



FLORIDA
DEPARTMENT OF
FINANCIAL SERVICES

TOM GALLAGHER
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

September 28, 2005

Ms. Rebecca Dirden Mattingly, Secretary
Department of the Lottery
250 Marriott Drive
Tallahassee, Florida 32399

Dear Secretary Mattingly:

We completed our audit of the Department of the Lottery's (DOL) payroll related processes as authorized by Section 17.04, Florida Statutes. The audit encompassed the period January 1, 2005 through June 30, 2005. The audit objectives were to determine whether:

- Payroll processing internal controls are adequate and may be relied upon to produce accurate payroll records;
- Leave without pay is processed in accordance with State rules and agency policy;
- On-call payments are paid in accordance with State rules and agency policy; and
- Salary additives are in compliance with State rules and regulations.

In planning and performing our audit, we analyzed reports for the various DOL payroll functions listed above and interviewed payroll staff. We also tested transactions for payroll procedures involving new hires, employee terminations, outstanding payroll warrants, EFT/warrant cancellations and destruction, unclaimed property, leave without pay, salary overpayments, overtime payments, retroactive payments, non-cash vehicle fringe benefits payments and salary additive payments.

All deficiencies found during our audit were corrected or in the process of being corrected. Below is a summary of findings and corrective actions taken:

- **New Hires:** Of the twenty-two employees we reviewed who were newly hired, one employee was not participating in the Direct Deposit Program. Section 110.113(2) F.S., stipulates that "as a condition of employment, a person appointed in state government is required to participate in the direct deposit program" and "such employee may request an exemption from the provisions of this subsection when such employee can demonstrate a hardship or when such employee is in an other-personal-services position". There was no exemption in the employee's personnel file. DOL contacted this employee and the person initiated actions to participate in direct deposit.

Ms. Rebecca Dirden Mattingly
September 28, 2005
Page 2

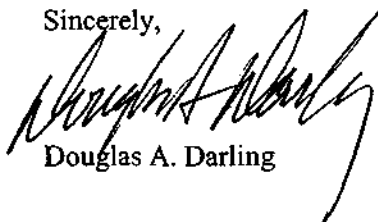
- **Leave Without Pay (LWOP):** Of the nine employees we reviewed on LWOP, salary payments were incorrect for eight. This resulted in overpayments to seven employees totaling \$10,574 and underpayments to two employees totaling \$1,082 (one employee had both an overpayment and an underpayment). The agency has provided supporting documentation of corrective actions for seven employees that received incorrect salary payments.
- **Retroactive Payments:** Of the eleven employees we reviewed who received retroactive adjustments for salary underpayments, adjustments were incorrect for three employees resulting in overpayments totaling \$367. DOL has collected the overpayment from one employee and has initiated Personnel Action Requests (PARs) for salary deductions to collect overpayments from the other two employees.
- **Warrants/EFT Cancellations in "ADD" Status:** Of the two warrant/EFT payments placed in "ADD" status with a date of February 23, 2005, neither was processed during the audit period. This resulted in overpayments to employees totaling \$789. The DOL has initiated a Personnel Action Request (PAR) for salary deductions to collect overpayments from the employees.

We received a letter from Mr. Terry Perkins dated September 22, 2005 regarding your agency's response to the deficiencies noted above. It is our opinion, within the scope of this audit, that DOL has adequate payroll procedures and controls in place.

Secretary Mattingly, your staff was highly motivated to provide assistance and we worked in cooperation to develop the recommendations. You are to be commended for the professional and courteous manner in which this audit was conducted. The Bureau of State Payrolls staff is available for further assistance/training at your request.

Please contact John Bennett at (850) 413-5609, Suncom 293-5609 or john.bennett@fldfs.com if you have any questions.

Sincerely,



Douglas A. Darling

DAD/kgb

cc: Mr. William O. Monroe
Auditor General

Mr. Gerald M. Bailey, Inspector General
Department of The Lottery