



AUDITOR GENERAL

DAVID W. MARTIN, CPA



DEPARTMENT OF MILITARY AFFAIRS

ADMINISTRATION OF SELECTED PROGRAMS AND FUNCTIONS

AND FOLLOW-UP ON SELECTED PRIOR AUDIT FINDINGS

Operational Audit

SUMMARY

This operational audit of the Department of Military Affairs (Department) for the period July 2005 through February 2007, and selected actions through June 2007, focused on the Department's administration of selected agency programs, construction contracts, and other administrative functions, and follow-up on selected prior audit findings. Our audit disclosed the following:

ADMINISTRATION OF AGENCY PROGRAMS

Finding No. 1: The Department did not document its determination of whether St. Petersburg College was a subrecipient or a vendor in operating and managing the Multi-Jurisdictional Counterdrug Task Force Training Program, nor was it clearly evident from the contract terms and conditions that a determination had been made.

Finding No. 2: Family Readiness Program procedures did not ensure that documentation demonstrating that Program assistance was used for the intended and authorized purpose was timely obtained and retained.

Finding No. 3: The Department had not adopted rules for its education assistance programs under the rulemaking requirements of Section 120.54, Florida Statutes. Section 250.10(7)(c), Florida Statutes, requires that the Adjutant General, together with the State Board of Education, adopt rules for the overall policy, guidance, administration, implementation, and proper utilization of its education assistance programs.

Finding No. 4: Department administration of the Educational Dollars for Duty Program did not ensure that participants were only enrolled in authorized courses and that such courses were completed and satisfactory progress was maintained. Additionally, procedures were not adequate to prevent the duplicate payment of some tuition and fees. Legislative clarification is also needed to determine whether the Department's practice of reducing reimbursements by prorated length of service is consistent with the intent of the language set forth in Section 250.10(9)(d), Florida Statutes.

CONSTRUCTION ADMINISTRATION

Finding No. 5: Contrary to the requirements of Section 287.055, Florida Statutes, the Department acquired professional services of architectural firms for nine projects without a public announcement and a formal competitive selection and negotiation process.

Finding No. 6: The Department's oversight of a construction contract did not ensure that criminal history background reports, proper insurance coverage, and certification of payment requests were obtained.

OTHER ADMINISTRATIVE FUNCTIONS

Finding No. 7: The Department could enhance its internal controls with the development and maintenance of comprehensive procedures manuals for Department business operations.

Finding No. 8: The Department did not identify all specified State employees required to file statements of financial interests in connection with their employment.

Finding No. 9: Department records did not demonstrate that buildings and contents were correctly valued for insurance purposes.

FINDINGS AND RECOMMENDATIONS

Administration of Agency Programs

Finding No. 1: Multi-Jurisdictional Counterdrug Task Force Training Program

BACKGROUND

The Florida Department of Military Affairs is a State agency, created by Chapter 250, Florida Statutes. The Florida National Guard, as a part of the organized militia of the State, is a reserve component force of the United States Department of Defense, National Guard Bureau. The Governor of Florida is the Commander-in-Chief of the Florida National Guard.

The Department's mission is to provide Florida National Guard units and personnel to support national security objectives; to protect the public safety of citizens; and to contribute to national, State, and community programs that add value to the United States of America and to the State of Florida.

Major General Douglas Burnett served as the Adjutant General of Florida, head of the Department, and Commanding General of the Florida Army and Air National Guard. Brigadier General Michael P. Fleming served as Assistant Adjutant General Army and Brigadier General Joseph G. Balskus served as Assistant Adjutant General Air.

As of May 2007, the Department was authorized 318 State employee positions, of which about half were partially or fully funded by the Federal Government. Additionally, about 1,800 Federally employed technicians and Active Guard Reserve personnel were assigned at Army and Air National Guard units throughout the State in support of more than 12,000 Florida National Guard soldiers and airmen. State and Federal expenditures for the Department and Florida National Guard were approximately \$467.5 million for 2006. Since September 2001, nearly 9,000 members of the Florida National Guard have been Federally mobilized.

