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STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

## DEPARTMENT OF MILITARY AFFAIRS

Selected Administrative Activities  
and Prior Audit Follow-Up



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Auditor General

## **Adjutant General of the Department of Military Affairs**

The Department of Military Affairs is established by Section 250.05, Florida Statutes. The head of the Department is the Adjutant General who is appointed by the Governor and subject to confirmation by the Senate. Major General Michael A. Calhoun served as Adjutant General during the period of our audit.

The team leader was Dennis W. Gay, CPA, and the audit was supervised by Randy R. Arend, CPA.

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# DEPARTMENT OF MILITARY AFFAIRS

## Selected Administrative Activities and Prior Audit Follow-Up

### **SUMMARY**

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This operational audit of the Department of Military Affairs (Department) focused on selected administrative activities and included a follow-up on applicable findings noted in our report No. 2016-008. Our audit disclosed the following:

#### **Non-Appropriated Enterprise Fund Activities**

**Finding 1:** As similarly noted in prior audit reports, most recently in our report No. 2016-008, the Department's administration of Camp Blanding Joint Training Center activities did not always ensure economic and efficient operations or compliance with applicable laws, rules, and other guidelines.

#### **Construction Project Administration**

**Finding 2:** Department procedures did not always ensure that proper insurance coverages were obtained and maintained by contractors and architects. A similar finding was noted in our report No. 2016-008.

**Finding 3:** As similarly noted in our report No. 2016-008, Department procedures for administering construction management and design-build projects need enhancement to better ensure that expenditures for guaranteed maximum price contracts are adequately supported prior to payment.

#### **Contract Reporting and Administration**

**Finding 4:** The Department did not always timely post contract information to the Florida Accountability Contract Tracking System as required by State law.

**Finding 5:** Some Department contracts did not include required statutory provisions and contract records did not always include proof of required contractor insurance coverages.

#### **Other Administrative Activities**

**Finding 6:** Department management had not established anti-fraud policies and procedures for the mitigation, detection, and reporting of suspected or known fraud.

**Finding 7:** Department purchasing card controls continue to need enhancement.

**Finding 8:** As similarly noted in our report No. 2016-008, Department controls for the administration of the Florida Single Audit Act as applicable to the About Face and Forward March programs need improvement.

**Finding 9:** Department motor vehicle record keeping and procedures could be improved. A similar finding was noted in our report No. 2016-008.

**Finding 10:** Department procedures for administering the assignment and usage of wireless devices need improvement.

## **BACKGROUND**

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The Department of Military Affairs (Department) provides management oversight and administrative support to the Florida National Guard. The Florida National Guard, as a part of the organized militia of the State, is a reserve component force of the United States Department of Defense, National Guard Bureau, and is to operate within the policy guidance and fiscal framework of both Federal and State authorities. While the Adjutant General serves as Department head, the Governor is the Commander-in-Chief of the Florida National Guard.<sup>1</sup> The Department's mission is to provide Florida National Guard units and personnel to support national security objectives, to protect the public safety of citizens, and to support programs and initiatives that add value to the United States of America and to the State.

According to Department records, approximately 2,300 Federal personnel and more than 450 State employees were assigned to Army and Air National Guard units throughout the State in support of nearly 12,000 Florida National Guard soldiers and airmen. According to the *Adjutant General's Annual Report* for the 2017 fiscal year, State and Federal funding of the Department and Florida National Guard totaled approximately \$489 million for 2017. The Department was authorized 453 State employee positions for both the 2016-17 and 2017-18 fiscal years and more than 70 percent of these positions were partially or fully funded by the Federal Government.

Headquartered in St. Augustine, the Department maintains 60 armories in 39 Florida counties. The Department also maintains and operates the Camp Blanding Joint Training Center (CBJTC) located in Clay County. The CBJTC is a 73,000-acre post that supports numerous large training activities for the Florida National Guard; the United States Army, Navy, Air Force, Marines, and Coast Guard; and numerous law enforcement agencies. According to the *Adjutant General's Annual Report* for the 2017 fiscal year, the CBJTC supported training on 305 days for 295,560 personnel from 281 military units and 45 non-military agencies.

## **FINDINGS AND RECOMMENDATIONS**

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### **NON-APPROPRIATED ENTERPRISE FUND ACTIVITIES**

The Department established four non-appropriated enterprise funds in the State's accounting records, the Florida Accounting Information Resource Subsystem (FLAIR), related to CBJTC activities: Billeting, Camp Blanding Recreation, Post Exchange, and Dining Hall. As of September 2015, the Federal cooperative agreement for the Dining Hall was discontinued, and the management responsibilities and related assets of the Dining Hall enterprise fund were transferred from State to Federal management. While the Department had established four enterprise funds in FLAIR, the daily CBJTC activities were accounted for in five separate subsidiary accounting records. Table 1 provides a summary of the accounting records for each subsidiary account for the 2015-16 and 2016-17 fiscal years.

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<sup>1</sup> Section 250.06, Florida Statutes.

**Table 1  
Summary of CBJTC Activities Subsidiary Accounting Records**

	<b>Billeting</b>									
	<u>CTQ<sup>a</sup> and RTI<sup>b</sup></u>		<u>Cottage Account</u>		<u>Recreation</u>		<u>Post Exchange</u>		<u>Dining</u>	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
<b>Revenue</b>	\$523,491	\$611,426	\$302,674	\$336,413	\$464,631	\$769,908	\$1,957,708	\$1,911,137	\$176,913	-
<b>Cost of Goods Sold</b>	-	-	-	-	-	-	1,337,121	1,298,474	73,740	-
<b>Gross Profit</b>	523,491	611,426	302,674	336,413	464,631	769,908	620,587	612,663	103,173	-
<b>Expenses</b>	400,491	575,857	327,831	267,243	525,391	653,772	580,163	573,775	113,958	-
<b>Net Income/(Loss)</b>	<u>\$123,000</u>	<u>\$35,569</u>	<u>\$(25,157)</u>	<u>\$69,170</u>	<u>\$(60,760)</u>	<u>\$116,136</u>	<u>\$40,424</u>	<u>\$38,888</u>	<u>\$(10,785)</u>	-
<b>Available Cash Balance at June 30</b>	<b>\$958,832</b>	<b>\$1,063,571</b>	Included with CTQ	Included with CTQ	<b>\$698,361</b>	<b>\$599,586</b>	<b>\$676,500</b>	<b>\$746,740</b>	-	-

<sup>a</sup> Chargeable Transient Quarters.

<sup>b</sup> Regional Training Institute.

Source: Department subsidiary accounting records.

