




September 3, 2009

MEMORANDUM

TO: Lisa Echeverri, Executive Director

FROM: Sharon Doredant, Inspector General 
Office of Inspector General

SUBJECT: Six-Month Update on Auditor General Report No. 2009-144, State of Florida,
Compliance and Internal Controls over Financial Reporting and Federal Awards

As required by *Section 5(g), Florida Statute 20.055*, attached are the Department's six-month status updates on corrective actions taken in response to the Auditor General's Report No. 2009-144, State of Florida, Compliance and Internal Controls over Financial Reporting and Federal Awards for the Fiscal Year ended June 30, 2008. If you have any questions, please contact me at 487-1037, or Bob Bliss at 487-0701.

SD/bs0

Attachment

cc: Jeff Kielbasa, Deputy Executive Director
Blanca Bayo, Chief of Staff
Bob Bliss, Director of Auditing
Kathy DuBose, Staff Director, JLAC

CORRECTIVE ACTION PLAN

Status Date		Report No.	Report Title	
8/31/09		2009-144	State of Florida Compliance and Internal Controls over Financial Reporting and Federal Awards	
Contact Person		Program/Process		Phone No.
David Ansley		General Tax Administration		(850) 413-8551
Activity		Accountability		Schedule
n/a		Responsible Unit	Coordinating Unit	Repeat Finding
		Refunds & Distribution	Refunds & Distribution	No
				Anticipated Completion Date
				Completed
Finding				
No.	FS 08-001	FDOR procedures did not ensure that taxes receivable and tax revenue were correctly recorded.		
Date	3/05/2009			
Recommendation		We recommend that FDOR establish review procedures to ensure that tax revenue and net taxes receivable are appropriately recorded.		
Original Response		We have updated our review procedures to include a 2nd level of review that incorporates a variance analysis between fiscal years of the recorded statewide financial statement payable and receivable transactions. In order to allow for the maximum amount of time to prepare and review these transactions, we have asked ASP to request the last possible year end closing date from the Department of Financial Services.		
Program's Status		Revenue Accounting now includes a 2nd level of review that incorporates a variance analysis between fiscal years of the recorded statewide financial statement payable and receivable transactions. In addition, Revenue Accounting now reports this information directly to the Department of Financial Services.		
Status per OIG		Corrective action has been completed.		
<input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially complete <input checked="" type="checkbox"/> Complete				

CORRECTIVE ACTION PLAN

Status Date		Report No.	Report Title	
8/31/09		2009-144	State of Florida Compliance and Internal Controls over Financial Reporting and Federal Awards	
Contact Person		Program/Process		Phone No.
Jim Evers		General Tax Administration		(850) 488-5163
Activity		Accountability		Schedule
n/a		Responsible Unit	Coordinating Unit	Repeat Finding
		n/a	n/a	Yes
				Anticipated Completion Date
				Completed
Finding		Although FDOR implemented some corrective action during the 2007-08 fiscal year, FDOR did not follow established procedures to demonstrate that a determination was made that contractors were not suspended or debarred prior to entering into covered transactions with the contractors.		
No.	FA 08-010			
Date	3/05/2009			
Recommendation		We recommend that FDOR continue its efforts to ensure the effective implementation of the updated Purchasing and Contract Management Manual and instruct staff on how to identify contracts involving Federal funds.		
Original Response		The Department concurs with the finding; however, we would like to point out that both contracts identified by the auditors were processed prior to our implementation of an additional internal control to reduce the risk of this type of error from occurring. On September 4, 2007, the Department updated its Contract Routing Sheet to add a check box inquiring whether Federal funds are used. If so, a printout from the Excluded Parties List System is required to be attached to the routing sheet. Nonetheless, we will continue our efforts to educate procurement and program staff about the new process. For example, the Department will be holding contract manager training on April 3 rd -5 th , 2009, and again on April 16 th -18 th , 2009. All DOR contract managers are required to attend. This training has a module on the specific requirements for contracting when Federal funds are involved. Included in that module are the EPLS duties and responsibilities.		
Program's Status		<p>FDOR has fully implemented the Auditor General's recommendations as follows:</p> <p>On February 1, 2007, the Department updated its <i>Purchasing and Contract Management Manual</i> to require Contract Managers (when federal funds are used) to access the U.S. Government's Excluded Parties List System (EPLS) and verify that the contractor has not been debarred by any federal agency. This is required for federally-funded contracts that have a value of \$25,000 or greater. It is required prior to the initial contract execution, renewal, extension or amendment when the amendment adds an additional \$25,000 or greater to the contract value.</p> <p>On January 2, 2008, the Department revised its <i>Purchasing and Contract Management Manual</i> to require that Contract Managers provide a justification to document the renewal is in the best interest of the State.</p> <p>On September 4, 2007, the Department updated its Contract Routing Sheet to add a check box inquiring whether federal funds are used. If so, a printout from the Excluded Parties List System is required to be attached to the routing sheet.</p> <p>Lastly, we continued our efforts to ensure the effective implementation of the updated <i>Purchasing and Contract Management Manual</i> by educating procurement and program staff about the new process. For example, the Department held contract manager training classes during April 2009. All DOR contract managers were required to attend. This training has a module on the specific requirements for contracting when federal funds are involved. Included in that module are the EPLS duties and responsibilities</p>		
Status per OIG		<p>The Department's <i>Purchasing and Contract Management Manual</i> has been updated and the contract routing form has been revised to address the issue. According to management, the department held contract manager training classes during April 2009 which included a module on the specific requirements for contracting when federal funds are involved. Included in that module are the EPLS duties and responsibilities.</p> <p>Corrective action has been completed.</p>		
<input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially complete <input checked="" type="checkbox"/> Complete				

