



CHIEF FINANCIAL OFFICER  
**JEFF ATWATER**  
STATE OF FLORIDA

September 27, 2013

The Honorable Jeff Atwater  
Chief Financial Officer  
The Capitol, PL-11  
Tallahassee, Florida 32399-0301

Dear Mr. Atwater:

As required by Section 20.055, Florida Statutes, I am providing the Department's six-month status report of corrective actions taken in response to Auditor General Report Number 2013-161, *State of Florida – Compliance and Internal Controls Over Financial Reporting and Federal Awards* (published March 28, 2013).

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Tom Kirwin".

Tom Kirwin  
Inspector General

TK:rlg

Attached

cc: Robert Kneip, Chief of Staff  
Kathy DuBose, Coordinator, Joint Legislative Auditing Committee  
Bert Wilkerson, Director of Treasury  
Stephanie Iliff, Director of Administration  
Christina Smith, Director of Accounting & Auditing  
Julius Halas, Director of State Fire Marshal

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**SIX-MONTH FOLLOW-UP REPORT  
STATUS OF CORRECTIVE ACTION**

Reviewing Entity	Report	Report Title	Date Published
Auditor General	2013-161	State of Florida – Compliance and Internal Controls Over Financial Reporting and Federal Awards	March 28, 2013
<b>Finding FA 12-013:</b>	FDFS procedures did not ensure that sufficient data was obtained during the 2011-12 fiscal year to calculate an accurate clearance pattern for one Federal program.		
<b>Recommendation</b>	The FDFS should enhance their procedures to ensure that complete account code information is collected and used to calculate clearance patterns.		
<b>Original Response</b>	<p>We concur. Clearance patterns used to calculate interest liability are identified using data from a tracking period consisting of three consecutive months. In instances where the FLAIR codes for a program are not valid for all three months of the tracking period, the prior year clearance patterns for that program are to be used to calculate the interest liability. Clearance patterns for 2011-2012 were tracked from September 1, 2011 through November 30, 2011. The FLAIR codes submitted to FDFS included those for the Department of Community Affairs (DCA) and the Executive Office of the Governor (EOG). While the DCA codes were valid during the first month of the tracking period, the EOG codes were not valid until October 1, 2011, when CFDA No. 97.036 – Disaster Grants – Public Assistance (presidentially Declared Disasters) was transferred from DCA to EOG. Therefore, the program’s clearance patterns for the prior year should have been used to calculate the interest liability for the 2011-2012 CMIA Annual Report. FDFS CMIA procedures will be updated to include instruction on identifying clearance patterns used to calculate interest liability when covered programs are transferred to another agency or new FLAIR codes are established for current programs.</p> <p>The FDFS CMIA procedures were updated January 2013, to include the following statement: There may be instances when covered programs are transferred to another agency or new FLAIR codes are established for current programs. The FLAIR codes submitted must be valid and active for the entire tracking period (three months); otherwise, the prior year program clearance patterns must be used for the calculation. Additionally, using the incorrect clearance patterns resulted in the interest liability being understated by \$790.00. A prior year adjustment for CFDA 97.036 will be included in the CMIA Annual Report and submitted December 2013.</p>		
<b>Six-month Follow-up:</b>	September 16, 2013		
<b>Responsible Division</b>	Division of Treasury, Bureau of Funds Management		
<b>Reported Status</b>	The FDFS CMIA procedures were updated January 2013, to include the following statement: There may be instances when covered programs are transferred to another agency or new FLAIR codes are established for current programs. The FLAIR codes submitted must be valid and active for the entire tracking period (three months); otherwise, the prior year program clearance patterns must be used for the calculation. A prior period adjustment for CFDA		

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	97.036 will be included in the CMLA Annual Report and submitted December 2013.
<b>OIG Assessment</b>	<b>PARTIALLY COMPLETED.</b> The OIG will continue to monitor the status of this finding until the adjustment is submitted.

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Auditor General	2013-161	State of Florida – Compliance and Internal Controls Over Financial Reporting and Federal Awards	March 28, 2013
<b>Finding FA 12-030:</b>	Reconciliations for the 2013 SWCAP disclosed two funds with excessive balances. Additionally, the 2013 SWCAP Section II documentation did not include all required documentation for the NWRDC.		
<b>Recommendation</b>	We recommend that the FDFS require the NWRDC to determine the mainframe data processing and storage service rates. We also recommend that the FDFS adjust rates as appropriate.		
<b>Original Response</b>	We concur. FDFS will require the NWRDC to determine the mainframe data processing and storage service rates. FDFS will require agencies to monitor their balances and work with agencies to appropriately address any excess balances.		
<b>Six-month Follow-up:</b>	September 16, 2013		
<b>Responsible Division</b>	Division of Accounting & Auditing, Bureau of Financial Reporting		
<b>Reported Status</b>	The excess balance related to the Northwest Regional Data Center (NWRDC) has been adjusted by correcting the related depreciation. FDFS continues to work with FDMS on the excess balance related to the Purchasing Trust Fund. In addition, FDFS has requested that NWRDC timely determine the mainframe data processing and storage service rates.		
<b>OIG Assessment</b>	<b>PARTIALLY COMPLETED.</b> The OIG will continue to monitor the status of this finding until the NWRDC submits the rates and the appropriate adjustments are made.		