### **Finding 1: CBJTC Activities Oversight and Administration**

Department policies and procedures<sup>2</sup> established the CBJTC responsibilities of the State Quartermaster, Director of Non-Appropriated Fund Accounts, and Non-Appropriated Fund Managers and specified that the State Quartermaster's Office receive monthly statements of operations and that the State Quartermaster was responsible for ensuring the accurate accounting of State funds and property associated with the non-appropriated enterprise fund accounts. In addition, Department policies and procedures required the CBJTC activities funds to operate under the guidelines and provisions of a business plan.

In previous audit reports, most recently in our report No. 2016-008 (Finding 2), we noted that the Department's administration of CBJTC activities did not always ensure economic or efficient operations or compliance with applicable laws, rules, and other guidelines. As part of our audit, we evaluated the actions taken by Department management to enhance CBJTC activity oversight and the administration of the related funds and accounts. Our follow-up audit procedures disclosed that improvements in CBJTC activity oversight and administration were still necessary to better ensure economic and efficient operations and compliance with applicable laws, rules, and other guidelines. Specifically, we found that:

- State Quartermaster's Office personnel performed only limited monitoring and oversight activities, such as receiving and compiling monthly financial reports which are accumulated and input in total for the fiscal year to the FLAIR enterprise fund accounting records, to ensure accurate accounting for the non-appropriated enterprise fund accounts. According to Department management, the Department did not have personnel with the expertise to sufficiently monitor or provide the necessary oversight for these accounts. Consequently, we noted deficiencies in the

<sup>2</sup> Florida National Guard Pamphlet 210-5, State of Florida Non-Appropriated Enterprise Fund Accounts.

Department's administration of the non-appropriated enterprise fund accounts as further discussed in this finding.

- At the end of each fiscal year, the Department entered summary information from the subsidiary accounting records into the FLAIR enterprise fund accounting records. However, the subsidiary accounting records were not always properly maintained, and the FLAIR entries did not provide the information necessary to properly account for CBJTC activities. For example:
  - The Department did not record in the FLAIR enterprise fund accounting records all the capital assets, inventories, accounts receivable, or accounts payable amounts reflected in the CBJTC subsidiary accounting records. As a result, the amounts in FLAIR were not correctly stated. Specifically, as of June 30, 2017, the assets reported in the three CBJTC FLAIR enterprise funds totaled \$2,103,841, while the assets recorded in the CBJTC subsidiary accounting records totaled \$3,885,520, or \$1,781,679 more than the assets reported in the FLAIR enterprise funds. Similarly, although no liabilities were reported in the FLAIR enterprise fund accounting records, liabilities totaling \$413,496 were recorded in the CBJTC subsidiary accounting records.
  - The Department inconsistently reported capital assets and related depreciation (a component of operating income) among the FLAIR capital asset subsidiary records, CBJTC FLAIR enterprise funds, and CBJTC subsidiary accounting records. Specifically, at June 30, 2017, the total capital assets and related depreciation reported in the FLAIR capital asset subsidiary records totaled \$1,216,144 and \$502,280, respectively. However, the Department reported in the CBJTC FLAIR enterprise funds capital assets and depreciation of \$195,416 and \$501,472, respectively, and in the CBJTC subsidiary accounting records capital assets and depreciation of \$1,566,384 and \$562,551, respectively.
  - The Department reported CBJTC capital assets totaling \$2,478,982 and related depreciation for cottages, Quonset huts, and lodges as Department government-wide capital assets, although the assets were utilized to generate rental income reported in the FLAIR Billeting enterprise fund. For the fiscal year ended June 30, 2017, the Department reported rental income of \$884,864 in the FLAIR Billeting enterprise fund from the rental of these facilities and four other cottages also reported in that fund. However, only capital assets and related depreciation for four cottages with acquisition costs of \$200,000 were reported in the FLAIR Billeting enterprise fund. Consequently, depreciation expense was understated in the FLAIR Billeting enterprise fund and net income was overstated. According to Department management, the Department is in the process of determining which assets are revenue-generating assets that should be included in the FLAIR Billeting enterprise fund.
  - The Department reported CBJTC capital asset acquisitions totaling \$312,736 for the Billeting, Recreation, and Post Exchange activities for the 2016-17 fiscal year in the FLAIR capital asset subsidiary records. However, the acquisition of these assets was reported as a current expense in the FLAIR enterprise funds instead of being capitalized and depreciated as required under the enterprise funds' accrual basis of accounting. Expensing capital assets in enterprise funds instead of capitalizing and depreciating the assets results in understating net income in the year the purchase is made and overstating net income in subsequent years.
- State law<sup>3</sup> authorizes the Department to establish a post exchange store for members of the Florida National Guard, their families, guests, and other authorized users. The Post Exchange store is located at the CBJTC. Any Post Exchange store profits are to be deposited in the Camp Blanding Management Trust Fund (CBMTF) and be used to enhance the facilities and services provided by the CBJTC. State law<sup>4</sup> also requires that the funds generated by the revenue-producing (i.e., non-appropriated enterprise fund) activities on the Camp Blanding

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<sup>3</sup> Section 250.10(2)(e)3., Florida Statutes.

<sup>4</sup> Section 250.175(3)(a), Florida Statutes.

Military reservation be deposited into the CBMTF and used to support required training of the Florida National Guard.

During the period February 2016 through July 2017, the Department transferred \$216,754 from the Post Exchange activity to the CBMTF. This amount represented 50 percent of the Post Exchange activity's profits for the 2013-14 through the 2016-17 fiscal years. However, although the Recreation activity reported profits during the 2016-17 fiscal year totaling \$116,136, the Department did not transfer any Recreation activity profits to the CBMTF.

Our examination of the Department's business plans for the Post Exchange and Recreation activities found that, while both plans addressed the handling of profits, only the Post Exchange business plan specified that a required percentage (50 percent) of profits was to be transferred to the CBMTF. The Recreation business plan provided that the goal of the activity was to become a self-supporting profitable enterprise that provided a stable revenue source for the CBMTF. Notwithstanding the business plans, Department records did not evidence the authority relied upon to provide for the transfer of only 50 percent of Post Exchange activity profits or for not transferring Recreation activity profits to the CBMTF.

In response to our audit inquiry, Department management indicated that Recreation activity profits are reinvested for operations, maintenance, repairs, salaries, and improvements related to the Recreation activity and that there was no immediate timeline for when the Recreation activity may start providing a stable revenue source for the CBMTF. Although maintaining adequate levels of working capital for potential revenue shortfalls or unanticipated expenses and planning for capital asset repairs and replacements are considered best practices, the Department had not developed guidelines for establishing target amounts of working capital to be maintained in the enterprise funds, or what constituted a reasonable working capital amount for each activity.

- The Department's Office of Inspector General conducted an audit of the Recreation activity for the 2015-16 fiscal year and issued the related report on June 30, 2017. The report included findings and recommendations related to Department controls for and management of the Recreation activity. Among the findings noted in the report were findings indicating that:
  - *FLNG Pamphlet 210-5* had not been updated in several years and no longer reflected current business practices.
  - A draft Recreation business plan dated September 2016 did not appear to have been reviewed by the CBJTC Commander or approved by the State Quartermaster and did not contain an updated annual capital improvement plan as required by the business plan.

