



# AUDITOR GENERAL

WILLIAM O. MONROE, CPA



## DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION

### SINGLE LICENSING SYSTEM

#### Operational Audit

#### SUMMARY

This operational audit, covering the period July 1, 2003, through February 28, 2005, and selected actions taken through May 31, 2006, focused on an examination of volume adjustment payments made under the On-Line Licensing System and Call Center Services Agreement and an evaluation of the Department of Business and Professional Regulation's controls over the collection, processing, and recording of revenues and licensee data.

Our audit disclosed the following:

**Finding No. 1:** In a prior audit report we reported that the benefit sharing methodology used to calculate Share-in-Savings (SIS) volume adjustment payments did not incorporate output levels into its saving calculations. Output levels have now been incorporated in the calculations. However, the processes used to calculate the adjustments were not documented in sufficient detail to allow a reasonable verification of the appropriateness of the adjustment amounts.

**Finding No. 2:** The Department has not established procedures requiring the conduct of periodic reviews of the integrity, reliability, and security of the data residing in its Single Licensing System.

**Finding No. 3:** The Department uses the LicenseEase application (LicenseEase) to initially record cash receipts in a temporary account until an assignment can be made to the applicable license or other regulatory account. We found that the Department had not taken the actions necessary to timely research and post the amounts collected to the applicable license records.

**Finding No. 4:** Various audit tests and analyses disclosed significant data reliability and processing issues for records residing in the Single Licensing System's Enforcement Module.

**Finding No. 5:** The Department's Office of General Counsel is responsible for monitoring and pursuing collection of certain overdue accounts. Relative to these collections efforts, the General Counsel's Office has assigned incompatible duties to one individual.

**Finding No. 6:** The Department did not perform reconciliations of the receipts recorded in LicenseEase to corresponding revenues and fund accounts maintained in FLAIR.

**Finding No. 7:** Under certain circumstances, LicenseEase may improperly assess late penalties for license fees that were paid in a timely manner.

**Finding No. 8:** The Department did not always comply with Florida Statutes that require the timely deposit of funds into the State Treasury.

**Finding No. 9:** Various audit tests and analyses disclosed significant data reliability and processing issues with regard to the Division of Alcoholic Beverages and Tobacco's assessment and collection of penalties and interest.

**Finding No. 10:** The Department uses the services of a contractor to collect and process e-payments received in LicenseEase. The Department did not perform procedures to verify the accuracy of fees charged by the contractor before paying for the services.

#### FINDINGS AND RECOMMENDATIONS

On February 2, 2001, the State of Florida (the Department of Business and Professional Regulation

and the State Technology Office) entered into a contract (Agreement) with Accenture, LLP, under which Accenture was engaged to design, implement, and provide application management services for a Single Licensing System, Internet Portal, and call center. The overall objective of the project was to consolidate Department functions and to facilitate the Department’s operations through the use of a single coordinated system. As of April 12, 2006, estimates of total payments to Accenture under this contract, as amended, approximated \$69 million.

We previously issued two audit reports, report Nos. 02-112 and 2004-112, that addressed issues related to the execution and administration of the Agreement. Audit report No. 02-112, issued in December 2001, presented concerns with the methodology used to select the contractor, negotiate the contract, and determine resources necessary to fund the project. Audit report No. 2004-112, issued in January 2004, covered issues related to Department calculations of project savings, completeness of Agreement provisions, and payments of charges for application management services. In response to these audits, the Legislature, through provisos included in annual general appropriations acts, has required of the Department periodic status reports providing information on the status and disposition of the issues addressed by the audit reports.

Our current audit focused on an examination of the volume adjustment payments made under the Agreement and an evaluation of revenue processing procedures employed in connection with the Single Licensing System.

**Volume Adjustment Payments**

In Auditor General report No. 2004-112, we reported that the benefit sharing methodology used to calculate SIS payments did not incorporate output levels into its saving calculations. We reasoned that without a consideration of post-implementation changes in output volume levels, a savings calculation based on changes in costs between the Project’s implementation date (baseline period) and some later measurement

date may not provide an adequate reflection of the Project’s savings. Our current review disclosed that current Business Cases now incorporate such volume adjustments into the SIS calculations.

The following analysis shows the SIS volume adjustment impact on amounts paid to Accenture:

Fiscal Year	SIS Volume Adjustment	Amount paid to Accenture as a result of SIS Volume Adjustment
2002-03	\$1,264,966	*\$505,986
2003-04	\$2,242,356	**\$1,345,414
2004-05	\$3,364,390	**\$2,018,634

\*Accenture is paid 40% of SIS computation for this fiscal year.

\*\*Accenture is paid 60% of SIS computation for this fiscal year.

