



AUDITOR GENERAL

WILLIAM O. MONROE, CPA



EXECUTIVE OFFICE OF THE GOVERNOR

Office of Tourism, Trade, and Economic Development

Operational Audit

SUMMARY

The Executive Office of the Governor (EOG) administers the State planning and budgeting function, formulates and implements policies to provide economic opportunities for the State, and performs designated advocacy functions. Our audit for the period July 2004 through January 2006 focused on various administrative functions, as well as the Office of Tourism, Trade, and Economic Development’s (OTTED) administration and monitoring of selected programs within its Coordinated Programs and Activities organizational unit. Our audit disclosed:

Finding No. 1: OTTED did not always follow established procedures to ensure collections were timely deposited.

Finding No. 2: OTTED did not ensure that warrants would be mailed immediately upon receipt.

Finding No. 3: OTTED’s procedures did not ensure that State funds were properly safeguarded.

BACKGROUND

OTTED administers various coordinated programs and activities in areas including business recruitment, creation, retention, and expansion; workforce development; minority and small business development; and rural community development.

Relative to its programs, OTTED is involved in the processing of amounts received by EOG. Following the completion of initial processing steps, the

collections are to be forwarded to EOG’s Finance and Accounting (F&A) section for final processing and deposit in the State Treasury. Amounts received relate to, for example, the payment of principal and interest on program loans, program matching funds, and miscellaneous fees.

OTTED is also responsible for the initial processing of program-related payments to program participants and others. Following the review, assembly, and approval of the applicable documents, OTTED provides the approval packages to F&A. F&A is to complete the processing of the transaction by reviewing and approving the related documentation and then submitting the transaction to the Department of Financial Services for approval and State warrant preparation. State warrants are then provided to EOG and routed to OTTED for mailing to the payee.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Timely Deposit of Collections

Pursuant to Section 116.01, Florida Statutes, funds received on behalf of the State are to be deposited no later than seven working days from the close of the week in which the funds are received. Also, EOG’s policy requires that all checks must be provided to F&A within a reasonable time considering the amount received and the statutory requirement.

Our audit disclosed numerous instances in which collections processed by OTTED were not deposited

in the State Treasury within the time established by statute. Our audit further disclosed that these delays were caused by OTTED’s failure to timely complete the initial processing of collections. During the audit period, according to OTTED cash receipts logs, OTTED received 261 checks totaling \$42.6 million. As shown in Table 1 below, OTTED did not timely forward to F&A 61 checks, totaling more than \$14 million.

| Table 1 | | |
|--|---------------|----------------------|
| No. of Days after Statutory Due Date Checks were Provided to F&A | No. of Checks | Total Amount |
| 1-5 | 28 | \$ 9,498,083 |
| 6-10 | 19 | \$ 2,767,106 |
| 11-15 | 6 | \$ 2,103,246 |
| 16 or more | 8 | \$ 355,506 |
| Total | 61 | \$ 14,723,941 |

Delays in the deposit of moneys in the State Treasury increases the risk of loss and results in the loss of investment earnings.

Recommendation: OTTED should follow established procedures to ensure that collections are timely deposited.

Finding No. 2: Timely Remittance of QTI Warrants

During the audit period, under the Qualified Target Industry (QTI) Tax Refund Program,¹ OTTED processed payment packages and distributed to businesses warrants totaling \$18 million. Audit tests disclosed that OTTED did not always mail these warrants promptly. As shown in Table 2, for at least 17 of these warrants, totaling approximately \$1.9 million, eight or more days elapsed between the State warrant issue date and the date the warrant was mailed by OTTED.

¹ Section 288.106, Florida Statutes, established a Qualified Target Industry (QTI) Tax Refund Program to encourage the creation of new high wage job opportunities in Florida by providing tax refunds to qualified target industries.

| Table 2 | | |
|--|---------------|---------------------|
| No. of Days Between Issuance and Mailing | No. of Checks | Total Amount |
| 8-15 | 4 | \$ 241,516 |
| 16-45 | 4 | \$ 170,479 |
| 46-90 | 3 | \$ 2,706 |
| 91 or more | 6 | \$ 1,506,500 |
| Total | 17 | \$ 1,921,201 |

Delays in the mailing of State warrants increased EOG’s risk of loss. The delays also deprived the payees of resources earned and due under the QTI Tax Refund Program.

