

**STATE OF FLORIDA
AUDITOR GENERAL**



*OPERATIONAL AUDIT
OF THE*

FLORIDA DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION

*For the Period October 1, 1996, Through September 30, 1997,
and Selected Department Actions Taken Through December 31, 1997*

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FLORIDA DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION

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STATE OF FLORIDA
AUDITOR GENERAL
TALLAHASSEE

CHARLES L. LESTER, CPA
AUDITOR GENERAL

September 9, 1998

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

Pursuant to the provisions of Section 11.45, Florida Statutes, and as part of the Legislature's oversight responsibility for operations of State agencies, I have directed that an operational audit be made of the

FLORIDA DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION

***For the Period October 1, 1996, Through September 30, 1997,
and Selected Department Actions Taken Through December 31, 1997.***

The results of the audit of the Florida Department of Business and Professional Regulation are presented herewith.

Respectfully submitted,

A handwritten signature in black ink that reads "Charles L. Lester".

Charles L. Lester
Auditor General

Audit supervised by:
Donald E. Reeder, Jr.

Audit made by:
Elizabeth B. Smith

**OPERATIONAL AUDIT
OF THE**

**FLORIDA DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION
For the Period October 1, 1996, Through September 30, 1997,
and Selected Department Actions Taken Through December 31, 1997**

AUDIT REPORT SUMMARY

This audit report summary highlights the scope, objectives, methodology, and findings of audit report No. 13293. It is intended to present the findings of our report in a condensed fashion. The entire audit report should be read for a comprehensive understanding of our audit findings.

SCOPE/OBJECTIVES

The Auditor General, as part of the Legislature's oversight responsibility for operations of State agencies, makes operational audits to evaluate management's performance in administering assigned responsibilities in accordance with applicable laws, administrative rules, and other guidelines and to determine the extent to which the internal control, as designed and placed in operation, promotes and encourages the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of financial records and reports, and safeguarding of assets.

The scope of this audit of the Florida Department of Business and Professional Regulation focused primarily on selected personnel issues, a review of audits within the Division of Alcoholic Beverages and Tobacco, an overall review of the Bureau of Operations within the Division of Pari-Mutuel Wagering, and a review of the Construction Industry Licensing Board's procedures for conducting random sample audits of licensees for appropriate insurance coverage. For each of these areas, our audit included examinations of various transactions (as well as events and conditions) during the period October 1, 1996, through September 30, 1997, and selected Department actions taken through December 31, 1997.

METHODOLOGY

We conducted our audit in accordance with generally accepted auditing standards and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

FINDINGS

Matters coming to our attention relating to noncompliance with various guidelines and those relating to significant deficiencies in the design or operation of the internal control for those operations audited are as follows:

Personnel Administration

Salaries and Benefits Appropriations. The Department made entries in the Cooperative Personnel Employment Subsystem (COPES) to rotate existing employees through positions that had actually remained continuously vacant for an extended period of time. These COPES entries may have made it more difficult for the Executive Office of the Governor and the Legislature to readily identify long-term vacant positions. Information on long-term vacant positions is essential to these oversight entities' full consideration of the Department's human resource and related budgetary needs. (See paragraphs 22 through 28.)

Payroll Direct Deposit Program. The Department had not established effective follow-up procedures to ensure that all new employees enrolled in the payroll direct deposit program. We noted several instances in which employees had not enrolled in the program within three months (or six biweekly pay periods) after their hire dates. The direct deposit of payroll warrants by electronic funds transfer reduces the processing time and cost of the payroll function of the State of Florida. (See paragraphs 29 through 32.)

Exit Interviews. The Department did not always ensure that exit interviews were performed and documented in accordance with Department of Management Services Rule 60K-10.007, Florida Administrative Code. Exit interviews can provide management with information pertaining to work conditions, employee morale, and job satisfaction and, as a result, the reviews may be useful to

management in making decisions regarding personnel administration. (See paragraphs 33 through 37.)

Employee Performance Reviews. Contrary to established rules promulgated by the Florida Department of Management Services, employee performance reviews were not always completed in a timely manner. Additionally, the failure to complete these performance reviews on time was not documented in writing and attached to the applicable supervisors' personal performance reviews. Similar findings were noted in audit report No. 12892, paragraphs 58 through 64. (See paragraphs 38 through 43.)

Division of Pari-Mutuel Wagering: Bureau of Operations

Department procedures for providing security and accountability for collections received by Bureau of Operations personnel at each pari-mutuel facility could be improved by requiring the restrictive endorsement of all checks immediately upon receipt, as well as the timely deposit of moneys received. The restrictive endorsement of checks immediately upon receipt limits negotiability should the checks become lost or stolen. The timely deposit of all revenue collections minimizes the risk of loss or misappropriation. (See paragraphs 48 through 51.)

Alcoholic Beverages and Tobacco Audits

The Department had not established procedures to require the use of audit programs or checklists for the various types of audits performed by the Bureau of Auditing and Tax Collection. In addition, documentation evidencing supervisory review of audits performed by the Bureau was not consistently available in the working papers. The establishment of a list of audit procedures (an audit program) during the planning phase of an audit greatly facilitates the efficient conduct of a complete and comprehensive audit. An audit program, when properly annotated by the auditor and the supervisor, can also be used by the auditor and supervisory personnel to document that all relevant audit procedures have been completed. (See paragraphs 55 through 57.)

Construction Industry Licensing Board

Construction contractors, as a condition of licensure, must provide to the Construction Industry Licensing Board an affidavit attesting to the fact that the applicant has obtained workers' compensation insurance as required by Chapter 440, Florida Statutes; public liability insurance; and property damage insurance for the safety and welfare of the public, in amounts determined by rule of the Board. To verify the accuracy of the affidavits, the Board has adopted administrative rules requiring that Board personnel, from time to time, conduct random audits of licensees. Our review disclosed that audits of licensed construction contractor insurance affidavits were not timely performed by the Board. Our inquiry disclosed that the last random sample insurance audit was conducted by the Board in 1994. Although Department rules do not specify how often the audits should be conducted, we believe that the importance of construction contractor insurance coverages merits a much more timely audit of the insurance affidavits. The Department's Office of the Inspector General reported a similar finding in Audit Number 9703 CILB and concluded that, since the affidavit is a signed part of the application, it should be subjected to a random sample audit at the end of each renewal period. (See paragraphs 58 through 63.)

The Secretary's written response to the audit findings and recommendations included in audit report No. 13293 is presented as Exhibit B.

**OPERATIONAL AUDIT
OF THE**

**FLORIDA DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION
For the Period October 1, 1996, Through September 30, 1997,
and Selected Department Actions Taken Through December 31, 1997**

Par.
No.

