

# *Annual Report of the Auditor General*

*November 1, 2010, Through October 31, 2011*



David W. Martin, CPA  
Auditor General

About Our Office	1
Recommended Statutory and Fiscal Changes	6
Projected Two-Year Work Plan	10
Overview of Major Audit and Accountability Activities	11
State Government	11
Educational Entities	19
Information Technology	28
Other Accountability Activities	31
Annual Report Exhibits	34

# LEGISLATIVE AUDITING COMMITTEE



**Alternating Chair**

**Jim Norman**



**Arthenia L. Joyner**

**Evelyn J. Lynn**

**Maria Lorts Sachs**

**Stephen R. Wise**

**Alternating Chair**

**Debbie Mayfield**



**Larry Ahern**

**Daphne D. Campbell**

**Jeff Clemens**

**Bryan Nelson**

**Kenneth L. Roberson**



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534  
FAX: 850-488-6975

December 1, 2011

The Honorable Mike Haridopolos  
President of the Senate  
409 The Capitol  
Tallahassee, Florida 32399-1100

The Honorable Dean Cannon  
Speaker of the House of Representatives  
420 The Capitol  
Tallahassee, Florida 32399-1300

Dear President Haridopolos and Speaker Cannon:

This Annual Report provides a summary of the audit and other accountability activities for our Office during the 12-month period November 1, 2010, through October 31, 2011. I want to acknowledge the dedication and commitment of our professional staff in the completion of the assignments made to our Office both in law and by legislative directive. During this reporting period, we issued 193 audit reports including 96 financial audits, 66 operational audits, and 31 attestation engagements.

Pursuant to Section 11.45(7)(h), Florida Statutes, this Annual Report includes recommended statutory changes for consideration by the Legislature and our Projected 2-Year Work Plan identifying the audit and accountability activities expected to be undertaken during the 2012-13 and 2013-14 fiscal years. The Projected 2-Year Work Plan is a risk-based plan meeting the audit frequency requirements in law and incorporating information obtained from the Legislature and other sources concerning areas of interest and operational risks.

Please let us know if you have any questions regarding the contents of this Annual Report or if we can be of any additional assistance to you in your service to the citizens of Florida.

Respectfully,

A handwritten signature in blue ink that reads "David W. Martin".

David W. Martin

c: Members of the House and Senate  
Chiefs of Staff  
Committee Directors

*The Auditor General is:*

- ◆ *A Constitutional Officer*
- ◆ *A Legislative Officer*
- ◆ *A Certified Public Accountant*
- ◆ *The State's Independent External Auditor*



### **Mission**

As the State's independent auditor, the *Auditor General* provides unbiased, timely, and relevant information that the Legislature, Florida's citizens, public entity management, and other stakeholders can use to promote government accountability and stewardship and improve government operations. Specifically, the Auditor General:

- Audits financial statements to provide the Legislature and other users of financial statements independent assurance of the reliability of the financial statement information provided by government managers.
- Identifies and audits those operating units, programs, activities, functions, and transactions considered most vulnerable should a significant breakdown in internal control occur.
- Communicates, by an on-site presence and through examination, the Legislature's expectation that public entity management and employees are accountable for the proper administration of public funds and the achievement of entity objectives.
- Reports on whether expenditures of Federal, State, and local funds serve a public purpose and are made in compliance with applicable laws, rules, and regulations and whether government programs, activities, and functions are administered in an economic, efficient, and effective manner.
- Reports on whether governmental entities have established proper internal controls that reasonably ensure that financial reports and records are reliable; assets are safeguarded; and fraud and illegal acts are prevented and detected.

### **Statutory Responsibilities**

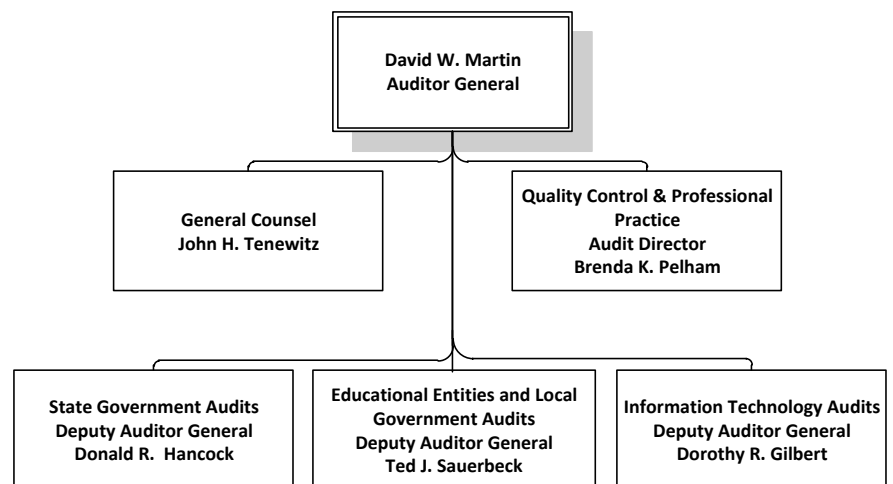
Sections 11.42 through 11.45, Florida Statutes, set forth the general authority and duties of the Auditor General. Independently, and in accordance with applicable professional standards, the Auditor General:

- Conducts financial audits of the accounts and records of State government, State universities and colleges, and district school boards.
- Conducts operational and performance audits of public programs, activities, and functions and information technology systems and performs related duties as prescribed by law, concurrent resolution of the Legislature, or as directed by the Legislative Auditing Committee.

- Adopts rules, in consultation with the Florida Board of Accountancy, for audits performed by independent certified public accountants of local governmental entities, charter schools, charter technical career centers, district school boards, and certain nonprofit and for-profit organizations.
- Conducts reviews of audit reports of local governmental entities, charter schools, charter technical career centers, district school boards, and certain nonprofit and for-profit organizations.
- Conducts examinations of school districts' and other entities' records, as appropriate, to evaluate compliance with State requirements governing the determination and reporting of full-time equivalent (FTE) student counts reported to the Department of Education and used to determine Florida Education Finance Program and Student Transportation funding allocations.
- Conducts quality assessment reviews of the internal audits performed by State agency offices of inspectors general.

### Organizational Structure

The organizational structure of the Auditor General's Office consists of three divisions: the State Government Audits Division, the Educational Entities and Local Government Audits Division, and the Information Technology Audits Division. Each Division is led by a Deputy Auditor General. Management and staff of the organizational units work in coordination to meet the Auditor General's goals and objectives. Contact information for the Auditor General, Deputies Auditor General, and other Auditor General management with reporting responsibilities is included as Exhibit D.



### Standards and Core Values

The Auditor General performs audits and other engagements in accordance with generally accepted government auditing standards as set forth by the Comptroller General of the United States in *Government Auditing Standards*. *Government Auditing Standards* are applicable to financial and performance audits and attestation engagements and incorporate applicable auditing standards promulgated by the American Institute of Certified Public Accountants. *Government Auditing Standards* require that, in all matters relating to audit work, the Auditor General and each individual auditor must be free from personal, external, and organizational impairments to independence and must avoid the appearance of such independence impairments. Our independence and core values, along with the collective knowledge and skills of our staff, provide the basis for our credibility.

The Auditor General's organizational core values are:

***Integrity*** – Commitment to ethical conduct and truthfulness in all relationships.

**Accountability** – Holding ourselves accountable and being responsible for our actions, taking pride in our professionalism, striving for efficiency in our performance, and committing to the highest performance standards.

**Objectivity** – Being mindful of the reliance that is placed on our work and, therefore, taking a fact-based, nonpartisan, unbiased, fair, and balanced approach to all activities.

We are required by *Government Auditing Standards* to undergo an independent review of our system of quality control at least once every three years. In October 2010, a team from the National State Auditors Association completed such a review. The team issued an unmodified (clean) opinion on our system of quality control, which means that the Auditor General’s system of quality control in effect for the period September 1, 2009, through August 31, 2010, provided reasonable assurance that our Office’s work conformed with *Government Auditing Standards*. The peer review team’s report is available on our Web site.

### Strategic Goals and Objectives

In recognition of our statutory duties and mission and within the framework of our core values, our work is planned and managed to address objectives established to assist us in accomplishing two primary goals.

- Our **Professional Services Goal** is to provide timely, quality information to the Legislature and Florida’s citizens relative to the financial accountability and stewardship of public officials. This goal encompasses multiple services directed toward financial reporting, legal compliance, and government operations.
- Our **Professional Development Goal** is to maximize the value of the Auditor General’s work by continuing to promote quality, professionalism, and productivity. The Auditor General encourages all staff to pursue professional certifications and requires that all management staff with responsibilities for audit or attestations hold specified certification such as certified public accountant or, when appropriate, certified information systems auditor. Approximately 74 percent of our professional staff hold professional licenses or certifications.

### Auditor General Strategic Objectives

- Objective 1** Improve the operations and accountability of public entities.
- Objective 2** Identify and audit essential government topics of specific interest to the Legislature.
- Objective 3** Conduct audits and other engagements (audits, examinations and other attestations, and related projects) in accordance with applicable professional auditing standards.
- Objective 4** Conduct all engagements in a timely and cost-efficient manner.
- Objective 5** Recruit and retain highly qualified, highly skilled staff.
- Objective 6** Provide staff with an organizational environment and professional opportunities that promote job satisfaction.
- Objective 7** Provide staff with the training, opportunities, technology, and encouragement needed to enhance professional competencies and effectively and efficiently complete audit assignments.
- Objective 8** Continue to build on the Auditor General’s reputation as a leader in the auditing and government financial reporting communities.

### **Reports and Findings**

Our audits and other accountability activities focus on executive branch (State) agencies, judicial branch entities, educational entities, local governmental entities, and certain other organizations. A listing of all audits released during the period November 1, 2010, through October 31, 2011, is included as Exhibit A. An overview of our audits begins on page 11. Copies of audit and other reports are available at [www.myflorida.com/audgen/](http://www.myflorida.com/audgen/) and are distributed as appropriate and upon request to:

- ◆ Legislative members and staff
- ◆ Governing boards and management of governmental entities
- ◆ Federal Government officials
- ◆ Bond rating agencies
- ◆ Florida's citizens
- ◆ Media
- ◆ Other interested parties

### **Strategic Initiatives**

Strategic initiatives are focused upon the development of policies, practices, and technology that will allow us to maintain a high level of proficiency, maximize efficiency of resource use, and ensure that the Office remains on the cutting edge of the auditing profession. Some of the significant initiatives that were being pursued during the 2010-11 fiscal year are described in the following paragraphs.

**Information Technology Resources** – Consideration of information technology systems controls is an essential and significant part of the audit process in financial audits and in many operational audits. During the 2010-11 fiscal year, we continued to place a strong emphasis on integrating the expertise of our Information Technology Audits staff into our financial and operational audit processes. The significant number of information technology-related findings and recommendations reported during the 2010-11 fiscal year is indicative of our emphasis on information technology controls. This continuing initiative enhances the ability of audit teams to identify problems of potentially pervasive impact so that the problems can be timely corrected by auditee managers.

**Analytical and Automated Procedures** – Computer-assisted audit techniques (CAATs) involve analyzing large volumes of data for the purpose of searching for patterns or relationships indicative of errors and fraud. During the 2010-11 fiscal year, we continued to emphasize and expand the use of CAATs by staff assigned to financial and operational audit teams. This continuing initiative will promote increased audit coverage and efficiency and reduce the risks associated with material undetected errors.

**Professional Excellence** – The Office's most valuable asset is our staff. This initiative resulted in the development of a formal process to systematically identify, assess, and develop the skills and talents of our staff. This process will help ensure that a high level of proficiency is maintained and will receive continued emphasis in the years to come as it will provide an ongoing framework for continuous, productive development of our staff.

*Electronic Working Papers* – During the 2010-11 fiscal year, we continued the in-house development and implementation of an electronic working paper application. Benefits to maintaining working papers in electronic format include providing a convenient and efficient means for keeping information in a secured environment, reducing the amount of physical storage space needed for working papers, providing additional flexibility in the supervisory review and monitoring of the work, and promoting consistency in the documentation of work. This initiative included, but was not limited to, training of field staff and implementing the application for audits of 85 educational entities during the 2011-12 fiscal year audit cycle.