The Department contracted with St. Petersburg College (College) to provide all personnel, equipment, and supplies necessary to operate and manage the Multi-Jurisdictional Counterdrug Task Force Training (MCTFT) Program. Funded by the Federal Government, the MCTFT Program consists of classes, courses, programs, and services in support of national counterdrug operations that are available at no charge to law enforcement officers, military personnel, and community-based organizations throughout the United States. In accordance with the contract, the Department reimbursed the College \$10.7 million during the period July 1, 2005, through February 28, 2007, for expenditures incurred in operating and managing the MCTFT Program.

Department of Financial Services, Chief Financial Officer's (CFO) Memorandum No. 04 (2005-06) requires that State agencies determine whether they are passing on Federal awards in the form of Federal financial assistance to subrecipients or procuring goods and services from a vendor. The CFO also requires that State agencies use criteria established in U. S. Office of Management and Budget (OMB) Circular No. A-133 in making their determinations and retain documentation in support thereof.

Our audit disclosed that the Department did not document its determination of whether the College was a subrecipient or a vendor in operating and managing the MCTFT Program, nor was it clearly evident from contract terms and conditions that a determination had been made. The subrecipient-vendor determination is critical for proper accountability since expenditures of \$500,000 or more in Federal awards by a subrecipient are required to be audited in accordance with OMB Circular No. A-133,

while payments received by a vendor for goods or services are not considered Federal awards.

Recommendation: The Department should evaluate, in accordance with OMB Circular No. A-133 criteria, the operation and management of the MCTFT Program to determine whether payments made to the College constitute a Federal award or payment for goods and services. This determination should be documented and retained by the Department as required by the CFO and should also be reflected in the terms and conditions of the Department's contract with the College.

Finding No. 2: Family Readiness Program

Chapter 2005-51, Laws of Florida, established the Family Readiness Program (Program) within the Department and provided an initial appropriation of \$5 million to fund the Program. The purpose of the Program is to provide need-based assistance to families of service members of the Florida National Guard and United States Reserve Forces, including the Coast Guard Reserves, who are on active duty serving in the Global War on Terrorism and who are Federally deployed or participating in State operations for homeland defense. The Department reported Program expenditures of \$425,204 for the period July 1, 2005, through February 28, 2007.

Florida National Guard (FLNG) Pamphlet 930-4, *Florida Family Readiness Program Assistance Fund*, provides the specific Program guidelines, procedures, and forms for administering the Program and providing needed assistance. FLNG Pamphlet 930-4 specifies that Program assistance will be used only for the authorized purposes for which the funding is requested in the application; requires proof that financial assistance was utilized for the intended purpose within 14 days of receipt of financial assistance; and provides that failure to utilize the financial assistance for the requested purpose, or to provide proof as required in the application for assistance, will constitute grounds for recoupment of the assistance and may result in criminal or civil action in accordance with State law.

Our audit tests indicated that the Department generally complied with applicable significant Program requirements and guidance. However, we found that four of ten recipient files reviewed did not contain receipts or invoices documenting that Program funds were utilized for the intended and authorized purpose. The absence of such documentation indicates that established controls were not adequate to ensure consistent and effective monitoring of a recipient's use of Program funds. Similar findings were noted in reviews conducted by the Department's Inspector General, who recommended that the Department follow up with recipients within an appropriate time frame to obtain the documentation necessary to ensure that funds were spent as intended.

Recommendation: The Department should strengthen its procedures to ensure that Program recipients timely provide documentation demonstrating that assistance is utilized as intended and authorized. Additionally, the Department should ensure that such documentation is retained in Program files.

Finding No. 3: Adoption of Rules for Education Assistance Programs

Section 250.10, Florida Statutes, requires that the Adjutant General, in conjunction with the State Board of Education, develop education assistance programs for active members of the Florida National Guard who enroll in a public institution of higher learning in the State. These education assistance programs have become an integral part of the Florida National Guard's recruitment and retention efforts.

