



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

September 19, 2012

The Honorable Jeff Atwater
Chief Financial Officer
The Capitol, PL-11
Tallahassee, Florida 32399-0301

Dear Mr. Atwater:

As required by Section 20.055, Florida Statutes, I am providing the Department's six-month status report of corrective actions taken in response to Auditor General Report Number 2012-142, *State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards In Accordance with OMB Circular A-133 for the Fiscal Year Ended June 30, 2011* (published March 20, 2012).

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Ned Luczynski".

Ned Luczynski

NL:sll

Attached

cc: Robert Kneip, Chief of Staff
Kathy DuBose, Coordinator, Joint Legislative Auditing Committee
Tami Torres, Deputy Chief Financial Officer
Paul Whitfield, Deputy Chief Financial Officer
Stephanie Iloff, Director, Division of Administration
Christina Smith, Director, Division of Accounting and Auditing

**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 | 2012-142 | <i>State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards In Accordance with OMB Circular A-133 for the Fiscal Year Ended June 30, 2011</i> | March 20, 2012 |
| Finding FS 11-005 | The FDFS Bureau of Accounting (Bureau) did not, in all instances, identify and correctly record financial accounts and balances related to the Rehabilitation and Liquidation Trust Fund activities for the fiscal year. | | |
| Recommendation | We recommend that the Bureau enhance its fiscal year-end reporting procedures to ensure that all financial transactions related to Rehabilitation and Liquidation Trust Fund activities are accurately and completely identified and reported in the State's financial statements. | | |
| Original Response | The Division of Rehabilitation and Liquidation (Division) presents year-end financial data on a cash liquidation basis of accounting (Other Comprehensive Basis of Accounting per the National Association of Insurance Commissioner's guidelines, and for the Division's internal financial analysis purposes). The Bureau of Financial and Support Services (Bureau) will work with the Division to more accurately convert fiscal year-end financial statements the Division presents on a cash basis to accrual basis financial statements, as required by generally accepted accounting principles. The Bureau has also enhanced procedures for the Division's review of year-end financial statement data to ensure that all financial transactions related to Rehabilitation and Liquidation Trust Fund activities are accurately and completely identified and reported in the State's financial statements. | | |
| Six-month Follow-up: | September 20, 2012 | | |
| Responsible Division | Division of Administration | | |
| Reported Status | The Bureau of Financial Services and the Division of Rehabilitation and Liquidation (Division) worked closely to ensure that financial data provided by the Division for the most recent fiscal year ended June 30, 2012 was properly converted from the Other Comprehensive Basis of Accounting to the Accrual Basis in accordance with Generally Accepted Accounting Principles. | | |
| OIG Assessment | Closed. It appears management has taken appropriate corrective action. | | |

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| Auditor General | 2012-142 | <i>State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards In Accordance with OMB Circular A-133 for the Fiscal Year Ended June 30, 2011</i> | March 20, 2012 |
| Finding FA 11-034 | FDFS procedures established to ensure the accuracy and completeness of the SWCAP could be improved. Additionally, the 2012 SWCAP Section II documentation did not include financial information pertaining to the Northwest Regional Data Center (NWRDC). | | |
| Recommendation | We recommend FDFS implement procedures to ensure all central service activities are included in the SWCAP. Additionally, FDFS should ensure that NWRDC is added to Section II of the SWCAP. | | |
| Original Response | Concur. FDFS will implement procedures to ensure all central service activities are included in the SWCAP. Additionally, FDFS added NWRDC to Section II of the 2013 SWCAP (based on Fiscal Year 2010-2011 information) that was submitted to USDHHS on December 23, 2011. | | |
| Six-month Follow-up: | September 20, 2012 | | |
| Responsible Division | Division of Accounting and Auditing | | |
| Reported Status | FDFS has implemented procedures to ensure all central service activities are included in the SWCAP. As previously noted, NWRDC was added to Section II of the 2013 SWCAP submitted on December 23, 2011. | | |
| OIG Assessment | Closed. It appears management has taken appropriate action. | | |

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OFFICE OF INSPECTOR GENERAL**

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| Auditor General | 2012-142 | <i>State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards In Accordance with OMB Circular A-133 for the Fiscal Year Ended June 30, 2011</i> | March 20, 2012 |
| Finding FA 11-037 | FDFS did not adequately review the data presented on the Schedule of Expenditures of Federal Awards (SEFA) and the notes to the SEFA. | | |
| Recommendation | We recommend that FDFS follow its established review procedures to ensure that amounts reported on the SEFA and the notes to the SEFA are accurate, complete, and in accordance with OMB Circular A-133 and the Compliance Supplement. | | |
| Original Response | Concur. FDFS will follow its established review procedures to ensure that amounts reported on the SEFA and the notes to the SEFA are accurate, complete, and in accordance with OMB Circular A-133 and the Compliance Supplement. | | |
| Six-month Follow-up: | September 20, 2012 | | |
| Responsible Division | Division of Accounting and Auditing | | |
| Reported Status | FDFS will follow its established review procedures to ensure the SEFA amounts and notes are accurate, complete, and in accordance with OMB Circular A-133 and the Compliance Supplement. The review of 2012 SEFA information is anticipated to be completed by October 31, 2012. | | |
| OIG Assessment | Closed. As recommended, the Department will continue to follow established procedures. | | |