Various provisions of Florida law require that the Auditor General conduct audits, examinations, or reviews of government programs, activities, and functions and report the results thereof to the President of the Senate; the Speaker of the House of Representatives; the Legislative Auditing Committee; senior management of the audited entity; and as applicable, Federal grantor agencies. These reports have been provided as required by law, and many include findings and recommendations focusing on the need for management actions to improve the audited entities' level of legal compliance and internal controls relevant to legal compliance, economy and efficiency, financial reporting and records, and the safeguarding of assets. In addition, Section 11.45(7)(h), Florida Statutes, provides in part that the Auditor General shall annually compile and transmit to the President of the Senate, the Speaker of the House of Representatives, and the Legislative Auditing Committee by December 1 of each year a list of statutory and fiscal changes recommended by the Auditor General.



### Recommended Statutory and Fiscal Changes

The following recommended statutory and fiscal changes are provided to the President of the Senate, the Speaker of the House of Representatives, and the Legislative Auditing Committee for consideration. These recommendations either were included in our audit reports or arose during the course of performing the duties assigned to the Auditor General. The recommendations are presented by policy area to facilitate their use by the various legislative committees. Auditor General staff are available to brief legislative members and staff on these recommendations. Contact information for the management staff referenced below is provided as Exhibit D.

#### **POLICY AREAS: SENATE BANKING AND INSURANCE; HOUSE ECONOMIC AFFAIRS**

- ◆ **Qualified Public Depository Oversight Board.** The Legislature should consider revising Section 280.071, Florida Statutes, as needed to establish an active, functional Qualified Public Depository (QPD) Oversight Board. An Oversight Board's participation in establishing standards for QPD program entry requirements, reporting standards, financial condition requirements, collateral pledging levels, and the adequacy of required collateral could provide substantial benefits.

**Audit Report Numbers: 2010-049 and 2012-008**

**Audit Manager: Lisa A. Norman, CPA**

#### **POLICY AREAS: SENATE COMMUNITY AFFAIRS; HOUSE ECONOMIC AFFAIRS**

- ◆ **Community Development Districts (CDD).** The Legislature should consider amending Chapter 190, Florida Statutes, to establish parameters addressing the amount of bonds a CDD may issue and oversight responsibility for bond issuances. The Legislature should also consider amending Section 190.048, Florida Statutes, to require additional disclosures (such as a copy of the document creating the CDD, known current year and estimated future year assessments, a schedule of facilities not yet constructed or acquired, monthly fees, and debt obligation repayment options) and require the disclosures to be provided to all prospective purchasers of property within CDDs.

**Audit Report Number: 2011-196**

**Auditor Manager: Marilyn D. Rosetti, CPA**

- ◆ **Local Government Bond Issues.** The Legislature should consider amending Section 218.385(1), Florida Statutes, to require local governments to use a financial advisor that is independent of the underwriter or to otherwise demonstrate that the local governments have staff with sufficient expertise to act in a financial advisor capacity. The Legislature should also consider amending Sections 218.38 and 218.385, Florida Statutes, to require local governments to document the conditions favoring a negotiated or private placement sale and provide such documentation to the State Board of Administration, Division of Bond Finance. Additionally, the Legislature should consider amending Section 218.385, Florida Statutes, to require local governments to select financial advisors and bond counsels using a competitive selection process. Further, the Legislature should consider repealing Section 218.37(1)(f), Florida Statutes, to no longer require the State Board of Administration, Division of Bond Finance, to issue a newsletter.

**Audit Report Number: 2011-196**

**Auditor Manager: Marilyn D. Rosetti, CPA**

- ◆ **Local Government Financial Reporting.** The Legislature should consider revising Section 218.32, Florida Statutes, to provide time frames within which entities must respond to the Department of Financial Services' requests for information, including audit reports, and consequences for failure to respond. The Legislature should also consider revising Section 218.32, Florida Statutes, to require auditors to state in the management letter whether the Annual Financial Report substantially agrees with the audited financial statements at an appropriate level.

**Audit Report Number: 2011-196**

**Auditor Manager: Marilyn D. Rosetti, CPA**

### **POLICY AREAS: SENATE COMMUNITY AFFAIRS AND EDUCATION; HOUSE ECONOMIC AFFAIRS AND EDUCATION**

- ◆ **Financial Emergencies Act.** The Financial Emergencies Act promotes the fiscal responsibility of local governments, charter schools, charter technical career centers, and district school boards and provides for oversight under certain conditions by the Governor, the charter school or charter technical career center sponsor, or the Commissioner of Education, as appropriate. Regarding the Financial Emergencies Act, the Legislature should consider: (1) revising Section 218.503(3), Florida Statutes, to provide time frames within which entities must respond to requests for information by the Governor or the Commissioner of Education and consequences for failure to respond; (2) authorizing the Executive Office of the Governor (EOG) to release entities deemed in a state of financial emergency prior to the enactment of Chapter 2004-305, Laws of Florida, for which the EOG determines that the entities do not need State assistance; and (3) eliminating the condition specified in Section 218.503(1)(e), Florida Statutes, and revising Section 218.39(5), Florida Statutes, to require auditors to consider that condition in determining whether deteriorating financial conditions exist that are required to be discussed with the governing body.

**Audit Report Number: 2011-196**

**Auditor Manager: Marilyn D. Rosetti, CPA**

### POLICY AREAS: SENATE EDUCATION; HOUSE EDUCATION

- ◆ **Charter Schools.** The Legislature should consider revising Section 1002.345(1), Florida Statutes, to require sponsors to notify the Commissioner of Education of those charter schools that are subjected to expedited reviews. The Legislature should also consider revising Section 1002.345(3), Florida Statutes, to specify the date by which the report of charter schools that were subjected to a financial recovery plan or corrective action plan should be filed with the State Board of Education.

**Audit Report Number: 2012-022**

**Audit Manager: Marilyn D. Rosetti, CPA**

### POLICY AREAS: SENATE ENVIRONMENTAL PRESERVATION AND CONSERVATION; HOUSE STATE AFFAIRS

- ◆ **Lifetime Fish and Wildlife Trust Fund.** The Legislature should consider revising Section 379.207, Florida Statutes, to remove or clarify the requirement that the Fish and Wildlife Conservation Commission utilize an actuarial determination to allocate interest income. Additionally, the Legislature should consider simplifying requirements by removing the separate treatment of interest income derived from the sale of lifetime licenses to individuals under the age of 16 years.

**Audit Report Number: 2011-188**

**Audit Manager: David R. Vick, CPA**

### POLICY AREAS: SENATE GOVERNMENT OVERSIGHT AND ACCOUNTABILITY; HOUSE ECONOMIC AFFAIRS

- ◆ **Compensatory Leave Credits.** The Legislature should consider revising Section 110.205(7), Florida Statutes, to either restrict the number of special compensatory leave credits that may be transferred or to require the payment of all accumulated special compensatory leave credits when an employee voluntarily moves from a Career Service pay plan to a position in another State Personnel System pay plan.

**Audit Report Number: 2011-069**

**Audit Manager: Sherrill F. Norman, CPA**

- ◆ **Internal Controls.** The Legislature should consider amending Section 20.05, Florida Statutes, to establish in law the responsibility of each agency head for the maintenance of internal controls that reasonably and effectively ensure that resources are safeguarded from loss, waste, and abuse; applicable laws and rules are followed; and financial and budgetary transactions are accurately and completely recorded and summarized for reporting purposes.

**Deputy Auditor General: Donald R. Hancock, CPA**

- ◆ **Financial Disclosure.** The Legislature should consider amending Section 112.3145, Florida Statutes, to require State or local government employees involved in the purchase of intangible items, such as investment securities, to submit annual financial disclosure forms.

**Deputy Auditor General: Donald R. Hancock, CPA**

## Recommended Statutory and Fiscal Changes

### POLICY AREAS: SENATE GOVERNMENTAL OVERSIGHT AND ACCOUNTABILITY; HOUSE FINANCE AND TAXATION

- ◆ **Insurance Premium Excise Taxes.** The Legislature should consider revising Sections 175.101 and 185.08, Florida Statutes, to authorize the Department of Revenue to audit insurance premium excise taxes and to assess and collect assessed taxes based on such audits.

**Audit Report Number: 2011-194**

**Audit Manager: Kathryn D. Walker, CPA**

### POLICY AREAS: SENATE JUDICIARY; HOUSE JUDICIARY

- ◆ **Clerks of the Court.** The Legislature should consider amending Section 28.35(2)(d), Florida Statutes, to require quarterly notification of clerks of the circuit court not meeting performance standards and submission of corrective action plans and the dates on which these quarterly reports must be provided.

**Audit Report Number: 2011-031**

**Audit Manager: Marilyn D. Rosetti, CPA**

Section 11.45(7)(h), Florida Statutes, provides, in part, that the Auditor General shall transmit to the President of the Senate, the Speaker of the House of Representatives, and the Legislative Auditing Committee by December 1 of each year a projected two-year work plan identifying the audit and other accountability activities to be undertaken by the Auditor General.



### **Work Plan Development**

Various statutory provisions provide some of the underlying considerations for developing our work plan. Initially, we considered legal requirements regarding the frequency of the audits. The established frequency for certain audits is fixed. For example, financial audits of the State of Florida, State universities and colleges, and school districts in counties with populations of less than 150,000 are to be conducted annually. Financial audits of school districts in counties with populations of 150,000 or more are to be conducted every three years.

For other audits, the minimum frequency is established in law. For example, operational audits of each State agency, school district, State university, State college, water management district, and the Florida School for the Deaf and the Blind are required to be conducted at least once every three years. In planning for these audits, information is obtained from the Legislature and other sources concerning areas of interest and operational risks. This information is used to develop a risk-based plan that provides audit coverage of each entity during the three-year cycle. Our **Projected Work Plan** encompassing the work planned during the 2012-13 and 2013-14 fiscal years is included as Exhibit C.

***Operational Audits.*** The areas of operations included within the scope of operational audits are determined through risk assessment processes which, among other steps, include inquiries of Legislative staff concerning areas of concern and interest to the Legislature. The purpose of an operational audit is to evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and other guidelines. Operational audits examine internal controls that are designed and placed in operation to promote and encourage 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, and identify weaknesses in those internal controls. An operational audit may also include comparison of the performance of a program, activity, or function of a governmental entity to specific criteria.

### State Government Audit Impact Measures

<b>Total asset values upon which financial statement opinions were rendered</b>	<b>\$315.3 billion</b>
<b>Total revenues upon which financial statement opinions were rendered</b>	<b>\$151 billion</b>
<b>Total Federal awards expenditures for major programs audited (1)</b>	<b>\$39.5 billion</b>
<b>Total American Recovery and Reinvestment Act Federal award expenditures audited (1)</b>	<b>\$8.2 billion</b>
<b>Total number of major Federal programs audited (1)</b>	<b>39</b>
<b>Number of audit reports released</b>	
Financial	3
Financial and Federal Awards	1
Operational	<u>24</u>
<b>Total number of audit reports released</b>	<b><u>28</u></b>
<b>Number of audit findings and recommendations</b>	<b>271</b>
<b>Number of findings identifying opportunities for cost recovery, savings, or loss avoidance</b>	<b>154</b>
<b>Total amount identified for cost recovery, savings, or loss avoidance</b>	<b>\$608.7 million</b>
<b>(1) Includes Federal award expenditures and major Federal programs of State universities and colleges.</b>	

## State Government

***Financial Statements.*** Government managers are responsible for the stewardship of financial resources and preparing the State of Florida's financial statements that conform to accounting principles promulgated by the Governmental Accounting Standards Board. Pursuant to Section 11.45, Florida Statutes, and the Federal Single Audit Act, the Auditor General is responsible for the audit of the State's financial statements, including consideration of compliance with laws of potential material impact on the financial statements. Our audit of the State's financial statements provides the Legislature, Florida's citizens, investors, bond rating agencies, and other users of the financial statements independent assurance of the reliability of the financial statement information provided by government managers. Such independent assurance is given in the form of an opinion on the financial statements and is preceded by the performance of a rigorous examination of the State's financial records and related representations made by government officials. The nature, timing, and extent of the work performed are governed by professional standards issued by the American Institute of Certified Public Accountants and the United States Comptroller General.

We found that the financial statements for the fiscal year ended June 30, 2010, were presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Procedures applied to required supplementary information did disclose that certain actuarial data relating to the Retiree Health Insurance Subsidy Program had not been measured in accordance with governing accounting principles.