The Deputy State Quartermaster's response indicated that *FLNG Pamphlet 210-5* would be updated to address the deficiencies cited in the findings and that updated business and capital improvement plans were anticipated to be prepared by August 2017. In response to our audit inquiry, in October 2018 Department management provided a draft updated *FLNG Pamphlet 210-5* and a draft Recreation activity business plan; however, neither document had been approved and an updated annual capital improvement plan was not provided.

**Recommendation:** To better ensure economic and efficient CBJTC operations; compliance with applicable laws, rules, and other guidelines; and the administration of CBJTC activities in accordance with legislative intent, we recommend that Department management continue to enhance the procedures for and oversight of CBJTC activities. Such enhancements should include:

- The proper accounting of CBJTC activities in the subsidiary accounting records and FLAIR.
- Developing guidelines to establish appropriate target working capital amounts for CBJTC activities.

- **Requiring that profits generated by CBJTC activities above the target working capital amounts be timely deposited in the CBMTF.**
- **Management approval of an updated *FLNG Pamphlet 210-5*, as necessary, for the Recreation and Post Exchange non-appropriated enterprise fund accounts, and management approval of updated Recreation activity business and capital improvement plans.**

CONSTRUCTION PROJECT ADMINISTRATION

During the period July 2015 through February 2017, the Department operated 60 readiness centers, or armories, Statewide. Approximately half of the 60 readiness centers were built more than 50 years ago and, as of July 2017, 52 readiness centers had been, or were in the process of being, modernized and renovated. The Legislature appropriated the Department general revenue funds totaling approximately \$8.6 million for the 2015-16 fiscal year and \$6.7 million for the 2016-17 fiscal year for readiness center renovations projects and to partially fund the design and construction of a new readiness center in Palm Coast, Florida. The Department also received Federal grant funds for the 2015-16 fiscal year totaling \$5 million for minor maintenance and renovation projects and \$18 million for the design and construction of the new readiness center. The Department’s Construction and Facility Management Office was responsible for administering construction and maintenance activities in accordance with applicable provisions of State law<sup>5</sup> and Department of Management Services (DMS) rules.<sup>6</sup> Construction and architectural services contract expenditures totaled approximately \$47.6 million during the period July 2015 through February 2017.

**Finding 2: Insurance Requirements**

Department construction contracts required contractors and architects to provide certificates of insurance prior to commencing work on Department projects and, when appropriate, that the Department be named as an additional insured party. The construction contracts required contractors to maintain the following insurance coverages: comprehensive general liability, automobile liability, builder’s risk and owner’s and contractor’s liability, and workers’ compensation. Department design-build contracts<sup>10</sup> also required contractors to obtain protective liability coverage. The architect contracts required architects to maintain comprehensive general liability, automobile liability, professional liability, and workers’ compensation insurance coverages.

In our report No. 2016-008 (Finding 5), we noted that Department records did not always evidence that proper insurance coverages were obtained and maintained by contractors and architects. As part of our follow-up audit procedures, we evaluated the adequacy of Department contract management procedures and examined Department contract records to determine whether certificates of insurance were appropriately obtained for seven construction contracts with contract amounts totaling \$51.9 million and

<sup>5</sup> Chapters 255 and 287, Florida Statutes.

<sup>6</sup> DMS Rules, Chapter 60D-5, Florida Administrative Code.

<sup>10</sup> Section 287.055(2)(i), Florida Statutes, defines a design-build contract as a single contract with a design-build firm for the design and construction of a public construction project.

four architectural services contracts with contract amounts totaling \$5.3 million. Our audit procedures disclosed that:

- The Department had not established procedures for specifying minimum insurance coverage requirements, obtaining documentation demonstrating that contractors and architects secured required insurance coverages prior to rendering services, or ensuring that certificates of insurance were timely provided for expiring insurance policies. The absence of such procedures likely contributed to the issues noted on audit.
- For two construction contracts totaling \$7,030,454 (West Palm Beach Callaway Armory and Sarasota Armory Field Maintenance Shop #14), the certificates of insurance for the required builder's risk coverage were not available in Department records. In addition, for one construction contract totaling \$897,352 (Bonifay Field Maintenance Shop #6), the certificate of insurance for the required workers' compensation insurance was not available in Department records.
- For the Miramar Readiness Center architectural firm contract totaling \$1,571,407, certificates of insurance for professional liability, comprehensive general liability, comprehensive automobile liability, and workers' compensation liability were not available in Department records. For the Cecil Field Building 858 architectural firm contract totaling \$134,243, certificates of insurance for the required comprehensive general liability and comprehensive automobile liability were not available in Department records.
- For four construction contracts totaling \$33,044,848 (Tampa "Red Brick" Annex Facility, Cecil Field Building 858, West Palm Beach Callaway Armory, and Miramar Readiness Center), Department records included various expired certificates of insurance and did not otherwise evidence that the policies had been timely renewed. For example, the required builder's risk certificates of insurance for three projects (Tampa "Red Brick" Annex Facility, Cecil Field Building 858, and Miramar Readiness Center) had been expired 367, 234, and 502 days, respectively, as of the projects' substantial completion dates. Consequently, Department records did not evidence whether the contractors for the four construction contracts maintained the required insurance coverages for significant periods of time while the facilities were being constructed.
- The Department was not listed as an additional insured party on the insurance certificates for three construction contracts (Tampa "Red Brick" Annex Facility, Bonifay Field Maintenance Shop #6, and Cecil Field Building 858) and three architectural services contracts (Palm Coast Readiness Center, West Palm Beach Callaway Armory, and Cecil Field Building 858), except for the general liability certificate of insurance for the Tampa "Red Brick" Annex Facility project. Although the certificates of insurance listed the Department as the certificate holder, to have an insurable interest in the policy, the Department must be listed as an additional insured party.
- Department insurance requirements for construction contractors were not always adequate based on project costs. For example, regardless of the applicable construction contract cost, the construction contractor insurance requirements specified in Department standard contract documents for design-bid-build projects for general liability and automobile liability were \$300,000 and \$100,000, respectively.

Contractor and architect-provided documentation evidencing that required insurance coverages were timely obtained or renewed and records of the Department's determination that the coverage amounts were appropriate and adequate for the construction projects would better demonstrate that the Department's risk of loss in the event of an occurrence causing injury to persons or damage to property had been appropriately mitigated.

