



AUDITOR GENERAL

WILLIAM O. MONROE, CPA



DEPARTMENT OF HEALTH SELECTED ADMINISTRATIVE ACTIVITIES

Operational Audit

SUMMARY

The Department of Health is responsible for the State's public health system and as such provides administrative support and oversight of various health programs primarily delivered in partnership with the 67 county health departments (CHD). Our audit focused on selected administrative activities specifically related to tangible personal property, purchasing card activities, credit card acceptance, the use of People First, Florida Accounting and Information Resource (FLAIR) access, the Other Cost Accumulator Management System (OCAMAN), cellular phones and other wireless handheld devices, and administrative policies. Our audit included the period of July 2004 through January 2006, and selected actions taken through May 12, 2006.

Tangible Personal Property

Finding No. 1: The Department did not always timely record property acquisitions in its property records. Additionally, the Department did not ensure that CHD property was recorded in the county's property records.

Finding No. 2: Property deletion records did not sufficiently document property dispositions in accordance with applicable laws and rules.

Finding No. 3: Property inventories were not timely reconciled to the Department's property records. Additionally, instances were identified where the inventory was not certified by the individual performing the inventory.

Finding No. 4: The Department did not conduct a periodic review of building values to ensure that insurance coverage was sufficient for buildings and contents.

Purchasing Cards

Finding No. 5: Purchasing card profiles were not always sufficiently documented.

Finding No. 6: The Department did not have guidelines for establishing credit card limits. Additionally, the Department lacks procedures to periodically review the credit limits of purchasing cardholders.

Finding No. 7: Procedures for the reconciliation of purchasing card transactions needed improvements.

Finding No. 8: The Department did not ensure purchasing cards were timely canceled upon an employee's termination.

Credit Card Acceptance

Finding No. 9: The Department did not have documentation evidencing the Chief Financial Officer's approval for ten of the Department's locations accepting credit cards. Additionally, the Department did not have procedures for establishing and administering credit card acceptance locations.

Finding No. 10: The annual report regarding credit card activity did not include 6 of 12 elements required by rule.

Other Administrative Activities

Finding No. 11: Personnel Action Request (PAR) forms were not always approved in accordance with the established approval process.

Finding No. 12: The Department's policies and procedures did not ensure timely deletion of FLAIR user access for terminated employees.

Finding No. 13: The Department had not corrected inaccurate and incomplete information in the Department’s OCAMAN.

Finding No. 14: The Department did not maintain a list of cellular telephones and other wireless handheld devices. In addition, Department procedures did not require documentation of the selection of calling plans.

Finding No. 15: The Department had not updated several administrative policies to reflect current processes.

BACKGROUND

The Department of Health is responsible for the State’s public health system and as such provides administrative support and oversight of various health programs primarily delivered in partnership with the 67 CHDs. The Department has established the Division of Administration to support the Department’s activities. This Division is responsible for the Department’s accounting, general services, human resource management, and budget support services.

FINDINGS AND RECOMMENDATIONS

Tangible Personal Property

Chapter 273, Florida Statutes, and Chapter 10.300, Rules of the Auditor General for State-Owned Tangible Personal Property, provide standards necessary to adequately control, safeguard, and account for State-owned tangible personal property.¹ Property is defined in Section 273.02, Florida Statutes, as equipment, fixtures, and other tangible personal property of a nonconsumable and nonexpendable nature, the value or cost of which is \$1,000 or more and the normal expected life of which is one year or more, and hardback-covered bound books, the value of which is \$250 or more. At June 30, 2006, the

¹ Effective July 1, 2006, Chapter 2006-122, Laws of Florida, amended Sections 273.02 and 273.055, Florida Statutes, requiring the Chief Financial Officer to establish rules relating to the recording and inventory of certain State-owned property and the maintenance of records relating to property dispositions.

Department’s tangible personal property totaled \$67.4 million.

Department management had established procedures for the identification, control, and management of property. Property purchased by the Department for the Department’s use is to be recorded in its Asset Management System (AMS). CHD property is unique in that it can be purchased by the Department; however, when it is received by the CHD, it is to be recorded in the county’s property records.² Computer equipment, however, is required to be recorded in AMS regardless if purchased by the Department or a CHD.

Our audit disclosed areas where improvements in procedures were needed to appropriately manage Department property.

Finding No. 1: Property Acquisitions

Our tests of 50 property purchases totaling approximately \$367,000 disclosed:

- One property item purchased on June 7, 2005, and totaling \$1,375 had not been recorded in AMS as of May 12, 2006.
- Three CHD purchases of computer-related property in May, June, and October 2005 and totaling approximately \$37,000 were not recorded in AMS as of May 12, 2006. Department staff indicated that one CHD item was scheduled for input the week of May 15, 2006, and that for the other two CHD items, the CHD was working to eliminate a backlog due to a personnel shortage.
- Nine CHD purchases of noncomputer related property totaling approximately \$93,000 were not verified by the Department as being recorded in the applicable county’s property records. The Department indicated that the items were considered assets of the county and were tracked according to county policies and procedures. While ownership of the items is transferred to the county subsequent to purchase, in order to safeguard Department resources, the Department should ensure the items have been

² Section 154.01(4), Florida Statutes.

appropriately recorded in the county’s records to assure continuing accountability.

