



AUDITOR GENERAL

DAVID W. MARTIN, CPA



DEPARTMENT OF COMMUNITY AFFAIRS AND DIVISION OF EMERGENCY MANAGEMENT ADMINISTRATIVE ISSUES

Operational Audit

SUMMARY

This audit of the Department of Community Affairs (Department) and the Division of Emergency Management (Division) focused on administrative issues primarily related to purchasing cards and travel expenditures. The audit included the period July 2005 through February 2007, and selected actions taken through November 2007. Our audit disclosed that Department and Division operations could be improved as disclosed below:

Finding No. 1: Changes in position responsibilities and improved controls were necessary to ensure appropriate oversight of the Purchasing Card Program.

Finding No. 2: Purchasing cards were not always timely cancelled or deactivated, upon a cardholder's separation from the agency or commencement of extended leave.

Finding No. 3: Significant delays were noted in the approval of purchasing card transactions.

Finding No. 4: Improved Travel Revolving Fund controls were needed.

Finding No. 5: Weaknesses existed in the processes for review, approval, and documentation of travel expenditures. Also, some of the requested voucher packages were not available for review.

Finding No. 6: Warrant handling procedures for the Front Porch Program did not provide for an appropriate separation of duties.

BACKGROUND

The Department was created by Section 20.18, Florida Statutes. The Department's responsibilities include oversight of local government comprehensive planning, administration of Statewide building codes, and administration of numerous programs that award grants to eligible local governments for infrastructure, community improvement, revitalization of commercial areas, housing rehabilitation, and economic projects, and to community action agencies to assist persons with critical needs, such as food, clothing, healthcare, and utilities.

Pursuant to Law, effective July 2006, the Division became a separate entity from the Department. The Director of the Division serves at the pleasure of the Governor and is the agency head for all purposes. The Division is responsible for the overall coordination of the State Emergency Response Team, operation of the State Emergency Operations Center (EOC), and coordination of the State's response to address the needs of disaster victims and emergency responders. Additionally, the Division is responsible for administering numerous grant programs related to emergency preparedness, response, recovery, and mitigation.

According to a service agreement between the Department and the Division, the Department is responsible for handling administrative activities of the Division. The Division is not subject to control,

supervision, or direction by the Department in any manner, including, but not limited to personnel, purchasing, transactions involving tangible personal property, and budgetary matters.

FINDINGS AND RECOMMENDATIONS

Purchasing Card Program

The State of Florida's Purchasing Card Program (Program) is intended to streamline acquisition and disbursement processes and reduce the cost of making small-dollar purchases. Oversight of the Program is provided by the Department of Financial Services (DFS) and the Department of Management Services (DMS).

The Purchasing Card Program Administrator (PCPA) within the Department's Purchasing Office, handles the administrative responsibilities of the Program. The Division is responsible for oversight of all purchasing cards assigned to employees of the Division.

During the period July 2005 through February 2007, the number of purchasing cards increased significantly. A total of 31 purchasing cards were issued, as of July 2005. As of February 2007, the Department reported having 99 purchasing cards and the Division reported having 236 purchasing cards. The primary use of these cards related to travel expenditures and the purchase of office supplies and nonrecurring services. Program expenditures increased approximately 46 percent from fiscal year 2004-05 to fiscal year 2005-06.

Finding No. 1: Purchasing Card Oversight

We identified areas in which improvements to Purchasing Card Program internal controls were needed:

- Excessive access existed for five Division purchasing cards. These cards, with an aggregate credit limit of \$450,000, were maintained in a Division safe, the combination of which was made known to at least 17 current employees. According to the Division, these purchasing cards were

activated only during emergencies. However, depending on the frequency and length of time of declared emergencies, such cards may remain activated for extended periods of time. Access to purchasing cards held for emergencies, which have been activated for use, should be limited to few individuals whose responsibilities require access to or use of these cards. Otherwise, identification of the person responsible for making charges to these cards may not be readily determinable.