**Recommendation: We recommend that Department management establish procedures for timely obtaining from construction contractors and architects required certificates of insurance demonstrating that appropriate types and amounts of insurance had been obtained and**

**maintained. We also recommend that the Department establish insurance requirements for construction contractors based on project costs.**

### **Finding 3: Construction Management and Design-Build Services**

State law<sup>7</sup> defines a construction management entity (CME) as a licensed general contractor or a licensed building contractor who coordinates and supervises a construction project from the conceptual development stage through final construction, including the scheduling, selection, contracting with, and directing of specialty trade contractors, and the value engineering of a project. State law<sup>8</sup> defines a design-build firm as a partnership, corporation, or other legal entity certified to provide design and construction services in the construction of a public project. Department CME and design-build firm contracts required contractors to provide a guaranteed maximum price (GMP) and a guaranteed completion date for each Department project. The GMP allowed for the difference between the actual cost of the project and the GMP amount, or the net cost savings, to be returned to the Department. To appropriately monitor CME and design-build firm activities and ensure net cost savings are achieved for construction projects, it is important for the Department to review documentation submitted by CMEs and design-build firms to support payment requests. Department contracts with CMEs and design-build firms required invoices to be submitted in detail sufficient for a proper preaudit and postaudit thereof.

In our report No. 2016-008 (Finding 6), we noted that enhancements could be made in the administration of Department construction management contracts to better ensure that expenditures for GMP contracts were adequately supported prior to payment. During the period July 2015 through February 2017, the Department reported expenditures totaling \$18.5 million related to services provided by four CMEs and seven design-build firms. As part of our follow-up audit procedures, we examined contractor invoices for five construction projects involving two GMP CME contracts and three GMP design-build firm contracts, with expenditures totaling \$8.2 million, to determine whether the Department obtained from the contractors adequate supporting documentation for the payment requests. Our examination disclosed that:

- Department records did not include supporting documentation, such as from subcontractors and for direct charges, for all the CME and design-build firm payment requests related to the five construction projects. Specifically, while the Department was able to provide certain documentation supporting payments for three of the five projects, Department records did not evidence for any of the five projects that documentation such as subcontractor invoices had been reviewed prior to payment.
- Department contracts with the CMEs and design-build firms required the CMEs and design-build firms to receive and review proposals from subcontractors and award subcontracts to the qualified lowest bidder. The CMEs and design-build firms provided the Department with a list of subcontractors as part of their project proposals and GMPs; however, contrary to the contract requirements, Department records did not evidence that the CMEs and design-build firms provided detail sufficient for a proper preaudit and postaudit of the payment requests. Specifically, Department records did not evidence that the CMEs and design-build firms provided the bid tabulations, subcontracts, or subcontractor invoices necessary to monitor the payment requests for subcontractor costs.

<sup>7</sup> Section 255.32(1)(a), Florida Statutes.

<sup>8</sup> Section 287.055, Florida Statutes.

Without adequate procedures to ensure subcontracts and detailed payment requests are provided and reconciled to CME and design-build firm payment requests and to detailed supporting documentation, such as subcontractor invoices and bid tabulations, the risk is increased that overpayments to CMEs and design-build firms may occur and not be timely detected and corrected and the Department may not realize maximum cost savings under GMP contracts.

**Recommendation: We recommend that Department management enhance procedures for monitoring CME and design-build firm payment requests by requiring CMEs and design-build firms to provide to the Department detailed payment requests supported, as applicable, by subcontractor bid tabulations, subcontracts, and subcontractor invoices. We also recommend that, prior to payment, Department management perform documented comparisons of cost items on payment requests to the supporting documentation.**

## CONTRACT REPORTING AND ADMINISTRATION

In addition to contracts for construction projects, the Department entered into contracts for goods and services such as fire protection equipment, real property leases, staffing, and training to facilitate the execution of Department responsibilities. During the period July 2015 through February 2017, the Department executed 69 contracts totaling \$56,353,360.

### **Finding 4: Contract Information Reporting**

Pursuant to State law,<sup>9</sup> the Department of Financial Services (DFS) established the Florida Accountability Contract Tracking System (FACTS), an online tool that provides users and the public access to State contract and grant financial information. State law requires that, within 30 calendar days of executing a contract,<sup>10</sup> State agencies are to post to FACTS for each contract:

- The names of the contracting entities and the procurement method.
- The contract beginning and ending dates and the nature or type of the commodities or services purchased.
- Applicable contract unit prices and deliverables and the total compensation to be paid or received under the contract.
- All payments made to the contractor to date and applicable contract performance measures.
- If a competitive solicitation was not used to procure the goods or services, the justification of such action, including citation to a statutory exemption or exception from competitive solicitation, if any.
- Electronic copies of the contract and procurement documents redacted to exclude confidential or exempt information.

Our comparison of FACTS data to Department records for the 69 contracts, totaling \$56,353,360, executed during the period July 2015 through February 2017 disclosed that the Department did not always ensure that contract information was timely posted to FACTS in accordance with State law. Specifically, we noted that:

<sup>9</sup> Section 215.985(14), Florida Statutes.

<sup>10</sup> Section 215.985(2)(b), Florida Statutes, defines a contract to include a written agreement or purchase order for the purchase of goods or services or a written agreement for the receipt of State or Federal financial assistance.

- The Department did not timely post to FACTS the required contract and procurement documents for 16 contracts totaling \$12,772,335. The Department posted the contract and procurement documents to FACTS 6 to 161 days (an average of 69 days) after the information was due.
- As of July 2018, the Department had not posted to FACTS the contract and procurement documents for 3 contracts, totaling \$209,975, executed on January 29, 2016, March 19, 2016, and April 19, 2016, respectively.
- As of July 2018, the Department had not posted to FACTS the procurement documents for 2 contracts, totaling \$155,150, executed on December 8, 2015, and January 5, 2017, respectively.

In response to our audit inquiry, Department management indicated that delays in posting contract and procurement information to FACTS was due to inadequate staff resources and staff training.

Timely posting required information to FACTS enhances transparency, strengthens accountability, and ensures compliance with State law.

**Recommendation:** We recommend that Department management enhance staff training to promote the timely posting of contract and procurement documentation to FACTS as required by State law.

#### **Finding 5: Contract Administration**

Effective July 1, 2015, State law<sup>11</sup> required State agencies to include in each contract a provision requiring contractors to cooperate with the agency's inspector general in any investigation, audit, inspection, review, or hearing. In addition, the Department's contract template included provisions to identify the types and amounts of insurance that the contractor was required to obtain.

We examined Department records for three service contracts and two construction contracts with expenditures totaling \$5.2 million and \$3.3 million, respectively, during the period July 2015 through February 2017 to determine whether Department contracts complied with State law and whether Department personnel adequately monitored contractor compliance with contract terms and provisions. We found that:

- The one service contract and the two construction contracts executed after July 1, 2015, did not include a provision requiring the contractor to cooperate with the inspector general in any investigation, audit, inspection, review, or hearing. According to Department management, the provision had been omitted from all Department contracts executed after July 1, 2015, because they were unaware of the statutory requirement. When Department contracts do not require contractors to cooperate with the Department's inspector general in any investigation, audit, inspection, review, or hearing, the Department's ability to enforce such cooperation may be limited.
- Department records did not include for the three service contracts certificates of insurance evidencing that the contractors had maintained one or more of the required types of insurance for the duration of the contracts' terms. For example, the certificate of insurance on file as of June 2017 for a contract for security guard services ending on June 30, 2019, indicated that the required workers' compensation coverage expired May 1, 2017. According to Department management, the contracts were not administered by the purchasing department and were administered by other departments that had not established procedures to ensure that

<sup>11</sup> Section 20.055(5), Florida Statutes.