- Five Department and CHD property purchases of modular furniture totaling approximately \$200,000 were not recorded in the applicable property records. The Department indicated that it is the Department’s policy to not record modular furniture in property records. However, in defining property, Section 273.02, Florida Statutes, includes fixtures, and Section 10.350(2), Rules of the Auditor General,¹ includes instructions for recording modular furniture.

Recommendation: We recommend the Department more closely monitor the performance of procedures designed to reasonably ensure timely recording of property purchases in AMS. We also recommend the Department develop procedures to verify that CHD property has been timely recorded in county property records. We further recommend the Department develop procedures to identify and record items such as modular furniture.

Finding No. 2: Property Deletions

Our tests of 30 property deletions totaling approximately \$77,000 disclosed:

- Records for 27 property items recorded at values totaling approximately \$71,000 did not contain information required by Chapter 10.300, Rules of the Auditor General.¹ The records did not include one or more of the following: 1) the identities of witnesses of cannibalized or scrapped property, 2) documentation evidencing the disposal through one of the means authorized by Section 273.055(3), Florida Statutes,³ 3) disposal authority and manner, 4) related transactions, 5) the custodian’s certification of property as surplus, 6) the value and condition of property, or 7) the custodian’s approval prior to disposition.

³ Section 273.055(3), Florida Statutes, provides that custodians may dispose of property certified as surplus by 1) selling or transferring property to a governmental entity, 2) selling or donating property to a private nonprofit agency, 3) selling property through open sale to the public, or 4) entering into contractual agreements with entities which facilitate final disposition of property.

- AMS records relating to 12 property items, with values totaling approximately \$39,000, did not evidence the removal of confidential or copyrighted information from electronic media.
- AMS records for 2 property items with values totaling approximately \$3,300 indicated the property item had been lost or stolen. However, contrary to Department policy, there was no evidence that the appropriate forms (i.e., Support Statement for Notification of Lost or Stolen Property, DOH Incident Report, or police report, as applicable) were completed for the missing property.
- Contrary to Department policy, four property items, with values totaling approximately \$6,800, were not listed on the Department’s Web site for 14 days to allow other Departmental entities the opportunity to acquire the surplus property.
- Contrary to Department policy, four property items, with values totaling approximately \$5,700, were donated to private nonprofit entities and evidence of the entity’s nonprofit status was not obtained.
- An analysis of the length of time to complete and record property dispositions revealed that on average dispositions took 8.5 months to complete, ranging from 15 to 495 days. The Department indicated that a new provider for electronic equipment recycling had been engaged and that the contractor selection process had delayed disposition of some equipment. Without timely execution and recording of property dispositions, the risk of loss may be increased.
- AMS did not accommodate the recording of the condition and salvage value of disposed property, as required by Section 273.05(5), Florida Statutes. The Department indicated that modifications to AMS were being made so that this information can be captured.

In general, the Department concurred with our findings related to property dispositions and indicated that recent changes to AMS have allowed electronic documentation of property disposals and that the changes should improve reporting and accountability. Further, the Department indicated that recent changes in personnel and the subsequent addition of positions

would improve procedures related to property disposals.

Recommendation: We recommend the Department continue efforts to improve controls over property deletions to ensure that future disposals and related records conform with applicable laws, rules, and Department policy.

Finding No. 3: Property Inventories

Our tests of documentation evidencing property inventories for property items totaling approximately \$71,000 disclosed:

- For three information technology property items totaling approximately \$2,900, the inventory listing indicated that the property had not been located. While these items did not meet the definition of property pursuant to Section 273.02, Florida Statutes, Department policy requires that all information technology equipment, regardless of value, be recorded in AMS and inventoried.
- For 15 property items determined not present during the Department’s periodic inventory, with values totaling approximately \$47,000, inventory results were not timely reconciled to the property records in AMS, nor was there evidence that an investigation to locate the property was performed. The Department indicated that, generally, this was caused by the untimely receipt of appropriate documentation. Department personnel further indicated that they were in the process of obtaining documentation to reconcile the property records.
- For 2 of the 10 inventory locations tested, the inventory documentation did not contain the signature of an individual attesting to the existence of the item and the accuracy of the data recorded, as required by Section 10.380, Rules of the Auditor General.¹

In response to our inquiries, Department personnel indicated that the Bureau of General Services has recently designated full-time positions for each of the property functions, including inventory reconciliation.

Absent a complete inventory of property items, the Department is unable to ensure that property continues to be in the custody of the Department.

Furthermore, absent completion of reconciliations of the inventories to the Department’s property records, the Department has reduced assurance of the accuracy and completeness of its tangible personal property and general ledger accounting records.

Recommendation: We recommend the Department ensure that all tangible personal property is inventoried and that inventory results are reconciled to the property records in a timely manner.

Finding No. 4: Property Insurance

To ensure appropriate insurance coverage of buildings and their contents, the Department annually obtains insurance certificates from the Department of Financial Services, Division of Risk Management, to indemnify the Department for potential losses. Our review of the Department’s procedures for determining insurable values disclosed that the Department did not conduct a periodic review of the building values listed on the insurance certificates to determine whether the insurance coverage was sufficient.