- To the extent possible, certain duties should be divided among employees to avoid the assignment of incompatible duties. For example, an employee who has the capability to initiate purchasing card transactions should not also be capable of approving his or her own purchasing card charges. According to the DFS Purchasing Card Approval and Distribution Manual, an agency is required to have one level of approval between the cardholder and the fiscal office (i.e., the Department's Finance and Accounting Office).
 - The Department's Purchasing Office employed four staff, including the PCPA. Our audit disclosed instances in which incompatible duties had been assigned. Specifically:
 - The PCPA's capabilities included all aspects of the initiation, approval, and monitoring of purchasing card transactions. Additionally, the PCPA was responsible for ordering new cards, deactivating cards, adjusting card thresholds, setting card limits, and overriding established card parameters to approve unusual transactions, as the contact person for the issuing bank.
 - Two employees of the Purchasing Office were cardholders and approved their own purchasing card transactions.
 - Incompatible duties were assigned to an employee within the Division. The employee was the custodian for the five purchasing cards held for emergency purchases, as described above. This employee had some purchasing responsibilities, and periodically used one

of the five purchasing card within her custody. This employee was the designated approver for all of the purchasing card transactions made using these five cards, including her own transactions. This employee also had the authority to request activation and deactivation by the PCPA of the five cards held for emergency use.

- An employee within the Division of Community Planning was a cardholder and had approval authority for her purchasing card transactions.

Weaknesses in the internal controls of the Program may allow inappropriate transactions to occur and not be timely detected.

Recommendation: We recommend that the Division take steps to limit the access to the purchasing cards held for emergency. We also recommend that the Department and the Division review and revise position responsibilities to ensure an appropriate assignment of duties.

Finding No. 2: Cancellation or Deactivation of Purchasing Cards

As a condition of participation in the Program, the Department and the Division are responsible for the implementation of key internal controls, including the timely cancellation or deactivation of purchasing cards upon a cardholder's separation from the agency or commencement of a period of extended leave. These controls are described in the Initial Set-Up Plan (Plan), which was reviewed and approved by DFS and DMS.

According to the Plan, the PCPA should be notified by the Personnel Office upon a cardholder's resignation or termination, so that the purchasing card assigned to the employee can be cancelled. The retrieval of purchasing cards was the responsibility of the applicable supervisor who was required to destroy the purchasing card or forward it to the PCPA for destruction.

Through various audit procedures, we identified 18 purchasing cards that were not promptly cancelled or

deactivated, for periods ranging from 11 to 126 days after the cardholder's separation from the Department or Division. These separation dates ranged from August 2005 through March 2007. The credit limits for these cards ranged from \$5,000 to \$20,000. Of these 18 purchasing cards, 15 were assigned to Division employees and 3 were assigned to Department employees.

For an additional Division purchasing card, the card remained active as of April 2007, although the employee had been on military leave since July 2006. This purchasing card had not been retrieved from the employee. However, based on our review of the purchasing card records, there were no charges made to the card subsequent to the employee's commencement of military leave.

Absent the routine identification of employees on extended leave and employees that have separated from the Department or the Division, appropriate review to determine whether any of these employees were assigned purchasing cards, and verification that such cards were retrieved and deactivated or cancelled, unauthorized purchases may occur and not be timely detected.

Recommendation: We recommend that the Department and Division implement controls to ensure the timely cancellation or deactivation of purchasing cards upon a cardholder's separation or extended absence from the Department or Division.

Finding No. 3: Delays in Approval of Purchasing Card Transactions

Purchasing card transactions are reviewed, coded, and approved by designated employees using an on-line system, referred to as the Purchasing Card Module (Module). Pursuant to terms of the State's Purchasing Card Program contract with the administering commercial bank, purchasing card transactions must be approved for payment to the bank within ten calendar days of receipt in the Module. Upon Department or Division approval of purchasing card transactions, necessary information is transmitted to

DFS to generate an electronic funds transfer to the bank. These payments are to be made on a daily basis, and all appropriate accounts are to be updated to account for the payment.

