



CHIEF FINANCIAL OFFICER  
**JEFF ATWATER**  
STATE OF FLORIDA

May 1, 2014

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 2014-033, *Department of Financial Services Florida Accounting Information Resource Subsystem (FLAIR) Information Technology Operational Audit* (published October 31, 2013).

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

Sincerely,

A handwritten signature in cursive script that reads "Teresa Michael for".

Teresa Michael  
Inspector General

TM:rlg

Attached

cc: Robert Kneip, Chief of Staff  
Kathy DuBose, Coordinator, Joint Legislative Auditing Committee  
Charles Ghini, Chief Information Officer  
Christina Smith, Director of Accounting & Auditing

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

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

<b>Reviewing Entity</b>	<b>Report</b>	<b>Report Title</b>	<b>Date Published</b>
Auditor General	2014-033	<b>Florida Accounting Information Resource Subsystem (FLAIR) Information Technology Operational Audit</b>	October 31, 2013
<b>Finding No. 1</b>	As similarly noted in prior audits of the Department, most recently our report No. 2013-078, the access privileges of some Department users were not appropriate for their job responsibilities.		
<b>Recommendation</b>	The Department should limit user access privileges to data and IT resources to only what is necessary to perform job responsibilities and to promote an appropriate separation of duties.		
<b>Original Response</b>	<p><u>DAC</u>: The Department concurs. The employee's access was changed to 'inquiry' access on or before September 3, 2013. The Department's business rules were updated to reflect that the appropriate access for this position was 'inquiry' access.</p> <p><u>CAC</u>: The Department concurs. As noted in the Department's response to Report No. 2013-078 Finding No. 1, the Department stated that CAC access for the Division of Retirement (Retirement) staff would be terminated once the Retirement Direct Deposit website was implemented. The projected implementation date was originally March 2013. However, the website was not implemented until May 2013. The Department terminated access for all Retirement staff to CAC EFT in June 2013.</p> <p><u>Payroll Component</u>: The Department concurs. The two employees' access was changed to 'inquiry' access on or before October 9, 2013. The Department will strengthen its review of access especially as it relates to employees that transfer to new roles in the Department.</p>		
<b>Six-month Follow-up:</b>	April 14, 2014		
<b>Responsible Division</b>	Division of Accounting & Auditing		
<b>Reported Status</b>	The Division has completed the actions specified in its Original Response (see above).		
<b>OIG Assessment</b>	<b>CLOSED.</b> The Division updated access permissions and access control procedures.		

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Auditor General	2014-033	<b>Florida Accounting Information Resource Subsystem (FLAIR) Information Technology Operational Audit</b>	October 31, 2013
<b>Finding No. 2</b>	The Department's periodic review of access privileges needed improvement.		
<b>Recommendation</b>	The Department should ensure that the periodic review of access privileges includes verification of access by appropriate supervisory personnel independent of the users for whom the access verification pertains and encompasses all applicable users.		
<b>Original Response</b>	We concur. The Department will evaluate and refine this access review process to ensure that it encompasses all appropriate verifications.		
<b>Six-month Follow-up:</b>	April 14, 2014		
<b>Responsible Division</b>	Division of Information Systems		
<b>Reported Status</b>	The Division of Information Systems performed an evaluation of the access review process and refined it to include all users with access and appropriate supervisory staff for verification purposes.		
<b>OIG Assessment</b>	<b>CLOSED.</b> The Division revised its periodic access review procedures and forms and completed a comprehensive review of user listings.		

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Auditor General	2014-033	<b>Florida Accounting Information Resource Subsystem (FLAIR) Information Technology Operational Audit</b>	October 31, 2013
<b>Finding No. 3</b>	As noted in our report No. 2013-078, the Department did not maintain access authorization forms for some users.		
<b>Recommendation</b>	The Department should maintain complete documentation of management authorization for user access privileges to move Natural, COBOL, and UNIX changes into the production environment.		
<b>Original Response</b>	The Department performed a formal risk assessment related to this matter and accepted the minimal risk identified through this process. Department efforts will continue to be focused on the completion of these forms for all new workers and on controls related to the prevention and detection of inappropriate access.		
<b>Six-month Follow-up:</b>	April 14, 2014		
<b>Responsible Division</b>	Division of Information Systems		
<b>Reported Status</b>	The Department performed a formal risk assessment related to this matter and accepted the minimal risk identified through this process. Department efforts will continue to be focused on the completion of these forms for all new workers and on controls related to the prevention and detection of inappropriate access.		
<b>OIG Assessment</b>	<b>PARTIALLY COMPLETE.</b> The Division took certain action to improve mitigating controls related to the deficiency. The OIG will continue to monitor the finding until it is fully resolved.		