Our review of the Department’s 18 insurance certificates disclosed that the value for 2 buildings was decreased by approximately \$37.2 million (78 percent) during the 2005-06 fiscal year update. According to Department personnel, the values were corrected for prior errors in the buildings’ square footage and purpose (for example, office, laboratory, or storage space). The Department indicated that new insurance procedures were being drafted to include a periodic review of insurance values.

Recommendation: In order to ensure that buildings are insured at appropriate levels, we recommend the Department implement procedures to periodically review building values including each building’s purpose and square footage.

Purchasing Cards

The State’s Purchasing Card Program is designed to streamline payment processing, improve management reporting, and reduce the cost of making small-dollar

purchases (defined as purchases under \$1,000). The approval and payment of purchasing card transactions is accomplished through an automated on-line approval and payment system within FLAIR. The Department began participating in the Purchasing Card Program in January 1999 and was the State's largest user as of January 2006. The Department charged over \$82.5 million in purchasing card transactions during the audit period. Generally, Department employees used the cards to procure office supplies and medical supplies and to pay for travel costs.

The Department has established the Purchasing Card Program User Guidelines (Guidelines) to outline the responsibilities of individuals using purchasing cards for Department purchases.

Finding No. 5: Cardholder Profiles

The Department requires the completion of a cardholder profile information form to document certain information such as an individual's name, Division, allowable charge types, single transaction and monthly credit limits, and approval by appropriate management. This form is also utilized to order new cards, make changes to existing cards, or cancel purchasing cards. Information from the profile is entered into the FLAIR purchasing card module.

Our review of the cardholder profiles for 20 cardholders disclosed the following:

- For two cardholders, the cardholder profile form did not agree with the purchasing card information recorded in FLAIR for the single transaction amount or monthly credit limit. The Department indicated that one individual's credit limit was increased due to disaster response and had not been returned to the normal spending level after the disaster response ended. For the other cardholder, an outdated profile form was provided that supported the information in FLAIR; however, the most current approved profile form's limits were not reflected in FLAIR.
- For two cardholders, a cardholder profile form was not available to determine if the credit limits or appropriate charge types (i.e.,

travel, commodities, etc.) recorded in FLAIR were accurate and properly approved.

- For three cardholders, the cardholder profile form did not agree with the charge type recorded in FLAIR. The Department indicated that one profile form had been incorrectly completed; changes to FLAIR information for the second profile were made based on a verbal request and an approved profile form was not received from the requesting office; and for the third profile, a card was ordered via telephone and the completed profile form was not received from the requesting office.
- For four cardholders, we were unable to determine if revised credit limits were appropriately authorized as the profile forms contained credit limits that were stricken and replaced with different amounts written on the profile forms. The Department was unable to provide an explanation for the changes and indicated that new procedures were pending.

Absent appropriate documentation reflecting that cardholders' allowable charges and credit limits have been approved by management, the Department had reduced assurance that purchasing cards were used appropriately.

Recommendation: In order to ensure that changes to purchasing cardholder profiles are only made based on properly approved cardholder profile information forms, we recommend the Department more closely monitor compliance with existing procedures for the proper completion and submission of cardholder profiles.

Finding No. 6: Credit Limits

Employee purchasing card credit limits are established by the employee's supervisor when a new card is requested. We found that the Department had no guidelines, based on, for example, position type or allowable charges, for establishing credit limits. Additionally, the Department did not periodically review credit limits for reasonableness. Our comparison of credit limits with purchasing card transactions for 40 cardholders disclosed that established credit limits appeared to be excessive for 21 of the 40 cardholders as described below:

- One cardholder with a credit limit of \$200,000 had no charges during the audit period.
- Twenty cardholders had minimal charges on their purchasing cards during the audit period. See Table 1 below for 10 of the least utilized purchasing cards.

Table 1

Comparison of Cardholder Monthly Limits to Monthly Charges

Cardholder	Monthly Spending Limit	Highest Monthly Spending Total	Percent Utilized
1	\$ 500,000	\$ 25,527	5.1
2	\$ 250,000	\$ 2,159	0.9
3	\$ 250,000	\$ 22,852	9.1
4	\$ 150,000	\$ 21,609	14.4
5	\$ 150,000	\$ 337	0.2
6	\$ 50,000	\$ 291	0.6
7	\$ 25,000	\$ 664	2.7
8	\$ 25,000	\$ 705	2.8
9	\$ 10,000	\$ 356	3.6
10	\$ 10,000	\$ 165	1.7

Source: FLAIR records and FLAIR Purchasing Card Module Cardholder Profiles.

Absent guidelines establishing credit limits that include, for example, attributes of an employee’s position, the Department is unable to ensure that opportunities for impropriety are sufficiently reduced.

Recommendation: To reduce the risk of inappropriate purchases, we recommend that the Department implement guidelines for the establishment of credit limit amounts and procedures to periodically review the continuing appropriateness of the credit limits of cardholders.