**Finding No. 1: Share-in-Savings (SIS) Volume Adjustments**

Our audit included a review of the documentation supporting the computation of the volume adjustment amounts. We found that the documentation consisted of a large volume and variety of documents, files, and electronic spreadsheets; however, the documentation was not accompanied by notes and other descriptive information presented in sufficient detail to allow an independent verification of the SIS volume adjustment amount.

The absence of a detailed description of the methodology employed in computing the volume adjustments precludes a reasonable determination of the appropriateness of the SIS volume adjustment amounts.

**Recommendation:** We recommend that the Department develop a detailed description of the methodology to be employed with respect to the calculation of the SIS volume adjustments. The description should be in sufficient detail to allow for an independent verification of the adjustment amounts and should include, for example, a listing of required procedures and supporting calculations, the source of the data to be used in each calculation, and an indexing system to link the listing of procedures and the supporting analyses and calculation.

### Revenue Processing

During the audit period, the Department processed revenues in excess of \$2 billion through various revenue collection and processing components of the Department's Single Licensing System (SLS). The SLS, a Web-based, customer interactive licensing system, consists of LicenseEase (a client server-based, commercial, off-the-shelf licensing application), a Customer Service System to support the Customer Contact Call Center, and an Internet Portal. The LicenseEase application consists of several components, including modules for Applications, Licenses, Cash Collections, Exams, Inspections, Enforcement, and Reports.

Management is responsible for operation of internal controls that reasonably ensure proper handling, timely deposit, and accurate recording of all revenues and the timely and accurate processing of licensee data. As described in more detail in succeeding paragraphs, Department controls were deficient in several areas.

During the course of our audit, the Department initiated efforts to address issues related to its revenue processing procedures. As of May 2006, these efforts were ongoing.

#### Finding No. 2: Review of Information Technology

The Department, in providing regulation across a spectrum of industries and professions, relies on the information technology functions of its SLS. Because of the importance of SLS data, it is incumbent upon the Department to take steps to reasonably ensure the data's integrity, reliability, and security. Requiring periodic comprehensive reviews of SLS application and general controls is one such step.

Our audit disclosed that the Department had not established procedures sufficient to reasonably ensure that such reviews are performed. While the Department Inspector General's (IG) Fiscal Year 2006-2007 Annual Audit Plan does include a planned

internal audit of the Department's Office of Technology, the audit is not scheduled to begin until April 2007. Because of the critical nature of SLS data to Department operations, a review should be initiated as soon as possible and then repeated on an annual basis.

In Auditor General report No. 2004-112, issued in January 2004, we reported a similar finding.

**Recommendation:** We recommend that annual reviews of SLS data integrity, reliability, and security be initiated as soon as possible.

#### Finding No. 3: Unassigned Revenues

The Department is responsible for regulating and licensing 43 professions and businesses for over 200 license classes. During the 2004-2005 fiscal year, the Department processed recorded nontax revenues of approximately \$206 million through various revenue collection and processing components of the Department's SLS. The Department uses LicenseEase, a component of the SLS, to initially record all cash receipts, maintain license records, and facilitate recording of revenues into FLAIR, the State's general ledger accounting system.

When amounts are received for a license-related payment, they are initially categorized in LicenseEase as unassigned revenues. The unassigned revenue category is to be used as a temporary designation for all collections, pending assignment in LicenseEase to an appropriate license record and a fee type. However, we found that the Department had not taken the actions necessary to timely research and post the amount collected to the applicable LicenseEase license record. An analysis of unassigned revenue balances within LicenseEase disclosed that as of June 2005, approximately 67,500 nontax collection records existed with unassigned revenue balances totaling approximately \$14.7 million. An aging analysis of these records disclosed that over 90 percent of the records were over 60 days old, while 48 percent of the records were over one year old.

In July 2004, the Department implemented an auto-apply process. The auto-apply process, through an algorithm, electronically detects certain typical collections recorded as unassigned revenue, and then transfers the applicable entries to the applicable license records. The Department has indicated that the auto-apply has resulted in some improvement. However, our analysis disclosed that \$5.1 million of the \$14.7 million of unassigned revenue as of June 2005 related to collections made after the auto-apply feature was implemented in July 2004.

The failure to timely assign revenue collections to the appropriate license accounts may make those moneys more susceptible to misappropriation or theft. Moreover, absent timely posting of payments to the applicable regulatory accounts, regulatory measures, such as the improper assessment of a late payment, may be taken that lack a justifiable basis.

At least three factors seemed to be contributing to the Department's failure to timely and fully process revenue collections:

- The LicenseEase application, as it existed at the time of our review, did not include, for individual license records, the capacity to record certain types of collections. For example, no account existed to record collections of nonsufficient funds charges. Such amounts were not recorded in a licensee record but remained in unassigned revenues.
- The Department had not adopted written policies and procedures relating to the timely assignment and monitoring of unassigned revenue balances.
- It was not clear whether the Department's staffing levels facilitated the conduct of the research required to timely process those revenue collections that remained after the application of the auto-apply procedure.

