



AUDITOR GENERAL

DAVID W. MARTIN, CPA



DEPARTMENT OF CITRUS

Operational Audit

SUMMARY

This operational audit of the Department of Citrus (Department), for the period July 2006 through February 2008, and selected actions through June 2008, focused on contract management and other selected administrative matters. Our audit disclosed:

CONFIDENTIAL RECORDS

Finding No. 1: The Department had not implemented procedures or filed the statutorily required reports and certifications related to the collection of social security numbers. In addition, the Department had not established procedures to provide for the security of confidential records.

BACKGROUND

The Florida Citrus Code,¹ created the Florida Department of Citrus to regulate, conduct research for, and promote Florida's citrus industry. The Department is also responsible for implementing the policies of the Florida Citrus Commission (Commission), which serves as the agency head. The Department's primary source of revenue is an excise tax placed on each box of citrus moved by Florida growers through commercial channels and Federal grants. For the 2007-08 fiscal year, the Legislature appropriated \$67.3 million to the Department. The Department maintains its executive offices at Lakeland, Florida.

Historically, approximately 80 percent of Department expenditures related to

promotional efforts including, advertising, merchandising, and public relations; however, the Department's 2008-09 fiscal year preliminary operating budget approved by the Commission on June 18, 2008, provided for an expenditure shift of approximately 30 percent from Department marketing programs to scientific research. The Department deems the research necessary to combat greening, a bacterial disease that kills citrus trees.

SUNSET REVIEW

Pursuant to the Florida Government Accountability Act,² the Department underwent a sunset review in the 2007-08 fiscal year to determine whether the Department should be abolished, continued, or reorganized. Although legislation was drafted during the 2008 legislative session to provide for the continuance of the Department, the legislation did not pass. In accordance with Section 11.9055(2), Florida Statutes, the Department will be subject to annual sunset review by the Legislature until the Legislature enacts legislation relating to the Department's continuation, modification, or termination.

¹ Chapter 601, Florida Statutes.

² Sections 11.901 through 11.920, Florida Statutes.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Confidential Records

State law³ provides that an agency may not collect an individual’s social security number unless the agency is authorized by law to do so and has stated in writing the purpose for collecting the number. Agencies are required to provide written notification to the individual whose social security number is collected regarding the purpose for the collection of such information. The law further provides that social security numbers held by an agency are confidential and exempt from public inspection.

State agencies are required to file certain reports and make certifications as follows:

- By January 31, 2008, each agency was to have reviewed its collection of social security numbers to determine compliance with the law and certified such compliance to the President of the Senate and the Speaker of the House of Representatives.⁴
- By January 31 of each year, every agency shall file a report with the Executive Office of the Governor, the President of the Senate, and the Speaker of the House of Representatives listing the identity of all commercial entities that have requested social security numbers during the preceding calendar year and the specific purposes stated by each commercial entity regarding its need for social security numbers.⁵ If no disclosure requests were made, agencies are to so indicate.

Our audit disclosed that, as of May 2008, the Department had not reviewed its collection of social security numbers, provided written notice to individuals regarding the purpose for collecting social security numbers, or filed the required

reports and certifications. Subsequent to audit inquiry, the Department, on June 23, 2008, provided a letter to the President of the Senate and the Speaker of the House of Representatives in which the Department indicated that it had reviewed its collection of social security numbers. The letter listed the business unit collecting the numbers, the purpose for which the numbers were used, and the particular law authorizing or requiring the collection of the numbers.

We also noted several instances in which vendor files containing social security numbers were not adequately secured. The failure to adequately secure confidential, nonpublic information collected by the Department increases the risk of improper disclosure and use. Following audit inquiry, the Department took appropriate action to secure the vendor files containing confidential records.

Recommendation: We recommend that the Department establish and implement procedures regarding the collection and safeguard of information that is exempt from public inspection and take appropriate actions to ensure that the applicable disclosure and reporting requirements are met.

PRIOR AUDIT FOLLOW-UP

As part of our audit, we determined that Department management had corrected, or was in the process of correcting, the applicable findings in audit report Nos. 2007-031 and 2007-087.

In audit report No. 2007-031, we noted that the Florida Citrus Advertising Trust Fund balance had declined significantly, necessitating a loan from the State Treasury to fund Department operations. Department actions taken during the audit period appear to have restored the fund balance of the Trust Fund; thereby eliminating

³ Section 119.071(5), Florida Statutes.

⁴ Section 119.071(5)(a)4., Florida Statutes.

