



AUDITOR GENERAL

WILLIAM O. MONROE, CPA



PAROLE COMMISSION

FOLLOW-UP ON OPERATIONAL AUDIT REPORT NO. 2004-035 AND OTHER ADMINISTRATIVE MATTERS

SUMMARY

This operational audit of the Parole Commission (Commission) for the period July 1, 2003, through February 28, 2005, and selected Commission actions taken through June 3, 2005, included a follow-up on prior audit findings and a determination of the extent to which the Commission has implemented effective controls over payroll, personnel, and leave; Purchasing Card expenditures; travel expenditures; cellular telephone usage; and tangible personal property. Our audit also included a review of the steps taken by the Commission to complete the transfer of administrative functions to the Department of Corrections (DOC).¹

Our prior audit of the Commission (report No. 2004-035, dated August 2003) disclosed numerous instances in which the Commission had not established the controls necessary to ensure the safeguarding of State resources or compliance with applicable legal requirements and had not established adequate record systems to demonstrate compliance with such requirements. In addition, our audit disclosed circumvention of established

controls by the former Commission Chair and some former Commission employees.²

This audit disclosed that the current Commission Chair has implemented corrective actions and taken steps to establish appropriate management controls. However, we noted the following:

Finding No. 1: The Commission had not finalized a written plan with DOC identifying the specific tasks to be performed by both agencies. The Commission continues to perform some MIS [management information system] functions.³

Finding No. 2: The Commission did not always ensure that its tangible personal property was properly accounted for and managed.

Finding No. 3: The Commission did not always ensure that sufficient access controls were in place to prevent unauthorized access or modification to the Commission’s Florida Accounting Information Resource Subsystem (FLAIR) records.

¹ Effective July 1, 2001, and pursuant to Chapter 2001-124, Laws of Florida, the Legislature enacted the Parole Commission Reform Act of 2001 which transferred some Commission functions to the Department of Corrections.

² See “Other Matters” included at the end of this report for additional information.

³ Chapter 2001-367, Laws of Florida, required the Commission “to prepare plans to effectuate the full transfer of accounting, supply, mail room, MIS network administration, and MIS help desk activities by July 1, 2002.”

BACKGROUND

The Commission is responsible for determining what persons shall be placed on parole; fixing time and condition of parole; determining parole violations; making investigations as necessary; reporting to the Board of Executive Clemency for persons under consideration for pardon, commutation of sentence, or remission of fine, penalty, or forfeiture; establishing terms and conditions and determining violations of conditional release; determining what persons will be released on control release and establishing time and conditions and violations of control release; and determining what persons shall be released on conditional medical release and establishing and determining violations of conditional medical release.⁴

The Commission consists of three members who are residents of the State. Commissioners are appointed by the Governor and Cabinet for six-year terms and are certified to the Senate for confirmation. The Governor and Cabinet select a Chair who serves for a period of two years. The Chair is designated by law as the chief administrative officer of the Commission and has the authority and responsibility to plan, direct, coordinate, and execute the powers, duties, and responsibilities assigned to the Commission, except those of granting and revoking parole. The Chair shall establish, execute, and be held accountable for all administrative policy decisions. The Commissioners are directly accountable to the Chair in the execution of their duties as Commissioners, and the Chair has authority to recommend to the Governor the suspension of a Commissioner who fails to perform the duties provided by law.

⁴ The Commission is authorized by Article IV, Section 8(C) of the State Constitution and operates under the authority of Chapter 947 and Section 20.32, Florida Statutes.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Administrative Functions Transferred to the Department of Corrections

In our prior audit (report No. 2004-035), we reported that the Commission, in conjunction with DOC, had not prepared a detailed plan identifying the specific accounting, supply, mail room, MIS network administration, and MIS help desk activities to be transferred, nor were all the required functions transferred pursuant to law.⁵ Our current audit disclosed the following:

- Although the law⁶ clearly requires the transfer of MIS network administration and MIS help desk activities to DOC, the Commission continues to perform some of these duties. In a July 1, 2005, memorandum response to audit inquiry, the Commission’s Director of Administration stated that the network administration performed by the Commission “is mainly involving security such as setting up/deleting accounts and maintaining passwords” and further stated that the Commission “is doing some help desk activities but mainly because the technology environment has changed since 2001 (when the transition language was written) which allows many activities to be handled remotely through an IT staff person’s computer.”
- A written plan identifying the specific tasks to be transferred had not been finalized. In a July 1, 2005, memorandum response to audit inquiry, the Commission’s Director of Administration stated, “Help desk, accounting, purchasing and mail room activities are functioning and are being handled by DOC. Chapter 2001-367 required plans to effectuate the transfer of certain [activities], and this has been done, just not in a formalized, composite plan.” Although we agree that most of the required functions appeared to have been transferred, we also believe that the lack of a

⁵ Chapters 2001-124 and 2001-367, Laws of Florida.