The Department and the Division recorded 16,044 purchasing card transactions, totaling \$1,794,340, during the period July 2005 through February 2007. Based on our analysis of these records, 8,712 purchasing card transactions, or 54 percent, were not approved, within 10 days, as required by contract. The average number of days elapsed between the date the transaction was recorded in the Module (i.e., approximately 4 days after the transaction date) and the approval date was approximately 16 days. A summary of the number of days late by range of days and by organizational unit are included below in Tables 1 and 2.

Days	Transactions
11 - 30	6,939
31 - 60	1,451
61 - 90	245
91 - 120	52
121 - 151	16
152 -	<u>9</u>
Total	<u>8,712</u>

Source: Purchasing Card Module.

	Number of Transactions With Approval Delays
Office of the Secretary	514
Division of Community Planning	173
Division of Housing and Community Development	382
Division of Emergency Management	<u>7,643</u>
Total	<u>8,712</u>

Source: Purchasing Card Module.

In response to our inquiries, the Department and the Division indicated that a process improvement initiative was on-going. The Division further explained that reasons for the delays included the lack of necessary documentation to approve the transactions during periods of travel and the lack of budget authority to process payments during activation of the EOC.

The administering bank may terminate an agency's use of purchasing cards for late reimbursement of purchasing card transactions. Disruption or termination of the Program could cause delays and difficulties in the procurement of goods and services, which may affect the ability of employees to accomplish agency objectives, especially during periods of emergency.

Recommendation: We recommend that the Department and the Division ensure that all purchasing card transactions are reviewed and approved, as appropriate, within the established time requirement.

Travel

The Department and the Division recorded approximately \$6.2 million for travel expenditures for the 2005-06 and 2006-07 fiscal years combined. These expenditures included car rentals, hotel charges, airfare, employee reimbursements for mileage and

meals, and training and registration fees. A summary of the travel expenditures is included in Table 3.

revolving fund was established in the amount of \$250,000.

Table 3
Summary of Travel Expenditures
For the 2005-06 and 2006-07 Fiscal Years

	Department*	Division	Total
Fiscal Year 2005-06			
In-State travel	\$ 811,840	\$ 2,383,759	\$3,195,599
In-State training	54,291	52,328	106,619
Out-of-State travel	37,812	111,393	149,205
Out-of-State training	19,649	1,836	21,485
Total	<u>\$ 923,592</u>	<u>\$ 2,549,316</u>	<u>\$ 3,472,908</u>
Fiscal Year 2006-07			
In-State travel	\$ 934,037	\$ 1,537,578	\$ 2,471,615
In-State training	55,062	43,062	98,124
Out-of-State travel	49,792	19,605	69,397
Out-of-State training	21,340	57,450	78,790
Total	<u>\$ 1,060,231</u>	<u>\$ 1,657,695</u>	<u>\$ 2,717,926</u>
Grand Total	<u>\$ 1,983,823</u>	<u>\$ 4,207,011</u>	<u>\$ 6,190,834</u>

* Excluding the Division of Emergency Management
Source: FLAIR

Our audit included review of the Travel Revolving Fund bank reconciliations completed for the months July 2005 through February 2007 and June 2007. We also observed the processes applicable to the administration of the Travel Revolving Fund. Our audit disclosed that improvements in the administration and oversight of the Travel Revolving Fund were necessary and that established policies and procedures were not always followed. Specifically:

- Department Administrative Procedure 1203.1 prescribed the policies and procedures applicable to travel advances and the Travel Revolving Fund. The procedure did not include any guidance regarding reconciliation and monitoring of the Travel Revolving Fund.
- The outstanding balance owed to the fund from travelers or due to or from other State accounts, was not accounted for and tracked, either in total, by advance, or by traveler. In October 2007, we were provided with a listing of travel advances outstanding, as of June 2007, totaling approximately \$83,000. This listing included advances issued during the period August 2004 through June 2007, and included advances issued to both current and former employees. Additionally, Department staff identified approximately \$15,000 as due to other State accounts from the Travel Revolving Fund.
- The procedures used to reconcile the Travel Revolving Fund were not sufficient.
 - The procedures used to reconcile the account consisted of reconciling the bank balance to the checkbook balance. The procedure did not provide for a reconciliation of the checkbook balance, and records of the amounts due to the fund, to the amount authorized for the fund.
 - The bank account reconciliations did not include a record of the preparer's initials or name, the reviewer's initials or name, the date the reconciliation was completed, and the date the reconciliation was reviewed.