As discussed earlier, during the course of our audit, the Department formed a team to improve its revenue processing procedures. These efforts were still ongoing at the completion of our audit.

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**Recommendation:** We recommend the Department expedite its efforts to initiate changes

to the revenue collection process. The changes should provide for the timely transfer of all collected amounts to an appropriate regulatory account. The Department should also take immediate action to analyze the amounts currently residing in the unassigned revenue category to determine the nature of the transactions so that each amount can be credited to the applicable license account.

Also, to the extent that a lack of staffing may be contributing to the delays in posting collections to the applicable license records, we recommend that the Department consider adjustments to its savings calculations and to the SIS payments made to Accenture.

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**Finding No. 4: Enforcement Actions - Accountability and Records**

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The Department, for the boards under its supervision, is responsible for investigating administrative complaints made against licensees. Complaints, when sustained, result in a Final Order of the applicable regulatory board directing the licensee to pay fines and reimbursements of Department costs. Department costs include the amounts paid by the Department in connection with investigating the complaint. According to Department records, the Department collected approximately \$2.1 million in fines and costs for the fiscal year ending June 30, 2005.

The Department uses the LicenseEase Enforcement Module to track the status of complaints, record amounts due as fines and costs, and record amounts collected. The LicenseEase Enforcement Module contained at January 2005 approximately 6,000 complaint records, with uncollected charges totaling approximately \$10.6 million. However, we found the validity of this total and of the financial information contained in these complaint records to be questionable. Our review of the Department's enforcement processes and the related records contained in LicenseEase disclosed the following:

- Final Order documents establish for an entity the legal obligation to pay fines and costs. However, LicenseEase, as it is currently configured, is not set up to record and track

Final Orders and Final Order events such as payments. LicenseEase is configured to record and track complaints. Absent configuration to record and track Final Orders, the Department established a practice requiring that each complaint record include cross-references to related complaints and to the specific Final Order document establishing the obligation to pay fine and costs. However, we found that these procedures were inconsistently applied. For 19 complaint records tested, 11 were not properly designated as “related” and none included a general reference back to a Final Order document.

- The Department does not currently recognize in its accounting records a receivable balance for uncollected enforcement penalty payments.
- Procedures of various boards require that when an enforcement action payment is not received within approximately 45 days of the Final Order date, the board is responsible for sending a copy of the Final Order to the Department’s Office of General Counsel, which then assumes responsibility for additional collection efforts. The Department’s monitoring controls did not effectively detect instances in which a referral did not occur. Our tests disclosed that in four of six instances tested, collection efforts should have been referred, but were not. Potential collections for these four instances totaled \$24,000.

Absent the existence of effective procedures and accurate and complete records, enforcement actions relating to the collection of fines and costs cannot be efficiently and effectively administered.

**Recommendation:** To improve enforcement and accountability, we recommend the Department take the following actions:

- **Complaint records showing amounts due but not collected should be investigated. Those found to represent true receivable balances should be aged and analyzed for collectibility and, when applicable, recorded in the Department’s accounting records as a receivable balance. The collection of these amounts should also be pursued.**

- **Procedures should be adopted that require that Final Order documents be recorded and tracked in LicenseEase.**
- **Policies and procedures should be implemented to reasonably ensure timely referral of Final Orders for which payment has not been received within 45 days.**

**Finding No. 5: Enforcement Actions - Collection Efforts**

As indicated above, when fines and costs are not timely paid, the Department’s Office of General Counsel is responsible for monitoring or pursuing the collection of amounts due.

Our audit disclosed that the General Counsel’s Office, in assigning duties to employees, had assigned to one employee the incompatible duties of record-keeping and asset custody. Specifically, the General Counsel’s Collection Attorney was responsible for initiating collection efforts; receiving collections; updating applicable collection records, including those in LicenseEase; and forwarding payments to the Central Intake Unit for further receipt processing and eventual deposit. The Collection Attorney was also responsible for performing reconciliations between the amounts received and the amounts recorded in LicenseEase. Of record, for the fiscal year ending June 30, 2005, the amounts collected by the Collection Attorney totaled \$251,036.

Under such circumstances, errors should they occur may escape a reasonable chance of detection.

**Recommendation:** We recommend the Department take actions to appropriately separate incompatible duties.

**Finding No. 6: Reconciliations**

The Department initially records its cash receipts in LicenseEase. The corresponding accounting information from LicenseEase, such as the receipt’s applicable fund and revenue object code, is then recorded in the State’s general ledger accounting system (FLAIR) through a daily upload process. To

ensure the accuracy and completeness of the information uploaded into FLAIR, periodic reconciliations between the two systems should be performed.

Our review disclosed that the Department did not perform any reconciliations of the receipts recorded in LicenseEase to corresponding revenues and fund accounts maintained in FLAIR. Our review also disclosed that the Department did not have any written policies and procedures related to performing such reconciliations.

