As part of this review, Sections 216.015 - 216.016, Florida Statutes, known as the "Capital Facilities Planning and Budgeting Act" will be reviewed and recommended changes will be considered, especially with regard to the annual report.

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

Auditor General  
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We also agree that, in some instances, we have not ensured that State agencies submitted fixed capital outlay funding requests in the proper form. As recommended in the audit report, the EOG will incorporate additional guidelines in its review of State agency FCO funding requests to ensure that State agencies accurately complete and submit all required schedules and documentations.

**Finding No. 2: Oversight and Coordination of Federal Funds**

As part of the previously mentioned review of chapter 216, the EOG will review the existing statutory requirements and consider recommendations to strengthen the information currently collected regarding federal grants.

**Finding No. 3: Evidence of Budget Amendment Review and Approval**

The Budget Amendment Processing System (BAPS) provides an electronic means for the submission, review and approval of budget amendments. The audit found, and we agree, that when the Office of Policy and Budget (OPB) users perform amendment process in batch mode (e.g. multiple amendments are marked as approved with a single action) the application showed the approval performed by the 'system' user. By recording the user as 'system', the approval could not be traced to the individual who had performed the action. SDD has modified the BAPS application to include the id of the user who performed the action. The application will now record system/xxx (where xxx is the user id) whenever the batch process is used. This modification was completed in December of 2013.

**Finding No. 4: User Authentication Controls**

The local area network used by OPB is maintained by SDD. The audit found that user authentication controls currently enforced in the local area network need to be strengthened. SDD will work with OPB to strengthen user authentication controls to provide greater security within the local area network.

**Finding No. 5: Change Management Controls**

SDD develops and supports many custom applications used by OPB. The audit evaluated two applications (LAS/PBS and BAPS) and found deficiencies in the change management controls. We agree with the observations and have initiated the following actions:

1. LAS/PBS – LAS/PBS developers use a custom written application called Yellow Sheet Tracking (YST) to manage requests for application modifications. The audit found that within the YST application, SDD did not capture the name of the user requesting the change as well as user acceptance. The YST system has the ability to capture this information, and SDD currently uses the name of in-house staff who took the change request for the requestor and the name of the in-house staff performing the testing as the user acceptance. SDD will modify its procedures to capture the name of the House, Senate or OPB user requesting the change. SDD

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

Auditor General  
June 6, 2014  
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- will also work with OPB to determine the most efficient method of tracking user acceptance.
2. BAPS – BAPS developers use a Microsoft development application called Team Foundation Server (TFS) to manage requests for application modifications. The audit found that the level of information captured did not provide information on separate stages of the development process. SDD has changed procedures within TFS to capture the requestor, developer, tester and approver of the change request. SDD will work with OPB to determine the most efficient method of tracking user acceptance.

We appreciate this opportunity to comment on the preliminary and tentative findings from your audit. We also appreciate the professionalism of the staff who were assigned and who worked with us to assure a full understanding of the issues raised.

Sincerely,



Cynthia Kelly, Director  
Office of Policy and Budget

CK/hsm