Our independent auditor's report on the financial statements is addressed to the President of the Senate, the Speaker of the House of Representatives, and the Legislative Auditing Committee and was published by the Chief Financial Officer in the State's 2010 Comprehensive Annual Financial Report.

## Overview of Major Audit and Accountability Activities

Our report on the audit of the State's financial statements included 11 findings and recommendations involving internal control over financial reporting, including material weaknesses<sup>1</sup> at three agencies. These material weaknesses pertained to controls relevant to the completeness or accuracy of receivables, revenues, expenditures, and liability accounts. Our report on internal controls over financial reporting is included in our report entitled **State of Florida – Compliance and Internal Controls over Financial Reporting and Federal Awards** (Report No. 2011-167).

Separately from our audit of the State's financial statements, we conducted audits of the financial statements of the **Department of the Lottery** and the **State Board of Administration's (SBA) Local Government Surplus Funds Trust Fund (LGSFTF)**. In both audits, we found that the respective financial statements were fairly presented in accordance with generally accepted accounting principles. For the **Department of the Lottery**, we also examined internal control over financial reporting as of June 30, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). We found that the Lottery maintained, in all material respects, effective internal control over financial reporting as of June 30, 2010, based on the established criteria. However, we did report certain deficiencies in information technology controls within the Lottery's internal control over financial reporting and one finding regarding statutory thresholds for minority vendors.

**Federal Awards.** State agencies, universities, and colleges administered over 500 Federal awards programs or program clusters. The Federal Single Audit Act requirements mandate that the auditor evaluate compliance with requirements applicable to each major program and the effectiveness of internal controls established by management to consistently ensure compliance.

We audited the State's compliance with governing requirements for the 39 Federal awards programs or program clusters that we identified as major

**Federal Single Audit Act.** As a condition of receiving Federal funds, the United States Office of Management and Budget (OMB) requires a Single Audit of the State's financial statements and major Federal awards programs. The audit is referred to as a Single Audit because it is an organizationwide audit that includes within its scope work designed to meet the oversight needs of many Federal and pass-through grantors and State accountability officials. The Single Audit is performed in accordance with audit requirements cited in OMB Circular A-133. The Single Audit of the State of Florida includes State agencies, State universities and colleges, judicial branch entities, and various other government entities for which the State is financially accountable. The results of our Single Audit of the State of Florida as of and for the fiscal year ended June 30, 2010, are described in Report No. 2011-167.

<sup>1</sup> A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Overview of Major Audit and Accountability Activities

programs for the fiscal year ended June 30, 2010. Expenditures for these major programs comprised approximately 98 percent of the \$40.4 billion in total Federal awards expenditures reported for the fiscal year ended June 30, 2010. Our Federal awards audit findings are described by area in Table 1.

In summary, we found that State government entities, universities, and colleges materially complied with requirements governing the State's major Federal programs, except with respect to compliance with certain requirements for the following 10 programs for which we qualified our opinions:

- ◆ Capitalization Grants for Drinking Water State Revolving Funds
- ◆ Special Education Cluster
- ◆ Vocational Rehabilitation Cluster
- ◆ State Fiscal Stabilization Fund Cluster
- ◆ Temporary Assistance for Needy Families (TANF) Cluster
- ◆ Child Support Enforcement
- ◆ Medicaid Cluster
- ◆ Block Grants for Community Mental Health Services
- ◆ Block Grants for Prevention and Treatment of Substance Abuse
- ◆ Disaster Grants – Public Assistance

Other instances of noncompliance and internal control deficiencies were found at 11 State agencies, 8 universities, and 20 colleges. Some of the instances of noncompliance resulted in audit determinations of questioned costs. Questioned costs include costs of goods or services charged to one or more Federal programs that are not allowed under the applicable grant terms, not clearly supporting the Federal program's purposes, not documented in the manner prescribed by applicable Federal cost principles or State policies, or not incurred during the grant period. Such costs are subject to adjustment or disallowance by Federal grantor officials.

**Table 1  
Federal Awards**

Summary of Federal Awards Findings by Area	No. of Findings	No. of State Agencies	No. of Universities and Colleges
Cash Management	5	4	0
Child Support Administration	3	1	N/A
Cost Accounting Standards	7	N/A	5
Eligibility and Claims Payments	8	4	0
Expenditures and Supporting Documentation	16	8	1
Information Technology Controls (1)	14	7	16
Matching, Level of Effort, and Earmarking	8	5	0
Payroll Changes and Personnel Records	8	4	0
Record Systems and Reporting	11	7	1
Student Financial Aid Administration	21	N/A	19
Subawards and Monitoring	8	6	0
<i>(1) One finding pertained to 16 universities and colleges.</i>			

## Overview of Major Audit and Accountability Activities

We also reported material weaknesses in internal control over compliance<sup>2</sup> for the following 7 programs:

- ◆ Vocational Rehabilitation Cluster
- ◆ Public Health Emergency Preparedness
- ◆ Child Support Enforcement
- ◆ Medicaid Cluster
- ◆ Block Grants for Community Mental Health Services
- ◆ Block Grants for Prevention and Treatment of Substance Abuse
- ◆ Disaster Grants – Public Assistance

The Single Audit has been identified as one of the tools that will be used to measure the degree of stewardship and accountability provided by the states for moneys provided under the **American Recovery and Reinvestment Act of 2009 (ARRA)**. The United States Congress mandated additional reporting and transparency requirements to be met by recipients of ARRA funds and, consequently, ARRA has had a significant impact on the audit work to be performed by our Office. The State of Florida expended approximately \$8.2 billion in ARRA funds during the 2009-10 fiscal year. We closely monitored ARRA-related audit requirements and developed audit strategies to ensure our audits met all related additional Federal requirements and participated in the United States Office of Management and Budget's pilot program for early reporting of internal control deficiencies.

***Operational Audits.*** We conducted operational audits of State agencies, including executive and judicial branch entities, as required by Florida Statutes. During the period November 1, 2010, through October 31, 2011, we released 24 operational audit reports on State governmental entities. These reports addressed a broad array of programs, activities, and functions. For example, among the programs, activities, and functions addressed in the operational audits were: the improper payment prevention and detection controls employed in the Medicaid Program; the Independent Living Transition Services Program; payroll and personnel administrative processes at selected State agencies; licensing and regulatory processes of the Department of Business and Professional Regulation, the Department of Highway Safety and Motor Vehicles, the Fish and Wildlife Conservation Commission, the Office of Financial Regulation, and the Office of Insurance Regulation; selected activities of the State Treasury; and selected activities of the Florida Clerk of Court Operations Corporation.

Many of our operational audit findings pertained to weaknesses in internal controls. Internal controls are those processes put in place by agency management to prevent and detect fraud, waste, and abuse and to provide reasonable assurance that financial reports are reliable, operations are economic and efficient, applicable laws are complied with, and resources are safeguarded against loss. In short, effective internal controls prevent adverse events from happening and detect them when they do. Our

---

<sup>2</sup> A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

## Overview of Major Audit and Accountability Activities

operational and performance audit findings are broadly summarized by audit area in Table 2. Several of our findings are also summarized in the following paragraphs.

**Medicaid Program.** Pursuant to Chapter 2010-144, Laws of Florida, we conducted an operational audit of the improper payment prevention and detection controls within the Florida Medicaid Management Information System (FMMIS) made through the fee-for-service payment structure. FMMIS allows the use of numerous electronic edits and audits to ensure that each submitted claim is from a valid Medicaid provider, for a valid Medicaid recipient, and for a valid Medicaid service. The electronic audits are also to be employed in the review of a recipient’s claim history to ensure that the claim submitted by the provider does not exceed Medicaid Program limitations. As described in Report No. 2012-021 and summarized below, our audit found that processes that would reasonably ensure the timely implementation of edits and audits had not been established by the Agency for Health Care Administration:

- The Agency had not implemented an effective risk assessment process whereby risks to the Agency’s objectives are identified and controls are implemented to mitigate identified risks. The ineffective risk assessment processes contributed to the disbursement of improper payments.
- A comprehensive review of procedure codes and applicable audits had not been performed for all service types within the last several years. Additionally, when the Agency changed fiscal agents effective June 26, 2008, a review of procedure codes and audits was not performed as part of the two-year design, development, and implementation phase. Absent the Agency’s periodic review of the effectiveness of FMMIS audits, deficiencies in the audits will not be identified and improper payments will be made and escape detection. For example, our analysis of selected service types and procedure codes identified claim payment errors totaling approximately \$17 million made to durable medical equipment and other service providers. For

**Table 2  
State Government**

Summary of Operational Audit Findings by Audit Area	No. of Findings	No. of Entities
Budgetary Controls	2	1
Contractual Services	7	5
Cost Allocations and Cost Reports	2	1
Eligibility and Financial Assistance Payments	3	1
Financial Management and Record Keeping	13	8
Florida Single Audit Act	1	1
General Oversight or Governance	2	1
Grant Administration and Monitoring	2	2
Information Technology Controls	8	7
Licensing and Related Activities	20	6
Medicaid Claim Payments	4	1
Medicaid Program Administration	5	1
Other Fees, Taxes, and Collections	6	2
Pari-Mutuel Wagering	3	1
Payroll and Personnel	12	8
Performance Measure Reporting	4	2
Program Oversight and Monitoring	6	1
Purchasing Practices	10	5
Real Property Leases	8	2
Regulatory Oversight and Monitoring	9	2
State Land Acquisitions	5	1
State Treasury Investments and Other Activities	4	1
Tangible Personal Property	3	3

## Overview of Major Audit and Accountability Activities

some of these claims, the absence of accurate claim information precluded reliable estimates as to the extent these payments represented overpayments.

- Regarding claims submitted to the Medicaid Program after the Medicare Program had paid the portion of the claims covered by Medicare (i.e., crossover claims), we reported that: (1) FMMIS was not programmed to ensure the proper payment of outpatient Medicare crossover claims, resulting in overpayments projected to exceed \$117 million; (2) FMMIS was not programmed to correctly calculate the amounts due for some professional Medicare crossover claims, resulting in overpayments of approximately \$14 million; and (3) Medicare crossover claims were paid on behalf of recipients without consideration of whether the recipient was eligible for the assistance, resulting in overpayments totaling approximately \$26 million.
- Programming changes to FMMIS electronic edits and audits were not made in a timely manner. Without timely incorporation of edits and audits programmed for current policy, it is likely that improper payments will be made.
- The Agency should strengthen the process by which the Bureau of Medicaid Program Integrity's recommendations are reviewed and tracked.
- The Agency should automate processes for the screening of new and currently enrolled Medicaid providers. Automating these processes would also improve the timeliness with which Medicaid providers are terminated from the Medicaid Program due to adverse actions.
- To enhance its effectiveness as a deterrent to unacceptable performance, should such occur, the methodology used to periodically monitor the performance of the Medicaid fiscal agent and assess related penalties should be modified.

**Payroll and Personnel Administrative Processes.** We audited payroll and personnel administrative processes at selected State agencies. As disclosed in Report No. 2011-069, we found that, with the exception of time record submissions and approvals, management of unused leave credits and payout calculations, dual-employment authorizations and oversight, and overtime authorizations, the payroll and personnel administrative infrastructure and controls established by the management of the State agencies included within the scope of the audit were generally effective in accomplishing management's control objectives. Internal control weaknesses and instances of noncompliance described in the report included, for example:

- Procedural deficiencies with respect to the monitoring of the timely submittal, review, and approval of employee time records.
- Ineffective procedures regarding unused compensatory leave compensation.
- Failure to always document proper approval of dual employment for employees working for more than one applicable State employer.
- Payroll change processing errors resulting in incorrect salary payments.
- Ineffective policy and procedures at one agency to ensure that overtime was limited to a reasonable number of hours.

**Licensing and Regulatory Processes.** In several of our recent operational audits, we focused on licensing and regulatory processes including the assessment and collection of license fees and related oversight activities, including but not limited to inspections, examinations, and enforcement actions.