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**Recommendation:** We recommend that procedures be adopted that require the performance of periodic reconciliations between LicenseEase receipts and FLAIR funds and revenues.

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**Finding No. 7: Assessment of Fines**

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Various laws and Florida Administrative Code rules require the payment of penalties should license fees not be paid timely. Such penalty assessments are generated in LicenseEase when the recorded payment postmark date falls after the payment due date. Notwithstanding the importance of the postmark date to the proper automated determination of timely or late payment, LicenseEase, as configured, did not require that the postmark date be entered. Absent the recording of a postmark date, LicenseEase uses the date the receipt record was created to determine the applicability of a penalty assessment. Under such circumstances, a penalty may be assessed when not actually due.

For example, our tests identified a Division of Hotels and Restaurants (H&R) license renewal payment that had actually been timely received by the Department, but because a postmark date had not been entered and the recorded receipt creation date fell after the license fee payment due date, LicenseEase erroneously generated a \$100 late payment penalty assessment. Rather than protesting the appropriateness of the penalty, the licensee subsequently remitted \$342 in payments (\$100 for the fine and \$242 for the license

fee again). Records provided by H&R for the period January 21, 2003, through August 11, 2005, included over 12,000 late penalty assessment payments totaling in excess of \$1 million for which no postmark dates were recorded.

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**Recommendation:** We recommend that the LicenseEase application be reconfigured to eliminate the potential for the improper assessment of late fees.

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**Finding No. 8: Deposit Timeliness**

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Section 116.01, Florida Statutes, requires that all funds received by a State officer be deposited into the State Treasury not later than seven working days from the close of the week in which the officer received the funds. Department records indicated that for the period July 1, 2003, through February 28, 2005, 15.4 percent of the receipts (91,103 out of 591,447) were not timely deposited in accordance with Section 116.01, Florida Statutes. Subsequent inquiries disclosed that for the month of December 2005, the rate of noncompliance had decreased to 7.68 percent (1,933 out of 25,156).

The failure to timely deposit into the State Treasury funds received delays the availability of the funds to the Department, results in lost interest earnings, and increases the risk of loss for the funds that have not been deposited.

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**Recommendation:** We recommend the Department take steps to ensure full compliance with the requirements of Section 116.01, Florida Statutes.

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**Finding No. 9: Alcoholic Beverages and Tobacco - Assessment of Penalties**

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The Division of Alcoholic Beverages and Tobacco (Division) is responsible for licensing the State's alcoholic beverage and tobacco industries, collecting and auditing taxes and fees paid by licensees, and assessing and collecting penalty and interest amounts resulting from the late submission of tax and fee payments. Of record, the Department collected

approximately \$579,000 in surcharge penalties and \$69,000 in surcharge interest for the fiscal year ending June 30, 2005.

Our audit included tests of a limited number of penalty and interest receipts and a review of the controls used to process these receipts. Our audit disclosed:

- The Division currently lacks written policies and procedures for the processing of penalty and interest assessments and collections.
- The Division has not properly separated incompatible employee duties. Each tax auditor authorizes penalty and interest assessments, participates in the chain of custody for the related collections, and performs related record keeping functions. More specifically:
  - Each of the Division's tax auditors is responsible for determining and initiating penalty and interest assessment actions.
  - For amounts owed, as determined by the tax auditor, the tax auditor is responsible for issuing Notices of Collection (Notices) to taxpayers. The issuance and status of the Notice is recorded and controlled in the Division's Activity Log Listing Application (Listing).
  - The tax auditor is responsible for updating the Listing each time a Notice is sent and when cash is received. Notices include preprinted instructions requesting payments be remitted directly to the Division's Central Audit Office. Payments are routed by the Division's mail room to the tax auditor's administrative staff, and then to the tax auditor who initiated the Notice.
  - Each tax auditor is responsible for reviewing the payment and for updating the Listing to acknowledge the receipts. The payment and corresponding paperwork are then routed to the Central Intake Unit for eventual recording in LicenseEase and deposit.
- No listing of collections is prepared by the mailroom or the administrative staff to allow a subsequent reconciliation by supervisory staff

of the amounts received in the mailroom to the amounts deposited.

- The Division is not following proper record retention practices, as tax auditors often inappropriately delete a record from the Listing database after receiving a payment for that record. The permanent deletion of a database record significantly impairs the Division's ability to account for penalty and interest assessments and collections.
- Division management is not currently monitoring the accuracy or collectibility of penalty and interest amounts due. Such monitoring efforts could include reconciliations between the Listing's uncollected amounts and the amounts due per pending Notices. Monitoring efforts could also include management reviews of aging reports of the amounts due. As of June 29, 2005, the Listing contained approximately 12,000 records, totaling approximately \$670,000, that related to assessments over one year old.
- Uncollected penalty and interest amounts represent a receivable balance due the State. The Department is not recording in the State's general ledger accounting records a receivable balance for its uncollected penalty and interest amounts. An analysis of the data contained in the Listing as of June 29, 2005, disclosed approximately 15,000 records (by license number) totaling approximately \$1 million.