Finding No. 7: Reconciliations and Monitoring Activities

The Guidelines contain instructions regarding the timely reconciliation of purchasing card transactions. The Guidelines also include, for the purchasing card approver and reconciler, instructions on the preparation of the reconciliation package. The reconciliation package is to include the FLAIR Purchasing Card Reconciliation Report, purchasing

card transaction logs signed by the cardholder, and the signed and dated purchasing card invoices. Approvers are responsible for ensuring that the Reconciliation Report is reconciled and appropriate purchasing card receipts and transaction logs are attached. Reconcilers are responsible for ensuring that each reconciliation is constructed correctly, that all documentation is accounted for and correct, and that the reconciliation package is submitted timely to the appropriate fiscal office. Our tests of the procedures and the reconciliations of 20 cardholders for December 2005 disclosed:

- The Guidelines require that approvers reconcile cardholder activity for each cardholder by comparing receipts and the cardholder’s transaction log to the FLAIR Purchasing Card Reconciliation Report. However, the Guidelines do not require approvers to sign or otherwise document their review of the purchasing card transaction log. Our review of 20 transaction logs disclosed that 9 did not include the signature of the approver. Without procedures requiring the approvers to document their review, the procedures do not provide a basis for management’s monitoring of control compliance.
- For five reconciliation packages, the required documentation, such as the signature of the reconciler, appropriate FLAIR Reconciliation Reports, and expenditure documentation, such as, cellular telephone usage certifications, was not included. The Department provided copies of the three missing cellular telephone certificates; however, one certificate was executed subsequent to our inquiries.

Additionally, during our review of purchasing card reconciliations, we identified the following purchasing card transactions that did not appear to comply with State law or Department policy:

- The Guidelines specify that purchasing cards cannot be used to purchase operating capital outlay for Headquarters budget entities. Our tests identified one purchase of computer equipment totaling approximately \$3,000. The Department indicated that the purchase had been detected and reported to the Purchasing Office. The Department further indicated that since the purchase had been processed by

the vendor, it would not have been efficient to cancel the transaction.

- One card included five purchases from the same vendor for promotional items within the span of four days totaling approximately \$7,000. While the Guidelines require purchases over \$2,500 to be approved by the Purchasing Office, these purchases were not considered by the Purchasing Office because after splitting the purchase by delivery location, the amount of each purchase fell below the \$2,500 threshold.

Absent procedures to adequately document the reconciliation of purchasing card transactions, the Department is unable to demonstrate that appropriate monitoring is conducted of purchasing card transactions.

Recommendation: We recommend the Department take additional steps to ensure compliance with its established policies and procedures regarding purchasing card reconciliations and monitoring activities.

Finding No. 8: Card Cancellations

According to the Guidelines, management is responsible for collecting purchasing cards from employees terminating from the Department and for notifying the Agency Purchasing Card Program Administrator of the need for purchasing card cancellations. The Agency Purchasing Card Program Administrator is responsible for immediately cancelling the card upon notification.

Our tests of purchasing card cancellations disclosed:

- For 36 employees who were assigned a purchasing card and terminated during the audit period, their purchasing card remained on active status as of January 31, 2006. Termination dates ranged from July 2004 to January 2006. Additionally, our tests disclosed that charges were made to some cards subsequent to the employee's termination date. Information regarding these charges has been provided to the Department for follow-up.
- Our review of the timeliness of the cancellation of 10 purchasing cards disclosed

that 4 were canceled between 18 and 148 days after the employee terminated.

The Department concurred with our findings and indicated that it is the responsibility of the employee's supervisor to notify the Agency Purchasing Card Program Administrator to cancel a purchasing card upon an employee's termination.

Recommendation: In order to reduce the risk of charges to purchasing cards by terminated employees, we recommend that the Department ensure compliance with established procedures that require supervisors to provide timely notification of employee terminations. We further recommend that the Department consider developing additional procedures to identify terminated employees to reduce the time between employee termination and purchasing card cancellation.

Credit Card Acceptance

Pursuant to Section 215.322, Florida Statutes, in order to make their goods, services, and information more convenient to the public, State agencies may accept credit cards, charge cards, and debit cards in payment for goods and services, with the prior approval of the Chief Financial Officer. Pursuant to Rule 69C-4.0035, Florida Administrative Code, in order to receive approval for accepting credit cards, State agencies must, for each location at which credit card acceptance is proposed, submit to the Chief Financial Officer an application form and a written proposal including the anticipated economic and other benefits accruing to the State and the electronic methods used as the collection medium, if any (for example, the Internet).

In addition, pursuant to Rule 69C-4.009, Florida Administrative Code, State agencies must file with the Chief Financial Officer, an annual report of credit card transactions within 30 days of the end of the State fiscal year.

Finding No. 9: Credit Card Acceptance

As of May 2006, based on our inquiries, there was 1 location within Headquarters and 35 county health departments that accepted credit cards. Our review of credit card acceptance at the Department disclosed:

- Our tests included 10 of the 36 locations within the Department that accepted credit cards during the audit period. Documentation was not available evidencing the Department’s request to the Chief Financial Officer for approval to accept credit cards for the 10 locations reviewed.
- The Department does not have policies and procedures regarding the establishment or administration of credit card acceptance locations. In response, the Department concurred and indicated that policies and procedures were being implemented by the Bureau of Finance and Accounting.

Recommendation: We recommend that the Department continue efforts to improve procedures for accepting credit cards by developing policies to provide appropriate guidance and information for the Department’s establishment and administration of credit card acceptance locations.