The Statute also provides general guidelines and eligibility requirements, and requires that the Adjutant General, together with the State Board of Education, adopt rules for the overall policy, guidance, administration, implementation, and proper utilization of the programs. The Department issued FLNG Pamphlet 621-5-2, *State Tuition Exemption Program/Educational Dollars for Duty*, that provides specific guidance regarding eligibility, termination of eligibility, and repayment of tuition benefits. However, the Department, in conjunction with the

State Board of Education, has not adopted administrative rules for the programs pursuant to the rulemaking procedures set forth in Section 120.54, Florida Statutes.

Recommendation: The Department should confer with the Joint Administrative Procedures Committee to determine the appropriate actions necessary for compliance with the rulemaking requirements of Section 250.10, Florida Statutes.

Finding No. 4: Educational Dollars for Duty Program Administration

The Educational Dollars for Duty Program (EDD) is the Department's primary education assistance program, receiving legislative appropriations of \$3,481,900 for both the 2005-06 and 2006-07 fiscal years. The Department reported EDD expenditures for payment of tuition and fees to eligible Florida National Guard members of \$1.87 million for the 2005-06 fiscal year and \$1.37 million for the first eight months of the 2006-07 fiscal year.

Our review of the Department's administration of EDD, as implemented, disclosed the following:

- Department personnel did not, of record, review enrollment records to ensure that members were enrolled in authorized courses. Section 250.10(7)(b), Florida Statutes, provides that courses not authorized include noncredit courses, courses that do not meet degree requirements, or courses that do not meet requirements for the completion of career training. Although no unauthorized course enrollments were noted in our tests, without procedures to document the review of members' course enrollments, the Department has limited assurance that the courses are authorized under EDD. A similar finding was noted in audit report No. 2004-045.
- Department personnel did not, of record, obtain or review final grades or transcripts to monitor participating members' completion of enrolled courses and satisfactory academic progress. To maintain eligibility in the EDD, FLNG Pamphlet 621-5-2 requires, in part, that members submit grade reports or transcripts evidencing that courses were completed for which tuition and fees were paid and that satisfactory academic progress (a minimum 2.0 grade point average) was

maintained. Our tests of ten participating members from the Fall 2006 and Spring 2007 semesters disclosed that for three members, no grade reports or transcripts were on file, and for seven members, the most recent grade reports or transcripts on file were for semesters prior to the Fall 2005 semester. Additionally, for one participant, the EDD paid for Fall 2005 tuition and fees although the transcript on file indicated a minimum 2.0 grade point average had not been maintained. Absent procedures that ensure that grade reports and transcripts are timely received, reviewed, and retained, the Department has limited assurance that members are making satisfactory progress in accordance with EDD requirements. A similar finding was noted in audit report No. 2004-045.

- The Department overpaid tuition and fee charges from one university for the Spring 2006 semester totaling \$62,631. The overpayments were disclosed by our analysis of tuition and fee payments that showed unusually large cumulative tuition and fee payments for certain participating members during the 2005-06 fiscal year. In response to audit inquiry, Department personnel stated that the overpayments occurred because duplicate invoices were received and paid for the tuition and fees of 45 EDD participants at one university. Subsequent to audit inquiry, Department personnel requested a refund for which payment was received in March 2007.
- Section 250.10(9)(d), Florida Statutes, provides, in part, that if a member leaves the Florida National Guard during the three-year period the member has agreed to serve after completing the courses for which payments were made, the member shall reimburse the Department all tuition charges and student fees for which the member received payment, unless the Adjutant General finds that there are justifiable extenuating circumstances. Our review disclosed that Department policy automatically considered a participant's partial completion of the three-year commitment period in the Florida National Guard to be a justifiable extenuating circumstance. Accordingly, the Department reduced the participant's reimbursement amount by the prorated length of service completed during the three-year commitment period.

The Department reported a net receivable of approximately \$1.2 million due from former participants as of February 28, 2007. We could not readily determine how much the net receivable

had been reduced for the prorated length of service calculations. It was also not apparent that the Department’s practice of automatically reducing reimbursements by prorated lengths of service was consistent with “justifiable extenuating circumstances” set forth in Statute.