⁵ Section 119.071(5)(a)9., Florida Statutes.

cash flow deficits and the need for additional State Treasury loans. We found that the fund balance of the trust fund increased from \$10.2 million at June 30, 2006, to \$22.5 million at June 30, 2008.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit focused on contract management and other selected administrative matters and included a follow-up on prior audit findings related to the financial status of the Florida Citrus Advertising Trust Fund and Department utilization of the People First system. The overall objectives of the audit were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the relevance and reliability of records and reports; and the safeguarding of assets.
- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the relevance and reliability of records and reports; and the safeguarding of assets.
- To determine whether management had corrected, or was in the process of correcting, all applicable deficiencies disclosed in prior audit report Nos. 2007-031 and 2007-087.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

We conducted this operational audit in accordance with applicable generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit included examinations of various records and transactions (as well as events and conditions) occurring during the period July 2006 through February 2008, and selected actions through June 2008. In conducting our audit we:

- Interviewed selected Department staff.
- Obtained an understanding of internal controls and observed, documented, and tested the effectiveness of key processes and procedures.
- Performed procedures to follow-up on prior audit findings related to the Department's trust fund balance, the Citrus Peeling System, and utilization of the People First system, as reported in our audit report Nos. 2007-031 and 2007-087.
- Analyzed cash management controls to determine whether the Department had maintained an appropriate daily cash balance for operating purposes.
- Examined documentation supporting the Department's annual property inventory to determine whether a physical inventory was conducted and the results reconciled to the property records in accordance with applicable laws and rules.
- Determined whether the Department established controls to reasonably ensure that the procurement of goods and services was conducted in compliance with applicable laws and rules. In making this determination, we:

- Reviewed documentation relating to payments to advertising and promotional contractors for services provided by their affiliate (assumed-name) companies.
 - Examined documentation relating to five sole source procurement decisions.
 - Examined documentation relating to eight procurements for advertising and promotional services that were subject to competitive procurement.
 - Analyzed purchasing transactions to identify purchases that may have been split to circumvent bidding requirements.
- Determined whether expenditures were in correct amounts and adequately documented; made in accordance with applicable laws, rules, and contract terms; and properly authorized and approved. We examined:
- Fifteen invoices totaling \$449,749 for commercial airtime purchased by the Department.
 - Documentation relating to disbursements to five advertising and promotional contract agencies totaling \$1.1 million.
 - Documentation relating to ten payments totaling \$543,143 made pursuant to scientific research contracts.
 - Documentation relating to ten payments for general expenditures totaling \$121,855.
 - Documentation relating to ten purchasing card transactions totaling \$46,196.
 - Documentation relating to ten travel expenditures totaling \$11,279.
- Examined 15 cost estimates to determine whether cost estimates prepared by advertising and promotional contract agencies and approved by the Department included sufficiently detailed information to allow for proper monitoring.
 - Determined whether the Department had accurately prepared and filed an annual travel report in accordance with Section 601.99035, Florida Statutes.
 - Performed an analysis to determine whether purchasing cards were timely cancelled for cardholders whose employment terminated.
 - Analyzed overtime payments made to Department employees to determine whether such costs were properly controlled by the Department.
 - Examined payments made to 12 terminated employees for unused accrued leave to determine whether the terminal leave payments were adequately supported, properly calculated, and paid in accordance with applicable laws and rules.
 - Examined Department records for six employees hired during the audit period to determine whether the Department had established adequate controls to evidence that the employment decision and starting salary amount were authorized and that the new employee met minimum education, experience, and other requirements.
 - Examined all applicable salary adjustments to determine compliance with the required approval of specified salary changes pursuant to Section 601.99036, Florida Statutes.
 - Performed an analysis to determine whether tax audits performed by the Department for licensed fruit dealers were performed pursuant to a risk-based plan that subjected all licensed fruit dealers to timely periodic audits.

- Examined documentation supporting tax receipts totaling \$9.7 million to determine whether the related taxes were properly calculated in accordance with law and to verify that such transactions were properly authorized, accurate, complete, and properly accounted for by the Department.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a biennial basis. 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 a letter dated September 16, 2008, the Executive Director of the Department provided a response to our preliminary and tentative audit findings. The letter is included at the end of this report as **APPENDIX A**.

This audit was coordinated by Mary W. Lynn, CPA, and supervised by David A. Blanton, CPA. Please address inquiries regarding this report to Sherrill F. Norman, CPA, Audit Manager, by e-mail (sherrillnorman@aud.state.fl.us) or by telephone (850-487-9316).

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



KENNETH O. KECK
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STATE OF FLORIDA
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BENNY W. ALBRITTON, JR.
CHAIRMAN
FLORIDA CITRUS COMMISSION

September 16, 2008

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

Dear Mr. Martin:

The response to the Auditor General preliminary and tentative finding and recommendation dated September 9, 2008, hereby follows:

Finding No.1: Confidential Records

Recommendation: We recommend that the Department establish and implement procedures regarding the collection and safeguard of information that is exempt from public inspection and take appropriate actions to ensure that the applicable disclosure and reporting requirements are met.

Response: Agree

As noted in the Auditor General preliminary and tentative finding and recommendation, the Department has implemented procedures as required for collection and safeguard of confidential records.

We appreciate the opportunity to respond and will use the recommendation to strengthen the controls and procedures in place.

Sincerely,

Kenneth Keck
Executive Director

cc: Benny W. Albritton, Jr., Chairman, Florida Citrus Commission

Grow the market for the Florida citrus industry to enhance the economic well-being of the Florida citrus grower, citrus industry and State of Florida.

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