Under such circumstances, errors may occur without a reasonable chance of detection, and amounts due, but unpaid, may not be collected.

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**Recommendation:** We recommend that the Division establish and implement comprehensive policies and procedures and properly separate incompatible employee duties. The policies and procedures should, among other matters, address record maintenance practices and management monitoring responsibilities. We further recommend that the Division conduct an analysis of its Activity Log Listing and pursue the collection of all amounts due.

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### Finding No. 10: Credit Card Processing

Section 215.322, Florida Statutes, authorizes State agency acceptance of credit cards, charge cards, or debit cards (e-payments), subject to the approval of the State Chief Financial Officer. For collecting and processing e-payments, the Department uses the services of a contractor engaged by the Department of Financial Services. The Department pays to the contractor several different types of service fees, most of which are based upon either a dollar volume calculation or transaction volume.

During the audit period, the Department paid over \$433,000 to the contractor for banking services related to processing e-payments totaling approximately \$17.9 million.

Prior to authorizing payment of the contractor's invoices, the Department should compare the activity levels provided on the invoice to similar activity levels shown by LicenseEase. Our audit disclosed that the Department did not conduct such comparisons or otherwise review invoice charges for accuracy before approving payment. Department personnel stated that invoices are not verified for accuracy before approving payment, although invoices are stamped according to procedure and signed to indicate that goods and services were received and approved and that the invoice had been preaudited.

**Recommendation:** We recommend the Department implement procedures to verify contractor invoice charges.

### OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of our audit of the Department of Business and Professional Regulation 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.
- To determine whether the management has corrected, or is in the process of correcting, certain deficiencies disclosed in prior audit reports for those operating units, programs, activities, functions, and classes of transactions within the scope of this audit.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

The scope of our audit included:

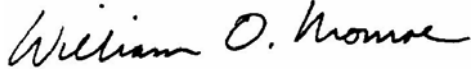
- A review of the actions taken by the Department to correct certain deficiencies disclosed in prior audit report Nos. 2004-112 and 2002-058. These audit reports addressed issues related to the execution and administration of a February 2, 2001, Agreement between Accenture, LLP and the State of Florida to design, implement, and provide application management services for a Single Licensing System, Internet Portal, and a call center. Our scope also included a review of all changes made to the Agreement since the completion of our last operational audit.
- A review of controls over the collection and processing of revenues within the Single Licensing System.

In conducting our audit, we interviewed Department personnel, tested selected Department records, and completed various analyses and other procedures. Our audit included examinations of various documents (as well as events and conditions) applicable to the period July 1, 2003, through February 28, 2005, and selected Department actions taken through May 31, 2006.



**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

**MANAGEMENT RESPONSE**

In a letter dated July 27, 2006, the Secretary provided responses to our findings. The letter is included in its entirety at the end of this report as Appendix A.

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 Robin Ralston, CPA, and supervised by Frank Belt, CPA. Please address inquiries regarding this report to Kathryn D. Walker, CPA, Audit Manager, via e-mail at [kathrynwalker@aud.state.fl.us](mailto:kathrynwalker@aud.state.fl.us) or by telephone at (850) 487-9085.

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

APPENDIX A  
MANAGEMENT RESPONSE



STATE OF FLORIDA  
DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION



July 27, 2006

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Dear Mr. Monroe:

In accordance with Section 11.45(4)(d), Florida Statutes, enclosed is the Department of Business and Professional Regulation's response to the State of Florida Auditor General's July 2006 Preliminary and Tentative Audit Findings based on a review of the Single Licensing System.

We appreciate the time and energy put forth by your staff, and your efforts to improve the operations of state government. Please contact me at 413-0755 if you need further information or have additional questions.

Sincerely,

Simone Marsteller  
Secretary

SM/RF/vbh

Enclosure

cc: Andy Edwards, Deputy Secretary  
Julie Madden, Deputy Secretary  
Dennis Yecke, Deputy Secretary  
Ron Russo, Inspector General

**APPENDIX A**  
**MANAGEMENT RESPONSE (CONTINUED)**

**Department of Business and Professional Regulation**  
**Response to Findings and Recommendations**  
**Auditor General Report - Single Licensing System**

**Finding No. 1. Share-in-Savings (SIS) Volume Adjustments**

In a prior audit report we reported that the benefit sharing methodology used to calculate Share-in-Savings (SIS) volume adjustment payments did not incorporate output levels into its saving calculations. Output levels have now been incorporated in the calculations. However, the processes used to calculate the adjustments were not documented in sufficient detail to allow a reasonable verification of appropriateness of the adjustment amounts.