Finding No. 4: Travel Revolving Fund

Pursuant to law, a State agency is authorized to establish a revolving fund account, to be used to provide advances to travelers for travel expenses. The Travel Revolving Fund is to be used for the purpose of providing advances to employees so that they may pay for travel costs when no other means of payment is available, such as a purchasing card. To obtain an advance, an employee must complete an Application for Advance on Travel Expense form. The employee's supervisor must approve the advance and provide it to the Department's Finance and Accounting Office for review and payment.

The Department maintained such an account with a commercial bank, for issuance of travel advances to both Department and Division employees. According to bank statements, the monthly account bank balance ranged from \$15,678 to \$198,733, during the period July 2005 through February 2007. The balance, as of June 30, 2007, was \$182,110. The

- The purpose of the Travel Revolving Fund was to provide advances to employees for estimated costs of approved travel. No other uses of the Travel Revolving Fund were authorized. However, we identified a disbursement totaling \$5,770, made in March 2005, from the Travel Revolving Fund, to reimburse a Department employee for actual travel expenses. The Travel Revolving Fund was subsequently reimbursed in June 2006 by the appropriate fund.
- The Finance and Accounting Office was responsible for auditing requests for travel advances prior to payment to the employee, and for documenting that such an audit was completed by filling in the applicable spaces provided on the Application for Advance on Travel Expense form. For three of four travel advances reviewed, the forms lacked any evidence that these audits were completed prior to the issuance of the advance.
- Given the increased use of purchasing cards, and the continued availability of State American Express Travel Credit Cards, through the Department and the Division, a Travel Revolving Fund balance of \$250,000 does not appear necessary for Department or Division operations.

Absent effective controls, errors will not be subject to timely detection and correction, and State assets will not be effectively safeguarded.

Recommendation: We recommend that the Department:

- **Update written policies and procedures to address all aspects of the administration and oversight of the Travel Revolving Fund.**
- **Expand the current reconciliation procedures to include all accounts and balances relevant to the Fund.**
- **Increase monitoring and collection efforts for outstanding travel advances.**
- **Ensure that all established policies and procedures applicable to the Travel Revolving Fund are followed.**

- **Decrease the balance of the Travel Revolving Fund to better match current operational needs.**

Finding No. 5: Documentation of Travel and Other Expenditures

Each organizational unit is responsible for submitting requests for payments, including those relating to requests for travel reimbursements and purchasing card transactions, to the Department’s Finance and Accounting Office. The requests are to include applicable documentation. Each organizational unit is also responsible for ensuring that accompanying documentation demonstrates compliance with all applicable laws, rules, and regulations.

Employees within the Finance and Accounting Office are to review each request for payment and determine if the request meets the applicable requirements and is accompanied by sufficient documentation. If additional documentation is needed, the Finance and Accounting Office is to return the request package to the originator for revision, explanation, or submission of additional documentation.

Our audit included various tests of travel expenditures and purchasing card transactions.

- We reviewed 60 payments for travel expenses, totaling \$214,790, to evaluate sufficiency of documentation and compliance with applicable laws, rules, and policies and procedures. The transactions reviewed included reimbursements to employees, advances to employees, payments made to vendors and contractors, and transactions made with purchasing cards.
- Our tests included a comparison of 26 requests for travel reimbursement, totaling \$13,200, to other applicable records, such as employee timesheets, motor vehicle logs, and invoices for wireless services, to evaluate consistency between the records.
- We reviewed an additional 57 purchasing card transactions, totaling \$87,223, to evaluate sufficiency of documentation and compliance with applicable laws, rules, policies, and procedures.

Our tests disclosed weaknesses in the review, approval, and documentation process for both travel expenditures and purchasing card transactions. For example, some voucher packages and the documentation required to be included in the voucher packages, such as the Travel Authorization Request (TAR) form and the Voucher for Reimbursement of Travel Expenses (VFR) form, were not available. Other documentation deficiencies were also noted and other questionable costs were identified. Also, we noted instances in which sales tax was unnecessarily paid.