BACKGROUND

Authority

- (1) The Florida Department of Business and Professional Regulation was created by Section 20.165, Florida Statutes. The Department performs its regulatory function and protects the health, safety, and welfare of the public by ensuring that regulated businesses and professionals meet prescribed standards of education, competency, and practice and by enforcing regulatory laws and rules.

Organizational Structure

- (2) The head of the Department is the Secretary of Business and Professional Regulation as provided by Section 20.165(1), Florida Statutes. The Secretary is appointed by the Governor, subject to confirmation by the Senate. Richard T. Farrell served as Secretary during the audit period.
- (3) The Florida Department of Business and Professional Regulation works in conjunction with businesses, boards, and professions pursuant to applicable Florida Statutes. Members of each board are usually appointed by the Governor to four-year terms subject to confirmation by the Senate; except when a vacancy occurs on a board, the appointment will be for the unexpired portion of the term. The boards' responsibilities include the regulation of their professions by setting criteria for applicants in their respective professions and assuring that licensed practitioners meet minimum standards. The boards also adopt administrative rules, advise and participate in the preparation and administration of examinations, certify the issuance of licenses to qualified applicants, determine the probable cause on complaints against practitioners for violation of the laws and rules of the professions, and issue final orders for each disciplinary action. Under the Department's shared-office concept, the administrative functions of some boards are combined with those of other boards. The functions are standardized and centralized in locations under the control of a single executive director.

(4) The following divisions operate under the Florida Department of Business and Professional Regulation:

- The *Division of Administration*, whose collective responsibility is to provide support services to the Department's other divisions, is comprised of the Bureau of Finance and Revenue, the Bureau of Personnel, the Bureau of Training, and the Bureau of Agency Services.
- The *Division of Alcoholic Beverages and Tobacco* is responsible for licensing and regulating the alcoholic beverage, cigarette, and other tobacco industries within the State, which includes exercising authority over the collection of beverage taxes and the enforcement of beverage laws as prescribed by Chapters 561 through 568, Florida Statutes. The Division regulates the manufacture, packaging, distribution, and sale of all alcoholic beverages within the State. Pursuant to Chapters 210 and 569, Florida Statutes, the Division also collects the State tax on cigarettes through the sale of stamps and enforces the laws concerning the possession and sale of cigarettes and other tobacco products.
- The *Division of Certified Public Accounting*, composed of the Board of Accountancy, supervises the examination, licensure, and regulation of Certified Public Accountants in the State of Florida pursuant to Chapters 455 and 473, Florida Statutes. The Board's legislative mandate is to protect the health, safety, and welfare of the public by ensuring that only those persons meeting the statutory requirements are licensed to practice as Certified Public Accountants in Florida.
- The *Division of Florida Land Sales, Condominiums, and Mobile Homes* is composed of the Bureau of Land Sales, the Bureau of Condominiums, the Bureau of Mobile Homes, and the Bureau of Time Share Regulation. Pursuant to Chapter 498, Florida Statutes, and applicable provisions of Chapters 326, 718, 721, and 723, Florida Statutes, the Division is responsible for the following five regulatory programs: the regulation of the sale of subdivided lands in Florida and the sale of out-of-State subdivided lands offered for sale to Florida residents; the regulation of yacht and ship brokers and salespersons; the regulation of condominiums and cooperatives; the regulation of real estate time sharing; and the regulation of mobile home parks.

- The *Division of Hotels and Restaurants*, composed of the Bureau of Sanitation and Safety Inspections, the Bureau of Elevator Safety, and the Bureau of Licensure, licenses and regulates public lodging and food service establishments, elevators, escalators, and other vertical conveyances in Florida pursuant to Chapters 399 and 509, Florida Statutes. Through periodic inspections of the establishments and conveyances, the Division strives to maintain statutory compliance with all sanitary and safety laws.
- The *Division of Pari-Mutuel Wagering* is responsible for the licensure and regulation of Florida's pari-mutuel industries pursuant to Chapters 550 and 849, Florida Statutes. The Division is composed of the Bureau of Operations, the Bureau of Auditing, and the Bureau of Investigations whose responsibilities include the financial oversight of the pari-mutuel industry and the network of State offices located in each pari-mutuel facility, the investigation of rule or statutory violations, and the detection and identification of prohibited substances in racing horses and greyhounds.
- The *Division of Professions* is responsible for the licensure of the nonmedical professions within the State, pursuant to Chapter 455, Florida Statutes, and the individual practice acts that govern each of the professions. The Division serves as a liaison between the public and the professional boards as well as between licensees and their respective boards. The professional boards are charged with setting criteria for applicants in their respective professions and ensuring that licensed practitioners meet minimum standards. Each profession has a practice act, the law that supports its existence and defines how the profession is regulated. Discipline of a licensee is the ultimate responsibility of the profession's board members who are appointed by the Governor. Each board also develops administrative rules to further define the standards of the profession.
- The *Division of Real Estate* consists of the Bureau of Enforcement (comprised of the Complaints Section and Investigations Section) and the Bureau of Licensing (composed of the Education Section, Application Section, and Records Section). The Division is responsible for providing services specified by Chapter 475, Florida Statutes, to the Florida Real Estate Commission Foundation Advisory Committee and the Florida Real Estate Appraisal Board.

- The ***Division of Regulation*** performs regulatory functions as set forth in Chapter 455, Florida Statutes, including complaint intake, investigation, and prosecution for over two dozen professions. The Division is composed of the Bureau of Investigative Services which is charged with the responsibility of handling all investigative cases involving the professions regulated by the Department, the Office of Legal Services, and the Office of Unlicensed Activity.
 - The ***Division of Technology, Licensure, and Testing*** is composed of the Bureau of Information Technology, the Bureau of Licensure, and the Bureau of Testing. The Bureau of Information Technology is responsible for computer-based systems development, voice and data telecommunication systems, office automation systems, and computer center and network management. The Bureau of Licensure is responsible for processing license renewals, issuing licenses, and maintaining and storing license issuance documentation. The Bureau of Testing is responsible for the preparation and administration of all Department examinations.
 - The ***Office of Planning and Budgeting*** reports to one of the Deputy Secretaries and handles all budgetary matters relating to the Department, including budget amendment requests and transfers.
- (5) Pursuant to Section 20.055, Florida Statutes, the ***Office of the Inspector General*** was established to provide a central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency in government. The Inspector General is appointed by and reports directly to the Secretary. Duties of this Office include conducting investigations and internal audits of the Department's various functions and informing the Secretary of the findings.
- (6) The ***State Athletic Commission***, created under the Florida Department of Business and Professional Regulation pursuant to Chapter 548, Florida Statutes, has the responsibility of regulating professional boxing and kickboxing within the State. The Commission is comprised of five members appointed by the Governor and confirmed by the Senate. While the Commission is a separate State agency, it is organizationally assigned to the Department for the purpose of providing administrative support.