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8/31/09	2009-144	State of Florida Compliance and Internal Controls over Financial Reporting and Federal Awards		
Contact Person	Program/Process		Phone No.	
Jim Evers	General Tax Administration		(850) 488-5163	
Activity	Accountability		Schedule	
n/a	Responsible Unit	Coordinating Unit	Repeat Finding	Anticipated Completion Date
	n/a	n/a	Yes	Completed
Finding		Although FAWI and FDOR implemented some corrective actions, deficiencies continued to exist in the 2008 UI tax rate calculation process.		
No.	FA 08-011			
Date	3/05/2009			
Recommendation		We continue to recommend that FAWI and FDOR ensure that timely and complete reconciliations are performed between the detail and summary benefit and wage data and that necessary system programming is made prior to the calculation of the annual UI tax rate.		
Original Response		With the migration of unemployment tax into Suintax (System for Unified Taxation), both agencies were required to revisit and document the UI tax rate calculation process. Prior to the go-live date of March 10, 2008, a simulation of the 2008 rate run was performed and compared against the actual results from TRAIN. Among other testing, 50 randomly selected accounts were interrogated and the detailed records that were used in determining the tax rate in the Suintax system were closely reviewed. Test results were shared with FDOR and FAWI subject matter experts and were determined to be accurate and consistent with Florida law. The 2009 rate run was successfully performed in the Suintax environment in December 2008. This should correct previous deficiencies noted.		
Program's Status		Corrective action has been completed.		
Status per OIG		Corrective action has been completed.		
<input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially complete <input checked="" type="checkbox"/> Complete				