Department records evidenced that the required insurance coverages were maintained for the duration of the contract term.

- The two construction contracts were for the Tampa “Red Brick” Annex Facility and Palm Coast Readiness Center projects and, as discussed in Finding 2, Department records did not evidence that the contractor for the Tampa “Red Brick” Annex Facility project maintained the required insurance types and coverage amounts throughout the term of the contract and, except for the general liability certificate, the Department was not listed by the contractor as an additional insured party on the insurance certificates. In addition, the Department was not listed as an additional insured party on the insurance certificate by the architectural firm used for the Palm Coast Readiness Center project.

Among other things, effective contract administration ensures that contract documents contain all the provisions required by law and Department-established policies and other guidelines and that contractors conform to the contract terms and provisions. Absent effective contract administration procedures, including effective procedures to monitor contractor compliance with contract terms and provisions, the Department lacks assurance that contractual arrangements promote the best interests of the Department and that goods and services are received as intended.

**Recommendation: We recommend that Department management enhance contract administration procedures to ensure that Department contracts include all provisions required by State law and to require the effective monitoring of contractor compliance with contract terms and provisions, including those requiring contractor certificates of insurance demonstrating that the appropriate types and amounts of insurance are current during the term of the contract.**

#### OTHER ADMINISTRATIVE ACTIVITIES

In addition to the Department’s non-appropriated enterprise fund activities, construction projects, and contract reporting and administration activities, we also evaluated other Department administrative activities and controls, including those related to anti-fraud policies and procedures, purchasing cards, the Florida Single Audit Act, motor vehicles, and wireless devices.

#### **Finding 6: Anti-Fraud Policies and Procedures**

Appropriate policies and procedures for communicating and reporting known or suspected fraud are essential to aid in the mitigation, detection, and prevention of fraud. Such policies and procedures identify actions constituting fraud and establish incident reporting procedures, responsibility for investigation, and consequences for such actions. Anti-fraud policies and procedures are also necessary to educate employees about proper conduct, create an environment that deters dishonesty, and maintain internal controls that provide reasonable assurance of achieving management objectives and detecting dishonest acts. In addition, such policies and procedures serve to establish the actions for investigating potential fraud, reporting evidence of such actions to the appropriate authorities, and avoiding damaging the reputations of persons suspected of fraud but subsequently found innocent.

Our review of Department policies and procedures and inquiries of the Department’s Inspector General disclosed that, as of August 2018, the Department had not established anti-fraud policies and procedures. While the Department’s Inspector General provided an internal audit policies and procedures manual that addressed the identification, mitigation, detection, investigation, and reporting of fraud by Department internal auditors, Department management had not established Departmentwide anti-fraud policies and

procedures. Absent such policies and procedures, there is an increased risk that known or suspected fraud may not be identified, investigated, or reported to the appropriate authorities.

**Recommendation: We recommend that Department management establish anti-fraud policies and procedures to aid in the mitigation, detection, and prevention of fraud.**

### **Finding 7: Purchasing Card Controls**

The Department participates in the State's purchasing card program, which allows authorized personnel to charge Department expenses on purchasing cards. As of February 28, 2017, the Department had 140 active purchasing cards and purchasing card charges totaled approximately \$2.4 million during the period September 2015 through February 2017.

As a participant in the State's purchasing card program, the Department is responsible for implementing key controls, including procedures for approving the issuance of purchasing cards and timely canceling purchasing cards upon a cardholder's separation from Department employment or when an employee no longer requires a purchasing card to perform his or her job duties. According to the Department's *Purchasing Card Program Plan*, the Purchasing Card Program Administrator (PCPA) was responsible for issuing and canceling purchasing cards and, during the period September 2015 through February 2017, the Department's Purchasing Director served as the Department's PCPA.

In previous audit reports, most recently in our report No. 2016-008 (Finding 7), we noted that Department purchasing card controls needed enhancement to ensure that cards were only issued to employees who required a purchasing card for the performance of their job duties and cards were timely canceled upon a cardholder's separation from Department employment. As part of our follow-up audit procedures, we evaluated the adequacy of Department controls for purchasing card activity and cancellations and noted that improvements were still needed. Specifically:

- According to Department records, during the period September 2015 through February 2017, no charges were made on 21 of the 140 active purchasing cards. Consequently, these cardholders may not have required a purchasing card for the performance of their job duties. Subsequent to our audit inquiry, in June 2017, Department management contacted the 21 cardholders to determine whether they had a demonstrated need to maintain a purchasing card and, based on the responses, Department management indicated that 15 of the cardholders' purchasing cards would be canceled.
- The Department did not timely cancel the purchasing cards for 15 of the 27 cardholders who separated from Department employment during the period September 2015 through February 2017. Specifically, the purchasing cards for 12 of the 15 cardholders were canceled 3 to 76 business days (an average of 18 business days) after the employees' separation dates and, subsequent to our audit inquiry, in May 2017 the PCPA canceled the other 3 cards 55, 135, and 215 days after the cardholders separated from Department employment. According to Department management, in March 2017 the Department developed a procedure for Human Resources personnel to promptly notify the PCPA of all employee separations via e-mail.

Our examination of Department expenditure records disclosed a \$230 charge was made to 1 of the 15 untimely canceled purchasing cards 7 days after the cardholder's employment separation date. Although the expenditure was for an authorized Department purpose, Department procedures did not ensure that the purchasing card was timely canceled to prevent charges from being incurred subsequent to a cardholder's separation from Department employment.

Absent effective controls to periodically monitor the necessity of purchasing card assignments and to timely cancel purchasing cards upon a cardholder's separation from Department employment, the risk of unauthorized purchasing card use is increased.

**Recommendation: We recommend that Department management strengthen procedures to ensure the periodic monitoring of the reasonableness of purchasing card assignments and promptly cancel purchasing cards upon a cardholder's separation from Department employment.**

### **Finding 8: Florida Single Audit Act**

State Financial Assistance (SFA) is financial assistance provided from State resources to non-State entities to carry out a State project and is to be administered in accordance with the requirements of the Florida Single Audit Act (FSAA),<sup>12</sup> DFS rules,<sup>13</sup> and Rules of the Auditor General.<sup>14</sup> The purpose of the FSAA, among other things, is to establish uniform State audit requirements for non-State entities receiving SFA; promote sound management of SFA; and ensure State agency monitoring, use, and follow-up on audits of SFA.