Recommendation: OTTED should ensure that warrants are mailed immediately upon receipt.

Follow-Up to Management Response:

In the OTTED Director’s response to this finding, she indicated that State warrants were held pending receipt and review of audit reports. To preclude the necessity of holding State warrants, OTTED should withhold its vouchering and approval of payments and the requests for State warrant preparation until all conditions precedent to payment are met.

Finding No. 3: Physical Security

As noted in Finding Nos. 1 and 2, OTTED had physical possession of collections and State warrants for significant periods of time. While our audit indicated that OTTED had implemented procedures to properly log and document changes in the custody of checks, as recommended in report No. 2005-010, OTTED’s procedures did not ensure that collections and undistributed State warrants were always maintained in secure areas with appropriately restricted access.

Specific details regarding these issues are not disclosed in this report to avoid a potential compromise of EOG security. However, appropriate EOG personnel have been notified of these deficiencies.

Recommendation: OTTED should enhance its procedures to ensure the safeguard of State funds.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit for the period July 2004 through January 2006 focused on EOG’s administrative areas, as well as OTTED’s administration and monitoring of selected programs within its Coordinated Programs and Activities organizational unit. Our objectives were:

- To determine whether selected management controls promoted and encouraged the achievement of management’s objectives of compliance with controlling laws, administrative rules, and other guidelines; the economic and efficient operation of the Executive Office of the Governor; the reliability of records and reports; and safeguarding of assets.
- To follow-up on findings, relevant to the scope of the audit and noted in audit report Nos. 2005-010 and 2005-097.

In conducting our audit, we interviewed EOG personnel, observed processes and procedures, and completed various analyses and other procedures as

determined necessary to accomplish the objectives of the audit. Our audit included examinations of various transactions (as well as events and conditions) occurring during the audit period.

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 September 18, 2006, the Director of the Office of Tourism, Trade, and Economic Development responding to our findings, indicated that in general the report presented a fair evaluation of the programs and procedures reviewed. The letter is included at the end of this report as Appendix A.

To promote accountability in government and improvements in government operations, the Auditor General makes operational audits of selected programs, activities, and functions of State agencies. The 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 Richard Moreira and supervised by Mary Stewart, CPA. Please address inquiries regarding this report to Jane Flowers, CPA, Audit Manager, via E-mail at janeflowers@aud.state.fl.us or by telephone at (850) 487-9136.

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).

APPENDIX A

MANAGEMENT RESPONSE



JEB BUSH
GOVERNOR

STATE OF FLORIDA

Office of the Governor

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September 18, 2006

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

Re: Preliminary and tentative audit findings and recommendations which may be included in a report to be prepared on the audit of the Executive Office of the Governor Office of Tourism, Trade and Economic Development for the period July 2004 through January 2006

Dear Mr. Monroe:

Thank you for the opportunity to review and comment on the preliminary audit findings and recommendations included in the above referenced report. In general, we found the report to present a fair evaluation of our programs and procedures reviewed. We concur with the findings and recommendations as presented; however, I would like to clarify our position on **Finding Number 2, OTTED did not ensure that warrants would be mailed immediately upon receipt.**

In almost all cases, OTTED withheld State warrants for the Qualified Targeted Industry (QTI) program while required audit reports were still outstanding from previous year's payments. The audit reports received under the QTI program are an important monitoring tool used to verify that the program recipient is in compliance with program guidelines. However, timing of the receipt of past reports and the submission of the current year's payment requests can overlap, which causes the delay in State warrants being mailed to the recipient.

On a personal note, I commend your staff for the professional manner in which they conducted this review. If you have any questions about our comments, or would like to discuss any aspect further, please do not hesitate to contact me at (850) 487-2568.

Sincerely,

Pamella J. Dana, Director
Office of Tourism, Trade and Economic Development

cc: Mark Kaplan, Governor's Chief of Staff
Kim Mills, Governor's Director of Auditing
Scott Fennell, Chief Administrative Officer