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Status Date		Report No.	Report Title	
8/31/09		2009-144	State of Florida Compliance and Internal Controls over Financial Reporting and Federal Awards	
Contact Person		Program/Process		Phone No.
Traci Jones		Workforce Management Administration & Oversight		(850) 922-4131
Activity		Accountability		Schedule
		Responsible Unit	Coordinating Unit	Repeat Finding
		n/a	n/a	No
				Anticipated Completion Date
				TBD
Finding		FDOR did not follow established procedures and remove in a timely manner terminated employees' access privileges to FDOR systems.		
No.	FA 08-012			
Date	3/05/2009			
Recommendation		We recommend that FDOR follow established procedures to ensure that access privileges of terminated employees are removed in a timely manner for all FDOR systems.		
Original Response		<p>The Department acknowledges that security access is an important issue. The Department of Revenue is taking action to ensure that access privileges of terminated employees are removed timely. By the end of February 2009, a policy and procedure document will be deployed to all supervisors to remind them of their responsibility in the employee separation process. These policies and procedures will also include information for supervisors regarding how to timely and accurately notify the appropriate areas for access removal from DOR systems.</p> <p>Additionally, a new intranet website for all of Revenue's human resource related information has been created, and an entire page devoted to the employee separation process, including supervisor and employee resources, will be completed by the end of February 2009. Finally, Revenue has two forms presently used by supervisors for completion when someone separates from the agency and no longer needs security access. The Department's Administrative Services Program and the Information Services Program are working together to update these forms to provide a better connection between the documents.</p> <p>The Department's Administrative Services Program will continue to work with the Information Services Program (ISP), as well as other key agency stakeholders, to address the overall employee separation process and incorporate technology solutions to the process.</p>		
Program's Status		A new process was implemented on April 10, 2009, to help ensure that security access is removed in a timely manner for employees and contractors leaving the agency. Additionally, a new Employee Separation Policy was established and communicated to all employees on June 11, 2009. Additional information regarding the process for contract managers to better manage contract resources and to timely communicate contractor changes is being developed and will be included in the <i>Purchasing and Contract Management Manual</i> .		
Status per OIG <input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input checked="" type="checkbox"/> Partially complete <input type="checkbox"/> Complete		Terminating employees have their network account disabled on their termination date. To address contract employees who have access to DOR systems, additional information regarding the process for contract managers for the management of contract resources will be developed and included in the Purchasing and Contract Management Manual. Corrective action is still in progress.		

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Status Date		Report No.		Report Title	
8/31/09		2009-144		State of Florida Compliance and Internal Controls over Financial Reporting and Federal Awards	
Contact Person		Program/Process			Phone No.
Mel Hedick		Child Support Enforcement			(850) 413-0605
Activity		Accountability		Schedule	
n/a		Responsible Unit	Coordinating Unit	Repeat Finding	Anticipated Completion Date
		Remittance & Distribution Process	n/a	No	TBD
Finding		During the 2007-08 fiscal year, FDOR procedures, as implemented, did not ensure adequate oversight and monitoring of the SDU collection and disbursement of child support payments and the reporting thereof.			
No.	FA 08-039				
Date	3/05/2009				
Recommendation		To ensure the integrity of the collection and disbursement functions at the SDU, we recommend that FDOR enhance its monitoring and oversight efforts. Specifically, we recommend that FDOR consider requiring that the SDU contractor provide an annual audit of SDU operations made in accordance with U.S. Auditing Standards applicable to audits of service organizations. Such an audit, commonly referred to as a SAS 70 audit, would provide FDOR with information as to the effectiveness of internal controls over collections and disbursements as implemented by the SDU contractor.			
Original Response		<p>The Florida Department of Revenue agrees it would be beneficial to have an annual audit of State Disbursement Unit operations to obtain information on the effectiveness of internal controls implemented by the State Disbursement Unit contractor.</p> <p>The State Disbursement Unit contract was amended effective October 1, 2008, and extended until August 31, 2014, in accordance with Chapter 2008-153, §24, Laws of Florida. The amended contract does not require the contractor to perform an annual audit. However, the contractor is required to provide full access to State Disbursement Unit records and facilities to State and Federal officials for audit purposes.</p> <p>The Department will ask the contractor to quote a price for an annual audit of State Disbursement Unit operations. Once the quote is provided, the Department will determine if a Legislative Budget Request is required to obtain funding. In addition, the Department will contact the State's Chief Financial Officer and the Auditor General to determine whether either office is able to provide the required auditing services. As mentioned in the Condition Section above, the Department resumed its oversight and monitoring activities in November 2008.</p>			
Program's Status		Contract management staff identified potential vendors that could conduct an annual SAS 70 audit of the SDU operations and obtained a price quote for planning purposes. The Program is in the process of determining the availability of recurring funds and whether or not to proceed with contracting for the audit on a recurring basis.			
Status per OIG		Corrective action is still in progress.			
<input checked="" type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially complete <input type="checkbox"/> Complete					

