

**EXECUTIVE OFFICE OF THE GOVERNOR**

**OFFICE OF TOURISM, TRADE, AND  
ECONOMIC DEVELOPMENT**

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**Operational Audit**

For the Period July 2006 Through August 2008  
and Selected Actions Through September 2009



## EXECUTIVE OFFICE OF THE GOVERNOR

Pursuant to Section 14.201, Florida Statutes, the Governor is the head of the Executive Office of the Governor. The following Governors served during the audit period:

The Honorable Charlie Crist From January 2007

The Honorable Jeb Bush Through January 2007

The Director of the Office of Tourism, Trade, and Economic Development is appointed by the Governor. The following Directors served during the audit period:

Dr. Dale A. Brill From October 2007

Dr. Pamella J. Dana Through January 2007

The audit team leader was Chris Stanisci, CPA, and the audit was supervised by Karen Van Amburg, CPA. Please address inquiries regarding this report to Jane Flowers, CPA, Audit Manager, by e-mail at [janeflowers@aud.state.fl.us](mailto:janeflowers@aud.state.fl.us) or by telephone at (850) 487-9136.

This report and other reports prepared by the Auditor General can be obtained on our Web site at [www.myflorida.com/audgen](http://www.myflorida.com/audgen); by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**EXECUTIVE OFFICE OF THE GOVERNOR**

Office of Tourism, Trade, and Economic Development

**SUMMARY**

This operational audit of the Executive Office of the Governor (EOG) focused on the Office of Tourism, Trade, and Economic Development (OTTED) programmatic reports. Our audit covered the period July 2006 through August 2008 and selected actions through September 2009, and included a follow-up on prior audit findings. Our audit disclosed the following:

**Finding No. 1:** OTTED did not always correctly prepare and timely submit statutorily required reports.

**Finding No. 2:** As similarly noted in audit report No. 2007-025, OTTED did not always follow established procedures to ensure that collections were timely deposited.

**BACKGROUND**

The Office of Tourism, Trade, and Economic Development (OTTED) within the Executive Office of the Governor (EOG) is responsible for assisting the Governor in working with the Legislature, State agencies, business leaders, and economic development professionals to formulate and implement coherent and consistent policies and strategies designed to provide economic opportunities for all Floridians.<sup>1</sup> OTTED provides direct oversight for the economic development programs implemented through public-private partnerships. Such oversight includes monitoring the activities of the public-private partnerships and State agencies in order to avoid duplication and promote coordinated and consistent implementation of programs in areas including, but not limited to, business recruitment, creation, retention, and expansion; workforce development; minority and small business development; and rural community development.

**FINDINGS AND RECOMMENDATIONS**

**Finding No 1: Required Reports**

For the various economic development programs under OTTED oversight and direction, State law requires OTTED to submit periodic reports to the Governor and Legislature detailing data related to, for example, business performance, economic benefits, industry growth, job creation, and program accomplishments. Table 1 shows the titles, required submission dates, and relevant sections of law for these periodic reports.

<sup>1</sup> Section 14.2015(2), Florida Statutes.

**Table 1**  
**Statutorily Required OTTED Reports**

Report Title	Report Submission Date	Florida Statute
Annual Report of the Expenditures of the Office of Film and Entertainment	December 30	Section 288.1253(3)
Entertainment Industry Financial Incentive – Year End Legislative Report	October 1	Section 288.1254(6)
Film in Florida Exemption Application Annual Report	December 1	Section 288.1258(5)
Certified Capital Company Act (CAPCO) Annual Report	April 1	Section 288.99(12)
Florida Enterprise Zone Program Annual Report	March 1	Section 290.014(2)

Our evaluation of OTTED compliance with statutory reporting requirements for the reports due during the audit period disclosed that OTTED had timely submitted the Entertainment Industry Financial Incentive – Year End Legislative Reports due during our audit period. However, the other required reports were not always correctly prepared and timely submitted. Specifically:

- OTTED staff were unable to provide copies or confirm the preparation or submission of the two required Annual Reports of the Expenditures of the Office of Film and Entertainment (the 2006 Annual Report, due December 30, 2006, and the 2007 Annual Report, due December 30, 2007). OTTED staff indicated that no staff had been assigned to prepare the 2006 or 2007 Annual Reports. The reports are to consist of a summary of all domestic and foreign travel, entertainment, and incidental expenses, as well as a summary of all successful projects that developed from such travel. OTTED staff indicated on September 18, 2009, that the 2008 Annual Report, due December 30, 2008, was being prepared. Appropriated amounts for Film and Entertainment Operations for the 2005-06, 2006-07, and 2007-08 fiscal years totaled \$653,296, \$753,296, and \$753,296, respectively.
- OTTED staff provided copies of the two required Film in Florida Exemption Application Annual Reports (the 2006 Annual Report, due December 1, 2006, and the 2007 Annual Report, due December 1, 2007); however, both reports were dated September 24, 2008, and OTTED staff were unable to confirm the actual submission of the two reports. The 2008 Annual Report, due December 1, 2008, was submitted on January 9, 2009. This report is to contain data showing the annual growth in Florida-based entertainment industry companies and entertainment industry employment and wages.
- Both of the required CAPCO Annual Reports (the 2006 Annual Report, due April 1, 2007, and the 2007 Annual Report, due April 1, 2008) were prepared in November 2008 and submitted 19 and 7 months late, respectively, in January 2009. In addition, neither report contained all the required information. For example, OTTED did not report the investment return for the State as a result of the certified capital company investments, including the extent to which the wage level of businesses in which certified capital companies had invested exceeded the average wage for the county in which the jobs were located. OTTED staff indicated that the information was inadvertently omitted from the reports. Under Program One, a total of \$150 million has been provided to certified capital companies for investment.
- OTTED staff prepared and submitted both of the required Florida Enterprise Zone Annual Reports (the 2006 Annual Report, due March 1, 2007, and the 2007 Annual Report, due March 1, 2008); however, the reports did not include required information relating to each enterprise zone’s strategic plan or measurable goals.

Absent timely and complete reports, the Governor and Legislature may lack the information needed to make future decisions regarding program direction and investment.

**Recommendation:** EOG should ensure that all statutorily required OTTED reports are complete and timely submitted.

**Finding No 2: OTTED Deposits**

Following the completion of initial processing steps for OTTED program collections, OTTED is to forward the collections to the EOG’s Finance and Accounting section (F&A) for final processing and deposit in the State Treasury. Amounts collected by OTTED relate to, for example, the payment of principal and interest on program loans, program matching funds, and miscellaneous fees.

Florida law requires that funds received on behalf of the State be deposited with the State Treasury no later than seven working days from the close of the week in which the funds were received.<sup>2</sup> In audit report No. 2007-025, issued in September 2006, we noted that collections processed by OTTED were not deposited in the State Treasury within the time established by statute.

The EOG Office of the Chief Inspector General conducted a follow-up analysis of OTTED’s collections and deposits for the period January 1 through October 22, 2008. Of the 212 checks totaling \$5.2 million that were included in the analysis, 105 checks were not timely deposited in the State Treasury. As shown in Table 2, these checks, totaling \$1.9 million, were not forwarded to F&A until after the statutory deadline for State Treasury deposit had passed.

**Table 2**  
**OTTED Collections Not Timely Provided to F&A**  
**January 1 Through October 22, 2008**

Number of Days After 7 Working Days Checks Submitted to F&A	Number of Checks	Total Amount
1 – 10	26	\$ 648,201.09
11 – 30	2	207,663.28
31 – 50	3	43,145.61
51 – 70	52	787,163.46
71 – 97	22	235,473.88
<b>Totals</b>	<b><u>105</u></b>	<b><u>\$ 1,921,647.32</u></b>

Source: EOG Director of Auditing.

OTTED staff indicated that untimely processing of deposits was due primarily to workload issues. Our review of EOG policies and procedures indicated that the lack of a specific processing benchmark could have also contributed to the delays. EOG policy requires only that all checks be provided to F&A within a reasonable time, considering the amount received and the statutory requirement.

Delays in processing collections and the deposit of moneys in the State Treasury increase the risk of loss and result in the potential loss of investment earnings.

<sup>2</sup> Section 116.01, Florida Statutes.

**Recommendation:** To better ensure that collections are timely deposited, OTTED should follow established EOG procedures. To further promote the timely processing of collections, we also recommend that EOG policies and procedures be revised to set a specific processing benchmark within which checks must be forwarded to F&A.

### PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, EOG staff had taken corrective actions for the applicable findings included in our report Nos. 2007-025, 2007-076, and 2007-087.

### OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit in accordance with 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.

This operational audit focused on selected EOG OTTED activities. 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 audit report Nos. 2007-025, 2007-076, 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.

Our audit included examinations of various records and transactions (as well as events and conditions) occurring during the period July 2006, through August 2008, and selected actions through September 2009. In conducting our audit we:

- Interviewed personnel and reviewed EOG and OTTED procedures.
- Obtained an understanding of internal controls and tested key processes and procedures related to OTTED reporting.
- Reviewed all OTTED reports required by statute to be submitted during the audit period to verify completeness and timeliness of submission.
- Reviewed the actions taken by EOG staff to resolve the findings noted in audit report Nos. 2007-025, 2007-076, and 2007-087. Specifically, we:
  - Evaluated leave audits for terminated employees to determine whether balances were calculated correctly.