Recommendation: The Department should revise EDD procedures to ensure that records document participating members are only enrolled in authorized courses; final grades or transcripts are timely obtained, reviewed, and retained; and duplicate tuition and fee payments are not made. Also, the Department should seek legislative clarification as to whether its practice of automatically reducing reimbursements by prorated length of service is consistent with Section 250.10(9)(d), Florida Statutes, which requires reimbursement for all tuition charges and student fees unless there are justifiable extenuating circumstances.

Construction Administration

Beginning in the 2001-02 fiscal year, the Legislature began appropriating General Revenue to the Department to fund the Florida Readiness Centers Revitalization Plan. As shown in Table 1 below, the Department had received appropriations totaling \$36,895,000 through the 2006-07 fiscal year.

**Table 1
Florida Readiness Centers Revitalization**

Fiscal Year	Implementing Law of Florida	Appropriation
2001-02	Chapter 2001-253	\$ 2,000,000
2002-03	Chapter 2002-394	2,000,000
2003-04	Chapter 2003-397	500,000
2004-05	Chapter 2004-268	6,500,000
2005-06	Chapter 2005-70	7,295,000
2006-07	Chapter 2006-25	18,600,000
Total		\$ 36,895,000

The Department operated 56 readiness centers (armories) throughout the State, 53 of which were scheduled for renovations. As of June 25, 2007, renovation projects had been completed at 11 armories and 8 renovation projects were in process. The estimated construction costs for renovating the remaining 34 armories was \$86.5 million. The

Department's Construction and Facility Management Office was responsible for administering the Revitalization Plan and other construction and maintenance activities in accordance with provisions in Chapters 255 and 287, Florida Statutes, and Department of Management Services Rule 60D-5, Florida Administrative Code.

Finding No. 5: Architect Selection Process

Section 287.055, Florida Statutes, the Consultants’ Competitive Negotiation Act, requires that professional services, including architectural, professional engineering, landscape architecture, and registered surveying services, be acquired pursuant to a formal competitive selection and negotiation process. The Act generally requires that the Department publicly announce, in a uniform and consistent manner, each occasion when professional services must be purchased for a project with a basic construction cost that is estimated by the agency to exceed \$250,000, or when a planning or study activity fee is estimated to exceed \$25,000. However, the Act provides that a continuing contract for professional services may be entered into for construction projects when the construction costs do not exceed \$1 million, for a study activity when the fee for such professional service does not exceed \$50,000, or for work of a specified nature as outlined in the contract.

We reviewed the architect selection process for 19 Florida Readiness Center Revitalization Plan projects with construction in progress during the 2005-06 and 2006-07 fiscal years. As shown by Table 2, for 9 of the projects, the construction costs exceeded \$1 million. For these 9 projects, contrary to the requirements of Section 287.055, Florida Statutes, the Department issued multiple work authorizations to 3 architectural and engineering (A&E) firms engaged under continuing contracts, rather than publicly announcing the need for architectural and engineering services. For the Cocoa, Ft. Pierce, Palatka, and Camp Blanding projects, we did note that the Department requested proposals for professional services from 10 A&E firms that had been previously engaged by the

Department under continuing contracts. While this may have introduced some competition into the selection of firms, additional competition may have been realized through the public announcement and solicitation of professional service proposals.

**Table 2
Readiness Center Project Costs**

A&E Firm	Work Authorization Date	Readiness Center Project	Architect Fees	Construction Costs
Firm A	07/12/05	Sanford	\$ 85,051	\$ 1,200,957
		Ft. Lauderdale	127,576	2,680,113
Firm A	02/14/06	Cocoa	141,261	1,407,000
		Ft. Pierce	88,407	1,494,640
		Palatka	113,789	1,832,065
Firm B	07/12/05	Winter Haven	58,724	1,226,533
		Deland	101,473	1,658,433
Firm C	10/17/05	Snyder/Normandy	107,700	1,811,223
	01/06/06	Camp Blanding	80,069	2,041,172
Total			\$ 904,050	\$ 15,352,136

Source: Department Records.