## Overview of Major Audit and Accountability Activities

We reported a number of findings and recommendations pertaining to licensing and oversight processes, some of which are summarized below:

- The Fish and Wildlife Conservation Commission had not developed procedures to reconcile the number of each type of recreational license and permit sold to the amount of funds deposited in the State Treasury and recorded in the Commission's accounting system. As a result, Commission management had reduced assurance that all funds due to the State were collected and deposited, or alternatively, that responsibility for shortages could be identified.
- The Department of Highway Safety and Motor Vehicles, Division of Motor Vehicles (Division), had not established consistent policies and procedures for the regulation of motor vehicle dealers. We found that regulatory activities were inconsistently applied and that the Bureau of Field Operations did not always perform annual management reviews for all regions. We also noted that the Division did not always adequately complete motor vehicle dealer records inspection reports or timely follow up on failed inspections; adequately plan or perform records inspections; timely suspend licenses for the dealer's failure to maintain the required surety bond or garage liability insurance; or always take timely and effective administrative actions against dealers with frequent and severe violations.
- The Office of Financial Regulation did not always adequately conduct or document examinations of money service businesses and did not have written policies and procedures requiring documentation of the rationale for the cancellation of examinations and disposition of indications of potential or actual violation of laws and rules. Regarding securities regulation, the Office did not always adequately document the planning of securities examinations and timely conclude examinations. Additionally, the Office did not have policies and procedures requiring the identification of the subsequent actions, if any, the Office would take to ensure compliance with the provisions of final orders and did not always have documentation evidencing follow-up efforts.
- The Office of Insurance Regulation did not always finalize its review of "file and use" rate filings by issuance of a notice of intent to approve or notice of intent to disapprove within 90 days of receipt of the filing.

**State Treasury Investment Policies.** In audit report No. 2012-008, we reported that the State Treasury's investment policies, procedures, and Web site disclosures could be improved by amending them to include certain provisions recommended by Government Finance Officer Association guidance. We recommended amendments to incorporate coverage of the net asset value type, share valuation, structured investments and derivatives, standards of care, safeguarding and custody of securities, internal controls, reporting, investment policy review and approval, Investment Committee members, and Investment Committee meeting minutes.

**Florida Clerk of Court Operations Corporation (CCOC).** Section 28.35(5)(a), Florida Statutes, provides for an annual audit of the CCOC. In audit report No. 2011-031, we reported on several matters as summarized below:

- The CCOC did not timely pay trust fund service charges due, contrary to Section 215.20, Florida Statutes.

## ***Overview of Major Audit and Accountability Activities***

- The CCOC did not obtain timely explanations for differences between amounts reported for monthly clerk remittances and remittance amounts in Department of Revenue records.
- The CCOC approved and made payments for accrued leave in excess of amounts stipulated under contract.
- Improvements were needed by clerks and the CCOC regarding reporting and monitoring performance measures data.

*A listing of all State Government audit reports released during the period November 1, 2010, through October 31, 2011, is included in Exhibit A of this Annual Report.*

**Educational Entities**

Pursuant to law, the Auditor General has extensive audit responsibilities involving educational entities, including school districts and State universities and colleges. These responsibilities include audits of financial statements, compliance with requirements of Federal awards, and selected operations. We also perform examinations of school district and other entity compliance with selected laws applicable to the Florida Education Finance Program FTE Students and Student Transportation funding. An overview of our audit activities is included on the following pages:

	<u>Page No.</u>
<b>School Districts .....</b>	<b>20</b>
<b>Florida Education Finance Program FTE Students and Student Transportation .....</b>	<b>23</b>
<b>Higher Education - State Universities and Colleges .....</b>	<b>25</b>

## Overview of Major Audit and Accountability Activities

### School Districts

<b>School Districts Audit Impact Measures</b>	
<b>Total asset values upon which financial statement opinions were rendered</b>	<b>\$28.8 billion</b>
<b>Total revenues upon which financial statement opinions were rendered</b>	<b>\$16.4 billion</b>
<b>Total Federal awards expenditures for major programs audited</b>	<b>\$1.8 billion</b>
<b>Number of audit reports released</b>	
Financial, Federal Awards, and Operational	42
Financial and Federal Awards	9
Operational	<u>9</u>
<b>Total number of audit reports released</b>	<b><u>60</u></b>
<b>Number of audit findings and recommendations</b>	<b>448</b>
<b>Number of findings identifying opportunities for cost recovery, savings, or loss avoidance</b>	<b>185</b>
<b>Total amount identified for cost recovery, savings, or loss avoidance</b>	<b>\$33.7 million</b>

**Financial Statements.** We audited the financial statements of 51 school districts and compliance with laws of potential material impact on the financial statements. We found that, generally, the school districts' financial statements presented fairly, in all material respects, the financial position of the school districts as of June 30, 2010, and the respective changes in financial position and cash flows, as applicable for the fiscal year then ended. For one school district, we modified our opinion on the financial statements because of certain deficiencies in reporting school internal funds. Additionally, for one school district, we modified our opinion on the financial statements because the financial statements of a charter school (a discretely presented component unit) had not been audited.

We also reported conditions involving internal control, including material weaknesses<sup>3</sup> at 8 school districts. For example, we noted material weaknesses impacting financial statement accuracy and completeness, use of capital outlay tax levy proceeds, school internal funds collections, and the

preparation and review of bank account reconciliations. Our financial audit findings are summarized by audit area in Table 3.

**Federal Awards.** In our audits of the 51 school districts, we examined the school districts' compliance with laws, regulations, and contracts and grants governing the use of Federal funds. The Federal Single Audit Act requirements mandate that the auditor evaluate compliance with requirements applicable to each school district's major programs and the effectiveness of internal controls established by management to consistently ensure compliance. For most of the 51 school districts, the number of major programs ranged from 3 to 7, although one school district had 13 major programs. School districts spent approximately \$817.9 million of funds provided pursuant to the American Recovery and Reinvestment Act of 2009 (ARRA) during the 2009-10 fiscal year. Our Federal awards audits resulted in 81 findings as shown in Table 3. In summary, our audits of the various major Federal programs disclosed the following:

<sup>3</sup> See Footnote 1.

## Overview of Major Audit and Accountability Activities

- Ten school districts did not comply with compliance requirements considered material to one or more major programs (Title I, Special Education, Improving Teacher Quality, Twenty-First Century, Pell Grant, and WIA Youth Activities) resulting in qualified opinions.
- Internal controls over compliance with Federal awards requirements needed improvement at 28 of the school districts where we noted material weaknesses (12 findings) or significant deficiencies (63 findings) in internal controls over compliance.<sup>4</sup>
- Instances of noncompliance were noted for 29 school districts in several areas including, but not limited to, documenting personnel costs and the allocation of indirect costs to programs, maintaining required fiscal effort, using highly qualified teachers for Title I schoolwide programs, and reporting program information on the Schedule of Expenditures of Federal Awards. Additionally, one school district did not timely file the Single Audit reporting package with the Federal Audit Clearinghouse and one school district transferred a large amount of funds from an internal service fund without determining the amount that should be returned to participating Federal programs.
- Questioned costs were cited in 36 findings for 18 school districts. Questioned costs include costs of goods or services charged to one or more Federal programs that are not allowed under the applicable grant terms, not clearly supporting the Federal program's purposes, not documented in the manner prescribed by applicable Federal cost principles or State or school district policies, or not incurred during the grant period. Five of the findings involved the use of ARRA funds at four school districts. A school district may have to repay from non-Federal sources the questioned costs should the applicable grantor disallow such costs.

**Table 3  
School Districts**

Summary of Audit Findings by Area	No. of Findings	No. of Districts
<b>Ad Valorem Tax Program and Capital Outlay</b>	17	16
<b>Adult General Education Course Hours Reporting</b>	20	20
<b>Board Policies and Actions</b>	5	5
<b>Capital Assets, Equipment, and Inventory</b>	13	9
<b>Cash and Cash Collections</b>	11	10
<b>Charter School Monitoring</b>	7	7
<b>Construction and Related Activities</b>	12	7
<b>Direct-Support Organization Audits</b>	3	3
<b>Educational Facility Use and Safety</b>	5	5
<b>Federal Awards</b>	81	29
<b>Financial Management and Budgetary Controls</b>	9	6
<b>Financial Reporting</b>	21	21
<b>Food Service Operations</b>	4	2
<b>Information Technology Controls</b>	89	37
<b>McKay Student Scholarships</b>	4	4
<b>Payroll and Personnel</b>	100	49
<b>Purchasing Practices and Contractual Services</b>	14	11
<b>Self-Insurance Plan Administration</b>	6	5
<b>Social Security Number Collection Notice</b>	23	23
<b>Student Records</b>	1	1
<b>Workforce Development Funds</b>	3	3

<sup>4</sup> See Footnote 2.

## Overview of Major Audit and Accountability Activities

**Operational Audits.** We conducted operational audit procedures for 51 school districts. We addressed the school districts' performance with respect to a variety of areas including those identified in specific laws or Appropriations Act provisos for inclusion in our audits. For example, our operational audits included areas such as information technology controls, collecting and safeguarding Social Security numbers, the use of capital outlay tax proceeds and Workforce Development funds, personnel compensation and performance assessment practices, procurement practices, and Adult General Education enrollment reporting to the Department of Education. Our operational audit findings are summarized by audit area along with the financial and Federal awards findings in Table 3. For several areas, similar findings were noted at multiple school districts. Our findings for some of those areas are briefly described below:

- **Information Technology Controls** – For 37 school districts, we reported that enhancements were needed with regard to information technology (IT) controls for financial and related systems. Examples of recommended enhancements to IT controls included timely removing the IT access privileges of former employees, restricting IT access privileges to only what is needed to perform assigned job duties, improving user authentication controls, logging and monitoring of significant system activity, and establishing effective security awareness programs and written policies and procedures to govern significant IT functions.
- **Adult Education Hourly Reporting** – Our audits disclosed that 20 school districts needed to enhance internal controls over the reporting of Adult General Education instructional contact hours to the Department of Education. We noted instances in which contact hours were over-reported for various reasons, such as oversight errors, the use of estimates rather than actual hours, the use of incorrect enrollment and withdrawal dates, errors in the reporting program, and the use of scheduled hours that were not based on a student's expected hours of attendance. We also noted instances in which documentation was not maintained in support of reported enrollments. Since school district funding for Adult General Education may be based, in part, on enrollment data submitted to the Department of Education, it is important that such data be reported correctly.
- **Ad Valorem Taxation and Capital Outlay Expenditures** – For 14 school districts, district records did not evidence that the use of capital outlay tax levy moneys was consistent with applicable statutory provisions. We questioned amounts ranging from approximately \$11,000 to \$7.9 million used for items such as insurance premiums that were not authorized by Section 1011.71(5) Florida Statutes; purposes that were not specified in the advertised notice of tax levy; school employee and other costs including, but not limited to, Web site maintenance; and transfers to other funds to eliminate a deficit position or to use for purposes unrelated to school facilities. One school district did not adequately monitor the timely assessment and collection of Board-approved tax millage. Additionally, contrary to Section 216.301(2), Florida Statutes, one school district retained unobligated State capital outlay appropriations and one school district provided capital outlay funds totaling approximately \$2.6 million to a charter school; however, the funds were used for operating purposes, contrary to Section 1013.62, Florida Statutes.
- **Charter School Monitoring** – Six school districts needed to improve procedures for monitoring charter schools to ensure the adequacy of insurance coverage. Additionally, one school district initially withheld its charter schools' proportionate share of State and local funding, contrary to Section 1002.33(17)(b), Florida Statutes. The school district subsequently provided the funds to the charter schools.

## Overview of Major Audit and Accountability Activities

- **Personnel Compensation** – Our audits disclosed that 44 school districts had not adopted formal policies and procedures for ensuring that a portion of each instructional employee’s compensation is based on performance, contrary to Section 1012.22(1)(c)2., Florida Statutes. Additionally, 45 school districts had not adopted formal policies and procedures for documenting the differential pay process for instructional personnel and school-based administrators based on factors determined by the district, including but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties, contrary to Section 1012.22(1)(c)4., Florida Statutes. Two school districts had formal policies related to differential pay but had omitted consideration of critical shortage areas for school-based administrators.
- **Performance Assessment Practices** – Contrary to Section 1012.34(3), Florida Statutes, 42 school districts did not base performance assessments for instructional personnel, school administrators, or both primarily on student performance. Some school districts cited the late receipt of the FCAT scores as the reason for not basing the performance assessments on student performance. Some school districts did not evidence on the performance assessment form the weight given to student performance when making the performance assessments.

