



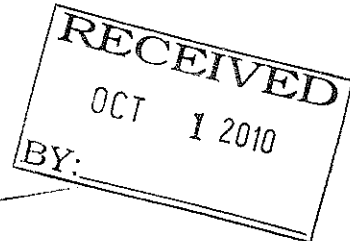
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Governor Charlie Crist

Secretary Linda H. South

**MEMORANDUM**

**DATE:** September 20, 2010  
**TO:** Linda H. South, Secretary  
**FROM:** Steve Rumph, Inspector General



**SUBJECT: Six-Month Status Report to Auditor General Report No. 2010-165**

Pursuant to Section 20.055(5)(g), Florida Statutes, the following is our explanation of the six-month status of findings and recommendations included in the Auditor General's Report No. 2010-165, State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards, dated March 26, 2010. Our response addresses the findings and recommendations in the same order as they appear in the report.

**Six-Month Status Report**

**Finding No. 09-012:** Adjustments to account balances of the Florida Retirement System Trust Fund (FRSTF) identified by the Florida State Board of Administration (FSBA) and communicated to the FDMS were not sent to the Florida Department of Financial Services (FDFS) so that the affects of the adjustments could be reflected in the State's financial statements.

**Recommendation:** We recommend that FDMS enhance its fiscal year-end processes to ensure that all financial records and adjustments to account balances communicated by FSBA for FRSTF investments are timely accounted for and reported to FDFS for inclusion in the State's financial statements.

**Original Response:** We concur with the recommendation. The FDMS Bureau of Financial Management Services will amend its procedures to ensure that FSBA adjustments are reviewed and posted at year end.

**Current Status of Recommendation:** The FDMS Bureau of Financial Management Services (Bureau) has updated its year end procedures to include the posting of data received from FSBA regarding the Division of Retirement. The Bureau has also requested that all adjustments be sent to the Chief of the Bureau and the Professional Accountant Supervisor. As of today, the Bureau has not received adjustments from FSBA.

**OIG Position:** *We agree with the actions taken by the Division and recommend this finding be closed.*

**Finding No. 09-015:** The FDMS incorrectly eliminated account balances relating to the assets and liabilities associated with the Certificates of Participation, Series 1995B and 1995C that funded the construction of youthful offender correctional facilities.

**Recommendation:** We recommend that FDMS enhance its review procedures to ensure that changes affecting recorded debt issues meet the appropriate criteria as identified by the authoritative literature.

**Original Response:** We concur with the recommendation. We will update the year-end procedures for dealing with changes that affect recorded debt.

**Current Status of Recommendation:** The FDMS Bureau of Financial Management Services (Bureau) has updated its year end procedures to include recorded debt issues.

**OIG Position:** *We agree with the actions taken by the Division and recommend this finding be closed.*

**Finding No. 09-017:** As previously reported, the investment return assumption (discount rate) of 7.75 percent (long-term rate) used by FDMS in determining the actuarial accrued liability for the Health Insurance Subsidy (HIS) Plan, was not commensurate with the nature and mix of current expected plan investments. Plan investments were invested to yield short-term rates. The use of short-term, rather than long-term, rate may have resulted in the calculation of a significantly larger estimated actuarial accrued liability.

**Recommendation:** We again recommend that FMDS utilize a discount rate consistent with the nature and mix of current and expected plan investments.

**Original Response:** As previously reported, the principals of the FRS Assumptions Conference have been contacted regarding the assumptions for HIS. A response was not received in time for the 2008 HIS valuation and a meeting scheduled on September 25, 2009, in conjunction with the 2009 FRS Assumptions Conference was postponed. We are awaiting a response from the principals about a meeting regarding the assumption for the 2010 HIS valuation.

**Current Status of Recommendation:** The principals of the 2010 FRS Assumptions Conference have been asked to review/set the investment return assumption for the HIS program. The Department's consulting actuary will give a mid-valuation presentation at the Conference, which is set for October 4. The Department will provide a Brief to the principals prior to the Conference. The ultimate decision of the investment return assumption lies with the Assumption Conference principals.

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**OIG Position: We recommend this recommendation remain open until the Assumptions Conference is held.**

If further information is needed, please contact John Davis, Audit Director, or myself at 488-5285.

SR/crb

cc: Kathy DuBose, Director  
Joint Legislative Auditing Committee

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