- (11) Our audit did not extend to an examination of Federal awards administered by the Department under contract and grant agreements to finance specific programs and projects. On May 29, 1998, this Office issued audit report No. 13256, presenting the results of our Statewide audit of Federal awards administered by the State of Florida for the fiscal year ended June 30, 1997. Federal awards administered by the Department were included in the scope of that audit.
- (12) Section 20.055(5)(f), Florida Statutes, requires the Auditor General to review a sample of each agency's internal audit reports at least once every three years to determine compliance with current Standards for the Professional Practice of Internal Auditing or, if appropriate, generally accepted government auditing standards. Findings resulting from our review of the Department's internal audit function are presented in report No. 13139, dated February 2, 1998.



STATE OF FLORIDA
AUDITOR GENERAL
TALLAHASSEE

CHARLES L. LESTER, CPA
AUDITOR GENERAL

September 1, 1998

REPORT ON COMPLIANCE AND INTERNAL CONTROL

- (13) Florida Department of Business and Professional Regulation management is responsible for administering numerous operating units, programs, activities, functions, and classes of transactions in accordance with governing provisions of laws, administrative rules, and other guidelines. Additionally, the proper administration of public funds requires that management establish and maintain a system of internal control to provide reasonable assurance that specific entity objectives will be achieved. The Auditor General, as part of the Legislature's oversight responsibility for operations of State agencies, makes operational audits to determine the extent to which Department management has fulfilled those responsibilities.
- (14) The scope of this audit focused primarily on selected personnel issues, a review of audits within the Division of Alcoholic Beverages and Tobacco, an overall review of the Bureau of Operations within the Division of Pari-Mutuel Wagering, and a review of the Construction Industry Licensing Board's procedures for conducting random sample audits of licensees for appropriate insurance coverage. For each of these areas, our audit included examinations of various transactions (as well as events and conditions) during the period October 1, 1996, through September 30, 1997, and selected Department actions taken through December 31, 1997.
- (15) We conducted our audit in accordance with generally accepted auditing standards and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our audit objectives for the operating units, programs, activities, functions, and classes of transactions within the scope of audit were:
- To evaluate the Department's performance in administering its assigned responsibilities in accordance with applicable laws, administrative rules, and other guidelines.
 - To determine the extent to which the Department's system of internal control, and selected relevant controls, promotes and encourages the achievement of management's

objectives in the categories of compliance with applicable laws, administrative rules, and other guidelines; the economic and efficient operation of the Department; the reliability of financial records and reports; and the safeguarding of assets.

- To determine whether the Department has corrected, or is in the process of correcting, all deficiencies disclosed in the prior audit (report No. 12892) for those operating units, programs, activities, functions, and classes of transactions within the scope of audit.

- (16) As a part of our audit, we examined, on a test basis, evidence supporting transactions (as well as events and conditions) which occurred; performed analytical procedures; reviewed management's administrative constructions of law; and performed such other procedures as we considered necessary in the circumstances. Our objective was to evaluate management's compliance with significant provisions of laws, administrative rules, and other guidelines governing those operating units, programs, activities, functions, and classes of transactions within the scope of audit. However, providing an opinion on compliance with those provisions was not an objective of our audit.
- (17) The results of our tests of compliance indicated that, with respect to the items tested, the Department had generally complied with the significant provisions of laws, administrative rules, and other guidelines governing those operating units, programs, activities, functions, and classes of transactions within the scope of audit. Matters coming to our attention relating to noncompliance with various guidelines for those operations audited are noted in the ***FINDINGS AND RECOMMENDATIONS*** section of this report.
- (18) In planning and performing our audit, we considered the Department's internal control relevant to those operating units, programs, activities, functions, and classes of transactions within the scope of audit. Our purpose in considering internal control was to determine the nature, timing, and extent of substantive audit tests and procedures necessary to the accomplishment of our audit objectives, not to provide assurance on internal control.
- (19) We noted certain matters involving the design and operation of the Department's internal control that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect management's assurance of compliance with applicable laws, administrative rules, and other guidelines; the economic and efficient

operation of the Department; the reliability of financial records and reports; and the safeguarding of assets. Those matters coming to our attention for the operating units, programs, activities, functions, and classes of transactions within the scope of audit are noted in the *FINDINGS AND RECOMMENDATIONS* section of this report.

- (20) A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that operating deficiencies, material in relation to the financial records and resources of the operating units, programs, activities, functions, and classes of transactions being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control would not necessarily disclose all matters in the Department's internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described in the *FINDINGS AND RECOMMENDATIONS* section of this report is a material weakness.
- (21) This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, and applicable management. Copies of this report are available pursuant to Section 11.45(7), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



Charles L. Lester, CPA
Auditor General

FINDINGS AND RECOMMENDATIONS

Personnel Administration

Salaries and Benefits Appropriations

- (22) The Department made entries in the Cooperative Personnel Employment Subsystem (COPES) to rotate existing employees through positions that had actually remained continuously vacant for an extended period of time. These COPES entries may have made it more difficult for the Executive Office of the Governor and the Legislature to readily identify long-term vacant positions. Information on long-term vacant positions is essential to these oversight entities' full consideration of the Department's human resource and related budgetary needs.
- (23) Information relative to the Department's workforce is recorded in the COPES and the information included therein is used for a variety of personnel management purposes and for budget preparation. For each of the Department's authorized positions, the COPES maintains information including, but not limited to, the assigned position number; if the position is filled, the incumbent's name and current salary; and the position classification title (senior clerk, investigator, etc.). At June 30, 1997, COPES reports indicated that the Department had been authorized by the Legislature and the Executive Office of the Governor to fill 1,748 positions and that 1,619.25 of these positions were filled.
- (24) As part of our audit, we utilized data as recorded in the COPES to perform various analyses. One such analysis involved comparing the Department's vacancy rates (number of vacant positions divided by the number of total authorized positions) to the Department's monthly employee turnover rate (number of employee separations by month divided by the average number of employees on the payroll). Our analysis disclosed that the Department had experienced monthly employee turnover rates ranging from .62 to 1.89 percent during the 1996-97 fiscal year, while experiencing a relatively high vacancy rate of 7.37 percent at June 30, 1997.
- (25) Because, in many instances, a low employee turnover rate would be expected to be associated with a relatively low vacancy rate, and the Department's experience during the 1996-97 fiscal year differed from this expectation, we further examined the Department's vacancy reports. We found that relatively few employees had terminated employment and that relatively few new employees were hired, although a large number of vacant positions continued to exist throughout the fiscal year. Under such circumstances, long-term vacant positions should have

been relatively easy to identify from a review of COPES position data. The ability to readily identify such positions at fiscal year-end is important to the Executive Office of the Governor (EOG) and the Legislature because information concerning the existence of such positions can be used by the EOG and the Legislature when making resource allocation decisions for the Department. However, we found that it may not have been possible for the EOG or the Legislature to use COPES data to readily identify long-term vacant positions because the Department had, in many instances, recorded in the COPES information that made it appear that particular vacant positions had been filled, when, in fact, the positions actually remained continuously vacant for extended periods of time. In these instances, the Department recorded in the COPES entries rotating current employees from their existing positions through similarly titled vacant positions although the employees' particular work assignments and responsibilities had not actually changed.