*A listing of all school district audit reports released during the period November 1, 2010, through October 31, 2011, is included in Exhibit A of this Annual Report.*

### Florida Education Finance Program (FEFP) FTE Students and Student Transportation

FEFP FTE Students and Student Transportation Audit Impact Measures	
Total FTE reported upon for which a compliance opinion was rendered	1,292,168
Total FTE funding for entities examined	\$2.5 billion
Total Student Transportation funding for entities examined	\$216.9 million
Number of compliance examination reports released	29
Number of reports disclosing material noncompliance	26

For the 2009-10 fiscal year, State appropriations for FEFP (net of local school district funding) totaled approximately \$6 billion. The State appropriations for FEFP included \$428.9 million for Student Transportation. During the period November 1, 2010, through October 31, 2011, we examined the records of 28 school districts and the Florida Virtual School to evaluate compliance with State requirements governing the determination and reporting of full-time equivalent (FTE) students for FEFP and, where applicable, the number of

students transported for Student Transportation funding for the 2009-10 fiscal year. Our examinations disclosed that 26 school districts did not materially comply with State requirements. Table 4 summarizes the material noncompliance areas. Generally, we considered noncompliance to be material when sample error rates equaled or exceeded 10 percent of the sample population for one or more funded programs. The most common area of material noncompliance pertained to the preparation and maintenance of student records for students in the English for Speakers of Other Languages (ESOL), Exceptional Student Education (ESE) Support Levels 4 and 5, and Career Education 9-12 On-the-Job Training (OJT) Programs.

## Overview of Major Audit and Accountability Activities

Specifically, regarding FTE Students, our examinations disclosed:

- Incomplete, incorrect, or untimely prepared records.
- Improper signing and dating of records or failure to sign and date records.
- Files were inaccessible or records could not be located.

We also reported material noncompliance regarding teacher qualifications and student transportation. For example, we reported instances in which teachers did not meet State requirements governing certification, School Board approval of out-of-field teacher assignments, notification to parents regarding teachers' out-of-field status, or the earning of required in-service training points in ESOL strategies. Material noncompliance regarding student transportation involved students' reported ridership categories or eligibility for State transportation funding.

The Department of Education is responsible for resolving proposed adjustments reported in examinations and computing the financial impact of such proposed adjustments for application against the school districts' current or future funding. School districts are permitted to request an informal conference to appeal the examination's proposed findings to the Department of Education. The resulting informal conference panel's recommendations are presented to the Commissioner of Education for acceptance. We performed certain agreed-upon procedures to determine and report the proposed restoration adjustments and released two restoration reports during the Annual Report period.

*A listing of all FEFP FTE Students and Student Transportation reports and restoration reports issued during the period November 1, 2010, through October 31, 2011, is included in Exhibit A of this Annual Report.*

**Table 4**  
**FEFP FTE Students and**  
**Student Transportation**

Summary of Material Noncompliance Areas	No. of Entities
Preparation and Maintenance of Student Records	24
Teacher Qualifications	13
Classification and Funding Eligibility of Transported Students	16

## Overview of Major Audit and Accountability Activities

### Higher Education

#### State Universities and Colleges

#### State Universities and Colleges Audit Impact Measures

<b>Total asset values upon which financial statement opinions were rendered</b>	<b>\$19.9 billion</b>
<b>Total revenues upon which financial statement opinions were rendered</b>	<b>\$10.9 billion</b>
<b>Total Federal awards expenditures for major programs audited</b>	<b>\$847.8 million</b>
<b>Number of audits reports released</b>	
Financial	42
Operational	7
<b>Total number of audit reports released</b>	<b><u>49</u></b>
<b>Number of audit findings and recommendations</b>	<b>43</b>
<b>Number of findings identifying opportunities for cost recovery, savings, or loss avoidance</b>	<b>12</b>
<b>Total amount identified for cost recovery, savings, or loss avoidance</b>	<b>\$1.8 million</b>

***Financial Statements.*** We audited the financial statements of the 11 State universities and 28 State colleges and compliance with laws of potential material impact on the financial statements. We also audited the financial statements for two regional campuses of the University of South Florida (USF) (USF Polytechnic and USF St. Petersburg) prepared for use by the Southern Association of Colleges and Schools for accreditation purposes and one college radio station. We found that the financial statements for the fiscal year ended June 30, 2010, were presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

We also reported conditions involving internal control, including a material weakness<sup>5</sup> at one college. The internal control deficiencies noted pertained to financial statement accuracy and completeness of amounts reported regarding capital assets and expenses, construction contracts payable, and net assets. Our financial audit findings are

summarized with other audit findings by audit area in Table 5.

***Federal Awards.*** We audited the Federal awards expenditures of the State universities' and colleges' major Federal programs as part of the State of Florida Single Audit. The Student Financial Assistance Programs Cluster was a major Federal program for State universities and colleges. Additionally, the Research and Development Programs Cluster was also a major Federal program for the State universities. A description of our State of Florida Single Audit begins on page 12 and the related findings are described by audit area in Table 1 on page 13.

<sup>5</sup> See Footnote 1.

## Overview of Major Audit and Accountability Activities

**Operational Audits.** During the period November 1, 2010, through October 31, 2011, we released operational audit reports of one State university and three State colleges to complete the 2009-10 fiscal year audit cycle. An additional operational audit was performed on each institution's administration of the Bright Futures Scholarship Program during the 2009-10 fiscal year. We conducted operational audits of 8 State universities and 12 colleges for the 2010-11 fiscal year and released reports of one State university and one State college. Audit reports on the remaining audits for the 2010-11 fiscal year will be released subsequent to the October 31, 2011, cutoff date for this Annual Report. (See Exhibit B.)

Our operational audits focused on a variety of areas. For example, we tested selected information technology controls; the collection and safeguarding of Social Security numbers; the assessment and use of tuition and fees including, but not limited to, those pertaining to Florida residency requirements and the Tuition Differential, Distance Learning, and Continuing Education Fees at State universities; procurement practices and P-Card usage; and college reporting of Adult General Education enrollment to the Department of Education.

Our audit findings disclosed in audit reports released during the period November 1, 2010, through October 31, 2011, are described by audit area in Table 5. Several of our findings are also summarized below:

**Table 5  
Higher Education Institutions**

Summary of Operational Audit Findings by Area	No. of Findings	No. of Institutions
Adult General Education Course Hours Reporting	2	1
Board Policies and Actions	3	2
Bright Futures Refunds	2	12
Capital Assets, Tangible Personal Property, and Inventory	2	1
Cash Collections	1	1
Construction and Related Activities	6	2
Contractual Services	3	1
Financial Reporting	3	3
Information Technology Controls	9	4
Internal Audit Activities	1	1
Matching Grants	1	1
Motor Vehicle Usage	1	1
Payroll and Personnel	1	1
Purchasing Practices	4	4
Social Security Number Collection Notice	1	1
Tuition and Fees Collection and Use	3	3

- **Information Technology Controls** – For four institutions, we reported that enhancements were needed regarding information technology controls for financial and related systems. Examples of recommended enhancements to IT controls included timely removing the IT access privileges of former employees, restricting IT access privileges to only what is needed to perform assigned job duties, improving user authentication controls, logging and monitoring of significant system activity, and establishing a disaster recovery plan.
- **Bright Futures Scholarships** – Ten institutions did not have effective procedures to ensure that Bright Futures Scholarship Program funds received for courses that students dropped or withdrew from after the drop and add period were returned to the Department of Education within 30 days

## ***Overview of Major Audit and Accountability Activities***

after the end of the semester. Section 1009.53(5)(a), Florida Statutes, which requires these refunds, was newly effective for the 2009-10 fiscal year.

- **Identify Theft Prevention** – Two institutions had not implemented an identity theft prevention program, required by the Federal Trade Commission for creditors that hold consumer accounts designed to permit multiple payments or transactions or any other account for which there is a reasonable foreseeable risk of identity theft. The institutions had developed a draft identity theft program but had not attained Board approval. Additionally, the institutions had not provided required training to applicable employees.

*A listing of all State university and college audit reports released during the period November 1, 2010, through October 31, 2011, is included in Exhibit A of this Annual Report.*

### Information Technology

Public entities rely heavily on information technology (IT) to achieve their missions and business objectives and to record, process, maintain, and report essential financial and program information. The widespread use of IT, without proper safeguards, can lead to vulnerabilities that allow the introduction of errors by employees in their daily work processes and actions by persons with malicious intentions. As such, IT controls are a critical component of public entity internal control systems. Public entity management, therefore, has an important stewardship responsibility for establishing effective IT controls that provide reasonable assurance of the achievement of management's control objectives, including, in particular, assuring the confidentiality, integrity, and availability of data and IT resources. The absence of effective IT controls can result in significant risks to public entity operations and assets, such as risk of unauthorized or erroneous disclosure, modification, or destruction of financial information and IT resources. Examples include:

- ✓ Financial resources could be lost or stolen.
- ✓ IT resources could be used for unauthorized purposes, including diverting financial resources and launching attacks on other systems or networks.
- ✓ Information that is confidential or exempt from public disclosure by law, such as student data, taxpayer data, Social Security numbers, medical records, other personally identifiable information, and proprietary business information could be inappropriately added, disclosed, copied, modified, deleted, or destroyed.
- ✓ Critical operations, such as those supporting law enforcement and emergency services, could be disrupted.
- ✓ Public confidence could be diminished as a result of embarrassing incidents such as the disclosure of personally identifiable information, unavailable or poorly functioning IT-dependent services, IT-related fraud, or costly mismanagement of large IT system acquisition or development projects.

#### Information Technology Audits

The Auditor General evaluates the effectiveness of controls over IT in financial audits and in many operational audits. Consideration of IT controls is an essential and significant part of the audit process in these audits because public entity business processes that are relevant to the audit objectives are usually dependent on IT.

**State Government.** Ten IT operational audits with varying scopes were performed at seven State entities. These audits encompassed critical and complex systems including, but not limited to:

- ◆ The Florida Accounting Information Resource (FLAIR) Subsystem (the State of Florida's accounting system that maintains State agency accounting and State budget control records and processes the State's payroll);
- ◆ The System for Unified Taxation (SUNTAX) (a unified tax system used in the administration of all taxes) and the Imaging Management System (IMS) (a front-end system to initiate the process of tax collection and tax return processing);

## Overview of Major Audit and Accountability Activities

- ◆ The Florida Medicaid Management Information System (FMMIS) (used to enroll providers, process Medicaid claims, adjudicate claims, and reimburse providers) and the Decision Support System (DSS) (used to enable efficient reporting and data analysis);
- ◆ The Florida Online Recipient Integrated Data Access (FLORIDA) System, including the Child Support Enforcement Component (supports eligibility determination and benefit issuance for various Public Assistance programs and supports various Child Support Enforcement program functions); and
- ◆ The Child Support Automated Management System (CAMS) (interfaces with the FLORIDA System and provides Child Support case compliance enforcement and parental or guardian location functions).

Our IT operational audit findings and recommendations primarily pertained to controls underlying the overarching principles for data integrity, data confidentiality, and data or IT resource availability and are summarized by control area in Table 6. Whereas most of the control areas related to general controls, Business Process and Interface Controls are application controls. Some of the frequent findings and recommendations related to the following:

- Excessive access privileges granted to employees and IT contractors.
- Untimely removal of access privileges for employees and IT contractors.
- Insufficient review of the appropriateness of access privileges for employees and IT contractors.
- Inadequate security settings.
- Insufficient logging and monitoring of system activity.
- Insufficient disaster recovery plans.

**Table 6**  
**State Government**

Information Technology Operational Audit Findings by Area	No. of Findings	No. of Entities
<b>Access Controls</b>	<b>41</b>	<b>7</b>
<b>Business Process Controls</b>	<b>5</b>	<b>3</b>
<b>Configuration Management</b>	<b>9</b>	<b>6</b>
<b>Contingency Planning</b>	<b>3</b>	<b>3</b>
<b>Data Center Operations</b>	<b>4</b>	<b>1</b>
<b>Interface Controls</b>	<b>2</b>	<b>2</b>
<b>Security Management</b>	<b>14</b>	<b>6</b>

Additionally, we noted sensitive matters related to security control. In these instances, we did not disclose specific details of the findings and recommendations in the audit reports to avoid the possibility of compromising entity data and IT resources. The specific details were separately communicated to entity management and frequently involved multiple security control deficiencies relating to various topics such as security management, access controls, and contingency planning.

