



REPRESENTING  
**ALEX SINK**  
CHIEF FINANCIAL OFFICER  
STATE OF FLORIDA

March 9, 2009

The Honorable Alex Sink  
Chief Financial Officer  
The Capitol, PL-11  
Tallahassee, Florida 32399-0301

Dear CFO Sink:

Pursuant to Section 20.055 (5)(h), Florida Statutes, the enclosed response provides a six-month follow-up on the status of corrective actions taken by the Department regarding the findings and recommendations included in the Auditor General's Report No. 2009-014, Local Government Financial Reporting System Performance Audit as pertains to the Department of Financial Services (findings 5, 6 and 7).

The Division of Accounting and Auditing has reported that action on finding 5 will be complete March 31, 2009. Additionally, actions have been initiated to ensure ongoing monitoring, the subject of findings 6 and 7, are now in place.

If you have any questions or would like to discuss the matter further, please contact me at (850) 413-4960.

Sincerely,

  
Robert E. Clift

REC:sc

Enclosure

cc: ✓ Terry Shoffstall, Director, Joint Legislative Auditing Committee  
Marilyn Rosetti, Audit Manager, Office of the Auditor General

**Florida Department of Financial Services**  
**Performance Audit**  
**Local Government Financial Reporting System**  
**Preliminary and Tentative Audit Findings**

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**Finding No. 5:** Although greatly improved, some local governments continued to file paper-based annual financial reports with the Department of Financial Services (DFS) rather than file electronically.

**Recommendation:** To ensure continued success in the electronic filings of AFRs, and ultimately eliminate paper-based AFRs, we recommend that DFS formally require the electronic filing of AFRs through LOGER.

**Response:** The Department concurs. The Bureau of Local Government has rule-making authority over the AFR submission process and is presently considering mandating electronic submission of the report. The Bureau will contact as many governments as possible that submitted the report manually (paper-based) to ascertain any valid reason(s) that make electronic submission impossible at the close of the 2007 fiscal year reporting cycle.

**Six-Month Status:** Rule 69I-5.003, F.A.C., requiring electronic submission of the Annual Financial Report (AFR) has been approved by the Chief Financial Officer and is presently slated for an upcoming public workshop on March 31, 2009, at 10:00 a.m.

**Finding No. 6:** DFS's required notification to the Legislative Auditing Committee of unaudited local governments that had not submitted an annual financial report for the 2005-06 fiscal year did not include 12 special districts.

**Recommendation:** DFS should ensure that all known entities that fail to provide the required AFR are included in its notifications to LAC, including independent special districts that were reported on the AFR of the governing authority wherein they are located.

**Response:** The Department concurs. The reporting environment within the LOGER system has been programmed to create the Noncompliant Report directly from the database which houses all submitted data. All independent local governments, including special districts, that are not compliant with submitting an AFR by the deadline pursuant to Section 218.32, Florida Statutes, will be included on all subsequent reports to the JLAC. The Department of Community Affairs (DCA) Special District Information Program maintains a database of all special districts. The Bureau has implemented a policy to analyze the DCA database on a monthly basis to ensure all special districts are tracked in LOGER.

**Six-Month Status:** With LOGER's new reporting system operational, all reporting entities that do not submit an AFR are noted as non-compliant. There is a distinct accounting of all independent special districts that have not submitted an independent AFR. In cases where the independent special district is a component unit of the governing authority, they will still have their data reflected by the primary government but will now also have to report independently as well.

**Finding No. 7:** Although greatly improved due to the implementation of the Local Government Electronic Reporting System, some unaudited local governments were still not reporting the required financial information on their annual financial reports to DFS.

**Recommendation:** DFS should continue its technical assistance to smaller local governments to assist them with proper completion and filing of the AFR.

**Response:** The Department concurs. The Bureau will continue to assist smaller local governments with the AFR reporting requirement through as many means as possible. The Bureau will provide direct assistance via e-mail, phone and fax, as well as using a ListServ mass e-mailing system that allows the Bureau to offer technical assistance to many local governments, large and small alike. The Bureau will continue to seek speaking engagements for local governments' conferences.

**Six-Month Status:** This continues to be a priority of the Bureau. The most recent example was creating and distributing a crosswalk between the Local Government Chart of Accounts and the HUD Chart of Accounts. This crosswalk has been instrumental in the State's Housing Authorities submission rate of the AFR. Housing Authorities, being small staffed and primarily federally funded, have been a long time compliance issue. We, and the Legislative Auditing Committee, have noticed a promising increase in the rate of Housing Authority submissions of the AFR, present and past cycles, since the release of the crosswalk.

Please contact Justin Young at (850) 413-5712, [Justin.young@myfloridacfo.com](mailto:Justin.young@myfloridacfo.com) or Burton Marshall at (850) 413-5588, [Burton.marshall@myfloridacfo.com](mailto:Burton.marshall@myfloridacfo.com) if you have any questions.