



REPRESENTING
ALEX SINK
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

September 13, 2010

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. 2010-165, Compliance and Internal Controls Over Financial Reporting and Federal Awards, In Accordance With OMB Circular A-133, for the Fiscal Year Ended June 30, 2009.

If you have any questions or would like to discuss the matter further, please contact me.

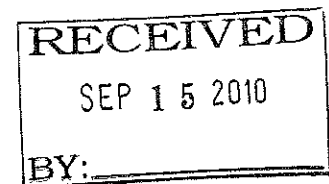
Sincerely,


Robert E. Clift

REC:sc

Attachment

cc: Kathryn D. Walker, CPA, Audit Manager, Office of the Auditor General
✓Kathy DuBose, Staff Director, Joint Legislative Auditing Committee



FLORIDA DEPARTMENT OF FINANCIAL SERVICES
Robert E. Clift • Inspector General
200 E. Gaines St. • Tallahassee, FL 32399-0312 • Tel. 850-413-3112 • Fax 850-413-4973
Email • Bob.Clift@myfloridacfo.com
Affirmative Action • Equal Opportunity Employer

Florida Department of Financial Services
Six-Month Audit Response
Compliance and Internal Controls Over Financial Reporting and
Federal Awards, In Accordance With OMB Circular A-133
For the Fiscal Year Ended June 30, 2009

Finding No. FS 09-013, Obligations Under Reverse Repurchase Agreements and Pooled Investments with State Treasury: Liabilities reported as Obligations under reverse repurchase agreements and assets reported as Pooled Investments with State Treasury were both understated by \$437,350,143.

Recommendation: We recommend that State Treasury continue to update its fiscal year-end reporting procedures to identify the specific reports and information required to correctly report investment and reverse repurchase agreement balances. Furthermore, we recommend that the State Treasury enhance its supervisory review process to ensure that such errors are timely detected and corrected.

Response: We agree. We will update our fiscal year-end reporting procedures to reflect the new processes. In addition, appropriate procedures will be put in place to enhance our review process to ensure that errors are timely detected and corrected.

Six-Month Status: We have updated our fiscal year-end reporting procedures to reflect our new processes. We will continually review these procedures and update them as changes occur.

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Finding No. FS 09-016, Deferred Compensation Trust Fund: FDFS has not designed or established effective fiscal year-end financial reporting procedures over the recording and reporting of financial activity related to the Deferred Compensation Plan (Plan) reported within the Combining Statement of Fiduciary Changes in Net Assets of the Pension and Other Employee Benefits Trust Funds. As a result, financial information submitted to the Statewide Financial Reporting Section contained significant undetected Plan financial reporting errors.

Recommendation: We recommend that FDFS design and establish effective fiscal year-end financial reporting procedures over the recording and reporting of financial activity related to the Deferred Compensation Plan to ensure that Plan account balances and Plan activity are correctly recorded and reported in the future.

Response: We concur. The Bureau of Financial and Support Services has met with the Bureau of Deferred Compensation to gain a better understanding of the financial information provided in the Schedule of Plan Assets reported by the third party administrator. Written internal procedures have been updated to ensure these amounts are properly reported in future years.

Six-Month Status: The Bureau of Financial and Support Services met with the Bureau of Deferred Compensation to fully understand financial information submitted by Investment Providers. The Bureau of Deferred Compensation revised their Schedule of Plan Assets to ensure financial data is properly reported. The Bureau of Financial and Support Services updated their procedures to include analytical reviews to ensure financial data is properly recorded.

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Finding No. FS 09-018, SFRS Compilation Procedures: Compilation procedures performed by the CFO Statewide Financial Reporting Section (SFRS) did not ensure that fund balance (e.g., equity) accounts were, in all instances, properly adjusted to reflect SFRS adjustments to several other related accounts, that Capital Projects Fund budgetary release accounts were properly closed, and that all prior period adjustments were properly disclosed.

Recommendation: We recommend that SFRS enhance its compilation procedures to ensure that, in making SFRS adjustments to accounts that may have an effect on fund balance, the SFRS consider the effects, if any, on the related fund balance reserved and unreserved accounts. We also recommend that SFRS enhance its compilation procedures to consider the effects of adjustments, if any, of sub-fund accounts to all accounts within the Florida Forever Fund. Further, to ensure the reasonableness of amounts reported in the Capital Projects Fund, we recommend that SFRS reconcile the amounts appropriated for capital projects to available independent sources of information in the State's Central Accounting Component of FLAIR. Additionally, we recommend that existing compilation procedures be followed to ensure all prior period adjustments are disclosed in the Notes to the Financial Statements.

Response: We concur. Compilation procedures will be enhanced, amounts appropriated for capital projects will be reconciled to the Central Accounting Component of FLAIR, and note disclosure will be made for all prior period adjustments.

Six-Month Status: Compilation procedures have been enhanced and will be implemented during the CAFR preparation process. Amounts appropriated for capital projects will be reconciled to the Central Accounting Component of FLAIR, and note disclosure will be made for all prior period adjustments.

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Finding No. FS 09-019, Schedule of Expenditures of Federal Awards: FDFS did not fully consider differences identified by its comparison of the Schedule of Expenditures of Federal Awards (SEFA) to the financial statements.

Recommendation: We recommend that FDFS ensure that differences noted when reconciling the SEFA to the financial statements are appropriately investigated and resolved.

Response: We will ensure that differences noted when reconciling the SEFA to the financial statements are appropriately investigated, documented, and resolved.

Six-Month Status: Agency SEFAs for the fiscal year ended June 30, 2010, are due to FDFS on September 17, 2010. We have updated instructions to require agencies to submit a reconciliation which must explain material differences. As we receive the SEFAs, procedures will be implemented to review the agency-submitted reconciliation and ensure that differences noted when reconciling the SEFA to the financial statements are appropriately investigated, documented, and resolved.

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Finding No. FA 09-070, Homeland Security Cluster: Our audit disclosed one instance in which FDFS paid an amount in excess of the costs documented.

Recommendation: We recommend that FDFS enhance its review of subgrantee reimbursement requests to ensure amounts paid agree with supporting invoices.

Response: We agree there were addition errors on the Summary sheet for a subgrantee recipient reimbursement. All future contract reimbursements with the Homeland Security Cluster grant for subrecipient payments will be audited for accuracy and programmatic compliance.

Six-Month Status: All contract reimbursements with the Homeland Security Cluster grant for subrecipient payments are now being audited for accuracy and programmatic compliance.