Finding No. 10: Annual Report

Within 30 days of the end of the State fiscal year, the Department is required to submit an annual report to the Chief Financial Officer regarding, among other things, a list of credit card acceptance locations, the types of collections, and the annual service fees. Our review of the annual report submitted for the 2004-05 fiscal year disclosed:

- One CHD, that began accepting credit cards in April 2005, was omitted from the annual report. The Department indicated that the annual report was prepared based on a list of credit card locations obtained from the Chief Financial Officer. The Department did not maintain a list of current locations.
- Pursuant to Rule 69C-4.009, Florida Administrative Code, the annual report should include 12 elements regarding the Department’s credit card activity. Our review of the report disclosed that some elements, such as the total receipts by transaction type, appropriated funds, and actual reduction in staffing or resources resulting from increased efficiencies, were not included in the report. The Department concurred that the information had not been reported.

Recommendation: To ensure compliance with rules, we recommend the Department develop procedures to submit complete and accurate annual reports to the Chief Financial Officer. In addition, we recommend the Department maintain a current list of all credit card acceptance locations.

Other Administrative Activities

Finding No. 11: Approval of Personnel Changes

With the implementation of People First, changes to employee information, including changes to the information for existing employees as well as newly hired employees, can be made via an electronic document, the Personnel Action Request (PAR). PAR approvals are also electronically stored within the People First system. The PAR approval process is established at the discretion of each individual State agency and also can vary within each division or office within the agency. Similarly, CHDs establish the appropriate PAR approval process for their respective offices.

Our review of electronic People First PAR forms generated for 67 employees during the audit period disclosed 4 PAR forms that authorized employment or salary increases which were not approved in accordance with the applicable CHD’s PAR approval process. The Department concurred with two instances; for another, a letter was provided by the CHD Director acknowledging the individual’s starting salary, and for the other, e-mails were provided acknowledging the hiring of the individual, but not the authorization for the starting salary.

Recommendation: To ensure that employee salaries and changes to employee information are approved by appropriate levels of management as designated by established PAR approval processes, we recommend the Department provide additional training and guidance to CHDs.

Finding No. 12: FLAIR Access

The Department has established policies and procedures for the deletion of FLAIR access for terminated employees. The Office of Policy and Systems, in the Bureau of Finance and Accounting, assigns access control custodians who are responsible for assigning accounting user names and access privileges for their staff. On a quarterly basis, the access control custodians are responsible for reviewing the authorized FLAIR user names for their staff to ensure that the individuals are currently employed and that the authorized access is still appropriate. In addition, the custodians are required to delete a user upon termination of employment from the Department.

Our tests of the status of the access privileges of 20 terminated employees disclosed that 19 continued to have an active FLAIR access status after their termination date.

- For 15 employees whose termination dates ranged from April to December 2005, their FLAIR access remained active at January 31, 2006.
- For 4 employees whose termination dates ranged from September 2004 to July 2005, their FLAIR access was deleted in December 2005 by a FLAIR purge process which removes any user who has not logged into FLAIR for over 12 months.

In order to protect the integrity of the Department's accounting records, custodians should ensure that access privileges for terminated employees are removed timely.

Recommendation: To ensure that only authorized employees have access to the Department's accounting records, we recommend that the Department enhance procedures to timely remove FLAIR users upon termination.

Finding No. 13: OCAMAN

The Department uses the Other Cost Accumulator (OCA) field in FLAIR to identify revenue and expenditures related to specific activities. The

Department also maintains a management system (OCAMAN) that provides a description of the activities and the funding source for each OCA, and is an essential control established by the Department. In our Statewide Federal Awards Audit, Report No. 2006-152, finding No. FA 05-040, we reported 27 OCAs where the Catalog of Federal Domestic Assistance (CFDA) number was not identified or was incorrect. Our follow-up of the 27 OCAs disclosed that the reported errors had not been fully resolved as disclosed below:

- Fifteen OCAs did not include the CFDA number.
- Five OCAs were assigned an incorrect CFDA number.

In addition, we reviewed 137 OCAs with expenditures in excess of \$1 million for the period July 1, 2005, through March 31, 2006. Our review disclosed:

- In OCAMAN, entries for 17 OCAs did not include detailed accounting information. Nine of these also did not include a description of the OCA.
- Thirteen OCAs were not found in OCAMAN.

Department personnel at Headquarters and the CHDs rely on the data recorded in OCAMAN to identify the funding and related allowable activities for OCAs. Without accurate data, Department personnel may not be aware of, and therefore, may not comply with limitations imposed on various funding sources, including Federal awards. In response to our inquiries, the Department indicated that a review of OCAMAN was ongoing and provided information relating to the results of its review. In addition, the Department is in the process of redesigning OCAMAN and indicated that it would be at least two years before the redesign was completed due to current workload issues in the Division of Information Technology.

Recommendation: In order to provide assurance that expenditures are applied to the appropriate funding source, we recommend that the Department continue efforts to revise and update OCAs in the current OCAMAN system.

Finding No. 14: Cellular Telephones and Other Wireless Handheld Devices

To assist in the performance of their official duties, the Department provides cellular telephones and other wireless handheld devices to many of the Department's employees. Cellular telephone expenditures for the 2004-05 fiscal year totaled approximately \$2.6 million, an increase of more than \$1 million from the 2002-03 fiscal year.