The FSAA and Rules of the Auditor General require applicable SFA recipients to provide a copy of a financial reporting package to the State awarding agency within 45 days after delivery of the audit report to the recipient, but no later than 9 months after the end of the SFA recipient's fiscal year. Among other things, the financial reporting package is to include the recipient's financial statements, Schedule of Expenditures of State Financial Assistance, and auditor's report, which addresses the recipient's compliance with State project requirements and any deficiencies in internal controls. The State awarding agency is to review the recipient's financial reporting package, including the management letters and corrective action plans, to the extent necessary to determine whether timely and appropriate corrective action has been taken with respect to audit findings and recommendations pertaining to SFA that are specific to the State awarding agency.

Pursuant to State law,<sup>15</sup> the Department contracted with two non-State entities to administer two SFA programs, the About Face and Forward March programs. During the period January 2016 through December 2017, the Department provided State funds totaling \$3,713,933 to the two non-State entities to administer the programs. As part of our audit, we evaluated the Department's administration of the FSAA as applicable to the About Face and Forward March programs and noted that:

- The Department did not obtain the financial reporting package from one of the two non-State entities for the fiscal year ended June 30, 2016, until after our audit inquiry in May 2017, and did not obtain the financial reporting package for the fiscal year ended June 30, 2015, until after our audit inquiry in June 2018. Although both audit reports were timely completed, the Department had not established procedures to ensure that financial reporting packages were timely obtained and reviewed.
- The Department did not obtain the financial reporting packages from the second non-State entity for the 2015 or 2016 calendar years,<sup>16</sup> nor were the audits and financial reporting packages timely

<sup>12</sup> Section 215.97, Florida Statutes.

<sup>13</sup> DFS Rules, Chapter 69I-5, Florida Administrative Code.

<sup>14</sup> Chapters 10.550 and 10.650, Rules of the Auditor General.

<sup>15</sup> Section 250.10(2)(l), Florida Statutes.

<sup>16</sup> The non-State entity's fiscal year coincided with the calendar year.

completed. Subsequent to our audit inquiry, the Department obtained the financial reporting packages dated August 14, 2017, for the 2015 calendar year, and August 7, 2018, for the 2016 calendar year. We also noted that the 2015 calendar year financial reporting package included an audit finding regarding participant eligibility requirements that was considered corrected for the 2016 calendar year audit. Although Department management was aware that the non-State entity made inquiries of Department personnel regarding eligibility requirements, Department management was unaware of the audit finding until the financial reporting package was received.

In response to our audit inquiry, Department management indicated that the financial reporting packages were not requested or obtained until after our inquiry because Department personnel misinterpreted guidance provided by the DFS regarding which entity was responsible for obtaining and reviewing the financial reporting packages.

Without the timely receipt and appropriate review of financial reporting packages, the risk is increased that noncompliance with State program requirements could occur and not be timely detected and corrected. A similar finding was noted in our report No. 2016-008 (Finding 8).

**Recommendation: We recommend that Department management enhance procedures to ensure that all required financial reporting package audit reports are timely obtained and reviewed.**

#### **Finding 9: Motor Vehicles Records and Procedures**

State law<sup>17</sup> and DMS rules<sup>18</sup> provide that State-owned motor vehicles are to be used effectively, efficiently, and for official purposes. The DMS developed the Florida Equipment Electronic Tracking (FLEET) system to manage, report, and maintain information about the condition, utilization, cost, fuel consumption, maintenance, and assignment of motor vehicles and watercraft owned, leased, or operated by State agencies.

During the period July 2015 through February 2017, the Department maintained 118 State-owned motor vehicles that were available for assignment and use by Department personnel. To ensure the proper management and control of Department motor vehicles in accordance with State law and DMS rules, the Department established policies and procedures<sup>19</sup> for the assignment, use, and control of Department motor vehicles. Department policies and procedures required drivers to record on a *Vehicle Log Sheet* the date, driver's last name, departure site, destination, ending mileage, fuel gallons, and fuel cost. Department policies and procedures also specified that vehicles were only to be used for official State purposes and as authorized by the State Quartermaster, and that drivers were to have a current and active driver's license in their possession. Effective March 2016, Department policies and procedures required supervisors to annually verify that operators of Department motor vehicles had a valid driver's license.

In our report No. 2016-008 (Finding 9), we noted that the Department's motor vehicle record keeping and procedures could be improved. As part of our follow-up audit procedures, we examined *Vehicle Log*

<sup>17</sup> Section 287.16, Florida Statutes.

<sup>18</sup> DMS Rules, Chapter 60B-1, Florida Administrative Code.

<sup>19</sup> Department Standard Operating Procedure, *State Vehicles*.

*Sheets*, FLEET records, and Department policies and procedures and again noted that the Department's motor vehicle record keeping and procedures could be improved. Specifically:

- Department records did not evidence that supervisors verified that operators of Department motor vehicles had a valid driver's license. In response to our audit inquiry, Department management indicated that Department policies and procedures were revised in July 2018 to require the Department's Fleet Manager to maintain a listing of all operators of Department motor vehicles, along with their driver's license number, and verify annually that each employee's driver's license was valid.
- Our request for and review of Department records for 12 motor vehicles for the period September 2015 through June 2016 disclosed that the September 2015 *Vehicle Log Sheet* for 1 vehicle, the September and October 2015 *Vehicle Log Sheets* for 3 vehicles, and the September through December 2015 *Vehicle Log Sheets* for another vehicle could not be located. Consequently, mileage ranging from 104 miles to 5,060 miles was not supported for the 5 vehicles. According to Department management, the employee responsible for maintaining *Vehicle Log Sheets* was assigned other responsibilities in December 2016 and Department personnel were unable to determine why the *Vehicle Log Sheets* could not be located.
- Vehicle maintenance records were not always accurate. We examined FLEET and Department maintenance records for 12 motor vehicles and noted that the maintenance costs reported in FLEET for 9 vehicles totaled \$1,901 less than the costs reported in Department maintenance records and, for 2 vehicles, the maintenance costs reported in FLEET totaled \$800 more than the costs reported in Department maintenance records. In response to our audit inquiry, Department management indicated that vehicle maintenance labor charges for the CBJTC motor pool were not reported in FLEET because the Department's FLEET profile was not established to recognize that a motor pool was operated at the CBJTC. Additionally, certain costs for vehicles maintained by outside vendors were incorrectly reported in FLEET because data was manually entered into FLEET incorrectly or invoices were misplaced and not entered.

The maintenance of accurate and complete documentation enhances the Department's ability to demonstrate that State-owned motor vehicles were used for authorized purposes, drivers were licensed, and that costs recorded in FLEET were accurate and properly supported. Also, accurate and complete motor vehicle information increases Department management's assurance that State-owned motor vehicle usage and operations will be effectively monitored and managed.

