



**FLORIDA DEPARTMENT OF HEALTH
OFFICE OF INSPECTOR GENERAL**

**DIVISION OF DISABILITY DETERMINATIONS'
CONTROLS OVER ACQUISITION, ACCOUNTABILITY, AND
DISTRIBUTION OF COMMODITIES**

Report # R-1617DOH-008 • November 30, 2016

PURPOSE OF THIS PROJECT

To evaluate controls related to the acquisition, accountability, and distribution of select commodities as used by the Division of Disability Determinations (DDD).

WHAT WAS EVALUATED

The Department of Health's (Department) Internal Operating Procedure (IOP) 250-9-14, *Purchasing*, defines a commodity as, "[a]ny of the various supplies, materials, goods, merchandise, equipment, information technology, and other tangible personal property purchased, leased, or otherwise contracted by and for the Department as defined in [S]ection 287.012, *Florida Statutes*."

For purposes of our review, various commodities used in the daily operation of DDD were selected for analysis. These included both commodities purchased from various vendors as well as items supplied by the Social Security Administration (SSA), which were treated as commodities. Items supplied by SSA generally included computer workstations, monitors, network printers and toner.

Our review period included October 1, 2014 through August 31, 2016, with interviews and observations through end of fieldwork, October 6, 2016.

SUMMARY OF RESULTS

Management should address the following identified control weakness:

- **Controls over the acquisition and accountability of commodities were not sufficient.**

Additional details follow below. Final reports also include management's response in Appendix A.

BACKGROUND

The Code of Federal Regulations requires that a state agency determine the medical eligibility of applicants for Social Security disability benefits under Title II or Title XVI of the Social Security Act. That function in Florida resides at the Department.

DDD reports administratively to the Department's Deputy Secretary for Administration. Employees of DDD are required to follow the Department's policies and operating procedures.

Staff at DDD's Central Office in Tallahassee orders commodities for all of DDD, including for the five area offices located throughout Florida. Each area office may also order its own supplies from a vendor after authority from Central Office is granted.

DETAILED RESULTS AND RECOMMENDATIONS

Management should address the following identified issue:

1. Controls over the acquisition and accountability of commodities were not sufficient.

- Duties related to inventory controls over some commodities were not sufficiently segregated. As an example, the same person at Central Office orders, is included in taking delivery, and maintains records of inventory levels of toner received from SSA. Each cartridge of toner has a value exceeding \$100.
 - IOP 56-14-16, *Internal Controls and Review*, addresses the need for appropriate segregation of duties, explaining it, “involves the assignment of duties in a manner that requires different employees to handle different parts of the same process.” The IOP adds, “internal accounting control is enhanced when the employee who handles the accounting for an asset...is denied access to the asset.”
- There were not sufficient controls over maintaining inventory of commodities.
 - IOP 56-14-16, *Internal Controls and Review*, requires that, “[i]nventories must be kept in locked areas with access restricted to designated personnel.”
 - Several supply rooms where miscellaneous office supplies, toner, and printer paper are stored at Central Office were not locked or restricted to authorized DDD employees. As a result, any DDD employee had access to items without proper accountability.
 - DDD’s accounting for inventory levels of some commodities was insufficient. DDD each month counts the quantity of toner on hand at Central Office and each of the area offices. From those records we noted:
 - There were some months when the quantity of toner used at Central Office and each of the area offices was significantly more than quantities used most months.
 - There were some months when quantities of toner reported as being physically counted were mathematically not possible based on analysis of toner used.
 - Some types of toner shipped by SSA were not maintained on DDD’s inventory list.

We recommend the Division of Disability Determinations enhance its controls over inventory of commodities to include segregation of duties so that the same person does not have control over the acquisition, receiving of, and inventory control records of commodities.

We also recommend the Division of Disability Determinations enhance its controls over inventory control records, sufficient that anomalies in inventory levels of toner are researched, quantities of inventory levels are mathematically accurate, and include all types of toner in inventory.

SUPPLEMENTAL INFORMATION

Section 20.055, *Florida Statutes*, charges the Department's Office of Inspector General with responsibility to provide a central point for coordination of activities that promote accountability, integrity, and efficiency in government.

Mark H. Boehmer, CPA, Senior Management Analyst II, conducted the review under the supervision of Michael J. Bennett, CIA, Director of Auditing, and James D. Boyd, CPA, MBA, Inspector General.

Our methodology included interviewing management and staff at Central Office; reviewing applicable laws, rules, policies and procedures; and reviewing selected invoices and other supporting documentation related to selected commodities.

This project was not an audit, as industry-established auditing standards were not applied. Internal Audit Unit procedures for the performance of reviews were followed and used during this project.

We want to thank management and staff in the Division of Disability Determinations for their cooperation throughout the review.

Copies of all final reports are available on our website at www.floridahealth.gov (search: internal audit). If you have questions or comments, please contact us by the following means:

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APPENDIX A: MANAGEMENT RESPONSE

	Recommendation	Management Response
1.1	We recommend the Division of Disability Determinations enhance its controls over inventory of commodities to include segregation of duties so that the same person does not have control over the acquisition, receiving of, and inventory control records of commodities.	<p>We concur.</p> <p>All inventory processes are now separated into three steps: ordering, receipt and reconciliation. Based on current inventory, the Chief of the Bureau of Information Services will place an order for required items. Local systems staff will receive all items and confirm delivery with a physical signed copy of the packing slip or shipping document. The documents will be sent and/or given to their supervisor for confirmation against the statewide order. All information will be updated into an ordering document.</p> <p><i>Contact:</i> Vicki Holloman, Chief, Bureau of Information Services</p> <p><i>Completed</i></p>
1.2	We also recommend the Division of Disability Determinations enhance its controls over inventory control records, sufficient that anomalies in inventory levels of toner are researched, quantities of inventory levels are mathematically accurate, and include all types of toner in inventory.	<p>We concur.</p> <p>Monthly inventory will be completed by local systems staff. Information will be routed to the Network supervisor, who will review and note any anomalies. These anomalies will be returned to local staff for corrections or updates.</p> <p>We will secure and limit access to toner cartridges as much as possible. Toner cartridges will be moved to more secure locations in some of the buildings. Some storage rooms will be locked down after hours, and include additional "swipe card" entry.</p> <p><i>Contact:</i> Vicki Holloman, Chief, Bureau of Information Services</p> <p><i>Completed</i></p>