**Educational Entities.** During the period November 1, 2010, through October 31, 2011, we evaluated IT controls as a part of financial and operational audits of educational entities, including district school boards and State universities and colleges. These evaluations disclosed a significant number of internal control deficiencies and departures from best practices. Such matters were reported in the financial or operational audits of the respective district school board or State university or college. (See Audit Findings summaries for operational audits on pages 21 and 26.)

## ***Overview of Major Audit and Accountability Activities***

### **Analytical and Automated Procedures and Audit Applications**

In addition to IT audits, extensive IT support is provided to the Office's financial and operational audits through computer-assisted audit techniques (CAATs) services. Such services are focused, allow for extensive analysis in an efficient manner, and are accomplished by obtaining detailed information from public entity IT systems that can be used to prepare reconciliations, summaries, samples of detailed transactions, range reports, and other analytical tools for our audit staff. The use of CAATs leads to increased audit coverage, more thorough and consistent analysis of data, and reduction in risk.

IT audit application systems are maintained to support various audit activities. Examples include applications for analyzing and compiling financial statement adjustments and for support of our reviews of local government and charter school audit reports prepared by private sector certified public accountants.

## Other Accountability Activities

### Audits

#### Local Government Financial Reporting System Performance Audit (Report No. 2011-196).

Pursuant to Section 11.45(2)(g), Florida Statutes, we conducted an audit of the local government financial reporting system, which is defined as any statutory provision relating to local government financial reporting. The results of our audit included the following:

- Numerous recommendations to the Legislature for statutory changes regarding the Financial Emergencies Act, community development districts, local government bond issues, annual financial reports, and newsletters to the bond community and public. Our specific recommendations to the Legislature for statutory changes are summarized on pages 6 and 7 of this Annual Report.
- The Executive Office of the Governor needed to determine whether certain entities have effective accounting and financial reporting systems and, if so, consider releasing them from their financial emergency status.
- The Department of Financial Services needed to enhance its procedures to ensure proper reporting of all local governmental entities that failed to timely file annual financial reports.
- The Department of Management Services, Division of Retirement, needed to enhance its procedures to: (1) ensure timely contact of new local governmental entities to inquire about local retirement systems, and (2) ensure that local governmental entities' police and firefighter retirement plans were State accepted prior to release of insurance premium tax moneys to the entities.

Quality Assessment Reviews. Pursuant to Section 11.45(2)(i), Florida Statutes, the Auditor General conducts quality assessment reviews of the Offices of Inspectors General internal audit activities. We released seven quality assessment reviews of internal audit activities, conducted in accordance with applicable *Government Auditing Standards* applicable to performance audits. We disclosed that the quality assurance program related to the seven Offices of Inspectors General internal audit activities, as designed and implemented during the review period July 2009 through June 2010, provided reasonable assurance of conformance to applicable professional auditing standards. Also, we noted that the Offices of Inspectors General generally complied with those provisions of Section 20.055, Florida Statutes, governing the operation of State agencies' Offices of Inspectors General internal audit activities. A listing of Quality Assessment Reviews released during the period November 1, 2010, through October 31, 2011, is included in Exhibit A of this Annual Report.

### Reviews of Audit Reports

Section 218.39(1), Florida Statutes, requires charter schools, charter technical career centers, certain school districts, and certain local governmental entities to provide for annual financial audits conducted by private sector certified public accountants (CPAs).

Section 11.45(7)(b), Florida Statutes, requires the Auditor General to review all audit reports submitted pursuant to Section 218.39, Florida Statutes. Additionally, Section 215.97(11)(f), Florida Statutes, requires the Auditor General to perform ongoing reviews of a sample of financial reporting packages filed pursuant to Section 215.97, Florida Statutes (the Florida Single Audit Act), to determine compliance with the reporting requirements of the Act and applicable Rules of the Department of Financial Services and Rules of the Auditor General. To promote audit quality, the Auditor General promulgates rules in conjunction with the Florida Board of Accountancy and provides technical assistance to local educational entities, local governments, CPAs, and professional organizations. These Rules (Chapters 10.550, 10.650, 10.800, and 10.850) are updated annually and are readily accessible from the Auditor General Web site. The Auditor General also provides guidelines for reviewing audit reports of charter schools, charter technical career centers, school districts, and local governments. Additionally, the Auditor General provides technical assistance to the Department of Education with respect to its compliance supplement for financial audits of school districts.

**Audit Report Reviews.** Where required, the Auditor General reviews audit reports prepared by private sector CPAs to determine whether the auditors' reports comply with generally accepted *Government Auditing Standards* and Rules of the Auditor General, the accompanying financial statements comply with generally accepted accounting principles, and the audit reports were prepared by independent certified public accountants properly licensed by the Florida Board of Accountancy.

*School Districts and Charter Schools Significant Financial Trends and Findings (Report Nos. 2012-023 and 2012-022).* We compiled and transmitted to the Legislature summaries of significant financial trends and findings identified in charter school and charter technical career center audit reports issued by private sector CPAs and school district audits issued by the Auditor General or CPAs. Among the matters disclosed in those summaries were:

- At June 30, 2010, school districts Statewide had an average level of general fund unreserved fund balance that was 11.89 percent of general fund revenues (financial condition ratio), which represented an improvement of 3 percent in the average financial condition ratio compared to that of the previous fiscal year. Of the 67 school districts, 3 had financial condition ratios that were less than 3 percent at June 30, 2010, and consequently, have significantly less resources available for emergencies and unforeseen situations than other school districts.
- At June 30, 2010, 39 (10 percent) of 394 charter schools reported a deficit in unreserved fund balance or unrestricted net assets for the general fund or other unrestricted fund. This is a slight percentage decrease from June 30, 2009. However, 24 charter schools that had reported deficit balances in the previous fiscal year continued to report deficit balances, including 13 that had reported deficit balances for three or more consecutive fiscal years.

## Overview of Major Audit and Accountability Activities

*Local Government Significant Financial Trends and Findings (Report No. 2011-186).* We compiled and transmitted to the Legislature a summary of significant financial trends and findings identified in local government audit reports conducted by private sector CPA firms. Our review of local governmental entity 2008-09 fiscal year audit reports submitted to our Office as of February 28, 2011, disclosed that numerous local governmental entities were experiencing deteriorating financial conditions. In addition, 77 local governmental entities were reported as meeting one or more of the conditions specified in Section 218.503(1), Florida Statutes, that may result in a financial emergency and that subject the entity to additional review and oversight by the Governor.

Also, our review of 233 annual financial reports for unaudited local governmental entities disclosed that 18 special districts met the potential financial emergency condition specified in Section 218.503(1)(e), Florida Statutes.

### Other Activities

*Other Audit Guidance and Technical Advice.* The Auditor General annually updates Rules for the conduct of financial audits of certain direct-support and citizen-support organizations. These Rules (Chapter 10.700) provide, among other things, procedural guidelines for CPAs to follow to ensure compliance with the applicable audit requirements.

*Follow-Up Procedures on Audits of Local Governments.* At the direction of the Legislative Auditing Committee, the Auditor General conducts audits of local governments. Section 11.45(2)(j), Florida Statutes, requires us to, no later than 18 months after the release of a report on the audit of a local governmental entity, perform such appropriate follow-up procedures as deemed necessary to determine the audited entity's progress in addressing the findings and recommendations contained within our previous report. We performed follow-up procedures to determine Flagler County's progress in addressing findings in our report No. 2009-194 (Flagler County Government Center Capital Project and Other Administrative Matters, Operational Audit). We inquired of the Flagler County Board of County Commissioners and the Clerk of the Circuit Court regarding actions taken to address the findings in report No. 2009-194. Responses to our inquiries, and documentation obtained in support of the responses, provided the basis for our determinations. Based on the procedures applied, we concluded that of the 11 findings included in report No. 2009-194, Flagler County's actions corrected 9 findings, partially corrected 1 finding, and had no occasion to correct 1 finding.

*Professional Activities.* To help accomplish our Professional Services Goal, we communicate and work with professional associations to improve governmental accounting, auditing, and financial reporting and to promote the efficient use of government resources. The Auditor General serves on the United States Comptroller General's Advisory Council on *Government Auditing Standards*. Additionally, staff of the Auditor General participated in National and State standards-setting processes; served as members of various National, State, and local professional organization boards and committees; and participated as leaders and members of the National State Auditors Association external peer reviews of other states' audit functions.

As additional information, we have included four exhibits that are listed and described below:

### **Exhibit A – Reports Released During the Period November 1, 2010, Through October 31, 2011**

The *Reports Released During the Period November 1, 2010, through October 31, 2011* Exhibit lists each audit report issued. Audit report information is provided generally by entity type (State Government; Educational Entities, including District School Boards, State Universities, and State Colleges) or by other activity.

### **Exhibit B – Reports Released or Scheduled to be Released Subsequent to October 31, 2011, and Before March 31, 2012**

The *Reports Released or Scheduled to be Released Subsequent to October 31, 2011, and Before March 31, 2012* Exhibit provides information on audit activities completed or in progress subsequent to the October 31, 2011, cutoff date for this Annual Report. Reports are posted to our Web site [www.myflorida.com/audgen/](http://www.myflorida.com/audgen/) as they are issued.

### **Exhibit C – Projected Work Plan for 2012-13 and 2013-14**

The *Projected Work Plan for 2012-13 and 2013-14* Exhibit represents our projected two-year work plan for the 2012-13 and 2013-14 fiscal years based on our analyses as of October 31, 2011. Modifications to the work plan may be made in response to law changes, Legislative requests, or other considerations.

### **Exhibit D – Auditor General Contact Information**

The *Auditor General Contact Information* Exhibit includes the names and telephone numbers of Auditor General management and the areas of reporting responsibility. Contact information may also be located in each audit report. Additionally, this Exhibit provides information on how copies of audit reports may be obtained.

**Reports Released During the Period November 1, 2010,  
Through October 31, 2011**

<b>Report Number</b>		<b>Report Release Date</b>
<b>State Government Reports</b>		
2011-057	Agency for Health Care Administration - Florida Medicaid Management Information System (FMMIS) and Decision Support System (DSS)	12/15/2010
2012-021	Agency for Health Care Administration - FMMIS Controls and the Prevention of Improper Medicaid Payments	10/31/2011
2012-017	Department of Business and Professional Regulation - Central Intake and Licensure Unit, Division of Pari-Mutuel Wagering, and Additional Administrative Matters	10/26/2011
2011-141	Department of Children and Family Services - Florida Online Recipient Integrated Data Access (FLORIDA) System	03/11/2011
2011-176	Department of Children and Family Services - Independent Living Transition Services Program	04/15/2011
2011-037	Department of Children and Family Services - Procurement and Expenditure Processes and Prior Audit Follow-Up	11/19/2010
2011-130	Department of Citrus	03/08/2011
2011-177	Department of Education - Commission for Independent Education and Department Procurement and Expenditure Processes	04/18/2011
2012-010	Department of Environmental Protection - Land Acquisitions	10/10/2011
2012-011	Department of Environmental Protection - Prior Audit Follow-Up - Leases, Easements, and Other Uses of State-Owned Lands	10/12/2011
2012-016	Department of Financial Services - Florida Accounting Information Resource (FLAIR) Subsystem	10/25/2011
2011-030	Department of Financial Services - Florida Accounting Information Resource (FLAIR) Subsystem	11/03/2010
2011-173	Department of Financial Services - Selected Division of Treasury Applications	04/06/2011
2012-008	Department of Financial Services - Treasury Investment Policies and Prior Audit Follow-Up	09/27/2011
2011-191	Department of Health - Children's Medical Services and Selected Administrative Matters	06/14/2011
2011-193	Department of Health - Management Information and Payment System (MIPS)	06/28/2011
2011-178	Department of Health - Selected Administrative Matters and Prior Audit Follow-Up	04/26/2011
2011-073	Department of Highway Safety and Motor Vehicles - Regulation of Motor Vehicle Dealers and Procurement and Expenditures	01/10/2011
2011-094	Department of Law Enforcement - Administrative Issues	02/10/2011
2011-080	Department of the Lottery	01/21/2011
2012-007	Department of the Lottery - Games Administration	09/23/2011
2011-190	Department of Management Services - Emergency Communications Number E911 System Fund	06/06/2011
2011-075	Department of Management Services - Information Technology Consulting Services State Term Contract, Procurement and Expenditure Processes, and Additional Administrative Matters	01/14/2011
2011-194	Department of Revenue - Administration of Insurance Premium Taxes	06/29/2011
2012-002	Department of Revenue - Florida Online Recipient Integrated Data Access (FLORIDA) System Child Support Enforcement (CSE) Component and Child Support Enforcement Automated Management System (CAMS)	07/11/2011
2011-192	Department of Revenue - System for Unified Taxation (SUNTAX) and Imaging Management System (IMS)	06/22/2011
2011-174	Department of Transportation - Financial Management (FM) System	04/11/2011