- (26) Audit review disclosed that, of the 128.75 vacant positions reported by the Department at June 30, 1997, COPES entries had been made to rotate existing employees through at least 18 positions that had actually remained continuously vacant for an extended period of time (181 days or more). Absent these COPES entries, the COPES would have clearly shown these positions to have been continuously vacant. The salary rate (annualized salaries) for these 18 vacant positions at June 30, 1997, totaled \$501,685.
- (27) To further determine the frequency with which COPES entries had been made to rotate existing employees to vacant positions, we prepared an analysis of vacant positions with the greatest rotation frequency and determined the number of times that entries had been made to rotate existing employees to the vacant positions during the period July 1, 1996, through December 31, 1997. Our analysis disclosed that, of 57 positions determined by us to be actually vacant for 181 days or more (ranging from 200 to 640 days and averaging 383 days), entries rotating existing employees to 2 of these positions were made 4 times, entries rotating existing employees to 14 of these positions were made 3 times, entries rotating existing employees to 23 of these positions were made 2 times, and entries rotating existing employees to 18 of these positions were made 1 time.
- (28) The COPES entries made to rotate existing employees through vacant positions complicates any efforts undertaken to identify long-term vacant positions and, as a consequence, the EOG and the Legislature may not have information essential to a full consideration of the human

resource and related budgetary needs of the Department. Accordingly, we recommend that, in making any necessary position reassignments, the Department avoid any practice which may unnecessarily complicate efforts by the EOG and the Legislature to determine the existence of long-term vacant positions.

Payroll Direct Deposit Program

- (29) The Department had not established effective follow-up procedures to ensure that all new employees enrolled in the payroll direct deposit program. We noted several instances in which employees had not enrolled in the program within three months (or six biweekly pay periods) after their hire dates.
- (30) Section 110.113(2), Florida Statutes, requires all persons appointed to a position in State government on or after July 1, 1996, to participate in the payroll direct deposit program (receipt of salary payments via electronic funds transfers made directly to the employee's financial institution) as a condition of such employment. The law does not apply to persons who were in the employment of the State on July 1, 1996, and subsequently received promotion appointments, transfers, or other changes in positions within the same personnel system after July 1, 1996. An employee may request an exemption from the requirement when the employee can demonstrate a hardship or when such employee is in an other personal services position.
- (31) Department policy is to provide new employees with the necessary forms to enroll in the payroll direct deposit program and to inform them that enrollment in the program is a condition of the employee's employment. However, the Department had not established effective follow-up procedures to ensure that all new employees eventually enrolled in the payroll direct deposit program. Our review of 28 files established for applicable employees hired on or after July 1, 1996, disclosed that five employees (18 percent) had not enrolled in the program within three months (or six biweekly pay periods) after their hire dates. We considered the employee's enrollment in the program within three months (or six biweekly pay periods) of his or her hire date to be timely. Four of the five employees were not participating in the program as of December 1, 1997, although their hire dates ranged from October 14, 1996, to September 5, 1997. One of the five employees subsequently enrolled in the program, effective for the payroll period ended February 20, 1997 (eight biweekly pay periods after her appointment). The Department could not provide us with documentation indicating that the remaining four

employees had requested from the State Comptroller an exemption, as described in Section 110.113(2), Florida Statutes.

- (32) The direct deposit of payroll warrants by electronic funds transfer reduces the processing time and cost of the payroll function of the State of Florida. We recommend that the Department, in consultation with the State Comptroller's Office, establish effective follow-up procedures to ensure that new employees participate in the payroll direct deposit program as required by Section 110.113(2), Florida Statutes.

Exit Interviews

- (33) The Department did not always ensure that exit interviews were performed and documented in accordance with Department of Management Services Rule 60K-10.007, Florida Administrative Code.
- (34) Department of Management Services Rule 60K-10.007, Florida Administrative Code, provides, in part, that each State agency shall establish a procedure for surveying or interviewing each employee who separates from the Career Service System for the purpose of determining the exact reasons for such separation. Further, each agency head or the personnel representative of the agency head is responsible for assuring that an exit interview is completed for each employee separating from the Career Service System, whenever possible.
- (35) The Department has an exit interview form that is to be completed when an employee terminates. The form is used to solicit information from the terminated employee regarding the reason for termination and opinions concerning the working environment at the Department.
- (36) We reviewed Department records for a sample of 28 employees who terminated during the audit period to determine whether an exit interview had been performed and documented. Department records indicated that 2 of the 28 employees refused to complete the exit interview. For 7 of the remaining 26 employees (27 percent), Department personnel indicated that an exit interview had not been performed. In these 7 instances, Department records did not contain explanations as to why the exit interviews had not been performed.
- (37) We recognize that there may be circumstances in which it is difficult, or even impossible, for an exit interview to be performed. However, exit interviews can provide management with

information pertaining to work conditions, employee morale, and job satisfaction and, as a result, the interviews may be useful to management in making decisions regarding personnel administration. Consequently, we recommend that the Department make every effort to ensure that an exit interview is conducted for all terminating employees and, when exit interviews are not completed, document the reasons why the performance of the exit interview was not possible.