The Legislature has recognized in Section 287.001, Florida Statutes, that fair and open competition is a basic tenet of public procurement and that such competition reduces the appearance and opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically. Absent utilization of the required competitive selection process, the Department's ability to demonstrate the fair, equitable, and economical procurement of A&E services is limited.

Recommendation: The Department should revise its procedures to ensure a public announcement and a formal competitive selection and negotiation process for architectural and engineering services when construction costs or professional fees exceed the threshold amounts specified in Section 287.055, Florida Statutes.

Finding No. 6: Monitoring Contract Compliance

Our audit included a test of one construction project that was begun and completed during the audit period, a \$1.5 million renovation project at the Live Oak Armory. Our audit tests disclosed the following deficiencies:

➤ **Criminal History Background Reports.** The Department did not monitor whether the

contractor obtained and paid for criminal history background reports for all employees, agents, subcontractors, and all other persons performing work on the project as required by the construction agreement. The criminal history background reports were to be forwarded to the Department whereupon the Office of Inspector General would make recommendations regarding whether or not to allow individuals entry to Department facilities. Our review disclosed that, contrary to contract provisions, the Department had not received any criminal history background reports from the contractor.

➤ **Insurance Coverage.** Department records did not evidence that architects and subcontractors were adequately insured. Exposure to the risks of possible loss are limited by ensuring that contractual agreements require that adequate insurance coverage be secured and maintained for professional (errors and omissions), general, automobile, and workers' compensation liabilities as necessary under the circumstances.

- The Department's agreement with the project architect did not require that the architect obtain any insurance, nor was documentation of the architect's insurance coverage obtained by the Department.
- The Department's construction agreement with the contractor required that subcontractors be insured for general, automobile, and workers' compensation liabilities under either the contractor's policy or their own policy; however, the Department did not, of record, verify that the required coverages were provided.

➤ **Certification of Payment Requests.** The Department did not require that the project architect document certification for 7 of 9 payment requests submitted by the contractor, including the final payment request. The Department's agreement with the architect required that the architect determine and certify the amount owed to the contractor based on the work progress indicated on the payment application, and also required that the architect determine the dates of substantial and final completion and issue a final certificate of payment. Absent documented certification of the work performed, the Department has less assurance that periodic and final contractor payment applications fairly represent the work completed.

Recommendation: The Department should enhance the oversight of its construction program to ensure adherence to contract terms and conditions. Specifically, the Department should ensure that criminal history background reports are obtained and reviewed when required by the terms of the agreement; architects, contractors, and subcontractors are adequately and properly insured; and certification of work progress is adequately documented.

Other Administrative Functions

Finding No. 7: Procedures Manuals

The Department assigned and separated various business activities, such as accounting, payroll, human resources, budgeting, and purchasing, to promote internal controls. However, our review disclosed that Department personnel conducted business operations without benefit of procedures manuals documenting and communicating to employees the day-to-day processes to be used to accomplish management objectives. In response to audit inquiry, Department personnel stated that the process of developing comprehensive procedures manuals had recently begun.

Procedure manuals document the duties of business personnel and communicate management’s commitment to, and support of, internal controls. Additionally, procedures manuals provide management assurance that new staff are appropriately trained, and changes and transitions in key business personnel will not disrupt business operations.

Recommendation: The Department should continue its efforts in developing comprehensive procedures manuals for its various business operations.

Finding No. 8: Statements of Financial Interests

Section 112.3145, Florida Statutes, requires that State officers and specified State employees file a statement of financial interests with the Commission on Ethics no later than July 1 of each year. The Statute also requires that the agency head of each employing agency, or his or her designee, notify each newly

employed specified State employee of this filing requirement no later than the day of employment. Specified State employees include business managers, purchasing agents having the authority to make any purchase exceeding the threshold amount of \$15,000, finance and accounting directors, personnel officers, or grants coordinators for any State agency.