**Reports Released During the Period November 1, 2010,  
Through October 31, 2011**

<b>Report Number</b>		<b>Report Release Date</b>
<b>State Government Reports (Continued)</b>		
2011-175	Department of Transportation - Procurement and Expenditures and Prior Audit Follow-Up	04/15/2011
2011-188	Fish and Wildlife Conservation Commission - Office of Licensing and Permitting and Prior Audit Follow-Up	05/31/2011
2011-031	Florida Clerks of Court Operations Corporation	11/05/2010
2011-150	Florida School for the Deaf and the Blind	03/17/2011
2011-082	Northwood Shared Resource Center - Data Center Operations	01/24/2011
2011-083	Office of Financial Regulation - Money Service Business Regulation, Securities Regulation, and the Regulatory Enforcement and Licensing System	01/26/2011
2011-181	Office of Insurance Regulation - Property and Casualty Insurers Financial Analyses Process and Information Technology Controls	04/29/2011
2011-069	Payroll and Personnel Administrative Processes at Selected State Agencies	12/30/2010
2011-064	State Board of Administration - Local Government Surplus Funds Trust Fund	12/21/2010
2011-167	State of Florida - Compliance and Internal Controls Over Financial Reporting and Federal Awards (1)	03/29/2011
<b>School Districts – Financial, Federal Awards, and Operational Audits</b>		
2011-113	Baker County District School Board	02/28/2011
2011-138	Bay County District School Board	03/10/2011
2011-120	Bradford County District School Board	03/04/2011
2011-068	Brevard County District School Board (Financial and Federal Awards)	12/17/2010
2011-060	Brevard County District School Board (Operational)	12/16/2010
2011-048	Calhoun County District School Board	12/06/2010
2011-152	Charlotte County District School Board	03/18/2011
2011-140	Citrus County District School Board	03/11/2011
2011-142	Clay County District School Board	03/14/2011
2011-112	Columbia County District School Board	02/28/2011
2011-157	DeSoto County District School Board	03/18/2011
2011-131	Dixie County District School Board	03/09/2011
2011-061	Duval County District School Board (Financial and Federal Awards)	12/17/2010
2011-042	Duval County District School Board (Operational)	12/03/2010
2011-123	Flagler County District School Board	03/04/2011
2011-137	Franklin County District School Board	03/10/2011
2011-163	Gadsden County District School Board	03/24/2011
2011-159	Gilchrist County District School Board	03/18/2011
2011-092	Glades County District School Board	02/09/2011
2011-067	Gulf County District School Board	12/30/2010
2011-090	Hamilton County District School Board	02/09/2011

(1) Our independent auditor's report on the State of Florida's financial statements was published in the State's 2010 Comprehensive Annual Financial Report.

**Reports Released During the Period November 1, 2010,  
Through October 31, 2011**

<b>Report Number</b>		<b>Report Release Date</b>
<b>School Districts – Financial, Federal Awards, and Operational Audits (Continued)</b>		
2011-115	Hardee County District School Board	02/28/2011
2011-091	Hendry County District School Board	02/09/2011
2011-054	Hernando County District School Board (Financial and Federal Awards)	12/14/2010
2011-034	Hernando County District School Board (Operational)	11/09/2010
2011-145	Highlands County District School Board	03/15/2011
2011-147	Holmes County District School Board	03/16/2011
2011-071	Indian River County District School Board (Financial and Federal Awards)	12/21/2010
2011-055	Indian River County District School Board (Operational)	12/15/2010
2011-160	Jackson County District School Board	03/22/2011
2011-154	Jefferson County District School Board	03/18/2011
2011-100	Lafayette County District School Board	02/21/2011
2011-096	Levy County District School Board	02/17/2011
2011-121	Liberty County District School Board	03/04/2011
2011-093	Madison County District School Board	02/09/2011
2011-119	Manatee County District School Board (Financial and Federal Awards)	03/03/2011
2011-050	Manatee County District School Board (Operational)	12/06/2010
2011-122	Martin County District School Board (Financial and Federal Awards)	03/04/2011
2011-056	Martin County District School Board (Operational)	12/15/2010
2011-171	Miami-Dade County District School Board (Financial and Federal Awards)	03/30/2011
2011-099	Miami-Dade County District School Board (Operational)	02/21/2011
2011-170	Monroe County District School Board	03/30/2011
2011-114	Nassau County District School Board	02/28/2011
2011-143	Okeechobee County District School Board	03/14/2011
2011-165	Orange County District School Board	03/24/2011
2011-070	Osceola County District School Board (Financial and Federal Awards)	12/17/2010
2011-051	Osceola County District School Board (Operational)	12/09/2010
2011-168	Palm Beach County District School Board	03/25/2011
2011-118	Pasco County District School Board (Financial and Federal Awards)	02/28/2011
2011-072	Pasco County District School Board (Operational)	01/10/2011
2011-162	Putnam County District School Board	03/22/2011
2011-133	Santa Rosa County District School Board	03/09/2011
2011-166	St. Johns County District School Board	03/24/2011
2011-136	Sumter County District School Board	03/10/2011
2011-132	Suwannee County District School Board	03/09/2011
2011-161	Taylor County District School Board	03/22/2011
2011-148	Union County District School Board	03/14/2011

**Reports Released During the Period November 1, 2010,  
Through October 31, 2011**

<b>Report Number</b>		<b>Report Release Date</b>
<b>School Districts – Financial, Federal Awards, and Operational Audits (Continued)</b>		
2011-146	Wakulla County District School Board	03/14/2011
2011-066	Walton County District School Board	12/30/2010
2011-144	Washington County District School Board	03/14/2011
<b>Florida Education Finance Program FTE Students and Student Transportation</b>		
2011-078	Bay County District School Board	01/18/2011
2012-006	Broward County District School Board	09/19/2011
2011-172	Clay County District School Board	04/04/2011
2011-085	Columbia County District School Board	01/27/2011
2012-009	Duval County District School Board	10/04/2011
2012-020	Florida Virtual School	10/31/2011
2011-074	Hendry County District School Board	01/13/2011
2012-003	Hernando County District School Board	07/14/2011
2010-007R	Highlands County District School Board	06/07/2011
2011-038	Jackson County District School Board	11/19/2010
2011-088	Lake County District School Board	02/07/2011
2012-005	Leon County District School Board	09/08/2011
2011-185	Liberty County District School Board	05/12/2011
2012-014	Manatee County District School Board	10/21/2011
2011-184	Marion County District School Board	05/11/2011
2011-041	Martin County District School Board	11/30/2010
2011-043	Monroe County District School Board	12/03/2010
2011-049	Nassau County District School Board	12/06/2010
2011-179	Okaloosa County District School Board	04/28/2011
2011-076	Okeechobee County District School Board	01/14/2011
2011-189	Palm Beach County District School Board	06/06/2011
2012-019	Pasco County District School Board	10/28/2011
2011-187	Pinellas County District School Board	05/27/2011
2012-001	Polk County District School Board	07/08/2011
2011-127	Putnam County District School Board	03/08/2011
2011-077	St. Johns County District School Board	01/18/2011
2010-004R	St. Lucie County District School Board	07/25/2011
2012-004	Sumter County District School Board	07/28/2011
2011-156	Volusia County District School Board	03/18/2011
2011-079	Walton County District School Board	01/20/2011
2011-183	Washington County District School Board	05/03/2011

**Reports Released During the Period November 1, 2010,  
Through October 31, 2011**

<b>Report Number</b>		<b>Report Release Date</b>
<b>State Universities and Colleges</b>		
2011-180	Florida Bright Futures Scholarship Program	04/28/2011
<b>State Universities – Financial Audits</b>		
2011-103	Florida Agricultural and Mechanical University	02/22/2011
2011-128	Florida Atlantic University	03/08/2011
2011-106	Florida Gulf Coast University	02/23/2011
2011-098	Florida International University	02/18/2011
2011-086	Florida State University	02/02/2011
2011-135	New College of Florida	03/10/2011
2011-105	University of Central Florida	02/23/2011
2011-095	University of Florida	02/11/2011
2011-139	University of North Florida	03/10/2011
2011-087	University of South Florida	02/04/2011
2011-059	University of South Florida Polytechnic	12/16/2010
2011-084	University of South Florida St. Petersburg	01/26/2011
2011-102	University of West Florida	02/22/2011
<b>State Universities - Operational Audits</b>		
2011-029	Florida Agricultural and Mechanical University	11/01/2010
2012-012	New College of Florida	10/14/2011
<b>State Colleges – Financial Audits</b>		
2011-134	Brevard Community College	03/10/2011
2011-039	Broward College	11/19/2010
2011-062	Chipola College	12/17/2010
2011-149	College of Central Florida	03/16/2011
2011-097	Daytona State College	02/18/2011
2011-081	Edison State College	01/21/2011
2011-033	Florida Gateway College	11/05/2010
2011-124	Florida Keys Community College	03/07/2011
2011-110	Florida State College at Jacksonville	02/24/2011
2011-111	Gulf Coast Community College	02/24/2011
2011-036	WKGC-AM/FM Radio Station - A Public Telecommunications Entity Operated By Gulf Coast Community College	11/17/2010
2011-164	Hillsborough Community College	03/22/2011
2011-153	Indian River State College	03/18/2011
2011-125	Lake Sumter Community College	03/08/2011
2011-169	Miami Dade College	03/29/2011

**Reports Released During the Period November 1, 2010,  
Through October 31, 2011**

<b>Report Number</b>		<b>Report Release Date</b>
<b>State Colleges – Financial Audits (Continued)</b>		
2011-104	North Florida Community College	02/22/2011
2011-101	Northwest Florida State College	02/22/2011
2011-089	Palm Beach State College	02/08/2011
2011-158	Pasco-Hernando Community College	03/18/2011
2011-058	Pensacola State College	12/15/2010
2011-129	Polk State College	03/08/2011
2011-116	Santa Fe College	02/28/2011
2011-108	Seminole State College	02/23/2011
2011-117	South Florida Community College	02/28/2011
2011-107	St. Johns River Community College	02/23/2011
2011-109	St. Petersburg College	02/24/2011
2011-126	State College of Florida, Manatee-Sarasota	03/08/2011
2011-151	Tallahassee Community College	03/16/2011
2011-155	Valencia Community College	03/18/2011
<b>State Colleges – Operational Audits</b>		
2012-018	Chipola College	10/27/2011
2011-063	Miami Dade College	12/17/2010
2011-035	Palm Beach State College	11/12/2010
2011-032	St. Johns River Community College	11/05/2010
<b>Quality Assessment Reviews</b>		
2011-046	Department of Children and Family Services - Office of Inspector General's Internal Audit Activity	12/08/2010
2011-065	Department of Community Affairs - Office of Inspector General's Internal Audit Activity	12/21/2010
2011-045	Department of Corrections - Office of Inspector General's Internal Audit Activity	12/08/2010
2011-053	Department of State - Office of Inspector General's Internal Audit Activity	12/10/2010
2011-044	Executive Office of the Governor - Office of Inspector General's Internal Audit Activity	12/08/2010
2011-052	Fish and Wildlife Conservation Commission - Office of Inspector General's Internal Audit Activity	12/10/2010
2011-047	State Courts System - Office of Inspector General's Internal Audit Activity	12/08/2010