Employee Performance Reviews

- (38) Contrary to established rules promulgated by the Florida Department of Management Services, employee performance reviews were not always completed in a timely manner. Additionally, the failure to complete these performance reviews on time was not documented in writing and attached to the applicable supervisors' personal performance reviews. Similar findings were noted in audit report No. 12892, paragraphs 58 through 64.
- (39) Department of Management Services Rule 60K-8.002, Florida Administrative Code, provides that each Career Service System employee's performance shall be reviewed to assess performance in relation to job requirements. Employees shall not be required to meet work expectations or performance standards that have not been defined on their official position descriptions or identified in writing as being part of the performance standards/expectations requirements of their positions. Also, the Review and Performance Planning System should be used for, but not limited to, informing the employee of strong and weak points in the employee's performance, improvements expected, and current and future training needs; providing documentation in support of recommendations for salary increases, promotions, demotions, reassignments, or dismissals; providing a basis for improving the performance of the State's workforce; and assisting in determining the order of layoff and reemployment.
- (40) Department of Management Services Rules 60K-8.003(3)(b) and (c), Florida Administrative Code, regarding Career Service System employees, require that a Review and Performance Planning form for each employee with probationary status be completed within 30 calendar days prior to the end of the designated probationary period for the class. Additionally, a Review and Performance Planning form for an annual review should be completed within 12 months of the last review.

- (41) In audit report No. 12892, paragraphs 58 through 64, we noted evidence that employee performance reviews were not timely conducted for some employees. Our current audit tests included a review of 15 Career Service System employee personnel files to determine whether the Department had adequately documented the timely review of employees' performances. For 8 of the 15 employees (53 percent), our review of the applicable personnel files disclosed that performance reviews had not been completed in a timely manner. The reviews were performed from 1 to 193 days late. The number of days late for these 8 employees averaged approximately 63 days.
- (42) Supervisors are responsible for conducting performance reviews in a timely manner. Department of Management Services Rule 60K-8.002(7)(b), Florida Administrative Code, provides that, with respect to Career Service System employees, supervisors shall be held accountable for performance reviews being completed within the specified time frames. Failure to complete performance reviews of Career Service System employees on time shall be documented in writing and attached to the supervisors' personal performance reviews. As part of our audit tests, we reviewed the personnel files of the supervisors who were responsible for completing in a timely manner the performance reviews of the 8 Career Service System employees noted in the previous paragraph. For two of these individuals, supervisors' performance reviews were not due as of the date of our field work. For the remaining four supervisors, the supervisors' failures to timely complete subordinates' performance reviews were not documented and attached to the supervisors' personal performance reviews.
- (43) To utilize the Review and Performance Planning System for maximum benefit, as well as to promote a more efficient work environment, we recommend that Department management take appropriate action as necessary to ensure compliance with established review and performance planning requirements.

Division of Pari-Mutuel Wagering: Bureau of Operations

- (44) Section 550.0251, Florida Statutes, assigns the powers and duties relative to the regulation of the pari-mutuel industry to the Department's Division of Pari-Mutuel Wagering. Among these duties are those which require the Department to adopt reasonable rules for the control, supervision, and direction of all applicants, permittees, and licensees as well as for the holding, conducting, and operating of all racetracks, race meets, and races held in this State. To promote compliance with applicable laws and to protect the public by providing assurances

that the pari-mutuel activities authorized by law are conducted fairly, the Department has adopted Department of Business and Professional Regulation Rules, Chapter 61D, Florida Administrative Code.

- (45) Some of the Division's regulatory functions are performed by the Division's Bureau of Operations, charged with, among other responsibilities, overseeing the State offices located in every pari-mutuel facility, issuing occupational licenses, and ensuring that the day-to-day operation of races and games is conducted in accordance with Florida laws and pari-mutuel rules.
- (46) Section 550.105, Florida Statutes, and Department of Business and Professional Regulation Rule 61D-5.001, Florida Administrative Code, provide that each person connected with a racetrack or jai alai fronton is to purchase from the Division an annual occupational license valid from May 1 until June 30 of the following year.
- (47) Bureau of Operations personnel at each pari-mutuel facility are responsible for the collection of licensing fees. These collections are then forwarded to the Bureau of Finance and Revenue for deposit into the Pari-Mutuel Wagering Trust Fund. During the 1996-97 fiscal year, the Bureau of Operations issued 24,622 pari-mutuel occupational licenses to businesses and individuals and collected occupational license fees totaling of record \$770,640.
- (48) Department procedures for providing security and accountability for collections received by the pari-mutuel facilities could be improved by requiring the restrictive endorsement of all checks immediately upon receipt, as well as the timely deposit of moneys received.
- (49) Effective internal control over cash receipts should include, but may not necessarily be limited to, the separation of duties so that the same person is not responsible for the custody of collections and the accuracy of the records supporting the amount of collections received and deposited; restrictive endorsement of checks immediately upon receipt to limit negotiability should the checks become lost or stolen; maintenance of a record of responsibility as collections flow through the system from initial receipt to deposit; timely deposit of all revenue collections to minimize the risk of loss or misappropriation; reconciliation of amounts deposited to documentation supporting amounts received, such as receipts and licenses issued; and implementation of Department policies and procedures to ensure that revenue-related operations are conducted in a manner that is consistent with laws and administrative rules.

(50) We performed audit procedures to determine whether the Department's internal controls provided adequate security and accountability for collections received by the pari-mutuel facilities. Our test disclosed that, although the Department had established internal controls over collections, the following procedural deficiencies were noted:

- Checks received by the pari-mutuel facilities were not restrictively endorsed immediately upon receipt. The facilities are to place collections, including checks, in a secured lock box, reconcile the collections to the receipts, and subsequently mail the collections to the Bureau of Finance and Revenue, where checks are restrictively endorsed and a deposit is prepared.
- Section 116.01(1), Florida Statutes, provides that funds collected by a State officer shall be deposited into the State Treasury within seven working days from the close of the week in which the officer received the funds. Our test of 33 cash collections disclosed that 11 of the 33 items tested (33 percent), totaling \$534, were deposited from 1 to 13 working days beyond the statutory deadline for deposit.

(51) To provide Department management reasonable assurance that errors or irregularities, should they occur, are detected in a timely manner and that assets are adequately safeguarded, we recommend that the Department enhance its policies and procedures over the fee collection function by requiring the restrictive endorsement of checks immediately upon receipt and the deposit of collections into the State Treasury within the time frame established by Section 116.01(1), Florida Statutes.

Alcoholic Beverages and Tobacco Audits

(52) Sections 561.02 and 210.10, Florida Statutes, specifically assign the powers and duties relative to the regulation of the alcoholic beverage and tobacco industries to the Division of Alcoholic Beverages and Tobacco (Division). Among others, these duties require the Division to adopt reasonable rules for the control, supervision, and direction of all applicants and licensees. To promote compliance with these laws, the Department has established rules as outlined in Department of Business and Professional Regulation Rules, Chapter 61A, Florida Administrative Code.