Specifically:

- Requested vouchers and supporting documentation were not available for eight purchasing card transactions. Of these transactions, one was a Division transaction and seven were Department transactions. The transaction amounts ranged from \$73 to \$12,795, and totaled \$21,535. According to the State’s accounting records, these charges were related to travel expenditures, registration fees, supplies, and repairs and maintenance. In response to our request, the Department provided a voucher schedule, but no supporting documentation, for three of these transactions.
- Miscellaneous documentation deficiencies existed for 15 transactions, totaling \$27,444. Specifically:
 - For nine travel expenditures paid through purchasing card, the VFR forms were not included in the voucher package, although required by Section 112.061(11)(b), Florida Statutes, and policies and procedures. The VFR forms are to be used to certify, among other matters, the purpose of the official travel and that the claimed expenses were actually incurred by the traveler in the performance of official duties. Of these nine transactions, six were Department transactions and three were Division transactions. The transaction amounts ranged from \$118 to \$4,251, and totaled \$12,475. Federal funds were used for two of these transactions, in the amounts of \$977 and \$2,584, respectively. Related documentation

indicated that these nine transactions involved payments for travel expenses, such as vehicle rentals and lodging.

- The voucher package for five travel expenditures did not include the TAR forms, although required by Section 112.061, Florida Statutes, for conferences, conventions, or out-of-state travel, to document that such travel was pre-approved. These transactions ranged in amounts from \$377 to \$8,250, and totaled \$14,661.
- For one Department purchasing card payment for rental car charges, totaling \$272, the payment included the costs of an upgrade of the vehicle class, resulting in additional charges of \$67. The rate charged was \$34 per day, while the contract rate for a compact car was \$25 per day. The voucher package did not include an explanation for why the upgrade was necessary.
- For one Department transaction and five Division transactions, sales tax, totaling \$2,006, was paid, contrary to Section 212.08, Florida Statutes. The sales tax paid for each transaction ranged from \$200 to \$681.

Absent complete voucher packages, the Department and Division may be unable to demonstrate that amounts paid conformed to all governing requirements of laws, rules, and regulations.

Recommendation: We recommend that the Department and the Division take steps to ensure that all required documentation is completed and maintained and that requests for payments are in compliance with all applicable laws, rules, and regulations.

Warrant Handling Procedures

Finding No. 6: Front Porch Program

The Finance and Accounting Office was responsible for processing invoices and other requests for payments, such as grant payments, for all organizational units of the Department, including the Division. Employees within the Department’s Finance and Accounting Office were responsible for mailing warrants to all applicable vendors or grantees,

except for those of the Department's Front Porch Program (FPP). Instead, the FPP employee responsible for approving requests for payments from FPP grantees was also designated as the party to receive the related warrants for distribution to the grantees.

Our audit disclosed 15 instances in which the same employee that approved the request for payment also received the warrant for distribution to the grantees. These warrants ranged in amount from \$887 to \$25,500, and totaled \$162,658.

These warrant handling procedures did not provide an appropriate separation of duties, as the employee could create a request for payment, approve the request, and subsequently take custody of the warrant. These procedures unnecessarily exposed the Department to the risk that an unauthorized transaction could occur and not be timely detected.

Recommendation: We recommend that the Department revise these warrant handling procedures to ensure an appropriate separation of duties.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit focused on the administrative activities of the Department and the Division. Our primary focus included the Purchasing Card Program and travel expenditures. The overall objectives of the audit included:

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

- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This operational audit was conducted in accordance with applicable Generally Accepted Government Auditing Standards. In conducting our audit, we interviewed Department and Division personnel, observed selected operations, reviewed Department and Division records, and completed various analyses and procedures. Our audit included examination of various documents (as well as events and conditions) applicable to the period July 2005 through February 2007, and selected actions taken through November 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, CPA
Auditor General

MANAGEMENT RESPONSE

In letters dated May 8, 2008 and May 1, 2008, the Secretary of the Department and the Director of the Division provided responses to our preliminary and tentative audit findings. These letters are included in their entirety at the end of the report as Appendices A and B.