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8/31/09		2009-144	State of Florida Compliance and Internal Controls over Financial Reporting and Federal Awards	
Contact Person		Program/Process		Phone No.
Mel Hedick		Child Support Enforcement		(850) 413-0605
Activity		Accountability		Schedule
n/a		Responsible Unit	Coordinating Unit	Repeat Finding
		Remittance & Distribution Process	n/a	Yes
				Anticipated Completion Date
				June 2011
Finding		Matters disclosed in the prior audit regarding FDOR procedures for reconciling SDU-maintained information to information maintained in the FLORIDA System continued to exist during the 2007-08 fiscal year.		
No.	FA 08-040			
Date	3/05/2009			
Recommendation		We recommend that FDOR include the development of a comprehensive reconciliation component in its design and development of CAMS Phase II.		
Original Response		The Florida Department of Revenue concurs with the recommendation and is currently finalizing system requirements for the CAMS Phase II system. Reconciliation is a key component of the system requirements.		
Program's Status		The Department continues to assess and reconcile program component transactions to ensure consistency and reliability of all data. Work flows are being used in the design and development of Phase II of the CSE Automated Management System (CAMS), and the Department continues to work with the vendor on developing system requirements to ensure reconciliation is a key component.		
Status per OIG		The Program is still in the process of working with the vendor to finalize system requirements to address reconciliation. Corrective action is still in progress.		
<input checked="" type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially complete <input type="checkbox"/> Complete				

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Contact Person		Program/Process			Phone No.
Mel Hedick		Child Support Enforcement			(850) 413-0605
Activity		Accountability		Schedule	
n/a		Responsible Unit	Coordinating Unit	Repeat Finding	Anticipated Completion Date
		Contract Management	n/a	No	TBD
Finding		FDOR did not have procedures in place to ensure compliance with all Federal requirements relating to subrecipient monitoring.			
No.	FA 08-041				
Date	3/05/2009				
Recommendation		We recommend that FDOR revise the standard award and contract documents to identify the Federal awarding agency and include the CFDA number and title, as appropriate. We also recommend that FDOR develop and implement comprehensive, formal policies and procedures with regard to obtaining, reviewing, and following up on subrecipient audits.			
Original Response		<p>The Florida Department of Revenue concurs with the finding and recommendation. The Department will include the Federal awarding agency and CFDA number/title in an attachment to the subrecipient contracts. Further, the Department concurs with the recommendation requiring the Department to develop and implement comprehensive policies and procedures for obtaining, reviewing, and following up on subrecipient audits, formalizing our current protocols. Corrective Actions include:</p> <ol style="list-style-type: none"> 1. Develop an attachment to the FDOR standard contract that identifies the Federal awarding agency and CFDA number/title. 2. Develop policies and procedures for obtaining, reviewing, and following up on subrecipient CSE-related audit findings. 			
Program's Status		Standard operating procedures were developed and now in effect as of June 30, 2009, for new contracts and amendments. Attachment D of the standard contract was amended to reflect the requirements of the audit. The FY 09/10 agreement includes an attachment for the Demonstration Projects (Miami-Dade and Manatee Counties). The Program is in the process of exploring how to address other agreements already in place.			
Status per OIG		Attachment D of the standard contract was amended to reflect the requirements of the audit. Standard operating procedures were developed and are now in effect as of June 30, 2009. A contract amendment will be created for those contracts that were in place before the revision to the standard contract language. The Program expects to have the amendments done by September 30, 2009.			
<input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input checked="" type="checkbox"/> Partially complete <input type="checkbox"/> Complete					
		Corrective action is partially complete.			