(53) Pursuant to Sections 561.50, 563.05, 564.06, 565.12 and 210.02, Florida Statutes, the Department collects excise taxes from alcoholic beverage and cigarette distributors, licensed

by the Division, based on the gallons or fraction thereof of alcoholic beverages sold by the alcoholic beverage distributors and the weight and number per package of cigarettes sold by the cigarette distributors. Pursuant to Section 561.501, Florida Statutes, the Department also collects a surcharge on alcoholic beverages sold at retail for consumption on premises licensed by the Division as an alcoholic beverage vendor. The surcharge is imposed based on ounces of alcoholic beverage per drink. For the fiscal year ended June 30, 1997, the Department reported alcoholic beverage excise tax collections of \$447,211,817, cigarette tax collections of \$450,356,623, and alcoholic beverage surcharge revenues of \$106,704,424.

- (54) The distributors and vendors are required to remit these taxes to the Department. To assist in providing assurance that the amounts due were assessed, collected, and remitted in accordance with governing laws and rules, the Department conducts audits of licensed alcoholic beverage distributors and vendors and cigarette distributors.
- (55) The Department has not established procedures to require the use of audit programs or checklists for the various types of audits performed by the Bureau of Auditing and Tax Collection. In addition, documentation evidencing supervisory review of audits performed by the Bureau was not consistently available in the working papers.
- (56) The establishment of a list of audit procedures (an audit program) during the planning phase of an audit greatly facilitates the efficient conduct of a complete and comprehensive audit. An audit program, when properly annotated by the auditor and the supervisor, can also be used by the auditor and supervisory personnel to document that all relevant audit procedures have been completed. As part of our audit, we reviewed the extent to which audit programs had been developed and used and the extent to which the Department's working papers evidenced supervisory review of the work performed. Our review of applicable audit working papers for a sample consisting of 40 excise and alcoholic beverage surcharge tax audits performed during the period October 1, 1996, through December 31, 1997, by the Bureau of Auditing and Tax Collection disclosed the following deficiencies:
- Audit working papers did not always contain audit programs. Specifically, our tests disclosed that for 8 of 40 sampled audits (20 percent), the audit working papers did not include evidence (i.e., an audit program or checklist) of the steps that were required to be performed or a summary of those steps actually performed. Also, we noted that for 9 of

the 32 audits (28 percent) whose working papers did include an audit program, the auditor had not initialed all of the audit steps to evidence that the particular audit steps had been completed or, alternatively, annotated the audit program to explain why the particular steps had been determined to be unnecessary.

- The Department had adopted procedures designed to facilitate the demonstration that audit work had been reviewed by supervisory personnel; however, those procedures were not always followed. Upon completion of an audit, an audit report is prepared and included with the working papers. The audit report summarizes the audit information, such as the audit type; the auditee name, address, and license number; the audit period; and the resulting tax liability or tax credit. Department procedures require the applicable supervisor to sign the audit report to evidence that the working papers are reviewed and approved. For 4 of 40 sampled audits (10 percent), the reports were not signed by the supervisor and the working papers did not include other documentation (for example, audit program notations) to evidence that the applicable supervisor had reviewed the work.

(57) To ensure that all necessary audit steps are completed, facilitate and evidence the review of the working papers by the supervisor, and document compliance with applicable laws and rules, we recommend that the Department implement procedures requiring the completion of audit programs or checklists. Additionally, to evidence that the conclusions documented in the working papers have been timely reviewed and completed in accordance with Department procedures, we recommend that the Department take appropriate action as necessary to ensure that all working papers include evidence of supervisory review, including the dates of such reviews.

Construction Industry Licensing Board

(58) Audits of licensed construction contractor insurance affidavits were not timely performed by the Construction Industry Licensing Board. Our inquiry disclosed that the last random sample insurance audit was conducted by the Board in 1994.

(59) The Department, through the Construction Industry Licensing Board, is responsible for the licensure and regulation of the State's construction contractors. One function involved in the regulatory process is the requirement that all contractors maintain workers' compensation

insurance, public liability insurance, and property damage insurance. Section 489.115(5)(a), Florida Statutes, requires that, as a prerequisite, an initial applicant or a renewal applicant must submit an affidavit, on a form provided by the Construction Industry Licensing Board, attesting to the fact that the applicant has obtained workers' compensation insurance as required by Chapter 440, Florida Statutes; public liability insurance; and property damage insurance for the safety and welfare of the public, in amounts determined by rule of the Board. The law also requires the Board to establish, by rule, a procedure to verify the accuracy of such affidavits based on a random sample method.

- (60) Department of Business and Professional Regulation Rule 61G4-15.003(2), Florida Administrative Code, provides that, to verify the accuracy of the signed affidavit, the Board will, from time to time, conduct random sample audits of licensees, by zip code area, in which the total number of certificates and registrations selected for audit will be in a sufficient amount to ensure the validity of the audit. These procedures provide that each licensee, whose affidavit is selected for audit, must submit proof of coverage, in the form of an original certificate of insurance, if available. In the event that the original is not available, it is acceptable for the licensee to provide a certified copy of the certificate of insurance or a copy of the insurance policy in force for the period being audited showing that the licensee had obtained the proper amount of public liability and property damage insurance and that the proper coverage has been continually maintained since the time of the last license renewal. The certificate of insurance must be prepared by an insurance agency and must contain the information required by the Board.
- (61) Section 489.129, Florida Statutes, authorizes the Board to take various disciplinary actions against contractors found to be in violation of the provisions of Chapter 489, Florida Statutes. These actions include, among others, revocation, suspension, or denial of a license and imposition of administrative fines.
- (62) As a part of our audit, we reviewed the timeliness of the Board's random sample audits of licensee insurance affidavits. Although our review did not extend to an evaluation of the Board's audit methodology, we did determine that Board audits to ensure that construction contractors had the prescribed insurance coverages had not been timely performed. Our inquiry disclosed that the last audit was conducted by the Board in 1994. The findings of that

audit, which were based on a very small sample size, disclosed that a relatively large number of licensed contractors may have been operating without the benefit of the required coverages.

- (63) Although Department of Business and Professional Regulation Rule 61G4-15.003(2), Florida Administrative Code, does not specify how often the audits should be conducted, we believe that the importance of construction contractor insurance coverages merits a much more timely audit of the insurance affidavits. The Department's Office of the Inspector General reported a similar finding in Audit Number 9703 CILB and concluded that, since the affidavit is a signed part of the application, it should be subjected to a random sample audit at the end of each renewal period. We recommend that the Board conduct insurance affidavit audits in a timely manner.

Prior Audit Findings

- (64) For those operating units, programs, activities, functions, and classes of transactions within the scope of this audit, the Department has substantially corrected the deficiencies noted in audit report No. 12892, except as noted in the preceding paragraphs of this report.