⁶ Chapter 2001-367, Laws of Florida.

written plan agreed to by the Commission and DOC may have contributed to some of the deficiencies described in this report (relating to tangible personal property and FLAIR access controls). An agreed-upon plan that clearly defines the functions to be performed by each party would provide greater assurance in the future that functions are being performed as intended by law and would delineate responsibility for such functions.

Recommendation: The Commission should either transfer all MIS network administration and MIS help desk activities to DOC as required by law or seek authority allowing these activities to be performed by the Commission. Also, we recommend that the Commission work with DOC to finalize and execute a written plan that delineates the specific tasks to be performed by each agency.

Finding No. 2: Tangible Personal Property

The minimum requirements necessary to adequately control, safeguard, and account for tangible personal property are established in law and rule.⁷ In our prior audit (report No. 2004-035) and again in our current audit, we noted some instances in which the Commission, in conjunction with DOC, had not fully complied with those requirements. Details from our current audit are as follows:

- Although documentation provided for our review indicated that DOC performed an inventory for the 2003-04 fiscal year between February and June 2004, no reconciliation was performed comparing the inventory to the property records, contrary to law.⁸ The acquisition cost recorded in FLAIR for the Commission’s tangible personal property at June 30, 2004, totaled approximately \$1 million.

- Tangible personal property was not always timely and properly accounted for and the property records were not always complete and accurate.
 - Two items acquired in October 2004 at a total cost of \$3,349 were not recorded in the property records.
 - Three items with acquisition costs totaling \$27,950 were recorded in the property records more than 60 days after the date the payment voucher was filed. The number of calendar days between the dates the vouchers were filed and the dates the items were recorded in the property records ranged from 98 to 133 days.
 - Contrary to rule,⁹ six items were not properly marked with a property identification number.
 - Eleven items were recorded in the property records but did not have all of the information (e.g., description, physical location, class code, manufacturer, year/model, serial number, or last inventory date) required by rule.¹⁰
- The Commission disposed of 165 items with a total recorded acquisition cost of \$276,125 during the audit period. Our examination of 10 surplus property items with acquisition costs totaling \$48,875 disclosed that the Commission did not always properly certify and dispose of surplus property.
 - Five items with recorded acquisition costs totaling \$32,313 were not certified as surplus prior to disposal and not timely removed from the active property records. These items were disposed of in June 2004, although not approved as surplus until August 2004, and were not removed from the FLAIR Property Subsystem until December 2004.

⁷ Chapter 273, Florida Statutes, and Chapter 10.300, Rules of the Auditor General for State-Owned Tangible Personal Property.

⁸ Section 273.02, Florida Statutes, provides that an annual physical inventory shall be performed comparing the inventory to the property record and all discrepancies shall be traced and reconciled.

⁹ Section 10.360, Rules of the Auditor General.

¹⁰ Section 10.350, Rules of the Auditor General.

- Contrary to rule,¹¹ the *Disposition of Surplus* forms for nine property items did not include the date the Commission’s review board recommended the property be certified as surplus.

Recommendation: We again recommend that the Commission, in conjunction with DOC, take the necessary steps to ensure that tangible personal property is properly accounted for, records are complete and include all required information, and that future disposals are made in compliance with applicable legal requirements. Additionally, the Commission, in conjunction with DOC, should take steps to ensure that the annual physical inventory is reconciled to the property records and all discrepancies are properly investigated, reviewed, and accounted for.

Finding No. 3: FLAIR Access Controls

The establishment of proper access controls helps to ensure that management objectives for the safeguarding of assets will be achieved and are intended, among other things, to prevent or detect unauthorized access or modification to data files.

Based on the transfer of administrative functions as required by law,¹² both Commission and DOC employees may require FLAIR access to perform their administrative responsibilities. During our audit field work, we noted that sufficient access controls were not in place to prevent unauthorized access and modifications to the Commission’s FLAIR records. Our review of Commission records as of April 30, 2005, disclosed instances in which FLAIR access privileges had not been timely updated for terminated or vacant positions. In a June 3, 2005, memorandum response to audit inquiry, the Commission’s Director of Administration stated that DOC has been requested to correct these deficiencies.

¹¹ Section 10.365(2)(c), Rules of the Auditor General.
¹² Chapters 2001-124 and 2001-367, Laws of Florida.

Recommendation: The Commission, in conjunction with DOC, should take the necessary steps to ensure that appropriate access controls are in place to safeguard Commission assets.