**Reports Released During the Period November 1, 2010,  
Through October 31, 2011**

<b>Report Number</b>		<b>Report Release Date</b>
<b>Other</b>		
2011-196	Local Government Financial Reporting System Performance Audit	06/30/2011
2012-022	Report on Significant Financial Trends and Findings Identified In Charter Schools and Charter Technical Career Center 2009-10 Fiscal Year Audit Reports	10/31/2011
2012-023	Report on Significant Financial Trends and Findings Identified In 2009-10 Fiscal Year Audits of District School Boards	10/31/2011
2011-186	Report on Significant Financial Trends and Findings Identified In Local Governmental Entity 2008-09 Fiscal Year Audit Reports and Annual Financial Reports	05/17/2011
2011-182	Review of Charter School, Charter Technical Career Center, and District School Board 2008-09 Fiscal Year Audit Reports Prepared by Independent Certified Public Accountants	05/03/2011
2012-013	Review of Charter School, Charter Technical Career Center, and District School Board 2009-10 Fiscal Year Audit Reports Prepared by Independent Certified Public Accountants	10/21/2011
2011-195	Review of Local Governmental Entity 2008-09 Fiscal Year Audit Reports Prepared by Independent Certified Public Accountants	06/30/2011
2011-040	Review of Nonprofit, For-Profit, and Other Entity Audit Reports Prepared by Independent Certified Public Accountants Pursuant to the Florida Single Audit Act for Entities for Fiscal Years Ended October 1, 2008, through September 30, 2009	11/30/2010
2012-015	Review of Nonprofit, For-Profit, and Other Entity Audit Reports Prepared by Independent Certified Public Accountants Pursuant to the Florida Single Audit Act for Entities for Fiscal Years Ended October 31, 2009, Through September 30, 2010	10/24/2011

**Reports Released or Scheduled to Be Released Subsequent to  
October 31, 2011, and Before March 31, 2012**

<b>State Government</b>	
<b>Audit Entity</b>	<b>Scope/Areas of Operations</b>
Agency for Health Care Administration	Facility Cost Reports
Agency for Persons with Disabilities	Inspector General – Internal Audit Quality Assessment Review Individual and Family Supports Program Follow-Up on Prior Audit Findings and Recommendations
Agency for Workforce Innovation	Labor Market Statistics Center Welfare Transition Program Unemployment Insurance Program Information Technology
Citizens Property Insurance	Information Technology Enterprise Risk Management Agent Appointments Procurement and Ethics Customer Services Claims Handling Take-Out Programs and Bonuses Underwriting and Eligibility Financing Agreements
Department of Agriculture and Consumer Services	Revenue Collection Processes Selected Information Technology Controls
Department of Children and Family Services	Integrated Benefit Recovery System
Department of Community Affairs/ Division of Emergency Management	Procurement Administrative Issues Tangible Personal Property Oil Spill Response Expenditures
Department of Corrections	Expenditures Procurement/Contract Monitoring Follow-Up on Prior Audit Report Findings and Recommendations
Department of Education	Cash Advance and Reporting of Disbursements System Inspector General – Internal Audit Quality Assessment Review
Department of Elder Affairs	Consumer-Directed Care Plus Program Aging Resource Center Client Referral Process Follow-Up on Prior Audit Report Findings and Recommendations
Department of Environmental Protection	State Park Revenues Selected Administrative Activities
Department of Financial Services	STARS - Claims Administration System for Risk Management Inspector General – Internal Audit Quality Assessment Review Monitoring of Third-Party Administrators
Department of Health	Inspector General – Internal Audit Quality Assessment Review
Department of Highway Safety and Motor Vehicles	Inspector General – Internal Audit Quality Assessment Review
Department of Juvenile Justice	Inspector General – Internal Audit Quality Assessment Review Quality Assurance Administrative Review Unit Central Communications Center Follow-Up on Prior Audit Findings and Recommendations
Department of Law Enforcement	Inspector General – Internal Audit Quality Assessment Review

**Reports Released or Scheduled to Be Released Subsequent to  
October 31, 2011, and Before March 31, 2012**

**State Government (Continued)**

<b>Audit Entity</b>	<b>Scope/Areas of Operations</b>
Department of the Lottery	Financial Statements and Related Reports
Department of Military Affairs	Inspector General – Internal Audit Quality Assessment Review
Department of Revenue	Inspector General – Internal Audit Quality Assessment Review
Department of Veterans’ Affairs	Inspector General – Internal Audit Quality Assessment Review
Office of Early Learning	Governance and Program Structure Office of Early Learning Operations Coalition Operations Follow-Up on Prior Audit Findings and Recommendations
Public Service Commission	Inspector General – Internal Audit Quality Assessment Review
Southwood Shared Resource Center	Data Center Operations
State Board of Administration	Local Government Surplus Funds Trust Fund – Financial Statements
State Courts System and Judicial-Related Offices	Expenditures Clerks of the Court – Assessment, Collection, and Remittance of Selected Court-Related Fines, Fees, and Other Charges
State of Florida	Financial Statements and Federal Awards

**Educational Entities**

<b>Audit Entity</b>	<b>Scope/Areas of Operations</b>
Selected District School Boards	Financial, Federal Awards, and Selected Areas of Operations
Colleges	Financial and Selected Areas of Operations
Universities	Financial and Selected Areas of Operations
Florida Education Finance Program - Selected District School Boards and Other Entities	Compliance with Reporting Requirements

**Other**

<b>Audit Entity</b>	<b>Scope/Areas of Operations</b>
Local Governments	Significant Financial Trends and Findings Audit Report Reviews
City of Lake Worth	Sub-Regional Sewer System
Village of Islamorada	Selected Areas of Operations



## AUDITOR GENERAL PROJECTED WORK PLAN 2012-13

### ◆ Financial Audits (FYE 6-30-2012):

- *State of Florida Reporting Entity financial/federal audit*
- *47 School Districts - financial/federal audits (47 each year, including rotating Districts with populations of 150,000 or more)*
- *28 State Colleges*
- *11 State Universities*
- *Department of the Lottery*
- *Local Government Surplus Funds Trust Fund*

### ◆ Operational and Performance Audits:

- *49 School Districts*
- *14 State Colleges*
- *5 State Universities*
- *Selected Virtual Education Providers*
- *Agency for Health Care Administration*
- *Department of Corrections*
- *Office of Early Learning*
- *Department of Children and Family Services*
- *Department of Health*
- *Florida Financial Accounting and Information Resource (FLAIR) Subsystem information technology audit*
- *FLORIDA System information technology audit*
- *Unemployment Insurance Program information technology audit*
- *State Board of Administration*
- *Department of Management Services*
- *Department of Revenue*
- *Department of Transportation*
- *Office of Financial Regulation*
- *Parole Commission*
- *Department of Legal Affairs*
- *Agency for Persons with Disabilities*
- *Public Service Commission*
- *Agency for Enterprise Information Technology*
- *Florida School for the Deaf and the Blind*
- *Florida Board of Governors*
- *Multi-Agency – Procurements and Expenditures*
- *Multi-Agency – Eligibility Determinations*
- *Florida Clerks of Court Operations Corporation*
- *Northwest Florida Water Management District*
- *South Florida Water Management District*
- *St. Johns Water Management District*
- *Information technology audits of selected major systems*
- *City of Hollywood and other local government entities upon petition or direction*

### ◆ FEFP Examinations (FYE 6-30-2012):

- *24 School Districts and Selected University-Affiliated Developmental Research Schools*

### ◆ Other Accountability Activities:

- *11 Offices of Inspector General quality assessment reviews of internal audit activity*
- *Per diem cost certifications upon DMS/DOC request*
- *Annual reviews of audit reports of charter schools, charter technical centers, school districts, local governments, and certain nonprofit and for-profit entities*
- *Technical advice and rule and guideline maintenance*
- *Compilations of summary of significant financial trends and findings*



## AUDITOR GENERAL WORK PLAN PROJECTED WORK PLAN 2013-14

### ◆ Financial Audits (FYE 6-30-2013):

- *State of Florida Reporting Entity financial/federal audit*
- *47 School Districts - financial/federal Audits (47 each year, including rotating Districts with populations of 150,000 or more)*
- *28 State Colleges*
- *11 State Universities*
- *Department of the Lottery*
- *Local Government Surplus Funds Trust Fund*

### ◆ Operational and Performance Audits:

- *47 School Districts*
- *12 State Colleges*
- *5 State Universities*
- *Selected Virtual Education Providers*
- *Agency for Health Care Administration*
- *Department of Corrections*
- *Office of Early Learning*
- *Department of Children and Family Services*
- *Department of Health*
- *Florida Financial Accounting and Information Resource (FLAIR) Subsystem information technology audit*
- *FLORIDA System information technology audit*
- *Unemployment Insurance Program information technology audit*
- *Department of Juvenile Justice*
- *Department of Management Services*
- *Agency for Persons with Disabilities*
- *Division of Emergency Management*
- *Department of Economic Opportunity*
- *Department of Environmental Protection*
- *Department of the Lottery*
- *Department of Education*
- *Department of Financial Services*
- *Department of Highway Safety and Motor Vehicles*
- *Office of Insurance Regulation*
- *Department of State*
- *Department of Veterans' Affairs*
- *Department of Law Enforcement*
- *Department of Citrus*
- *Multi-Agency – Payroll and Personnel*
- *Southwest Florida Water Management District*
- *Suwannee River Water Management District*
- *Information technology audits of selected major systems*
- *Local Government Financial Reporting System*
- *Local government entities upon petition or direction*

### ◆ FEFP Examinations (FYE 6-30-2013):

- *24 School Districts and Selected University-Affiliated Developmental Research Schools*

### ◆ Other Accountability Activities:

- *9 Offices of Inspector General quality assessment reviews of internal audit activity*
- *Per diem cost certifications upon DMS/DOC request*
- *Annual reviews of audit reports of charter schools, charter technical centers, school districts, local governments, and certain nonprofit and for-profit entities*
- *Technical advice and rule and guideline maintenance*
- *Compilations of summary of significant financial trends and findings*

**Auditor General Contact Information**

**David W. Martin, CPA**  
 Phone: (850) 488-5534

**Address:** G74 Claude Pepper Building  
 111 West Madison Street  
 Tallahassee, Florida 32399-1450

**FAX:** (850) 488-6975  
**E-mail:** [flaudgen@aud.state.fl.us](mailto:flaudgen@aud.state.fl.us)  
**Web Site:** [www.myflorida.com/audgen](http://www.myflorida.com/audgen)

Reports may be obtained by:

Writing the Auditor General  
 Calling (850) 487-9175  
 E-mailing [flaudgen@aud.state.fl.us](mailto:flaudgen@aud.state.fl.us), or  
 Visiting our Web site at [www.myflorida.com/audgen](http://www.myflorida.com/audgen)  
 (Reports may be obtained in downloadable PDF format)

**State Government Audits Division**

- Deputy Auditor General:*** Donald R. Hancock, CPA (850) 487-9037
- Audit Managers:***
- Christi V. Alexander, CPA:** Business and Professional Regulation, Corrections, Economic Opportunity, Education, Management Services, Parole Commission, State (850) 487-9069
- Jane H. Flowers, CPA:** Children and Family Services, Elder Affairs, Financial Regulation, Governor, Health, Health Care Administration, Juvenile Justice, Legal Affairs, Persons with Disabilities (850) 487-9136
- Lisa A. Norman, CPA:** Financial Services, Statewide Federal Awards Audit (850) 487-9143
- Sherrill F. Norman, CPA:** Citrus, Insurance Regulation, Military Affairs, MyFloridaMarketPlace, People First, Veterans' Affairs (850) 487-9316
- David R. Vick, CPA:** Agriculture and Consumer Services, Emergency Management, Environmental Protection, Fish and Wildlife Conservation Commission, Highway Safety and Motor Vehicles, Law Enforcement, Public Service Commission, Transportation (850) 487-4494
- Kathryn D. Walker, CPA:** Citizens Property Insurance Corporation, Lottery, Revenue, State Board of Administration, Statewide Financial Statement Audit (850) 487-9085

**Educational Entities and Local Government Audits Division**

- Deputy Auditor General:*** Ted J. Sauerbeck, CPA (850) 487-4998
- Audit Managers:***
- Gregory L. Centers, CPA:** District School Boards (850) 487-9039
- Marilyn D. Rosetti, CPA:** Judicial, Local Government, Real Property, and Charter Schools (850) 487-9031
- James R. Stultz, CPA:** Colleges and Universities (850) 922-2263

**Information Technology Audits Division**

- Deputy Auditor General:*** Dorothy R. Gilbert, CPA (850) 488-4983
- Audit Managers:***
- Jennifer D. Gruber, CISM:** Information Technology Audit Support (850) 488-0701
- Jonathan E. Ingram, CPA:** Information Technology Audits (850) 487-9330
- Nancy M. Reeder, CPA:** Florida Education Finance Program (850) 414-9941

**Quality Control and Professional Practice**

- Audit Director:*** Brenda K. Pelham, CPA (850) 487-9032