The Department had identified a total of 13 State officers and specified State employees who were required to file a statement of financial interests in connection with their membership or affiliation on the Department’s Armory Board or employment with the Department. However, our review disclosed additional Department employees who appeared to be in positions included under the statutory definition of specified State employee. Subsequent to audit inquiry, the Department identified an additional 31 specified State employees that were required to file statements of financial interests and notified the employees of the filing requirement in June 2007.

Recommendation: The Department should continue its efforts to ensure that current and future specified State employees are advised of the filing requirements of Section 112.3145, Florida Statutes, and ensure that the statements are timely filed with the Commission on Ethics.

Finding No. 9: Property Insurance

In accordance with Chapter 284, Florida Statutes, the Department of Financial Services, Division of Risk Management, provides insurance coverage for all State-owned buildings and contents through the State Risk Management Trust Fund (Trust Fund). Since the 2003-04 fiscal year, the building valuation method used by the Trust Fund identifies actual cash value (ACV) as the insurable value of a building. The calculation of ACV utilizes factors that account for both appreciation for current construction costs and depreciation for a building’s effective age. Insurance coverage for building contents is determined either by inventoried value or by the number of positions and other factors.

As reported to the Trust Fund, the insurable value of the Department's 318 buildings was approximately \$125 million for the 2006-07 fiscal year. However, Department staff were unable to provide us with detailed documentation or calculations supporting the reported ACV for each Department building. Absent documentation of each building's ACV, management cannot provide assurance that individual buildings have proper insurance coverage or that the underlying data used in determining premium payments was correct. Department staff were also unable to provide us with detailed documentation supporting how the \$3.9 million reported to the Trust Fund for building contents was determined, either by building or in total.

Subsequent to our inquiries, we were advised by Department staff that they were in the process of developing a risk management methodology and guidelines for monitoring, reviewing, and procuring insurance coverage for the Department's buildings and contents.

Recommendation: The Department should conduct a thorough analysis of its building and contents valuations to ensure that appropriate insurance coverage is obtained through the Trust Fund. The Department should also continue its efforts in developing a risk management methodology and guidelines to document the Department's insurance plan.

OBJECTIVES, SCOPE, AND METHODOLOGY

This operational audit focused on internal controls over selected administrative and financial management areas, including, but not limited to, payroll and human resources, State construction contracts, general and capital expenditures, State purchasing card transactions, community programs, and education assistance programs. Our objectives were:

- To determine the effectiveness of internal controls regarding:
 - State construction contracts for the Florida Readiness Centers Revitalization Plan.
 - The Family Readiness Program.
 - Various administrative and financial management functions.

- To follow up on findings noted in audit report Nos. 2004-045 and 2006-009 related to FEMA Public Assistance Grants Program, Education Assistance Programs, Federal cash advances, forfeiture programs, the Multi-Jurisdictional Counterdrug Task Force Training Program, Armory Operations Accounts, and purchasing cards.

In conducting our audit, we interviewed Department personnel, obtained an understanding of internal controls, observed and documented key processes and procedures, examined selected transactions, and performed various other audit procedures as necessary to accomplish the objectives of the audit. Our audit included examinations of various transactions (as well as events and conditions) occurring during the period July 2005 through February 2007, and selected actions through June 2007.

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.



David W. Martin
Auditor General

MANAGEMENT RESPONSE

In a response letter dated October 10, 2007, the Adjutant General of the Department of Military Affairs provided a response to our preliminary and tentative audit findings. The Adjutant General's response is included 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*. The operational audit was coordinated by Randy R. Arend, CPA, and supervised by John P. Duffy, CPA. Please address inquiries regarding this report to Nancy C. Tucker, CPA, Audit Manager, by e-mail (nancytucker@aud.state.fl.us) or by telephone (850-487-4370).