OTHER MATTERS

Our prior audit (report No. 2004-035) disclosed significant deficiencies relating to the Commission’s controls, compliance with applicable legal requirements, and record systems. In addition, our audit disclosed circumvention of established controls by the former Commission Chair and some former Commission employees. These deficiencies were referred to the Department of Law Enforcement (DLE) and an investigation was conducted. On October 10, 2003, the Office of State Attorney, Second Judicial Circuit, filed charges against the former Commission Chair.

The former Commission Chair pleaded no contest to grand theft (third degree felony - 46 counts), petit theft (first degree misdemeanor - 26 counts), petit theft (second degree misdemeanor - 16 counts), and false or fraudulent travel claim (second degree misdemeanor - 21 counts).

On May 10, 2004, the Second Judicial Circuit Court sentenced the former Commission Chair to 3 years and 15 days in prison to be followed by 25 years of probation. Court-ordered restitution totaled \$109,605.93 which included the balance of unauthorized expenditures not previously reimbursed by the former Commission Chair and investigative and prosecution costs.

OBJECTIVES, SCOPE, AND METHODOLOGY

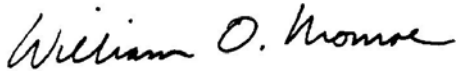
This operational audit of the Parole Commission mainly focused on the sufficiency of actions taken by the Commission to correct the deficiencies disclosed in our prior operational audit (report No. 2004-035, dated August 2003). Our objectives were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the validity and reliability of records and reports; and the safeguarding of assets.
- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the validity and reliability of records and reports; and the safeguarding of assets.

In conducting our audit, we interviewed Commission personnel, obtained an understanding of internal controls, observed and documented key processes and procedures, examined selected transactions, and performed various other auditing procedures as necessary to accomplish the objectives of the audit. Our audit included examinations of various transactions (as well as events and conditions) occurring during the period July 1, 2003, through February 28, 2005, and selected Commission actions taken through June 3, 2005.

AUTHORITY

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.



William O. Monroe, CPA
Auditor General

AUDITEE RESPONSE

In response letters dated August 30, 2005, and September 9, 2005, the Parole Commission Chair and the Department of Corrections, Director of Financial Management, respectively, generally concurred with our audit findings and recommendations. These letters are included in their entirety at the end of this report.

To promote accountability in government and improvement in government operations, the Auditor General makes operational audits of selected programs, activities, and functions of State agencies. This operational audit was made in accordance with applicable **Government Auditing Standards** issued by the Comptroller General of the United States. This audit was conducted by Sandra H. Myers, CPA, and supervised by Jane Johnston, CPA. Please address inquiries regarding this report to Dorothy R. Gilbert, CPA, Audit Manager, via e-mail (dorothygilbert@aud.state.fl.us) or by telephone (850) 488-5444.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.state.fl.us/audgen>); by telephone (850) 487-9024; or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).

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EXHIBIT A

RESPONSE FROM PAROLE COMMISSION



FLORIDA PAROLE COMMISSION
2601 Blair Stone Road, Building C, Tallahassee, Florida 32399-2450

MONICA DAVID
Commissioner/Chairman

FREDERICK B. DUNPHY
Commissioner/Vice-Chairman

TENA M. PATE
Commissioner/Secretary

August 30, 2005

Mr. William O. Monroe
Auditor General
G74 Claude Pepper Building
111 West Madison St.
Tallahassee, FL 32399-1450

Dear Mr. Monroe:

Enclosed is the Florida Parole Commission's response to the preliminary and tentative findings and recommendations for the follow-up on Operational Audit Report No. 2004-035 and Other Administrative Matters. Corrective actions that we have taken or will be taking in the near future are delineated for each finding.

Your audit team was professional and understanding throughout this process and it was very much appreciated.

Sincerely,

A handwritten signature in cursive script that reads 'Monica David'.

Monica David
Chairman

Attachment

EXHIBIT A - CONTINUED

RESPONSE FROM PAROLE COMMISSION



FLORIDA PAROLE COMMISSION
 2601 Blair Stone Road, Building C, Tallahassee, Florida 32399-2450

MONICA DAVID
Commissioner/Chairman

FREDERICK B. DUNPHY
Commissioner/Vice-Chairman

TENA M. PATE
Commissioner/Secretary

Response to Preliminary and Tentative Audit Findings

Finding Number 1: Administrative Functions Transferred to the Department of Corrections

As indicated previously, Chapter 2001-367 required the Commission "to prepare plans to effectuate the full transfer..." of certain administrative functions. The functions have been transferred and therefore the legislative mandate has been met. The Commission developed a Memorandum of Understanding with the Department of Corrections (DOC) on IT activities and has been waiting since March 2004 for DOC to sign or modify it. The FPC cannot be held responsible for DOC's non-responsiveness, but we will try again utilizing this audit as a vehicle.

