



## 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. 2009-049, 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,

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  
JuDee Pettijohn, Deputy Secretary of State

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**FLORIDA DEPARTMENT OF STATE  
STATUS REPORT FOR CORRECTIVE ACTION  
FOR  
AUDITOR GENERAL'S REPORT NO. 2009-049  
DEPARTMENT OF MANAGEMENT SERVICES AND SELECTED AGENCIES**

- - -  
**June 18, 2009**

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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 State Grants Administration audit dated, November 2008. The Auditor General's audit covered the period from July 2006 through February 2008, and selected Department actions through June 2008. The audit focused on Department's administration of State grants and selected information technology (IT) functions within the Divisions of Historical Resources, Cultural Affairs, and Library and Information Services.

**Auditor General's Finding No. 1: Financial Reporting Packages**

**Auditor General's Recommendation:** To ensure effective oversight and compliance with the FSAA, the Department should finalize and implement comprehensive policies and procedures. In addition, the Department should implement a mechanism to track when FRPs are due, received, and reviewed.

**Department's Statement of Corrective Action(s) Implemented:**

We have finalized and implemented our comprehensive policies and procedures applicable to the Florida Single Audit Act. We are coordinating with the Department's Chief Information Officer to develop a database to track and reconcile financial information necessary to comply with the Florida Single Audit Act. Until such time as the database is completed, we have created an electronic spreadsheet to record financial reporting packages due, received and reviewed. Also, we are developing a reconciliation process necessary to determine if reporting packages are due to the Department of State. We anticipate completion of our corrective actions by January 1, 2010.

**Status of Corrective Actions:** Procedures finalized and implemented. Temporary tracking is in place. System development for a database to track and reconcile financial information necessary to comply with the Florida Single Audit Act is expected by June 30, 2009.

**Auditor General's Finding No. 2: Grant Monitoring**

**Auditor General's Recommendation:** We recommend that the Department enhance grant monitoring procedures for the Divisions of Historical Resources, Cultural Affairs,

and Library and Information Services to ensure that sufficient grant oversight is provided. Such enhancements should include:

1. Utilization of a risk assessment methodology when selecting grants for site visits.
2. Appropriate allocation of workload resources to ensure that all required grantee reports are reviewed timely and that proper follow-up action is taken when instances of noncompliance are noted.
3. Application of appropriate remedies when grantees have not demonstrated compliance with reporting and administrative requirements.

**Department's Statement of Corrective Action(s) Implemented:**

The Divisions of Cultural Affairs, Historical Resources, and Library and Information Services continue to maintain all new procedures discussed in the initial audit response dated November 14, 2008. The following changes stated to be in progress on the date of the initial response have been implemented:

- **Division of Cultural Affairs** - The rules, guidelines and program monitoring procedures for the Historical Museums Grants Program have been revised to conform to the standard and universal administrative requirements for other grants administered by the Division of Cultural Affairs.
- **Division of Historical Resources** - Previous delays in responses to grant report submissions were rectified through the hiring of an OPS assistant whose responsibilities were dedicated to eliminating the back-log of grants that had built up as a result of a personnel shortage. Report reviews are now occurring in a timely manner utilizing regular grants staff.
- **Division of Library and Information Services** – The process requiring grantee report review started no later than 30 days after receipt of reports is currently followed. The risk assessment procedure previously discussed for the Division will now be implemented through procedure outlined by the Office of Cultural, Historical and Information Programs (OCHIP), as stated below. Prior to grant award or payment, compliance with the Division's reporting and administrative requirements is evaluated. In addition to this practice, compliance will be verified through a non-compliance list maintained by OCHIP, as part of the non-compliance procedure which will be implemented by July 1, 2009. This procedure is also described below.

**Office of Cultural, Historical and Information Programs (OCHIP)**

The only significant change to our initial audit response is that rather than each of the OCHIP Divisions developing their own risk assessment procedures (as discussed in our initial audit response), it was determined that this issue could be better coordinated through a unified OCHIP procedure. The OCHIP Grants Administrator has constructed a risk assessment procedure with the input from the Department's Inspector General. Final revisions to the procedure will be completed on July 1, 2009, when the procedure will be implemented for grants appropriated in the 2009-2010 fiscal year. In addition to this

procedure, each Division makes available the applicant's history of compliance issues as part of the grant application review process.

The Office of Cultural, Historical and Information, Programs has also completed a procedure for non-compliant grantees. A similar procedure is already in use by the Division of Cultural Affairs and has been expanded for use by other OCHIP divisions. The procedure has been reviewed and approved by the Department's Office of the General Counsel. This Procedure has also been reviewed by the OCHIP divisions. Final revisions will be completed for implementation by July 1, 2009. This procedure will be implemented for all newly funded grants, as well as existing grants that are certified forward. This procedure includes a procedure document with attachments and is attached for your review.

Upon implementation of this procedure, Divisions of Cultural Affairs, Historical Resources, and Library and Information Services will report non-compliant grantees to the Grants Administrator on a monthly basis. A record of these grantees will be maintained in a central listing that will be shared internally among all grant funding programs within the Department of State via the DOS Intranet. Should a grantee become compliant during the following month, that grantee is deleted from the non-compliance list. Chronic or continued appearance on the list will trigger the initiation of legal remedies, which may include withholding of grant payments until projects are brought into compliance and, when problems are not remedied, demand for return of grant funds.

**Status of Corrective Actions:** Full Implementation scheduled for July 1, 2009.

### **Auditor General's Finding No. 3: Panelist Files**

**Auditor General's Recommendation:** The Department should take actions to ensure that records describing the qualifications of panelists are retained for the public record.

#### **Department's Statement of Corrective Action(s) Implemented:**

The Division of Cultural Affairs consulted with Records Management to include panelist qualification documentation in the retention schedule. This new retention schedule item was approved on June 5, 2008, and has been added to the Department of State's individual records retention schedule as item number 316. All panelist records are now retained per this schedule, *until obsolete, superseded or administrative value is lost*.

**Status of Corrective Actions:** Implemented as stated above.

### **Auditor General's Finding No. 4: Change Management Controls**

**Auditor General's Recommendation:** To ensure that the change management process operates appropriately, the Department should establish written change management control procedures. Such procedures should provide for separating the responsibility for moving approved program changes from the responsibility for moving program changes into the production environment be separated from that relating to developing program changes.

**Department's Statement of Corrective Action(s) Implemented:**

The Division has established a written change in management control policy and procedures to track changes and modifications to the legacy Library Data Manager (LDM) System. The procedure addresses the separation of responsibilities for program change development, testing in quality assurance and movement to the production environment. In addition, the Division has contracted with CommerNet, Inc. to replace the legacy system with a new web-based library directory, data manager and online grant application system. This new system implements new software change management control procedures that are auditable (i.e. all changes are logged). The first phase of this system was placed into production in March 2009.

**Status of Corrective Actions:** Implemented as stated above.

**Auditor General's Finding No. 5: Other Security Controls**

**Auditor General's Recommendation:** To reduce the risk of unauthorized access to, modification of, or destruction of grant application information, the Department should strengthen certain application and network security.

**Department's Statement of Corrective Action(s) Implemented:**

The Division of Cultural Affairs has worked with the Department's Central Computing Facility (CCF) and the Online Arts Services and Information Systems online grants management system vendor to strengthen application and network security controls. Due to its confidential nature, detail of this change is not provided here. More information can be obtained by contacting the Division of Cultural Affairs.

**Status of Corrective Actions:** Implemented as stated above.