- Evaluated the effectiveness of payroll audit procedures implemented by EOG.
  - Evaluated the effectiveness of procedures implemented by EOG relating to confidential information within MyFloridaMarketPlace.
  - Reviewed the follow-up analysis performed by the EOG Office of the Chief Inspector General to determine whether OTTED collections were deposited into the State Treasury within the time limits established by Section 116.01, Florida Statutes.
  - Examined FLAIR Outstanding Warrants reports during the audit period to determine whether the Qualified Targeted Industry tax payments processed by OTTED were mailed to recipients in a timely manner.
  - Evaluated OTTED procedures related to physical security of collections and warrants to determine the effectiveness of the procedures.
- Performed various other audit procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.

<b>AUTHORITY</b>
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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

<b>MANAGEMENT’S RESPONSE</b>
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In a letter dated October 30, 2009, the Director of the Office of Tourism Trade and Economic Development provided responses to our preliminary and tentative audit findings. The Director’s response is included as EXHIBIT A.

**EXHIBIT A**  
**MANAGEMENT'S RESPONSE**



CHARLIE CRIST  
GOVERNOR

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**Office of the Governor**

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October 30, 2009

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

Dear Mr. Martin,

Thank you for the opportunity to review and comment on the operational audit of the Office of Tourism, Trade, and Economic Development for the period July 2006 through August 2009, and selected actions taken through September 2009. We generally concur with the findings and recommendations as presented and have several comments.

Finding Number 1: Required Reports

OTTED acknowledges that the Annual Expenditure Report of the Office of Film and Entertainment has not been submitted in the past by any of the previous Office of Film and Entertainment (OFE) Directors nor any other staff person of the OTTED. The current OFE Director will submit the FY2008-FY2009 report no later than December 30, 2009. Such reporting will begin with the FY2008-FY2009 period as it is the first complete reporting period under her direction (she joined the office in February 2007).

OTTED acknowledges that the Florida Exemption Application Annual Reports were not submitted in a timely manner. Such delayed submissions were due to staff turnover. OFE will submit the future reports as required.

OTTED acknowledges the delays in the completion of CAPCO Annual Reports for the audit period. Since becoming aware of that delay, OTTED has shifted staff resources to place greater emphasis on the timely and complete preparation of the reports. Newly appointed staff that joined OTTED in April has been assigned to monitoring the CAPCO program. Accordingly, the report due April 1, 2009 was submitted on June 1, 2009. This report included all of the required information, including the information your audit found to be lacking from prior reports.

Additionally, we acknowledge that the current Enterprise Zone Annual Report does not include information relating to each enterprise zone's strategic plan or measurable goals. However, we feel that the current report meets the statutory requirement to include an

**EXHIBIT A**  
**MANAGEMENT'S RESPONSE (CONTINUED)**

analysis of the activities and accomplishments of each enterprise zone. Pursuant to section 290.0056 (11), Florida Statutes, OTTED receives annual reports from 56 local Enterprise Zone Development Agencies. These reports include information on their progress to achieve their strategic plan or measurable goals. A typical annual report includes about five measurable goals with three or four statements summarizing their activities to accomplish the measurable goal. In an effort to provide the most concise information in the Enterprise Zone Annual Report, OTTED has provided a chart summarizing the local accomplishments of each Enterprise Zone Development Agency by including the following information:

1. the number of businesses assisted;
2. the number of new businesses located within their enterprise zone;
3. the number of jobs created within their enterprise zone;
4. the description and amount of local incentives provided; and
5. the description and amount of State and Federal Resources accessed within their enterprise zone.

As a remedy, OTTED will include the following statement within future Enterprise Zone Annual Reports:

OTTED maintains a copy of each EZDA Annual Report that includes information regarding accomplishments and progress concerning the implementation of the strategic plan or measurable goals, and any updates to the strategic plan or measurable goals.

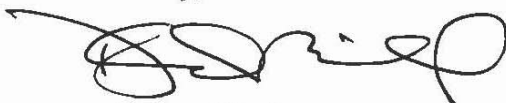
Please contact the Enterprise Zone Program Administrator at 850/487-2568 to request a copy of any of the local EZDA Annual Reports that have been submitted to OTTED

**Finding Number 2: OTTED Deposits**

OTTED recognizes the finding that certain deposits were not forwarded until after the statutory deadline for State Treasury deposit had passed. To remedy this issue, OTTED has shifted staff resources to ensure the timely processing and deposit of collections. OTTED will endeavor to meet both this deadline and the EOG policy on this subject.

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

Sincerely,



Dale A. Brill, Ph.D., Director  
Office of Tourism, Trade, and Economic Development

**EXHIBIT A**  
**MANAGEMENT'S RESPONSE (CONTINUED)**

cc: Eric Eikenberg, Governor's Chief of Staff  
Kim Mills, Governor's Director of Auditing