**Recommendation: We recommend that Department management enhance policies and procedures to ensure that *Vehicle Log Sheets* are completed and maintained, employee driver's licenses are current and active, and vehicle maintenance records are accurate.**

### **Finding 10: Wireless Devices**

To execute its statutory responsibilities, the Department utilized wireless devices, such as cellular telephones, tablets, and mobile Internet hotspot devices. DFS guidelines<sup>20</sup> specify that State agencies are to establish internal controls over the use of State-owned or leased cellular telephones to ensure that related payments serve an authorized public purpose. The guidelines further specify that billing options should be reviewed to determine that the most economical option is selected, considering the specific usage requirements of the cellular telephone user. The Department utilized a Mobility End User License

<sup>20</sup> Department of Financial Services, *Reference Guide For State Expenditures*.

Agreement (user agreement) to communicate the usage and accountability requirements to each user assigned a wireless device.

During the period July 2015 through February 2017, the Department expended \$125,489 for wireless devices and related services. According to Department management, effective January 2017, the Department began receiving Federal operations and maintenance funding for communications services, including wireless devices for base communications and disaster recovery. As a result, the number of wireless devices administered by the Department increased from 90 in December 2016 to 1,051 in February 2017. As part of our audit, we inquired of Department management regarding Department procedures for monitoring wireless device usage. We also examined the January and February 2017 wireless services invoices and requested user agreements for 27 cellular telephones and 2 mobile Internet hotspot devices that were active as of February 2017. Our audit procedures disclosed that:

- The Department had not established procedures to periodically review wireless device assignments and related service plans to ensure the assignments and plans were appropriate based on position and responsibilities. Additionally, the Department had not established procedures for assessing whether wireless devices needed to be maintained in active status or could be maintained in inactive status pending disaster recovery efforts.
- Based on the January and February 2017 wireless services invoices, 209 devices with charges totaling \$9,382 were not used during the January 2017 billing period and 221 devices with charges totaling \$9,427 were not used during the February 2017 billing period. In total, 173 devices were not used during either the January 2017 or February 2017 billing periods.
- User agreements were not available for 9 devices (8 cellular telephones and 1 mobile Internet hotspot device) assigned to users.

Absent effective controls for monitoring the necessity and usage of Department wireless devices and requiring user agreements for employees assigned such devices, the risk is increased that the Department may incur unnecessary wireless device charges and that wireless device users may use the devices for unauthorized purposes.

**Recommendation: We recommend that Department management develop procedures to periodically evaluate wireless device assignments and usage and enhance monitoring procedures to ensure that unnecessary charges are not incurred and that wireless device users are aware of usage requirements.**

## ***PRIOR AUDIT FOLLOW-UP***

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Except as discussed in the preceding paragraphs, the Department had taken corrective actions for the applicable findings, Findings 2 through 9, included in our report No. 2016-008.

## ***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 March 2017 through November 2018 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 of the Department of Military Affairs (Department) focused on selected activities, including non-appropriated enterprise fund activities, construction project administration, contract reporting and administration, and other administrative activities. 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 other 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 applicable deficiencies disclosed in our report No. 2016-008 (Findings 2 through 9).
- 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:

- Reviewed applicable laws, rules, Department policies and procedures, and other guidelines, and interviewed Department personnel to obtain an understanding of the legal framework governing the Department's operations.
- Observed, documented, and evaluated the effectiveness of selected Department processes and procedures for:
  - Purchasing.
  - The administration of tangible personal property in accordance with applicable guidelines. As of June 2016, the Department was responsible for tangible personal property with related acquisition costs totaling \$16,135,524.
  - The administration of Department contracts. The Department executed 69 contracts, totaling \$56,353,360, during the period July 2015 through February 2017.
  - The assignment and use of wireless devices with related service costs totaling \$125,489 during the period July 2015 through February 2017.
  - The acquisition and management of real property leases in accordance with State law, Department of Management Services rules, and other applicable guidelines. As of April 2017, the Department was responsible for eight active real property leases.
- Evaluated Department actions to correct Findings 2 through 9 noted in our report No. 2016-008. Specifically, we:
  - Interviewed Department personnel, reviewed supporting documentation, and compared financial information reported in subsidiary records maintained for the Department's four enterprise funds (Billeting, Camp Blanding Recreation, Post Exchange, and Dining Hall) to the information recorded in the State's accounting records, the Florida Accounting Information Resource Subsystem (FLAIR), to evaluate the completeness of the amounts recorded in FLAIR.
  - For the Department's four enterprise funds, reviewed Department policies and procedures, interviewed Department personnel, and examined selected records and reports to evaluate to the adequacy of Department oversight activities for the funds and to determine whether the funds were being administered economically, efficiently, and in compliance with applicable laws, rules, and other guidelines.
  - Evaluated Department controls established to ensure that goods and services were procured and contracts were managed in accordance with applicable laws and rules. Specifically, we examined documentation for 14 selected contracts for which the Department made payments during the period July 2015 through June 2017 to evaluate Department compliance with laws, rules, and other applicable guidelines. The 14 contracts subject to testing included:
    - Seven construction contracts, including two construction management entity contracts and five design-build contracts, with payments totaling \$11,477,311.
    - Four architectural services contracts with payments totaling \$910,392.
    - Three other services contracts with payments totaling \$5,212,513.
  - Analyzed Department purchasing card records for the period September 2015 through February 2017 to determine whether the number of cards issued and the card limits were

appropriate and whether purchasing cards were timely deactivated upon a cardholder's separation from Department employment. Our procedures included verifying whether, for cardholders with transaction limits set at or above \$20,000, the cardholders had properly filed financial disclosure forms.

- Observed, documented, and evaluated the effectiveness of selected Department processes and procedures for:
  - The administration of the requirements of the Florida Single Audit Act. During the period January 2016 through December 2017, the Department expended \$3,713,933 for the About Face and Forward March programs.
  - The assignment and use of motor vehicles. As of February 2017, the Department was responsible for 118 motor vehicles with related acquisition costs totaling \$3,628,705 million.
- 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. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

## ***AUTHORITY***

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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.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with a large initial "S" and "N".

Sherrill F. Norman, CPA  
Auditor General

# MANAGEMENT'S RESPONSE

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

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

28 March 2019

Ms. Sherrill F. Norman, CPA  
Auditor General of Florida  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

Pursuant to Section 11.45(4)(d), Florida Statutes, below is the explanation of actual or proposed corrective actions relating to those preliminary and tentative audit findings and recommendations which may be included in the report on your operational audit entitled: The Department of Military Affairs - Selected Administrative Activities and Prior Audit Follow-Up.