**AG Recommendation**

We recommend that the Department develop a detailed description of the methodology to be employed with respect to the calculation of the SIS volume adjustments. The description should be in sufficient detail to allow for an independent verification of the adjustment amounts and should include, for example, a listing of required procedures and supporting calculations, the source of the data to be used in each calculation, and an indexing system to link the listing of procedures and the supporting analyses and calculation.

**Agency Response**

Exhibit C to the contract, which contains the Share-in-Savings (SIS) provisions, was for a five-year term which ended June 30, 2006. The payment for the final six-month period was remitted to Accenture on June 27, 2006.

The department developed and maintained a benefit share calculation methodology narrative comprising over 100 pages. Indeed, as recognized in the preliminary and tentative findings, the department possesses “a large volume” of supporting documentation explaining the calculation, including the volume adjustment. The department has gone to great lengths to ensure its computations have been mathematically accurate, theoretically sound, and in keeping with the contract provisions.

The department acknowledges its calculation narrative may not contain the level of detail to enable verification using only the narrative. However, during the term of Exhibit C, the department’s benefit share calculations have been scrutinized on several occasions by both the Auditor General and the Chief Financial Officer. Accordingly, the department is confident its methodology and calculations are capable of independent verification.

**APPENDIX A**  
**MANAGEMENT RESPONSE (CONTINUED)**

**Department of Business and Professional Regulation**  
**Response to Findings and Recommendations**  
**Auditor General Report - Single Licensing System**

**Finding No. 2. Review of Information Technology**

The Department has not established procedures requiring the conduct of periodic reviews of the integrity, reliability, and security of the data residing in its Single Licensing System.

**AG Recommendation**

We recommend that annual reviews of SLS data integrity, reliability, and security be initiated as soon as possible.

**Agency Response**

The department concurs with the recommendation to conduct annual reviews of Single Licensing System (SLS) data integrity, reliability and security. We are currently in the process of developing written policies and procedures which should be complete within the next six months. However, the department has in fact been conducting yearly reviews to ensure the data integrity, reliability and security of certain components of the SLS, as summarized below.

- In March 2004, the department engaged the International Data Corporation (IDC) to conduct a risk assessment of information security practices and procedures which included the SLS. All recommendations have been instituted.
- In 2005, DynTek Services, Inc., performed a risk assessment which included an analysis of department policies, processes and procedures, as well as the vulnerability of information technology resources. In a follow-up review in 2006, DynTek found that all vulnerabilities had been corrected.
- In 2004-2005, the Office of Inspector General, Bureau of Internal Audit, began including audit steps to verify the integrity and reliability of data on the Single Licensing System. These steps may include testing a data sample to the source file to ensure the integrity and reliability of data during its course through the business process, as well as a review of controls such as policies and procedures.

APPENDIX A  
MANAGEMENT RESPONSE (CONTINUED)

**Department of Business and Professional Regulation  
Response to Findings and Recommendations  
Auditor General Report - Single Licensing System**

- The approved audit plan for fiscal year 2006-2007 includes an audit regarding the Office of Technology and the areas of application software/network security with an emphasis on the Single Licensing System. This audit was first placed on the long-term audit plan of the previous fiscal year, 2005-2006, for performance during 2006-2007.

**Finding No. 3. Unassigned Revenues**

The department uses the LicenseEase application to initially record cash receipts in a temporary account until an assignment can be made to the applicable license or other regulatory account. We found that the Department had not taken the actions necessary to timely research and post the amounts collected to the applicable license records. During the course of our audit, the Department formed a team to improve its revenue processing procedures. These efforts were still ongoing at the completion of our audit.

**AG Recommendation**

We recommend the Department expedite its efforts to initiate changes to the revenue collection process. The changes should provide for the timely transfer of all collected amounts to an appropriate regulatory account. The Department should also take immediate action to analyze the amounts currently residing in the unassigned revenue category to determine the nature of the transactions so that each amount can be credited to the applicable license account.

**Agency Response**

It is important to note that payments which are reflected in the “Unassigned Revenue” field in LicenseEase have been deposited to the State Treasury and recorded in the appropriate trust fund in FLAIR. “Unassigned Revenue” is a LicenseEase system term denoting the field in which payments received are initially recorded. Some types of payments need to be applied to specific licensees/accounts and specific license/fee types because there is an expectation in the system for payment of a specific amount before an action, such as application approval or license issuance, can happen. Other payment types such as tax, building surcharge, and pilotage fees, do not have a specific expectation and therefore do not result in additional actions. There is also an anticipated and necessary delay in applying application and reinstatement fees pending the review and

**APPENDIX A**  
**MANAGEMENT RESPONSE (CONTINUED)**

**Department of Business and Professional Regulation**  
**Response to Findings and Recommendations**  
**Auditor General Report - Single Licensing System**

approval process, which may statutorily require board approval. Boards may meet monthly, quarterly or less frequently, and may have a backlog of pending actions, leaving these payments in the unassigned category.

