



FLORIDA DEPARTMENT of

management SERVICES

We serve those who serve Florida

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Rick Scott, Governor

Craig J. Nichols, Agency Secretary

April 21, 2014

Craig J. Nichols
Agency Secretary
Department of Management Services
4050 Esplanade Way
Tallahassee, FL 32399-0950

Dear Mr. Nichols:

In accordance with section 20.055, Florida Statutes, the following is our explanation of the six-month status of findings and recommendations included in the Auditor General published Report No. 2014-030, ***Department of Management Services, Monitoring of Local Government Retirement Plans and the MyFloridaMarketPlace Contract and Prior Audit Follow-up***. Our response addresses the findings and recommendations in the same order as they appear in the report.

If further information is needed concerning our response, please do not hesitate to contact me.

Sincerely,

Walter Sachs
Inspector General

WS:nw

Attachment

cc: Stacy Arias, Deputy Secretary, Business Operations
Darren Brooks, Deputy Secretary, Workforce Operations
Dan Drake, Director of Retirement
Kelley Scott, State Purchasing Director
Keith Brinkman, Bureau Chief of Local Retirement Systems
Yolanda Lockett, Audit Director

Six-Month Status Report

Report No. 2014-030- Audit of DMS Monitoring of Local Government Retirement Plans and the MyFloridaMarketPlace Contract and Prior Audit Follow up

Monitoring of Local Government Retirement Systems

Finding No. 1: Review of Local Government Retirement Plans

The Department could not always demonstrate that statutorily mandated local government retirement plan reviews were performed in accordance with established procedures and State law.

Recommendation:

We recommend that Department management ensure that local government retirement plan actuarial valuation report reviews are timely performed as required by State law and documented in accordance with established Department procedures.

Response:

Department concurs that one plan from the sample of 40 was reviewed out of its triennial schedule. In fall 2009, the Access database that houses the local retirement actuarial data, and tracks the review work flow, was substantially re-written and upgraded. These improvements have provided management with better tools to monitor the progress of local government plan reviews and have significantly mitigated the risk of untimely reviews. This plan's last review was conducted prior to the implementation of the database improvements and was not entered in the database. Since implementation, all reviews are tracked in Access for timeliness. Actuarial review procedures that would result in missing or redundant documentation have been revised in the manual. Police and fire review procedures are deemed adequate.

Current Status of Recommendation

The Department considers this finding closed as Department actuarial review procedures have been revised and reviews are performed in compliance with State law.

Finding No. 2: Annual Report to Legislature

The information presented in the Department's *Florida Local Government Retirement Systems Annual Report* could be enhanced to better meet the needs of the Legislature and other decision makers.

Recommendation:

We recommend that the Department enhance the Annual Report to be more informative as to the results of the Department's procedures. In addition, we recommend that the Department consult with the Legislature to determine how the Annual Report could be further enhanced to better meet the needs of the Legislature and other report users.

Response:

Department partially concurs. The Annual Report provides the summary of Division activities, findings, and recommendation, as required in section 112.665(1)(d), Florida Statutes. Recent legislation has modified the reporting requirements of the Department with respect to the Annual Report and the newly required summary actuarial fact sheets for each plan. The legislature frequently offers guidance to the Department on the content of the Annual Report, so it does not appear necessary to consult specifically on the subject. However, the Department always seeks to improve the value provided in its reports and will consider amending the report to include identifying the plans that are "not state accepted".

Current Status of Recommendation

The Department considers this finding closed since a disclosure page was added to the Florida Local Government Retirement Systems Annual Report in 2013. This page highlights the pension plans that were not in compliance with applicable statutes and rules as of September 30, 2013. The list was also posted on our website and is updated quarterly to reflect the dynamic nature of the list.

MyFloridaMarketPlace Contract

Finding No. 3: Present-Value Cost Evaluations

Contrary to State law, the Department did not use a present-value methodology to evaluate the vendor cost proposals for the MFMP procurement.

Recommendation:

We recommend that Department management ensure that the cost of bids, proposals, or replies for future contracts that include provisions for unequal payment streams over the term of the contract are evaluated in accordance with the requirement of State law.

Response:

The Department agrees with the recommendation that bids, proposal and replies be evaluated in accordance with the requirements of State law. The MyFloridaMarketPlace procurement, which resulted in contract no. DMS 11/12-030, was awarded to the lowest cost proposal no matter what type of comparative analysis was performed.

Current Status of Recommendation

The Department considers this finding closed since the Department continues to evaluate bids pursuant to law.