**Recommendation No. 1:** To better ensure economic and efficient CBJTC operations; compliance with applicable laws, rules, and other guidelines; and the administration of CBJTC activities in accordance with legislative intent, we recommend that Department management continue to enhance the procedures for and oversight of CBJTC activities. Such enhancements should include:

- The proper accounting of CBJTC activities in the subsidiary accounting records and FLAIR.
- Developing guidelines to establish appropriate target working capital amounts for CBJTC activities.
- Requiring that profits generated by CBJTC activities above the target working capital amounts be timely deposited in the CBMTF.
- Management approval of an updated FLNG Pamphlet 210-5, as necessary, for the Recreation and Post Exchange non-appropriated enterprise fund accounts, and management approval of updated Recreation activity business and capital improvement plans.

**The Actual or Proposed Corrective Action:** The DMA concurs with the recommendation. In order to enhance the procedures for and oversight of CBJTC Non-Appropriated Funds activities, the State Quartermaster, the Director of State Programs, the CBJTC Commander and ATAG-TIP will reconstitute the Camp Blanding Resource Advisory Committee (CBRAC) whose purpose is to provide management oversight on financial and personnel resources including Non-appropriated accounts. This includes the establishment of procedures to establish appropriate target working capital and depositing profits into the CBMTF in a timely manner.

To ensure the proper accounting of CBJTC activities in the subsidiary accounting records and Florida Accounting and Information Resource (FLAIR) system, the NAF accountant, SQM accounting and SQM real property manager will meet to establish an SOP/policy to ensure

accounting records and FLAIR reflect accurate information. They will continue to meet regularly to ensure records match and SOPs/policies are being adhered to. SQM finance and accounting now capture any offset accounting transactions.

Due to changes in billeting and the NAF accounts, 210-5 and capital improvement plans will be updated to reflect accurate accounts/activities and will be approved by management.

**Recommendation No. 2:** We recommend that Department management establish procedures for timely obtaining from construction contractors and architects required certificates of insurance demonstrating that appropriate types and amounts of insurance had been obtained and maintained. We also recommend that the Department establish insurance requirements for construction contractors based on project costs.

**The Actual or Proposed Corrective Action:** The DMA concurs with the recommendation. Policy and additional procedures have been implemented in order to adequately track the expiration dates of contractor insurance certificates. Additionally it is a mandatory requirement to receive a contractor's insurance certificates prior to issuing a notice to proceed. The DMA intends on developing a course of action for establishing insurance requirements based on project costs to include reviewing industry and other governmental agency standards.

**Recommendation No. 3:** We recommend that Department management enhance procedures for monitoring CME and design-build firm payment requests by requiring CMEs and design-build firms to provide to the Department detailed payment requests supported, as applicable, by subcontractor bid tabulations, subcontracts, and subcontractor invoices. We also recommend that, prior to payment, Department management perform documented comparisons of cost items on payment requests to the supporting documentation.

**The Actual or Proposed Corrective Action:** The DMA concurs with the recommendation. The DMA will further refine our procedures for capturing CM and DB pay request documentation. Additionally the DMA plans on providing additional training to the project and contract management team to ensure a common understanding of documentation requirements.

**Recommendation No. 4:** We recommend that Department management enhance staff training to promote the timely posting of contract and procurement documentation to FACTS as required by State law.

**The Actual or Proposed Corrective Action:** The DMA concurs with the recommendation. Steps are underway to train staff to timely post documents in the FACTS to ensure compliance with State law.

**Recommendation No. 5:** We recommend that Department management enhance contract administration procedures to ensure that Department contracts include all provisions required by State law and to require the effective monitoring of contractor compliance with contract terms and provisions, including those requiring contractor certificates of insurance demonstrating that the appropriate types and amounts of insurance are current during the term of the contract.

**The Actual or Proposed Corrective Action:** The DMA concurs with therecommendation. The DMA intends on conducting a thorough review of current contract provisions and the requirements set forth in Florida Statute. The verbiage referenced from Florida Statute 20.055(5) will be added to the current non-technical specifications used for construction contracts. Contract Administrators will monitor to ensure all provisions required by State law are included in our contracts. During the life of the contract the Contract Administrator will monitor to ensure the contractor is in compliance with the terms and provisions. The Contract Administrator will also monitor certificates of insurance to ensure the types and amounts of insurance are current during the terms of the contract.

**Recommendation No. 6:** We recommend that Department management establish anti-fraud policies and procedures to aid in the mitigation, detection, and prevention of fraud.

**The Actual or Proposed Corrective Action:** The DMA concurs with the recommendation. The DMA will establish anti-fraud policies and procedures in coordination with the Office of Inspector General.

**Recommendation No. 7:** We recommend that Department management strengthen procedures to ensure the periodic monitoring of the reasonableness of purchasing card assignments and promptly cancel purchasing cards upon a cardholder's separation from Department employment.

**The Actual or Proposed Corrective Action:** The DMA concurs with this recommendation. Periodic reviews are performed on purchasing cards to monitor usage and reasonableness of card assignments. The DMA has implemented procedures for Human Resources to give notification through email to the Purchasing Card Administrator when a staff member separates employment with the DMA. Upon notification the Purchasing Card Administrator cancels their card.

**Recommendation No. 8:** We recommend that Department management enhance procedures to ensure that all required financial reporting package audit reports are timely obtained and reviewed.

**The Actual or Proposed Corrective Action:** The DMA concurs with this recommendation. The DMA will enhance procedures to ensure all required financial reports are requested timely, received and reviewed.

**Recommendation No. 9:** We recommend that Department management enhance policies and procedures to ensure that *Vehicle Log Sheets* are completed and maintained, employee driver's licenses are current and active, and vehicle maintenance records are accurate.

**The Actual or Proposed Corrective Action:** The DMA concurs with this recommendation. The DMA established a Florida Equipment Electronic Tracking (FLEET) Manager position within Purchasing. Procedures were established and training is being provided to staff to ensure compliance with policies and procedures. The FLEET Manager will ensure that all vehicle maintenance records are accurately maintained in the state FLEET system. A procedure has been implemented to verify that employee driver's license are current and active.

**Recommendation No. 10:** We recommend that Department management develop procedures to periodically evaluate wireless device assignments and usage and enhance monitoring procedures to ensure that unnecessary charges are not incurred and that wireless device users are aware of usage requirements.

**The Actual or Proposed Corrective Action:** The DMA concurs with this recommendation. Procedures have been put in place to include a designated staff member to monitor wireless accounts to ensure unnecessary charges are not incurred. The DMA will continue to evaluate device assignments, usage and enhance monitoring procedures.

DMA appreciates the courtesies and professionalism of your staff throughout the audit process. If you have any questions, or if you require any additional information, please do not hesitate to contact me at (904) 823-0200.

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Date: 2019.03.27  
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MICHAEL TAD WARFEL  
COL, INFANTRY  
State Quartermaster  
Dept. of Military Affairs  
Florida National Guard