The department acknowledges that there have been specific revenue types that were not accounted for in the LicenseEase system, and that a more coordinated effort should be made for the timely transfer of license and fee payments to the appropriate regulatory account. The "Revenue and Accounting Process Improvement Project" (RAPIP) was put into place to bring together staff from the Division of Technology, Accounting and the Central Intake Unit (which houses the Revenue Section) to look for system and process improvements. The LicenseEase system has been updated with the revenue types that have been identified by the RAPIP team as required for assignment of funds. The recommendations of the RAPIP team currently being analyzed include modifications to improve timeliness and the reconciliation process. It is anticipated that these system enhancements will provide for the retroactive application of amounts currently in Unassigned Revenue. A process has been implemented to provide unassigned revenue reports to each division on a monthly basis for review, and if needed, correction of payments reported as unassigned. System and process improvements are already being implemented and a policy and procedure will also be developed and implemented. We anticipate having these enhancements complete by June 30, 2007.

**Finding No. 4: Enforcement Actions -Accountability and Records**

Various audit tests and analyses disclosed significant data reliability and processing issues for records residing in the Single Licensing System's Enforcement Module.

**AG Recommendation 1**

To improve enforcement and accountability, we recommend the Department take the following action:

Complaint records showing amounts due but not collected should be investigated. Those found to represent true receivable balances should be aged and analyzed for collectibility and, when applicable, recorded in the Department's accounting records as a receivable balance. The collection of these amounts should also be pursued.

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**MANAGEMENT RESPONSE (CONTINUED)**

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**Agency Response**

We concur with the recommendation that receivables resulting from the issuance of Final Orders should be aged and analyzed, and when applicable, recorded as receivables in the department's year-end financial statements. The LicenseEase system does provide the functionality to run reports providing the amount of the fine or citation and if it was levied against a licensed or non-licensed individual or entity. The system also provides information regarding the date the fine or citation is due for payment. The Office of Budget and Financial Management will implement a procedure for tracking and recording accounts receivable and develop a write-off policy, taking into consideration the specific laws and rules unique to the various professions and businesses regulated by the department.

In the case of a Final Order against a professional licensee, the licensee is subject to further discipline, including license suspension or revocation, for failure to pay at the discretion of the applicable board. Therefore those cases are not appropriate for referral to the Collections Office. A procedure will be implemented to ensure timely referral of appropriate past due amounts to the Collections Office. Once a referral is received by the Collections Office, a process is in place for the collection efforts of past due amounts.

We anticipate having this procedure in place by December 2006.

**AG Recommendation 2**

Procedures should be adopted that require that Final Order documents be recorded and tracked in LicenseEase.

**Agency Response**

We concur with the recommendation that procedures should be adopted to require that Final Order documents be recorded and tracked in LicenseEase. While such recording and tracking is being done on an ad hoc basis throughout the department, procedures will be implemented to ensure department-wide consistency.

**APPENDIX A**  
**MANAGEMENT RESPONSE (CONTINUED)**

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**AG Recommendation 3**

Policies and procedures should be implemented to reasonably ensure timely referral of Final Orders for which payment has not been received within 45 days.

**Agency Response**

We concur that policies and procedures should be implemented to ensure timely referrals of appropriate Final Orders when payment is not received and disciplinary action against an existing license is not feasible. A team has been created to make recommendations regarding the timing of referrals, recognizing that it may vary by business process but should not normally exceed 60 days from the date payment is due. Policies and procedures to ensure timely referral will be implemented based on the team's recommendations.

**Finding No. 5: Enforcement Actions – Collection Efforts**

The Department's Office of General Counsel is responsible for monitoring and pursuing collection of certain overdue accounts. Relative to these collections efforts, the General Counsel's Office has assigned incompatible duties to one individual.

**AG Recommendation**

We recommend the Department take actions to appropriately separate incompatible duties.

**Agency Response**

We concur with the recommendation to separate incompatible duties assigned to the General Counsel's Collections Attorney. A plan is currently being implemented to reassign the handling of cash and further evaluation will be performed to ensure appropriate separation of duties is achieved.

We anticipate completion by September 2006.

**Finding No. 6. Reconciliations**

The Department did not perform reconciliations of the receipts recorded in LicenseEase to corresponding revenues and fund accounts maintained in FLAIR.



**APPENDIX A**  
**MANAGEMENT RESPONSE (CONTINUED)**

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**AG Recommendation**

We recommend that procedures be adopted that require the performance of periodic reconciliations between LicenseEase receipts and FLAIR funds and revenues.