STATEMENT FROM AUDITED OFFICIAL

- (65) In accordance with the provisions of Section 11.45(7)(d), Florida Statutes, a list of audit findings and recommendations was submitted to the Florida Department of Business and Professional Regulation. The Secretary's written response to the audit findings and recommendations included in this report is shown as Exhibit B.

EXHIBITS

The following Exhibits are attached to and form an integral part of this report:

[EXHIBIT - A](#) ***Organizational Chart.***

[EXHIBIT - B](#) ***Statement from Audited Official.***

EXHIBIT – A
FLORIDA DEPARTMENT OF BUSINESS
AND PROFESSIONAL REGULATION
ORGANIZATIONAL CHART
As of October 1, 1997

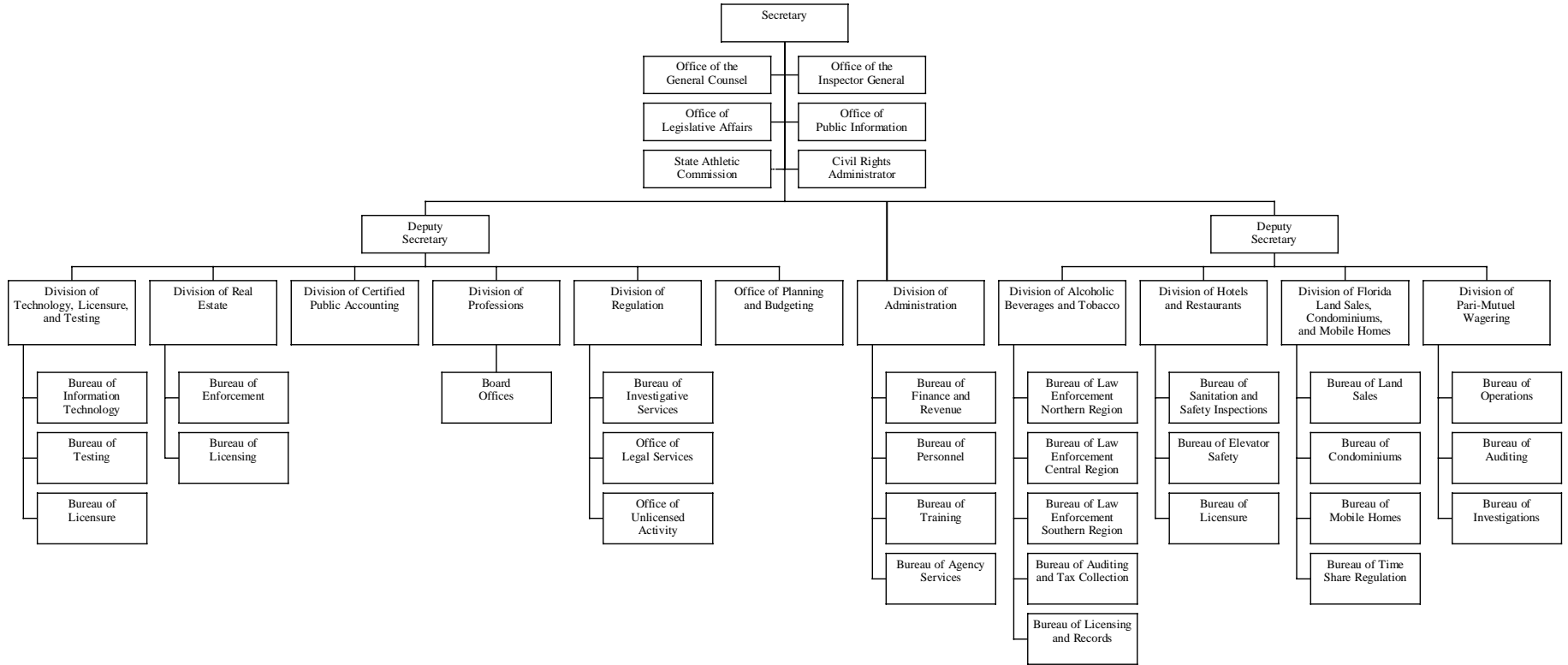


EXHIBIT – B
FLORIDA DEPARTMENT OF BUSINESS
AND PROFESSIONAL REGULATION
STATEMENT FROM AUDITED OFFICIAL
For the Period October 1, 1996, Through September 30, 1997,
and Selected Department Actions Taken Through December 31, 1997



STATE OF FLORIDA
DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION

Lawton Chiles
Governor

Richard T. Farrell
Secretary

September 1, 1998

Mr. Charles L. Lester, CPA
Auditor General
111 West Madison Street
Post Office Box 1735
Tallahassee, FL 32302

Dear Mr. Lester:

Pursuant to Section 11.45(7)(d), Florida Statutes, attached is the Department's response to the preliminary and tentative findings for your Audit of the Florida Department of Business and Professional Regulation for the period October 1, 1996 through September 30, 1997, and selected Department actions taken through December 31, 1997.

Most of the deficiencies identified in the report have been corrected or are in the process of being resolved. Where necessary, additional corrective actions will be taken according to the tentative completion dates noted.

The Department appreciates the work of your staff and will diligently pursue appropriate resolution of the findings. If I may be of further assistance, please let me know.

Sincerely,


Richard T. Farrell
Secretary

RTF/KC/vbh

Attachment

cc: Delane Anderson, Deputy Secretary
Hank Osborne, Deputy Secretary
Lynda Goodgame, General Counsel

Office of the Secretary
Mailing Address: 1940 North Monroe Street • Tallahassee, Florida 32399-0750
Office Location: Johns Building • 725 S. Bronough Street, Suite 217
Telephone 850/488-6079 ■ Fax 850/922-2936

EXHIBIT – B (Continued)
FLORIDA DEPARTMENT OF BUSINESS
AND PROFESSIONAL REGULATION
STATEMENT FROM AUDITED OFFICIAL
For the Period October 1, 1996, Through September 30, 1997,
and Selected Department Actions Taken Through December 31, 1997

Audit
Report
Par. No.

DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION
Preliminary and Tentative Audit Findings

(22-28)

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FINDING 1

Salaries and Benefits Appropriations

The Department made entries in the Cooperative Personnel Employment Subsystem (COPES) to rotate existing employees through positions that had actually remained continuously vacant for an extended period of time. These COPES entries may have made it more difficult for the Executive Office of the Governor and the Legislature to readily identify long-term vacant positions. Information on long-term vacant positions is essential to these oversight entities' full consideration of the Department's human resource and related budgetary needs.

RECOMMENDATION

We recommend that, in making any necessary position reassignments, the Department avoid any practice which may unnecessarily complicate efforts by the EOG and the Legislature to determine the existence of long-term vacant positions.

AGENCY RESPONSE

The Department concurs with the finding and has issued instructions that the processing of these type of changes in COPES will not be made in the future.