This audit was conducted by Megan O'Donoghue and Kathy Simmons and supervised by Jennifer Reeves, CPA. Please address inquiries regarding this report to David R. Vick, CPA, Audit Manager, via e-mail at davidvick@aud.state.fl.us or by telephone at (850-487-4494). 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



STATE OF FLORIDA

DEPARTMENT OF COMMUNITY AFFAIRS

"Dedicated to making Florida a better place to call home"

CHARLIE CRIST
Governor

THOMAS G. PELHAM
Secretary

May 8, 2008

David W. Martin, CPA, Auditor General
State of Florida Auditor General
111 West Madison Street
Tallahassee, FL 32399-1450

Re: Response to Audit, Administrative Issues, Operational Audit

Dear Mr. Martin:

This letter is to provide the Department's responses to the preliminary and tentative findings dated April 9, 2008, regarding the Department of Community Affairs and Division of Emergency Management, Administrative Issues, Operational Audit.

Finding No. 1: Changes in position responsibilities and improved controls were necessary to ensure appropriate oversight of the Purchasing Card Program.

Auditor General Recommendation: We recommend that the Division take steps to limit the access to the purchasing cards held for emergency. We also recommend that the Department and the Division review and revise position responsibilities to ensure an appropriate assignment of duties.

Department Response: The Department concurs with the auditor's findings and recommendation. As a result of this finding, the Purchasing Card Program Administrator (PCPA) has added an approval level for the two Purchasing Office employees and has corrected the approval process for the Division of Community Planning's employee. To the extent possible, the PCPA will continue to make every effort to avoid the assignment of incompatible duties with relation to the Purchasing Card program.

Finding No. 2: Purchasing cards were not always timely cancelled or deactivated, upon a cardholder's separation from the agency or commencement of extended leave.

2555 SHUMARD OAK BOULEVARD TALLAHASSEE, FL 32399-2100
Phone: 850-488-8466 Fax: 850-921-0781 Website: www.dca.state.fl.us

COMMUNITY PLANNING
Phone: 850-488-2356 Fax: 850-488-3309

AREAS OF CRITICAL STATE CONCERN FIELD OFFICE
Phone: 305-289-2402 Fax: 305-289-2442

HOUSING AND COMMUNITY DEVELOPMENT
Phone: 850-488-7956 Fax: 850-922-5623

APPENDIX A
MANAGEMENT RESPONSE (CONTINUED)

Mr. David Martin, Auditor General
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Auditor General Recommendation: We recommend that the Department and Division implement controls to ensure the timely cancellation or deactivation of purchasing cards upon a cardholder's separation or extended absence from the Department or Division.

Department Response: The Department concurs with the auditor's findings and recommendation. The Department's Personnel Office along with Division of Emergency Management staff have enhanced the notification process by notifying the PCPA through email upon a cardholder's resignation or termination. For cardholders that have been terminated, the PCPA immediately deactivates the Purchasing Card upon receipt of the email notification. If the cardholder has submitted a resignation for a future date, the PCPA notes the date in a daily calendar in order to deactivate the Purchasing Card on the resignation date. The PCPA and Division staff have also implemented a quarterly review to ensure that all Purchasing Cards have been deactivated for terminated cardholders. Also as a result of this finding, the Division staff is notifying the PCPA of cardholders on extended absences and the Purchasing Card limits are being reduced to \$1.

Finding No. 3: Significant delays were noted in the approval of purchasing card transactions.

Auditor General Recommendation: We recommend that the Department and the Division ensure that all purchasing card transactions are reviewed and approved, as appropriate, within the established time requirement.

Department Response: The Department concurs with the auditor's finding and recommendation. The Department has recently instituted measures to enhance the monitoring of Purchasing Card transactions in an effort to expedite the payment process. The PCPA forwards to the Division emails that are sent from the Department of Financial Services as a tool to identify delayed payments, and assigned individuals in each Division monitor Purchasing Card purchases and processes. The Finance and Accounting office recently made process changes to reduce delays in payments and continues to make every effort to assist each division in obtaining the proper documentation in order to initiate the payment of the Purchasing Card transaction timely.