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.myflorida.com/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
PAGES 11 - 16**



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

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

October 10, 2007

Mr. David Martin
Auditor General, State of Florida
G-74 Claude Pepper Building
111 West Madison Street
Post Office Box 1735
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Enclosed, herewith, is the Florida Department of Military Affairs' (FDMA) response to your preliminary and tentative findings and recommendations relating to your Operational Audit of the Department of Military Affairs, Administration of Selected Programs and Functions and Follow-up on Selected Prior Audit Findings, for the period July 2005 through February 2007, and selected actions through June 2007.

In accordance with Section 20.055 (5)(g), Florida Statutes, the FDMA's Inspector General will provide to the Legislative Auditing Committee, within six months after the published date of the review report, a written explanation of the status of recommendations contained within the aforementioned report.

If you have any questions, or if you require any additional information, please do not hesitate to contact the undersigned at (904) 823-0220.

Sincerely,

Edward C. Mosca, CPA
State Inspector General
Florida Department of Military Affairs

Enclosure

Copy Furnished:

Major General Douglas Burnett
Colonel Jesse D. Kinghorn, Jr.
Mr. John Duffy



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

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

October 10, 2007

Mr. David Martin
Auditor General, State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Pursuant to the provisions in Section 11.45(4)(d), Florida Statutes, we present, herewith, the Florida Department of Military Affairs' (FDMA) explanation and actual or proposed corrective actions concerning preliminary and tentative audit findings and recommendations which may be included in a report to be prepared on your Operational Audit of the Department of Military Affairs, Administration of Selected Programs and Functions and Follow-up on Selected Prior Audit Findings, for the period July 2005 through February 2007, and selected actions through June 2007.

We are pleased to note that actions to correct current deficiencies, that may be included within the report, will be aggressively pursued.

Finding No. 1: Multi-Jurisdictional Counterdrug Task Force Training Program

Recommendation: The Department should evaluate, in accordance with OMB Circular No. A-133 criteria, the operation and management of the MCTFT Program to determine whether payments made to the College constitute a Federal award or payment for goods and services. This determination should be documented and retained by the Department as required by the CFO and should also be reflected in the terms and conditions of the Department's contract with the College.

The Department has determined by reviewing the criteria in OMB Circular No. A-133 that payments made to the College constitutes a payment for goods and services. The letter will be retained in the Department's Purchasing Section. The contract between the Department and College will reflect this information in the terms and condition section.

Finding No. 2: Family Readiness Program

Recommendation: The Department should strengthen its procedures to ensure that Program recipients timely provide documentation demonstrating that assistance is utilized as intended and authorized. Additionally, the Department should ensure that such documentation is retained in Program files.

The Department has secured all required receipts identified in the four deficient files and is reviewing all remaining case files to ensure 100% compliance. Furthermore, the Department has implemented Standard Operating Procedures (SOPs) which will ensure that (1) future program fund recipients fully understand their obligation to provide receipts within 14 days of funds expenditure, (2) the Department accurately tracks compliance and non-compliance, and (3) the Department pro-actively seeks copies of receipts from fund recipients and/or vendors as needed.

Finding No. 3: Adoption of Rules for Education Assistance Programs

Recommendation: The Department should confer with the Joint Administrative Procedures Committee to determine the appropriate actions necessary for compliance with the rulemaking requirements of Section 250.10, Florida Statutes.

The Department is currently reviewing/rewriting and pursuing legislative changes to Florida Statute 250.10 to clarify the policy in this Section. Florida Pamphlet FNG 621-5-2 will be rewritten/updated after legislative changes and submitted through proper channels to the Joint Administrative Procedures Committee for acceptance/approval in accordance with Section 120.54, Florida Statute.

Finding No. 4: Educational Dollars for Duty Program Administration

Recommendation: The Department should revise EDD procedures to ensure that records document participating members are only enrolled in authorized courses; final grades or transcripts are timely obtained, reviewed, and retained; and duplicate tuition and fee payments are not made. Also, the Department should seek legislative clarification as to whether its practice of automatically reducing reimbursements by prorated length of service is consistent with Section 250.10(9)(d), Florida Statutes, which requires reimbursement for all tuition charges and student fees unless there are justifiable extenuating circumstances.