The Department has established policies requiring that the decision to purchase a cellular telephone and cellular plan selection be made by supervisory staff. Department policies and procedures also provide that cellular telephones are to be used only for Department business and that any personal calls are to be reimbursed by the employee to the Department.

Our tests of cellular telephone and other wireless handheld device administration disclosed the following:

- The Department did not maintain a list identifying all cellular telephones and other wireless handheld devices. Cellular telephones and other wireless handheld devices may be considered "attractive" or "sensitive" items that, although they generally cost less than \$1,000, may require an additional layer of property accountability.⁴ With regard to other wireless handheld devices, security for and retention of data stored in and transmitted by the devices should be considered.
- The Department's Mobile Communications Policy (DOHP 50-2-04) contains requirements regarding acquiring cellular telephones, including justification for the phone and examination by supervisory staff of the service plan, to determine that the most economical plan is selected. However, the policy does not require maintenance of documentation to show that the most economical service plan was selected and that the pricing available through the State cellular

⁴ Attractive or sensitive property can be characterized as "walk away" items that are prone to theft because they are not secured and are easily portable, expensive new technology, or adaptable to personal use.

telephone contract was considered as part of the selection process.

The lack of complete and accurate records relating to cellular telephones and other wireless handheld devices, limits Department management's assurances related to the safeguarding of Department assets. In addition, without documentation of service plan selection, Department management cannot be assured that procurement decisions were the most economical or cost-effective.

Recommendation: In order to effectively safeguard Department assets, we recommend that the Department maintain a complete listing of cellular telephones and other wireless handheld devices that identifies the employee to whom the equipment is assigned. In addition, to enhance assurance of the cost-effectiveness of cellular telephone assignment and usage, we recommend that the Department amend its policies and procedures to require documentation that the most economical and cost-effective service plan was selected.

Finding No. 15: Administrative Policies

In order to provide guidance and document specific controls, the Department has adopted a series of accounting procedures manuals available to employees. Our review of various policies disclosed:

- Policy 11APM11 – Sale of Surplus Property, effective November 1, 1990, had not been updated to reference to the Department instead of a State agency that no longer exists. The Department indicated that the policy is currently under evaluation by the Bureau of General Services.
- Policies 20APM3 – Establishing Local Bank Accounts and 11APM1 – Clearing Fund & Cash Receipts, effective December 2, 1996, and January 1, 1993, respectively, had not been updated to reference to the Department instead of a State agency that no longer exists. The Department indicated that policy 20APM3 should be deleted and that due to the implementation of ASPIRE most policies would need to be rewritten.
- Policies 75APM2 – Contract Management System for Contractual Services and 55APM5 – Administrative Monitoring, effective

October 8, 2003, and July 1, 1999, respectively, had not been updated to reflect the changes in contract administration, specifically changes due to the transfer of administrative monitoring from Contract Administration to the Contract Administrative Monitoring Unit in 2005. The Department indicated that the policies were currently being updated and that issues related to contract administration are communicated through “contract news alerts and contract management updates.”

- Policy DOHP 60-5-99 – Background Screening Policy, effective September 30, 1999, had not been updated to reflect the change from COPEs to People First for payroll and personnel information. The Department began using People First in September 2004. The Department indicated that the policy is scheduled to be updated in 2007.

Without current, written policies and procedures, the Department is unable to reasonably ensure that controls operate effectively to minimize risks to the accomplishment of Department objectives.

Recommendation: We recommend that the Department update and revise the identified policies and procedures.

OBJECTIVES, SCOPE, AND METHODOLOGY

The overall objectives related to our audit of selected Department administrative activities were to obtain an understanding of internal controls, make judgments as to the effectiveness of those internal controls, and to evaluate management’s performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation; the validity and reliability of records and reports; and the safeguarding of assets.

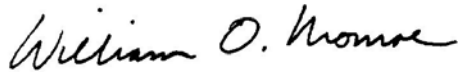
The scope of this audit focused on activities related to 1) accounting for tangible personal property, 2) the use of purchasing cards, 3) FLAIR access controls, 4) the OCA Management System, 5) credit card acceptance, and 6) the use of People First.

In conducting our audit, we interviewed Department personnel, observed and tested 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 period July 2004 through January 2006, and selected transactions taken through May 12, 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

AUDITEE RESPONSE

In a letter dated January 30, 2007, 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 conducted in accordance with applicable **Generally Accepted Government Auditing Standards**. This audit was conducted by Cheryl B. Jones, CPA, and supervised by Lisa Norman, 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.

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APPENDIX A



Charlie Crist
Governor

Ana M. Viamonte Ros, M.D., M.P.H.
Secretary of Health

January 30, 2007

Mr. William O. Monroe, C.P.A.
Auditor General
Room G74, Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Monroe:

We are pleased to respond to the preliminary and tentative audit findings and recommendations concerning the audit of:

**Department of Health
Operational: Selected Administrative Activities
July 2004 through January 2006**

As required by section 11.45(4)(d), *Florida Statutes*, our response to the findings is enclosed.