**Agency Response**

We concur that the department should perform periodic reconciliations between FLAIR and LicenseEase at both the organizational and object code level to ensure the accuracy and completeness of the information uploaded into FLAIR. Currently, a monthly reconciliation between FLAIR and LicenseEase is done at the cash summary level which ensures the accuracy and completeness of cash received and uploaded to FLAIR.

The “Revenue and Accounting Process Improvement Project” (RAPIP) was put into place to bring together staff from the Division of Technology, Accounting and the Central Intake Unit (which houses the Revenue Section) to review processes to address reconciliation at the organizational and object code level. The team began meeting in June 2005 and has proposed both system and process improvements. The recommendations are under review and we anticipate implementation by September 30, 2007.

**Finding No. 7: Assessment of Fines**

Under certain circumstances, LicenseEase may improperly assess late penalties for license fees that were paid in a timely manner.

**AG Recommendation**

We recommend that the LicenseEase application be reconfigured to eliminate the potential for the improper assessment of late fees.

**Agency Response**

The department is in agreement with the recommendation in this finding to require a postmark date for all payments. A system enhancement is currently being developed which will require a date in the postmark date field in LicenseEase. This enhancement will be implemented in our production environment once user acceptance testing is completed. We anticipate implementation by September 30, 2006.

**APPENDIX A**  
**MANAGEMENT RESPONSE (CONTINUED)**

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**Finding No. 8: Deposit Timeliness**

The Department did not always comply with Florida Statutes that require the timely deposit of funds into the State Treasury.

**AG Recommendation**

We recommend the Department take steps to ensure full compliance with the requirements of Section 116.01, Florida Statutes.

**Agency Response**

Although the department concurs with the Auditor General's finding that the department did not timely deposit funds in accordance with Section 116.01, Florida Statutes, the department has evaluated the information provided to the Auditor General's office and has determined that for the period of July 1, 2003, through February 28, 2005, 15.4% of receipts that were not timely deposited were specific to only one unit (Central Intake Unit/Revenue Section) within the department which processes deposits. A review of all operations required to comply with Section 116.01, Florida Statutes, shows only 5.70% of deposits out of compliance for the department during that same period. For December 2005, the Central Intake Unit/Revenue Section had 7.68% of deposits out of compliance, whereas overall the department had 3.42% of deposits out of compliance.

Business processes in the Central Intake Unit were recently reviewed to identify ways to improve utilization of the Single Licensing System and refine processes to result in efficiency gains. Over the next six months, the department will implement recommended changes to ensure full compliance with the requirements of Section 116.01, Florida Statutes.

**Finding No. 9: Alcoholic Beverages and Tobacco – Assessment of Penalties**

Various audit tests and analyses disclosed significant data reliability and processing issues with regard to the Division of Alcoholic Beverages and Tobacco's assessment and collection of penalties and interest.

APPENDIX A  
MANAGEMENT RESPONSE (CONTINUED)

**Department of Business and Professional Regulation  
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**AG Recommendation**

We recommend that the Division establish and implement comprehensive policies and procedures and properly separate incompatible employee duties. The policies and procedures should, among other matters, address record maintenance practices and management monitoring responsibilities.

We further recommend that the Division conduct an analysis of its Activity Log Listing and pursue the collection of all amounts due.

**Agency Response**

The Division of Alcoholic Beverages and Tobacco, Bureau of Auditing, concurs with the finding regarding a lack of written policies and procedures for the processing of penalty and interest assessments and collections for monthly surcharge remittance.

However, the Bureau of Auditing does have specific steps they follow when assessing late surcharge payments, penalties, and interest regarding monthly surcharge remittance. Central Office tax auditors utilize an automated system to determine when there are late reports or additional monies owed to the state from the monthly surcharge remittances, then notify the license holders of the delinquencies and acknowledge the receipt of the payments when received. The bureau will develop comprehensive policies and procedures, ensuring that the steps in collection of monthly surcharge remittance and assessments are delineated; employee duties are segregated; and that assessments and collections are monitored appropriately.

We anticipate having these policies and procedures developed by November 15, 2006.

**Finding No. 10: Credit Card Processing**

The Department uses the services of a contractor to collect and process e-payments receipted in LicenseEase. The Department did not perform procedures to verify the accuracy of fees charged by the contractor before paying for the services.

**AG Recommendation**

We recommend the Department implement procedures to verify contractor invoice charges.

**APPENDIX A**  
**MANAGEMENT RESPONSE (CONTINUED)**

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**Agency Response**

The department concurs with the Auditor General's finding regarding the contract for credit card processing, or e-payment, services. With regard to this specific contract, which is held by the Department of Financial Services, the department did not verify invoices for accuracy before approving payment. The department is currently working with the Department of Financial Services to identify available reports to assist us in verifying charges against transactions in the Single Licensing System. Over the next six months, the department will define and implement procedures to verify invoice charges for this contract.