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Contact Person		Program/Process		Phone No.
Mel Hedick		Child Support Enforcement		(850) 413-0605
Activity		Accountability		Schedule
n/a		Responsible Unit	Coordinating Unit	Repeat Finding
		Compliance	n/a	No
				Anticipated Completion Date
				October 2009
Finding		Our tests disclosed that where medical support had been ordered, FDOR did not always request the necessary information from the responsible parents to determine whether health insurance was reasonably available or take enforcement action to secure medical support.		
No.	FA 08-042			
Date	3/05/2009			
Recommendation		Pending the enhancement of medical support compliance functionality in CAMS, we recommend that FDOR implement procedures to obtain the necessary information from the responsible parents and take enforcement action to secure medical support.		
Original Response		<p>The Florida Department of Revenue agrees with the finding associated with Securing and Enforcing Medical Support Obligations. The Child Support Enforcement Program is undertaking the following corrective actions to implement the recommendation:</p> <ol style="list-style-type: none"> 1. Review existing procedures and training documents to identify appropriate sections for update to ensure a clear message to staff regarding the correct entry of data identifying the responsible party in both the FLORIDA and the CAMS systems. 2. Finalize and implement procedures and job aids providing staff with the information needed to efficiently identify cases eligible for creation of the CS-EF17 Request for Health Care Coverage Information or the CS-EF18/19 National Medical Support Notice. 3. Continue with efforts already in progress to enhance CAMS Phase I system functionality, thus allowing the Program to automatically identify and enforce cases determined noncompliant with the order to provide health insurance. 		
Program's Status		Existing procedures and training documents have been reviewed to identify sections needing updates to ensure a clear message to staff regarding the correct entry of data indentifying the responsible party in both the FLORIDA and the CAMS systems. Revisions of procedures for Order Entry are scheduled for completion by 09/30/2009. Revision dates were extended in order to accommodate training deadlines for the FLORIDA programming conversion. FM Module II will reflect Medical Support changes based on the newly revised procedures and are to be completed by 09/30/2009. Procedures and job aids have been implemented to provide staff with the information needed to efficiently identify cases eligible for the creation of the CS-E17 Request for Health Care Coverage Information or the CS-EF18/19 National Medical Support Notice. Production and verification is completed to enhance the CAMS I system allowing the Program to automatically identify and enforce cases determined noncompliant with the order to provide health insurance.		
Status per OIG		The Program has reviewed existing procedures and training documents to identify sections for update. Procedures and job aids have been developed to provide staff with the information needed to efficiently identify eligible cases. Specific system requirements have been drafted for CAMs development; however, but not yet implement.		
<input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input checked="" type="checkbox"/> Partially complete <input type="checkbox"/> Complete		Corrective action is partially complete.		

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Contact Person		Program/Process			Phone No.
Mel Hedick		Child Support Enforcement			(850) 413-0605
Activity		Accountability		Schedule	
n/a		Responsible Unit	Coordinating Unit	Repeat Finding	Anticipated Completion Date
		Establishment	n/a	No	Completed
Finding		FDOR did not timely refer initiating interstate cases to the responding states' interstate central registries for action within the required time frame.			
No.	FA 08-043				
Date	3/05/2009				
Recommendation		We recommend that FDOR strengthen its procedures for initiating interstate cases to ensure initiating interstate cases are processed and referred within the required time frame to the responding states' interstate central registries for action.			
Original Response		<p>The Florida Department of Revenue agrees with the finding. The following corrective action will be taken to improve the timely initiation of initiating interstate actions:</p> <ol style="list-style-type: none"> 1. Review existing interstate procedures to ensure instructions regarding required federal timeframes are clear, including identifying the definition of when the 20 calendar day timeframe required under 45 CFR 303.7(b)(2) begins. 2. Review existing interstate training documents to ensure instructions regarding required federal timeframes are clear, including identifying the definition of when the 20 calendar day timeframe required under 45 CFR 303.7(b)(2) begins. 3. Direct communication to region supervisors and region staff responsible for processing interstate initiating transmittals regarding the importance of meeting the federal timeframes. This communication will occur via regularly scheduled teleconferences with region staff on a variety of program issues. 4. Direction to region supervisors of staff who process interstate initiating transmittals to review their internal case processing, related to specific process step assignments to staff, to identify ways to improve compliance with the federal timeframes. 5. Review proposed interstate initiating process design for Phase II of CAMS to ensure the federal timeframes are accommodated. 			
Program's Status		Existing interstate procedures have been reviewed and updated to ensure instructions regarding required federal timeframes are clear, including identifying the definition of when the 20 calendar day timeframe required under 45 CFR 303.7(b)(2) begins. Updated requirements have been provided to region staff. A self-assessment questionnaire was developed for region supervisors to use to analyze local interstate workflow. Design for Phase II of CAMS to ensure the federal timeframes are accommodated for interstate initiating process is being reviewed.			
Status per OIG		CSE procedures have been reviewed and updated to ensure instructions regarding required federal interstate timeframes are clear, including identifying the definition of when the 20 calendar day timeframe required under federal law. Updated requirements have been provided to region staff. A self-assessment questionnaire was developed for region supervisors to use to analyze local interstate workflow. Design for Phase II of CAMS to ensure the federal timeframes are accommodated for interstate initiating process is being reviewed by the Program.			
<input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially complete <input checked="" type="checkbox"/> Complete		Corrective action has been completed.			