(29-32)

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FINDING 2

Payroll Direct Deposit Program

The Department had not established effective follow-up procedures to ensure that all new employees enrolled in the payroll direct deposit program. We noted several instances in which employees had not enrolled in the program within three months after their hire dates.

RECOMMENDATION

We recommend that the Department, in consultation with the State Comptroller's Office, establish effective follow-up procedures to ensure that new employees participate in the payroll direct deposit program as required by Section 110.113(2), Florida Statutes.

EXHIBIT – B (Continued)
FLORIDA DEPARTMENT OF BUSINESS
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STATEMENT FROM AUDITED OFFICIAL
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DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION
Preliminary and Tentative Audit Findings

(29-32)

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FINDING 2 (continued)

AGENCY RESPONSE

The Department concurs with the finding and has made a request to the State Comptroller for the production of exception reports disclosing new employees who have not enrolled in the payroll direct deposit program within three months of their hire date. The Department will follow up with these employees as required by statute.

(33-37)

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FINDING 3

Exit Interviews

The Department did not always ensure that exit interviews were performed and documented in accordance with Department of Management Services Rule 60K-10.007, Florida Administrative Code.

RECOMMENDATION

We recommend that the Department make every effort to ensure that an exit interview is conducted for all terminating employees and, when exit interviews are not completed, document the reasons why the performance of the exit interview was not possible.

AGENCY RESPONSE

The Department concurs with the finding and has issued instructions to each division on the preparation of exit interviews. Additionally, the Bureau of Personnel will maintain a file of pending terminations and perform follow-up inquiries with each division.

(38-43)

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FINDING 4

Employee Performance Reviews

Contrary to established rules promulgated by the Florida Department of Management Services, employee performance reviews were not always completed in a timely manner. Additionally, the failure to complete these performance reviews on time was not documented

EXHIBIT – B (Continued)
FLORIDA DEPARTMENT OF BUSINESS
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STATEMENT FROM AUDITED OFFICIAL
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DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION
Preliminary and Tentative Audit Findings

(38-43)

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FINDING 4 (continued)

in writing and attached to the applicable supervisor's personal performance reviews. Similar findings were noted in audit report No. 12892, paragraphs 58 through 64.

RECOMMENDATION

We recommend Department management take appropriate action as necessary to ensure compliance with established review and performance planning requirements.

AGENCY RESPONSE

The Department concurs with the finding and will issue additional instructions to all supervisors. Additionally, documentation will be placed in each supervisor's personnel file for all late evaluations.

(48-51)

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FINDING 5

Department procedures for providing security and accountability for collections received by the pari-mutuel facilities could be improved by requiring the restrictive endorsement of all checks immediately upon receipt, as well as the timely deposit of moneys received.

RECOMMENDATION

We recommend that the Department enhance its policies and procedures over the fee collection function by requiring the restrictive endorsement of checks immediately upon receipt and the deposit of collections into the State Treasury within the time frame established by Section 116.01(1), Florida Statutes.

AGENCY RESPONSE

The Division of Pari-Mutuel Wagering (PMW) has requested 60 restrictive endorsement stamps from the Bureau of Revenue and Accounting. Upon receipt of the stamps, the Bureau of Operations will send two stamps to each PMW facility, accompanied by an updated policy and procedure instructing each Chief Inspector to restrictively endorse each check immediately upon receipt.

Current Division policy requires the Chief Inspector and Chief Auditor to reconcile all fees collected on a PMW Form 507, Daily Remittance Sheet. When the reconciliation is agreed upon,

EXHIBIT – B (Continued)
FLORIDA DEPARTMENT OF BUSINESS
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DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION
Preliminary and Tentative Audit Findings

(48-51)

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FINDING 5 (continued)

all checks, money orders, yellow copies of the interim licenses, and the Daily Remittance Sheet are transferred to the Bureau of Auditing. The Chief Auditor has then been instructed to mail the verified PMW Form 507, the receipt copies, and the checks to the Department of Business and Professional Regulation, Bureau of Revenue, before or on the next working day. The Division is currently working with the Bureau of Revenue and Accounting to review the Department's fiscal policies and procedures in order to ensure the timely deposits of all moneys received.

(55-57)

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FINDING 6

The Department has not established procedures to require the use of audit programs or checklists for the various types of audits performed by the Bureau of Auditing and Tax Collection. In addition, documentation evidencing supervisory review of audits performed by the Bureau was not consistently available in the working papers.

RECOMMENDATION

We recommend that the Department implement procedures requiring the completion of audit programs or checklists. Additionally, to evidence that the conclusions documented in the working papers have been timely reviewed and completed in accordance with Department procedures, we recommend that the Department take appropriate action as necessary to ensure that all working papers include evidence of supervisory review, including the dates of such reviews.

AGENCY RESPONSE

We generally agree with this finding but want to clarify that we have numerous automated audit programs that the Bureau uses to complete routine compliance and financial audits for Surcharge and Wholesale licensees. These automated programs have checklists built into the system. In other words, system controls prohibit the completion of the audit without the auditor recognizing each aspect of the automated program. However, the Division's Bureau of Auditing does not have automated audit programs for tobacco product audits. This can be attributed to the extensive system rewrites being performed by the Bureau to meet Year 2000 Remediation deadlines. Resources will be dedicated to this audit type once that project has been completed. The anticipated date of completion is in fiscal year 1999.

EXHIBIT – B (Continued)
FLORIDA DEPARTMENT OF BUSINESS
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STATEMENT FROM AUDITED OFFICIAL
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DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION
Preliminary and Tentative Audit Findings

(55-57)

FINDING 6 (continued)

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We agree with this finding and believe this can be attributed to the process becoming perfunctory. We have issued a reminder to the district supervisors at a meeting held in August 1998. A training bulletin is being prepared to reinforce this reminder. The training bulletin should be issued by September 15, 1998.

(58-63)

FINDING 7

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Audits of licensed construction contractor insurance affidavits were not timely performed by the Construction Industry Licensing Board. Our inquiry disclosed that the last random sample insurance audit was conducted by the Board in 1994.

RECOMMENDATION

We recommend that the Board conduct insurance affidavit audits in a timely manner.

AGENCY RESPONSE

A joint insurance and continuing education audit of registered contractors for the 1997 renewal period will be initiated by September 30, 1998 pursuant to Rule 61G4-15.003, F.A.C. At the conclusion of that audit, a joint insurance and continuing education audit of certified contractors will be conducted for the 1998 renewal period (Registered contractors renew in "odd" years, and certified contractors renew in "even" years). Insurance audits will be conducted annually based on the biennial renewal cycle.