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Auditor General	2014-033	<b>Florida Accounting Information Resource Subsystem (FLAIR) Information Technology Operational Audit</b>	October 31, 2013
<b>Finding No. 4</b>	Certain Departmental security controls related to logical access needed improvement. This issue was communicated to Department management in connection with our report No. 2013-078.		
<b>Recommendation</b>	The Department should improve security controls related to logical access to ensure the confidentiality, integrity, and availability of data and IT resources.		
<b>Original Response</b>	The Department will continue to address security controls, as appropriate.		
<b>Six-month Follow-up:</b>	April 14, 2014		
<b>Responsible Division</b>	Division of Information Systems		
<b>Reported Status</b>	The Department continues to address security controls, as appropriate.		
<b>OIG Assessment</b>	<b>CLOSED.</b> Security controls were addressed as noted in the Original Response (see above).		

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Auditor General	2014-033	<b>Florida Accounting Information Resource Subsystem (FLAIR) Information Technology Operational Audit</b>	October 31, 2013
<b>Finding No. 5</b>	Some automated controls related to Departmental transaction data input and processing were not in place.		
<b>Recommendation</b>	The Department should continue its process toward the completion of the study for the replacement or enhancement of FLAIR as outlined in Chapter 2013-40, Laws of Florida, Specific Appropriation 2279. The Department should also consider improvements in financial business practices and supporting IT processes and controls to promote an increase in the use of appropriate automated controls in order to facilitate consistency of controls across all user agencies and related entities and thus promote improved reliance on the completeness and accuracy of data in the system.		
<b>Original Response</b>	The Department concurs. The Department contracted with the North Highland Company to perform the business case study on the replacement or enhancement of FLAIR. The study is scheduled to be completed by March 21, 2014. The Department will, using existing resources, continue to consider improvements and enhancements to FLAIR designed to increase automated controls and improve the reliance on the completeness and accuracy of data in FLAIR.		
<b>Six-month Follow-up:</b>	April 14, 2014		
<b>Responsible Division</b>	Division of Accounting & Auditing		
<b>Reported Status</b>	On March 21, 2014, the North Highland Company completed the business case study on the replacement or enhancement of FLAIR. The Department requested additional resources for fiscal year 2014/15 for the pre-development, design, and implementation activities that are recommended in the study. These activities include process reengineering designed to identify improvements, standardization and improved controls associated with the activities currently performed in FLAIR.		
<b>OIG Assessment</b>	<b>CLOSED.</b> The study was completed and authorization sought from the Legislature for additional funding and staff resources to continue the project.		

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<b>Finding No. 6</b>	The Department had not established procedures to ensure that the agencies paid prompt payment interest penalty invoices within the 15 days required by State law.		
<b>Recommendation</b>	We recommend that the Department finalize and implement its procedures for ensuring that interest penalty invoices are timely paid.		
<b>Original Response</b>	The Department concurs. The Department has finalized and implemented its procedures to monitor agency progress in the timely payment of interest penalties. Chief Financial Officer Memorandum No.1 (2013-2014) was issued on August 6, 2013. This memo directs agencies to address prompt payment interest penalties within the 15 days as required by State law. This memo also notifies the agencies that the Department's Vendor Ombudsman will monitor agency progress in processing prompt payment interest penalties generated.		
<b>Six-month Follow-up:</b>	April 14, 2014		
<b>Responsible Division</b>	Division of Accounting & Auditing		
<b>Reported Status</b>	The Division has already completed the actions specified in its Original Response (see above).		
<b>OIG Assessment</b>	<b>CLOSED.</b> The Division implemented procedures and issued guidance to the state agencies related to the issue.		

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Auditor General	2014-033	<b>Florida Accounting Information Resource Subsystem (FLAIR) Information Technology Operational Audit</b>	October 31, 2013
<b>Finding No. 7</b>	Certain Payroll application processing controls related to payroll processing and payroll processing adjustments needed improvement.		
<b>Recommendation</b>	The Department should improve Payroll application processing controls to ensure the completeness, accuracy, and validity of transactions and data.		
<b>Original Response</b>	The Department is in the process of obtaining a legal opinion on certain payroll processing adjustments. Based on the outcome of this opinion, the Department will make any necessary changes to its process for payroll adjustments.		
<b>Six-month Follow-up:</b>	April 14, 2014		
<b>Responsible Division</b>	Division of Accounting & Auditing		
<b>Reported Status</b>	The Department improved payroll application processing controls to ensure the completeness, accuracy and validity of transactions and data. With respect to the prioritization of payroll deductions, based on the conclusions made by its Division of Legal Services, the Department was correct in its process for certain payroll processing adjustments, and no changes are needed.		
<b>OIG Assessment</b>	<b>PARTIALLY COMPLETE.</b> The Division has taken action to address most of the issues noted in the finding. The OIG will continue to monitor this finding until all issues are resolved.		