It is important to note that it was during this operational audit time frame that the department began using the Purchasing Card for travel-related activity on a department-wide basis. It was also during this time that the Department and the Division were heavily involved in disaster relief activities that hindered and impacted the timely processing of Purchasing Card transactions.

Finding No. 4: Improved Travel Revolving Fund controls were needed.

Auditor General Recommendation: We recommend that the Department:

APPENDIX A
MANAGEMENT RESPONSE (CONTINUED)

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- Update written policies and procedures to address all aspects of the administration and oversight of the Travel Revolving Fund.
- Expand the current reconciliation procedures to include all accounts and balances relevant to the Fund.
- Increase monitoring and collection efforts for outstanding travel advances.
- Ensure that all established policies and procedures applicable to the Travel Revolving Fund are followed.
- Decrease the balance of the Travel Revolving Fund to better match current operational needs.

Department Response: The Department concurs with the auditor's findings and recommendation. We are currently taking steps to reconcile all accounts and balances relevant to the Fund and will be making the necessary corrections before the fiscal year end. Once this task has been completed, we will take steps to decrease the balance of the Travel Revolving Fund to better match the needs of the Department along with taking the necessary collection efforts for outstanding travel advances. Policies and Procedures related to all aspects of the Travel Revolving Fund will be updated and every effort will be made to ensure that all staff adheres to the updated version.

Finding No. 5: Weaknesses existed in the processes for review, approval, and documentation of travel expenditures. Also, some of the requested voucher packages were not available for review.

Auditor General Recommendation: We recommend that the Department and the Division take steps to ensure that all required documentation is completed and maintained and that requests for payments are in compliance with all applicable laws, rules, and regulations.

Department Response: The Finance and Accounting Office has recently made changes to previous processes to better manage and secure payment files which include supporting documentation. The office will also explore the most effective way to improve reconciliation of payment vouchers and supporting documentation. We will also continue to work with staff to ensure that all applicable guidelines are followed and appropriate documentation is received and maintained according to all state applicable laws, rules and regulations. We have also been informed by the Department of Financial Services that if the traveler has been charged sales tax, we must reimburse the traveler and/or pay the respective vendor. If the charge was placed on a Purchasing Card, we do not have the ability to adjust the charge in the FLAIR system. We must pay the amount reflected for the transaction. We will continue to inform and encourage our travelers to ask for tax exemption when handling their respective state business transactions.

Finding No. 6: Warrant handling procedures for the Front Porch Program did not provide for an appropriate separation of duties.

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MANAGEMENT RESPONSE (CONTINUED)

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Auditor General Recommendation: We recommend that the Department revise these warrant handling procedures to ensure an appropriate separation of duties.

Department Response: The Department concurs with the auditor's finding and recommendation, and Finance and Accounting is in the process of revising policies and procedures to make sure the person approving a payment is not the same person receiving the warrant. Front Porch Florida Initiative employees will no longer take custody of warrants for distribution.

On behalf of the Department, we look forward to your final audit findings and recommendations and will implement corrective actions, as appropriate.

Sincerely yours,



Thomas G. Pelham
Secretary

TGP/cmf

APPENDIX B
MANAGEMENT RESPONSE



STATE OF FLORIDA
DIVISION OF EMERGENCY MANAGEMENT
"State Emergency Response Team"

CHARLIE CRIST
Governor

W. CRAIG FUGATE
Director

May 1, 2008

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

RE: Response to April 9, 2008 Preliminary and Tentative Audit Findings and Recommendations of Administrative Issues 1-6.

Dear Mr. Martin:

On April 9, 2008, this office received a list of preliminary and tentative audit findings and recommendations for the period of July 2005 through February 2007 and selected actions taken through November 2007. Please find the attached which outlines actual or proposed corrective actions.

Please feel free to contact me at 850.922.1676 if you have any questions.