The Department has implemented policies and procedures to ensure that members are enrolled in authorized courses. Degree plans are now on file prior to approval of Tuition assistance. Grade submittal is now required prior to payment of tuition and also serve to track

academic progress. Tuition payment procedures have been reviewed and updated to prevent overpayment/duplicate payment of tuition. These policies/procedures will be implemented in Florida Pamphlet FNG 621-5-2 upon rewrite.

The Department is seeking legislative changes/guidance to clarify the intent/policy of Florida Statute 250.10 on reimbursement requirements. These changes/guidance will be implemented in Florida Pamphlet FNG 621-5-2 upon rewrite. The Department has changed the procedure in the interim for calculating the amount owed if a member departs the Florida National Guard prior to completion of the three year service requirement.

Finding No. 5: Architect Selection Process

Recommendation: The Department should revise its procedures to ensure a public announcement and a formal competitive selection and negotiation process for architectural and engineering services when construction costs or professional fees exceed the threshold amounts specified in Section 287.055, Florida Statutes.

Effective January 2007 the Department implemented a "Standing Operating Procedure (SOP) for Selection of the Design Professional." The SOP implemented current Florida Statutes including competitive selection of design firms for projects whose cost will exceed \$1,000,000.

Finding No. 6: Monitoring Contract Compliance

Recommendation: The Department should enhance the oversight of its construction program to ensure adherence to contract terms and conditions. Specifically, the Department should ensure that criminal history background reports are obtained and reviewed when required by the terms of the agreement; architects, contractors, and subcontractors are adequately and properly insured; and certification of work progress is adequately documented.

The Department has determined through research of Florida Statutes and consultation with other available authoritative resources, requirement for criminal history background reports does not apply to Department of Military Affairs' projects. We will omit the requirement for criminal history background reports from future construction contract awards. We have implemented procedures to verify compliance with insurance requirements. Notices to proceed with construction contracts are not issued prior to compliance. A/E certification of construction contractor payments is now required prior to processing for payment.

Finding No. 7: Procedures Manuals

Recommendation: The Department should continue its efforts in developing comprehensive procedures manuals for its various business operations.

The Department will enhance its internal controls with the development and maintenance of comprehensive procedures manuals for department business operation of the Finance/Accounting, Purchasing/Contracting and State Personnel Sections in the State Quartermaster Office by writing Standard Operating Procedure (SOP) manuals for each desk. SOPs will be reviewed and updated annually.

Finding No. 8: Statements of Financial Interests

Recommendation: The Department should continue its efforts to ensure that current and future specified State employees are advised of the filing requirements of Section 112.3145, Florida Statutes, and ensure that the statements are timely filed with the Commission on Ethics.

The Department has a total of 31 state employees identified, which include the "STATE EMPLOYEES" on the Armory Board. We do not have Federal employees on this list. The Commission on Ethics has been notified to disregard the previous listing which removes the Federal employees and honor the most current one submitted on June 19, 2007. The State Personnel Office maintains the list and will annually notify employees of their responsibility to submit their disclosure.

Finding No. 9: Property Insurance

Recommendation: The Department should conduct a thorough analysis of its building and contents valuations to ensure that appropriate insurance coverage is obtained through the Trust Fund. The Department should also continue its efforts in developing a risk management methodology and guidelines to document the Department's insurance plan.

The Department is in the process of conducting a complete review of the 318 buildings and property content to ensure they are in compliance with the State Risk Management Trust Fund actual cash value.

We appreciate the courtesies and professionalism of your staff throughout the audit process. If you have any questions, or if you require any additional information, please do not hesitate to contact Colonel Jesse D. Kinghorn, Jr., State Quartermaster, at (904) 823-0200 or Mr. Edward C. Mosca, CPA, State Inspector General, at (904) 823-0220.

Sincerely,

A handwritten signature in black ink, appearing to read "Douglas Burnett", written in a cursive style.

DOUGLAS BURNETT
Major General
Florida National Guard
The Adjutant General

Copy Furnished:

Mr. John Duffy