We appreciate the effort of you and your staff in assisting to improve our operations. If you have any questions, please contact our Director of Auditing, Lynn Riley at 245-4444, extension 2146.

Sincerely,

Ana M. Viamonte Ros, M.D., M.P.H.
Secretary of Health

AMR/kir
Attachment
cc: James D. Boyd, C.P.A., M.B.A., Inspector General
Lynn H. Riley, C.P.A., Director of Auditing

Office of the Secretary
4052 Bald Cypress Way, Bin A00 • Tallahassee, FL 32399-1701

Operational: Selected Administrative Activities

<i>Para. # Finding:</i>	<i>Recommendation:</i>	<i>Management Response:</i>	<i>Corrective Action Plan:</i>	
1	<p>The Department did not always timely record property acquisitions in its property records. Additionally, the Department did not ensure that CHD property was recorded in the county's property records.</p>	<p>We recommend the Department more closely monitor the performance of procedures designed to reasonably ensure timely recording of property purchases in AMS. We also recommend the Department develop procedures to verify that CHD property has been timely recorded in county property records. We further recommend the Department develop procedures to identify and record items such as modular furniture.</p>	<p>Concur. The department will monitor the performance of procedures currently described in the Asset Management Policy (DOHP 250-11-05) for recording property and verifying that CHD property has been timely recorded in county property records.</p>	<ol style="list-style-type: none"> Disseminate the information relative to timely recording of all property to department staff. Review current policies and procedures to identify possible deficiencies and implement improvements
2	<p>Property deletion records did not sufficiently document property dispositions in accordance with applicable laws and rules.</p>	<p>We recommend the Department continue efforts to improve controls over property deletions to ensure that future disposals and related records conform with applicable laws, rules, and Department policy.</p>	<p>Concur.</p>	<ol style="list-style-type: none"> Review deletion controls, procedures and supporting processes and identify deficiencies and implement improvements Review training methods used to measure effectiveness, identify deficiencies and implement improvements for property personnel.
3	<p>Property inventories were not timely reconciled to the Department's property records. Additionally, instances were identified where the inventory was not certified by the individual performing the inventory.</p>	<p>We recommend the Department ensure that all tangible personal property is inventoried and that inventory results are reconciled to the property records in a timely manner.</p>	<p>Concur. Recently designated full time positions to each of the property functions, including inventory reconciliation. This action will strengthen the bureau's ability to review physical inventories and enact reconciliations in an acceptable time frame.</p>	<ol style="list-style-type: none"> Review property inventory process to ensure that all inventories have been properly administered and completed. Review reconciliation process to identify deficiencies and implement improvements to ensure compliance.

<i>Para. # Finding:</i>	<i>Recommendation:</i>	<i>Management Response:</i>	<i>Corrective Action Plan:</i>
4 The Department did not conduct a periodic review of building values to ensure that insurance coverage was sufficient for buildings and contents.	In order to ensure that buildings are insured at appropriate levels, we recommend the Department implement procedures to periodically review building values including each building's purpose and square footage.	Concur. The insurance procedure was modified to reflect that building insurance values will be updated on a yearly basis.	Update and modify the DOH Insurance policy (DOHP 250-4-03) to reflect the new procedures requiring yearly standards to obtain values.
5 Purchasing card profiles were not always sufficiently documented.	In order to ensure that changes to purchasing cardholder profiles are only made based on properly approved cardholder profile information forms, we recommend the Department more closely monitor compliance with existing procedures for the proper completion and submission of cardholder profiles.	Concur.	Modify Purchasing Card Profile filing system and draft Purchasing Card Policy.
6 The Department did not have guidelines for establishing credit card limits. Additionally, the Department lacks procedures to periodically review the credit limits of purchasing cardholders.	To reduce the risk of inappropriate purchases, we recommend that the Department implement guidelines for the establishment of credit limit amounts and procedures to periodically review the continuing appropriateness of the credit limits of cardholders.	Concur that the department did not provide guidance for establishing credit card limits. Concur that the department does not have procedures to adequately monitor credit limits.	1. Update Purchasing Card User Guidelines. 2. Develop database to evaluate quarterly spending trends of cardholders and evaluate those trends to set credit limits.
7 Procedures for the reconciliation of purchasing card transactions needed improvements.	We recommend the Department take additional steps to ensure compliance with its established policies and procedures regarding purchasing card reconciliations and monitoring activities.	Concur. Purchasing Card Administration routinely provides reconciliation training. Reconciliation guidelines provided in the Purchasing Card User Guidelines will be updated.	Update Purchasing Card User Guidelines.