Sincerely,

W. Craig Fugate
Director

cc: Candie Fuller, Director of Auditing
Suzanne Adams, Finance and Administration

2555 SHUMARD OAK BOULEVARD § TALLAHASSEE, FLORIDA 32399-2100
Phone: 850.413.9969 FAX: 850.488.1016
Internet address: <http://www.FloridaDisaster.org>

FLORIDA RECOVERY OFFICE § 36 Skyline Drive § Lake Mary, Florida 32746
Phone: 407.268.8608 FAX: 407.268.8970

APPENDIX B
MANAGEMENT RESPONSE (CONTINUED)

ATTACHMENT

Finding No. 1: Change in position responsibilities and improved controls were necessary to ensure appropriate oversight of the Purchasing Card Program.

During the period of this operational audit (July 2005 through November 2007), the Division was activated in response to 11 declared state of emergencies. During these emergencies, adherence to existing statutes, rules, ordinances, and orders were suspended, but only to the extent that compliance hindered the timely performance of disaster response functions. Therefore, the Division concurs, in part, with the findings and recommendations and has taken the following corrective actions:

- Reduced the number of staff with access to the purchasing cards (including non-designated cards) and will change the access code to the safe.
- Only the section chief and/or branch chief of the Finance and Administration Section will be authorized to issue purchasing cards.
- Purchasing cards that are not assigned during an activation to any individual will be secured until needed.
- Custodian(s) and/or personnel responsible for approving a purchasing card for emergency activation will not have purchasing responsibilities related to the use of the card.
- Developing an "Employment Separation Form" whereby an equipment checklist will be used to ensure all property is returned and deactivated when the employee separates from the Division.
- Depending on need, conduct annual or biannual purchasing card training. The Division has already conducted purchasing card training for all employees.
- The Finance and Administration Section will compile a list of current purchasing card activations and compare them against the current employment roster.

Finding No. 2: Purchasing cards were not always timely cancelled or deactivated, upon a cardholder's separation from the agency or commencement of extended leave.

The Division concurs, in part, with the findings and recommendations and has taken the following corrective actions:

- Each administrative assistant in the Division is required to complete a Request for Personnel Action ("RPA") when there is a termination or resignation or extended absence from a position. A RPA will be routed to the Division's Finance Unit or the Finance and Administration Section during a declared state of emergency to provide notification to deactivate the purchasing card. Following its own internal measures, the Finance Unit or the Finance and Administration Section will then notify the Department's Purchasing Card Administrator and Personnel Office, via email, of the deactivation.

**APPENDIX B
MANAGEMENT RESPONSE (CONTINUED)**

- The Division will periodically conduct purchasing card policy training and rules will be regularly distributed to all Division staff.
- As for the employee on military leave since July 2006, the Division has reduced the spending limit of the card to \$1.

Finding No. 3: Significant delays were noted in the approval of purchasing card transactions.

The issue of timely approving purchasing card transactions stems largely from the inability of the cardholder to timely submit financial documentation to support purchases. During the period of this operational audit (July 2005 through November 2007), the Division was activated in response to 11 declared state of emergencies. During response activities many of these cardholders worked long days and did not have the time or means to forward financial support documentation. The Division is currently exploring methods to improve the documentation of purchases during field operations and will work with the Finance and Administration Section of Incident Command System to ensure compliance with the state's Purchasing Card Program. Therefore, the Division concurs, in part, with the finding and recommendations and has taken the following corrective actions:

- Will advise cardholders of the importance of timely submission and approval of all purchasing card charges.
- Improve field operation procedures to assist cardholders, including modification of the process for approval of purchasing card charges during periods of emergency activation.
- Will work to obtain budget authority to process payments during activation.

Finding No. 4: Improved Travel Revolving Fund controls were needed.

The Department will provide a response.

Finding No. 5: Weaknesses existed in the process for review, approval, and documentation of travel expenditures. Also, some of the requested voucher packages were not available for review.

Pursuant to an Interagency Service Agreement, the Department's Finance and Accounting Office assumes responsibility for the review, approval, and documentation to be included in the voucher packages. The Division, however, will work with the Department to ensure that they receive the appropriate documentation to process voucher packages.

Finding No. 6: Warrant handling procedures from the Front Porch Program did not provide for an appropriate separation of duties.

The Department will provide a response.