



FLORIDA DEPARTMENT *of* STATE

CHARLIE CRIST
Governor

KURT S. BROWNING
Secretary of State

June 18, 2009

Kurt S. Browning, Secretary of State
Florida Department of State
R.A. Gray Building
500 South Bronough Street
Tallahassee, FL 32399-0250

Re: Corrective Action Status Report Applicable to the Auditor General's Report No. 2009-031, Dated June 18, 2009,

Dear Secretary Browning:

Pursuant to Section 20.055(5)(g), Florida Statutes, the Office of Inspector General (OIG) conducted a follow-up review applicable to the Auditor General's Report as referenced above. We have attached a copy of our report for your review.

As required by law, we have published our report on the status of the corrective actions taken by the Department and filed a copy of such response with the Legislative Auditing Committee.

Please contact me if you require additional information.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kirby J. Mole, for".

Kirby J. Mole, CIA, CIG, CMA
Inspector General

Att.

cc. Mr. Terry L. Shoffstall, Director, Legislative Auditing Committee
Dawn K. Roberts, Assistant Secretary of State
Jennifer Kennedy, Deputy Secretary of State
Jay Kassees, Director, Division of Corporations

JLAC
Rec 6/23/09

**FLORIDA DEPARTMENT OF STATE
STATUS REPORT FOR CORRECTIVE ACTION
FOR
AUDITOR GENERAL'S REPORT NO. 2009-031
DEPARTMENT OF MANAGEMENT SERVICES AND SELECTED AGENCIES**

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June 18, 2009

The purpose of this follow-up review is to report on the current status of corrective actions taken by the Department of State (Department) in response to the recommendations made by the Auditor General its operational audit dated, November 2008. The Auditor General's operational audit covered the period from July 2006 through February 2008, and selected Department actions through June 2008. The audit focused on the processes and controls established by the Division of Corporations (Division) related to revenues and cash receipts and selected information technology (IT) functions relating to change management and access controls. The audit also included follow-up on selected prior audit findings.

Auditor General's Finding No. 1: Division change management controls need improvements.

Auditor General's Recommendation: To ensure that management controls are effective, the Division should modify procedures to describe all Division practices for requesting system modifications. Additionally, the Division should separate the responsibility for moving approved changes into the production environment from the responsibility for developing the changes.

Department's Statement of Corrective Action(s) Implemented: The Department has modified its Application Modification Request Form to require additional testing. The department has developed a written procedure to ensure proper controls are maintained. Updated procedures have segregated the responsibility for moving approved changes into the production environment.

Status of Corrective Actions: Implemented as stated above.

Auditor General's Finding No. 2: Division access controls need enhancement. Specific details of these issues are not disclosed in this report to avoid the possibility of compromising the Department's data and IT resources.

Auditor General's Recommendation: To enhance the security of data and information technology resources, the Division should implement appropriate access controls for the Corporate System.

Department's Statement of Corrective Action(s) Implemented: The Division of Corporations has worked with the Department's Central Computing Facility to strengthen application and network security controls. Due to its confidential nature, details of this

change are not provided here. More information can be obtained by contacting the Division of Corporations.

Status of Corrective Actions: Implemented as stated above.

Auditor General's Finding No. 3: The Division did not include penalty and dispute resolution provisions within one of its provider agreements. In addition, the Division did not adequately monitor and enforce provider contract terms and conditions.

Auditor General's Recommendation: To effectively achieve program objectives and goals, the Division should ensure that future agreements include clauses that provide mechanisms to address vendor nonperformance issues and agreement disputes. In addition, the Division should establish procedures to document monitoring efforts and actions taken to enforce agreement terms and conditions.

Department's Statement of Corrective Action(s) Implemented: All future agreements will include a provision to address vendor nonperformance issues and agreement disputes. The division will establish procedures to document monitoring efforts and actions to enforce agreement terms and conditions.

Status of Corrective Actions: Implemented as stated above.

Auditor General's Finding No. 4: The Division's contract with its document management service provider did not require an independent auditor's report describing the effectiveness of the provider's relevant internal controls.

Auditor General's Recommendation: We recommend the Division amend its provider contract to require the submission of a SAS 70 report addressing the effectiveness of relevant corporate filing internal controls.

Department's Statement of Corrective Action(s) Implemented: The division document management contract expired December 31, 2008, and was not renewed.

Status of Corrective Actions: N/A

Auditor General's Finding No. 5: The Division did not perform reconciliations between the State's accounting system and the Division's revenue records.

Auditor General's Recommendation: The Department should establish and implement procedures to ensure that data recorded in the Corporate System are periodically reconciled to related information in FLAIR.

Department's Statement of Corrective Action(s) Implemented: The Division of Corporations and the Division of Administrative Services have updated and implemented the pay categories and object codes used in the daily cash summary reports. This will assist in the reconciliation process. Financial Services has provided a listing of all

deposits for the division beginning July 1, 2008, the division has verified all of the deposit dates and amounts.

Status of Corrective Actions: Implemented as stated above.

Auditor General's Finding No. 6: The Division did not, in some instances, adequately resolve prior audit findings related to the apostille revenue collection process.

Auditor General's Recommendation: We again recommend that the Division document the transfer of collections between employees and, to the extent practical, separate duties so that one employee does not have control of all aspects of transactions (i.e., both recording responsibility and custody of assets). The Division should also periodically account for all certificates, both used and unused, and reconcile the number of certificates used to the revenues recorded.

Department's Statement of Corrective Action(s) Implemented: The division has implemented a process in which the bar code on all certified mail and courier services mail will be scanned in the mail room area and upon transfer a log sheet will be signed and dated transferring the correspondence to the processor. The division has implemented a process to reconcile all certificates unused and reconcile the number of certificates used to the revenues recorded. The checks remain to be opened and processed by the 3 examiners. Most requests are received with no cover letter or instructions. Sometimes the only address given is the one provided on the check with the volume of checks received it is not practical to make a copy of each check.

The division has requested a revision of the programming to allow for better internal controls. However, staffing is limited due to budget reductions and complete segregation of duties is not feasible.

Status of Corrective Actions: Implemented as stated above.