

**DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSPECTOR GENERAL**

**SIX-MONTH FOLLOW-UP REPORT
STATUS OF CORRECTIVE ACTION**

Reviewing Entity	Report	Report Title	Date Published
Auditor General	2019-028	Local Government Financial Reporting System	9/27/2018
Finding 6	<p>The Department of Financial Services (DFS) did not always timely assign annual financial report (AFR) verification responsibilities to DFS personnel nor was AFR information always timely verified. We also identified 80 local governmental entities required to submit 2014-15 fiscal year audit reports to the DFS that did not submit the reports, and DFS records did not always evidence attempts to obtain the reports from those entities. In addition, our comparison of the 2014-15 fiscal year verified report totals generated from the DFS Web-based Local Government Electronic Reporting system to the related AFR data for 10 entities disclosed that the verified report excluded revenues totaling \$14.3 million and expenditures totaling \$14 million that were reported in the individual entity AFRs. Further, DFS records did not evidence electronic or paper copies of the December 2016 verified report provided to statutorily specified parties nor the basis for the data included in the report.</p>		
Recommendation	<p>To enhance the timeliness of AFR verification and promote the accuracy and reliability of the verified report, the DFS should:</p> <ul style="list-style-type: none"> • Improve LOGER functionality to identify those entities required to provide audit reports and the AFRs that are ready for verification upon receipt of either an audit report or other prescribed information. • Assign AFRs to DFS personnel for verification as soon as practical. • Make prompt and appropriate attempts to obtain required audit reports and retain documentation, such as e-mails, evidencing such attempts. • Ensure all applicable AFR data accounts are included in the verified report by establishing procedures to require periodic documented comparisons of AFR data accounts to those used in the verified report. • Maintain a copy of the December verified report and the records that support report preparation, including, but not limited to, the dates that DFS personnel verified the AFR and subsequent AFR revision information. 		
Responsible Division	Accounting and Auditing		
Original Response	<p>DFS concurs with the finding. DFS is working with our Office of Information Technology to enhance LOGER functionality and is in the process of developing our Business Requirements Document for these enhancements. Additionally, DFS has included funding for LOGER enhancements in the Legislative Budget Request.</p> <p>DFS is in the process of making procedural changes to timely assign AFRs to DFS personnel for timely verification. In addition, these procedural changes will include documenting DFS's timely attempts to obtain required audit reports, and to save and maintain an electronic copy of the December certified report and records that support report preparation.</p>		

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Six-month Follow-up: March 27, 2019	
Reported Status	<p>The DFS Bureau of Financial Reporting (BFR) is working with the DFS Office of Information Technology (OIT) to enhance LOGER functionality. Planned enhancements include, but are not limited to, the following:</p> <ol style="list-style-type: none"> 1. Add functionality that will automatically identify whether an entity should have submitted an audit, as well as, provide the ability to upload an audit directly to the system. (Business Requirements Document (First Priority and Seventh Priority) 2. Add task log functionality which will identify those entities ready to be reviewed for verification by BFR. (Sixth Priority) 3. Correct reporting errors, including fixing the calculation errors in the December certified report. (First Priority) 4. Add functionality to track changes to individual entity annual financial reports. (Fifth Priority) <p>Additionally, BFR has updated its local government procedures, which include:</p> <ol style="list-style-type: none"> 1. The assignment of AFRs to occur within thirty days of submission. 2. Documenting timely attempts to obtain required audit reports 3. Saving and maintaining an electronic copy of the December certified report and records that support report preparation.
Expected Completion Date for Corrective Action	December 31, 2019
OIG Assessment	<p>Based on the information provided, management is in the process of implementing corrective action. The OIG will continue to monitor this finding until management provides sufficient evidence of corrective action implementation for the following:</p> <ol style="list-style-type: none"> 1. DFS's compliance with the statutory requirements relating to AFRs and audit reports, 2. Timely AFR assignment and efforts to obtain audit reports, 3. AFR data account verification, 4. Accurate AFR reporting, and documentation of the required AFR and audit records.