<i>Para. # Finding:</i>	<i>Recommendation:</i>	<i>Management Response:</i>	<i>Corrective Action Plan:</i>
<p>8 The Department did not ensure purchasing cards were timely canceled upon an employee's termination.</p>	<p>In order to reduce the risk of charges to purchasing cards by terminated employees, we recommend that the Department ensure compliance with established procedures that require supervisors to provide timely notification of employee terminations. We further recommend that the Department consider developing additional procedures to identify terminated employees to reduce the time between employee termination and purchasing card cancellation.</p>	<p>Concur. Purchasing Card Administration will create a report and process to reconcile purchasing cardholders to People First Employee file. This report will be run subsequent to each pay period and non matches will be manually verified, and cards deleted as appropriate.</p>	<p>Create report and process to reconcile purchasing cardholders to FLAIR payroll file.</p>
<p>9 The Department did not have documentation evidencing the Chief Financial Officer's approval for ten of the Department's locations accepting credit cards. Additionally, the Department did not have procedures for establishing and administering credit card acceptance locations.</p>	<p>We recommend that the Department continue efforts to improve procedures for accepting credit cards by developing policies to provide appropriate guidance and information for the Department's establishment and administration of credit card acceptance locations.</p>	<p>Concur. DOH is working with county health departments (CHDs) to improve procedures for accepting debit/credit cards as a method of payment for services provided. DFS has a new contract with Bank of America (BOA) effective January 1, 2007, for the state of Florida. BOA will be actively assisting DOH and CHD sites in providing up-to-date documentation. The Office of Policy & Systems Section is copied on all correspondence between the CHDs, Bank of America and the Treasurer's Office and provides input and assistance as needed during the process.</p>	<ol style="list-style-type: none"> 1. Serve as point of contact for CHDs electing to accept credit/debit cards as a form of payment. 2. Require DOH sites to submit new Participation Agreements by April 1, 2007 to BOA and copy DFS. 3. Create spreadsheet which will reflect the applicable forms on file for each site collecting credit card payments. 4. Develop policy to provide guidance and information for the establishment and administration of credit card acceptance locations.

<i>Para. # Finding:</i>	<i>Recommendation:</i>	<i>Management Response:</i>	<i>Corrective Action Plan:</i>
10	The annual report regarding credit card activity did not include 6 of 12 elements required by rule.	To ensure compliance with rules, we recommend the Department develop procedures to submit complete and accurate annual reports to the Chief Financial Officer. In addition, we recommend the Department maintain a current list of all credit card acceptance locations.	Concur. 1. Maintain an up-to-date listing of each site that is accepting credit card payments along with a contact name. The list will be used to verify annual report data. As new locations begin accepting credit card payments they will be notified by DOH of the data element fields required for the annual report to facilitate submission, if applicable, by July 30th each year. 2. Develop procedure to submit complete and accurate annual reports to the Chief Financial Officer.
11	Personnel Action Request (PAR) forms were not always approved in accordance with the established approval process.	To ensure that employee salaries and changes to employee information are approved by appropriate levels of management as designated by established PAR approval processes, we recommend the Department provide additional training and guidance to CHDs.	Concur. Provide additional training on PAR approval process.
12	The Department's policies and procedures did not ensure timely deletion of FLAIR user access for terminated employees.	To ensure that only authorized employees have access to the Department's accounting records, we recommend that the Department enhance procedures to timely remove FLAIR users upon termination.	Concur. Create report and process to reconcile FLAIR Users to FLAIR payroll file. Non matches will be manually verified, and FLAIR Users deleted as appropriate.

<i>Para. # Finding:</i>	<i>Recommendation:</i>	<i>Management Response:</i>	<i>Corrective Action Plan:</i>	
13	The Department had not corrected inaccurate and incomplete information in the Department's OCAMAN.	In order to provide assurance that expenditures are applied to the appropriate funding source, we recommend that the Department continue efforts to revise and update OCAs in the current OCAMAN system.	Concur. As a result of the finding in Statewide Federal Awards Audit, Report No. 2006-152, a concentrated effort was made to correct the noted problems as well as reviewing the OCA Management system on a regular basis. In the Corrective Action Plan 6-month update dated September 15, 2006, it indicated the review and corrections had been made and the review and update process would be an ongoing process. The list of OCAs was reviewed again and there was only one OCA that needed to be updated.	Review OCA Management system semi-annually to ensure the new OCAs that have been added to FLAIR have also been included in OCAMAN.
14	The Department did not maintain a list of cellular telephones and other wireless handheld devices. In addition, Department procedures did not require documentation of the selection of calling plans.	In order to effectively safeguard Department assets, we recommend that the Department maintain a complete listing of cellular telephones and other wireless handheld devices that identifies the employee to whom the equipment is assigned. In addition, to enhance assurance of the cost effectiveness of cellular telephone assignment and usage, we recommend that the Department amend its policies and procedures to require documentation that the most economical and cost-effective service plan was selected.	1. Concur. There is not a comprehensive list of all stand alone cellular phones. Lists are maintained by the various entities within the department. Maintaining a central list has not been determined to be cost effective for an agency of 16,000 decentralized staff. A list of other wireless handheld devices, such as BlackBerry's, that are connected to the DOH server network is available upon request from the Division of Information Technology. Additionally, the department requires these devices be input into the Asset Manager System per DOHP 50-2-04, Mobile Communications Policy. 2. Concur.	1. Determine the viability of maintaining a comprehensive list of stand-alone cell phones. 2. Emphasize the importance of maintaining a listing of stand alone cell phones within the various entities of the department and the need for these devices to be input into the Asset Manager System. 3. Disseminate a procedure to document the cost effectiveness of selected calling plans.
15	The Department had not updated several administrative policies to reflect current processes.	We recommend that the Department update and revise the identified policies and procedures.	Concur.	Review and update policies at least every two years, if necessary.

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