



CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

September 25, 2018

The Honorable Jimmy Patronis
Chief Financial Officer
The Capitol, PL-11
Tallahassee, Florida 32399-0301

Dear CFO Patronis:

As required by Section 20.055, Florida Statutes, I am providing the Department's six-month status report of corrective action taken in response to Auditor General Report Number 2018-189 *State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards*, published March 30, 2018.

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

Sincerely,

A handwritten signature in black ink, appearing to read "David T. Harper".

David T. Harper
Inspector General

DH/hm
Enclosure

c: Ryan West, Chief of Staff
Kathy DuBose, Coordinator, Joint Legislative Auditing Committee

**DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSPECTOR GENERAL**

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

Reviewing Entity	Report	Report Title	Date Published
Auditor General	2018-189	State of Florida - Compliance and Internal Controls Over Financial Reporting and Federal Awards	March 30, 2018
Finding 2017-003	FDFS procedures for preparing the Schedule of Expenditures of Federal Awards (SEFA) were not sufficient to ensure that the SEFA and related notes were accurate and presented in accordance with Federal and other guidelines.		
Recommendation	We recommend that the FDFS enhance review procedures to ensure that the amounts and information reported on the SEFA and notes to the SEFA are accurate and presented in accordance with Federal and other guidelines.		
Responsible Division	Division of Accounting and Auditing		
Original Response	<p>We agree overall that improvements to the SEFA process are necessary for the two types of issues noted in the finding, errors in the compilation process and errors in the source documentation.</p> <p>Changes in the reporting requirements, effective in the prior fiscal year, required significant modifications to the manual compilation process to prepare the report. These changes increased the SEFA report from 173 pages to 333 pages, largely due to requirements related to research and development grants of the universities and colleges, and the inclusion of classification information in the face of the SEFA, for information that was previously included in the note disclosures. For perspective, approximately 2% of reported expenditures are research and development; less than 1% of the expenditures related to ARRA funding; and less than 1% of the expenditures have unknown CFDA numbers. Continued process changes to accommodate these format changes, and other factors, including turnover of key personnel, and deadline extensions provided due to hurricane-related office closures, impacted the quality control reviews.</p> <p>We will continue to modify our processes to reduce reliance on manual compilations and to allow for an expanded quality control review. We will expand the guidance provided to agencies, universities, and colleges, to address the noted issues. While the Department is responsible for the State's financial reports, the agencies, universities, and colleges share responsibility for the accuracy and completeness of their accounting records and information provided to the Department. We will engage the applicable stakeholders to address appropriate corrective actions related to the unique reporting relationship with the universities and colleges.</p> <p>Absent appropriate supporting documentation, such as audited financial statements (for the applicable period), we will continue to rely on the information provided to us by the agencies, universities, and colleges, to compile the SEFA. Although the Department maintains the accounting records for the State, which include the agencies, the universities and colleges are component units of the State, each with their own accounting systems. We will continue to perform analysis and follow-up with applicable management of the agencies, universities, and colleges for explanation or more information, as was done to confirm the</p>		

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	<p>accounting basis. We will continue to rely on the reconciliations provided by agencies, universities, and colleges, between their SEFA and financial statements, to address timing differences between grant revenues and the related expenditures, or differences related to the accounting basis used for their SEFA and financial statements. We will update our procedures to address rounding differences and to incorporate in the SEFA the presentation requirements for unknown CFDA's for the audit reporting package, pursuant to the Instructions for Form SF-SAC, Reporting on Audits of States, Local Governments, Indian Tribes, Institutions of Higher Education and Nonprofit Organizations.</p>
<p>Six-month Follow-up:</p>	<p>September 14, 2018</p>
<p>Reported Status</p>	<p>FDFS has updated its processes and procedures to incorporate increased SEFA data validation processes as follows:</p> <ol style="list-style-type: none"> 1. Created a SEFA Workbook accept/reject checklist to validate SEFA data as it is submitted. 2. Revised the SEFA Workbook to include required SEFA report elements for data validation as SEFA workbooks are received by DFS. Workbook revisions include: entities report rounded numbers, cluster name, total expenditure calculation to remove double reporting, R&D CFDA number conversion, and ARRA designation included with award number. 3. Updated procedures (see SEFA Procedures file) to include a multiple level review process for approval of the Masterfile (see 12.0 Master Files), SEFA report (see 13.3 Quality Assurance), and Data Collection Form (SF-SAC) (see 14.0 Data Collection Submission). <p>FDFS contracted with KPMG to conduct a review of the SEFA report compilation process and provide a written report with observations and recommendations to further improve the SEFA process. FDFS has reviewed the report and is in the process of evaluating recommendations for future implementation.</p> <p>Additionally, due to a current lack of adequate tools to effectively and efficiently publish the SEFA and related notes, FDFS has contracted with KPMG to produce the SEFA and related notes for additional assurance of presentation in accordance with Federal and other guidelines.</p>
<p>OIG Assessment</p>	<p>Closed. Based on the information provided to the OIG, it appears that sufficient action was taken to address this finding.</p>

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Reviewing Entity	Report	Report Title	Date Published
Auditor General	2018-189	State of Florida - Compliance and Internal Controls Over Financial Reporting and Federal Awards	March 30, 2018
Finding AM 2017-01	The FDFS, Statewide Financial Reporting Section (SFRS), did not appropriately classify a portion of the fund balances of the General Fund as committed.		
Recommendation	We recommend that the SFRS strengthen fiscal year-end reporting procedures to ensure that fund balance classifications for the General Fund are appropriately reported.		
Responsible Division	Division of Accounting and Auditing		
Original Response	Concur. The Department has updated its CAFR Tasks List to ensure that the fund balance reclassification is timely performed.		
Six-month Follow-up:	September 14, 2018		
Reported Status	The SFRS has updated its CAFR Task List to ensure General Revenue procedures are performed timely and in congruence with other procedures affecting the General Revenue fund. Specific instruction was added to the CAFR Task List with steps created to ensure that the General Revenue Fund reclassification procedure is performed after steps impacting the General Revenue Fund balances are completed. Assignment and target completion dates on the CAFR Task List for these steps were modified to accommodate these changes. Additional instruction was added to the CAFR Task List for subsequent review steps covering these items to identify these types of conflicts warranting correction.		
OIG Assessment	Closed. Based on the information provided to the OIG, it appears that sufficient action was taken to address this finding.		