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Auditor General	2013-161	State of Florida – Compliance and Internal Controls Over Financial Reporting and Federal Awards	March 28, 2013
<b>Finding FA 12-077:</b>	The FDFS did not report applicable Homeland Security Grant Program subaward data in the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS) pursuant to Federal regulations.		
<b>Recommendation</b>	We recommend that the FDFS implement procedures to ensure that all key data elements are timely reported in FSRS.		
<b>Original Response</b>	We concur. The Division of State Fire Marshal will work with the Division of Emergency Management to ensure all applicable Homeland Security Grant Program subawards authorized by the Department of Financial Services are properly entered into the Subaward Reporting System per the Federal Funding Accountability and Transparency Act.		
<b>Six-month Follow-up:</b>	September 16, 2013		
<b>Responsible Division</b>	Division of State Fire Marshal		
<b>Reported Status</b>	All required reports were submitted to the Division of Emergency Management (DEM) for filing into the online FFATA database. Additionally, the FDFS enhanced its procedures to ensure that reports are timely and properly submitted to DEM, who is responsible for inputting the reports into the FFATA system.		
<b>OIG Assessment</b>	<b>CLOSED.</b> The Division amended procedures and took corrective action to address the finding.		

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Auditor General	2013-161	State of Florida – Compliance and Internal Controls Over Financial Reporting and Federal Awards	March 28, 2013
<b>Finding FS 12-003:</b>	The FDFS Advances to other funds account within the Unclaimed Property Trust Fund (Fund) was understated by \$91,730,486 due to errors in calculating estimates of amounts yet to be reclaimed by and paid to unclaimed property claimants (future claim payments). Correspondingly, the Florida Department of Education's (FDOE's) Advance from other funds account was understated by the same amount.		
<b>Recommendation</b>	We recommend that the Bureau implement a more thorough supervisory review of the continuing validity of the assumptions used in developing the estimates of future claim payments to claimants.		
<b>Original Response</b>	The Department concurs. The Bureaus of Unclaimed Property and Financial Support Services will implement a more thorough supervisory review of the assumptions used in developing the estimates of future claim payments.		
<b>Six-month Follow-up:</b>	September 16, 2013		
<b>Responsible Division</b>	Division of Accounting & Auditing, Bureau of Unclaimed Property		
<b>Reported Status</b>	The Bureau implemented a two level management review of the estimated liability calculation spreadsheet and will use a more conservative approach in estimating the future claim payouts by adjusting the estimated payout percentage for any individual year where actual claim payouts are above the estimated payout average.		
<b>OIG Assessment</b>	<b>CLOSED.</b> The Division amended procedures and took corrective action to address the finding.		

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Auditor General	2013-161	State of Florida – Compliance and Internal Controls Over Financial Reporting and Federal Awards	March 28, 2013
<b>Finding FS 12-008:</b>	The Statewide Financial Reporting Section (SFRS) incorrectly classified a portion of the General Fund's unassigned fund balance as nonspendable fund balance.		
<b>Recommendation</b>	We recommend that the SFRS consider the impact of all relevant accounts affecting fund balance classifications.		
<b>Original Response</b>	The Department concurs. SFRS has enhanced our procedures to ensure that consideration is given to all relevant accounts impacting the nonspendable fund balance classification.		
<b>Six-month Follow-up:</b>	September 16, 2013		
<b>Responsible Division</b>	Division of Accounting & Auditing, State Financial Reporting Section		
<b>Reported Status</b>	SFRS enhanced its procedures to ensure that consideration is given to all relevant accounts impacting the nonspendable fund balance classification.		
<b>OIG Assessment</b>	<b>CLOSED.</b> The Division amended procedures and took corrective action to address the finding.		

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Auditor General	2013-161	State of Florida – Compliance and Internal Controls Over Financial Reporting and Federal Awards	March 28, 2013
<b>Finding FS 12-012:</b>	The FDFS Bureau of Financial and Support Services (Bureau) improperly coded Administrative expenses as Investment activity expense and Other deductions as Withdrawals during the fiscal year-end financial reporting closing process.		
<b>Recommendation</b>	We recommend that the Bureau enhance procedures over its fiscal year-end financial reporting closing process to ensure the Division's accounts are correctly classified for use in the preparation of the State's financial statements.		
<b>Original Response</b>	We concur. The Bureau of Financial Services will enhance procedures to ensure account balances for the Division of Rehabilitation and Liquidation are correctly classified on the State's financial statements.		
<b>Six-month Follow-up:</b>	September 16, 2013		
<b>Responsible Division</b>	Division of Administration, Bureau of Financial Support Services		
<b>Reported Status</b>	Procedures were enhanced to ensure account balances are correctly classified.		
<b>OIG Assessment</b>	<b>CLOSED.</b> The Division amended procedures and took corrective action to address the finding.		