We do agree that a jointly signed agreement with DOC would be beneficial in addressing some of the numerous problems that have resulted from this arrangement. We will work with DOC to execute such an understanding so that accountability is clarified.

Finding Number 2: Tangible Personal Property

As indicated in the response to Finding 1, DOC's handling of selected tasks for the FPC has not been without its problems. The Commission never received a complete property inventory from DOC for 2003-04 and this made it impossible to do a complete inventory reconciliation. DOC did provide a complete inventory for 2004-05, and as of this date, 15 of the 20 missing items have now been accounted for. The reconciliation should be completed soon.

- The two items totaling \$3,349 that were not recorded in the property records were two computers that DOC incorrectly entered into FLAIR as expense items. DOC has been asked to correct this.
- As stated numerous times, DOC is responsible for recording items in the property system. The \$27,950 in items that took 98 to 133 days for DOC to record is an issue we will again discuss with DOC.
- DOC is responsible for entering all required information into FLAIR. The fact that eleven items had missing information is DOC's responsibility. It is not cost effective for the FPC to review and validate each and every entry DOC performs and if this were to be done, the intent of the Legislature to have DOC perform these functions would be defeated. Quality control is the responsibility of the entity provided the accounting resources, that being DOC.
- We agree that the five surplus items disposed of in June 2004 should have been pre-approved by FPC staff, but their removal from FLAIR again was totally the responsibility of DOC.

EXHIBIT A – CONTINUED**RESPONSE FROM PAROLE COMMISSION**

- Per your recommendation, a date will be included for the Commission's property review board on the disposition of surplus property form.

Finding Number 3: FLAIR Access Controls

Your finding is correct as is our stated response, that being that DOC was designated by the Legislature to handle all accounting functions for the FPC, including security for FLAIR access. DOC has agreed to review FLAIR access on a regular basis, which should eliminate this problem from reoccurring.

EXHIBIT B

RESPONSE FROM DEPARTMENT OF CORRECTIONS



FLORIDA
DEPARTMENT of
CORRECTIONS

Governor
JEB BUSH

Secretary
JAMES V. CROSBY, JR.

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September 9, 2005

Mr. William O. Monroe,
Auditor General
G74 Claude Pepper Building
111 west Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Monroe:

Thank you for the opportunity to provide comments on the recent audit of the administrative functions of the Florida Parole Commission (FPC).

The department wholeheartedly concurs with your recommendation that the FPC work with the department to finalize and execute a written plan. It should be noted that only a service level agreement proposal, covering certain IT services - not an overall plan for integration - has been received from the FPC to date. Regardless, we have made an ongoing effort to maintain an accurate understanding of the division of responsibilities that is suitable to the FPC.

One could debate endlessly as to whose responsibility it is for the deficiencies identified by the audit but it is perfectly summarized by the auditor's comment in the report that "...the lack of a written plan agreed to by the Commission and DOC may have contributed to some of the deficiencies described in this report..... An agreed-upon plan that clearly defines the functions to be performed by each party would provide greater assurance in the future that functions are being performed as intended by law and would delineate responsibility for such functions."

The department will work with the FPC to compile and implement such a plan.

We specifically address each of the proposed audit findings below.

Finding Number 1: Administrative Functions Transferred to the Department of Corrections

The department agrees with the auditor recommendation that FPC should either transfer all MIS Network administration and MIS help desk activities to the department as required by law or seek authority allowing these activities to be performed by the Commission. We also agree that FPC should work with the department to finalize and execute a written plan that delineates the

EXHIBIT B – CONTINUED

RESPONSE FROM DEPARTMENT OF CORRECTIONS

specific tasks to be performed by each agency. In addition, accompanying cost recovery factors should be included. Preliminary attempts have been insufficient to properly include all of the complexities involved with such an agreement.

Finding Number 2: Tangible Personal Property

The department has performed the duties related to Tangible Personal Property in accordance with our understanding of what was required. A physical inventory was conducted in FY 2003-2004 and FPC was provided with signed and dated Count Sheets during FY 2004-2005. However, it was our understanding the reconciliation was to be completed by FPC because it would require coordination of the FPC property custodians as well as the authority required to pursue missing items.

The department concurs with the Auditor General recommendation that the FPC and the department take the necessary steps to ensure that tangible personal property is properly accounted for, records are complete and include all required information and that future disposals are made in compliance with applicable legal requirements. Additionally, the department agrees that FPC, in conjunction with the department, must maintain a properly reconciled and recorded annual inventory.

Finding Number 3: FLAIR Access Control

The department concurs with the finding that FPC must work with the department in order to ensure that appropriate access controls are in place to safeguard FPC assets. It should be noted that the department must be provided with any changes in employment within the FPC in a timely manner in order to maintain FLAIR Access Controls.

Sincerely,



Richard Prudom
Director of Financial Management

RP/

