



FLORIDA DEPARTMENT of

management  
SERVICES

We serve those who serve Florida

4050 Esplanade Way  
Tallahassee, FL 32399-0950  
Tel: 850-488-2786 | Fax: 850-922-6149

Rick Scott, Governor

Erin Rock, Secretary

June 15, 2017

Erin Rock, Secretary  
Florida Department of Management Services  
4050 Esplanade Way, Suite 285B  
Tallahassee, FL 32399

Dear Secretary Rock:

In accordance with section 20.055, Florida Statutes, the enclosed documents represent our explanation of the six-month status of the findings and recommendations included in the Auditor General published Report No. 2017-073, **Florida Retirement System Pension Plan and Other State-Administered Systems – Financial Audit**.

The findings and recommendations appear in the same order as they appeared in the report.

If further information is needed concerning the status, please do not hesitate to contact me.

Sincerely,

Dawn E. Case  
Inspector General

DEC/nw

Enclosure

cc: Elizabeth Stevens, Director of Division of Retirement  
Debra Forbess, Director of Finance & Administration  
Eric Miller, Chief Inspector General  
Sherill F. Norman, Auditor General  
Joint Legislative Auditing Committee

## Audit Findings Status Update Form

<b>Status Date</b>		<b>Report/Agency #</b>	<b>Report Title/Agency Name</b>	
6/15/17		2017-073	Florida Retirement System Pension Plan and Other State Administered Systems CAFR Report FYE June 30, 2016	
<b>Contact Person</b>		<b>Title</b>	<b>Phone No.</b>	<b>Email Address</b>
Kathy Gould		Bureau Chief of Retirement Calculations	(850) 488-9623	<a href="mailto:Kathy.Gould@dms.myflorida.com">Kathy.Gould@dms.myflorida.com</a>
<b>Activity</b>		<b>Accountability</b>		<b>Schedule</b>
Benefit Payments		<b>Responsible Area</b>		<b>Repeat Finding</b>
		Financial Management Services		No
				<b>Anticipated Completion Date/Date Adjustments will be made</b>
				1/31/17
<b>Finding</b>				
<b>No.</b>	2			
<b>Date</b>	6/15/17			
<b>Finding Category- Other Matters</b>				
<b>Finding</b>		<p>The Department of Management Services (Department) did not always obtain from the Department of Military Affairs a Florida National Guard (FNG) Form 37 that included an authorized signature certifying the accuracy of the data reported and used as the basis for retiree benefit payments.</p>		
<b>Recommendation</b>		<p>We recommend that Department procedures for establishing National Guard retiree accounts and making benefit payments be consistently followed and that, prior to creating retiree accounts and processing benefit payments, Department staff confirm receipt of an appropriately certified FNG Form 37.</p>		
<b>Management/Agency Response</b>		<p>The Division of Retirement pays supplemental retirement benefits to Florida National Guard (FNG) members who meet certain statutory criteria. As part of the division's review before approving supplemental benefit payments, the division requires that the Department of Military Affairs submit to the division a FNG Form 37 documenting FNG membership and other necessary information.</p> <p>A review of the supplemental retirement program identified two FNG Form 37 documents submitted by the Department of Military Affairs to the division with the commanding officer's typed name but without an accompanying signature. The two documents were for supplemental benefits initiated in 2010 and 2011. Historical policy during the time period in question did require a signed FNG 37 before processing a supplemental benefit. Written procedures were established in February 2015 to document requirements for processing a FNG supplemental benefit and include the signature requirement on the FNG 37. The Division of Retirement is currently reviewing all FNG Form 37 documents on file. If the division identifies any forms without signatures, the division will contact the Department of Military Affairs and request a signed form.</p>		
<b>Status Update-6 months</b>		<p>The Division of Retirement reviewed 803 (all) National Guard Supplemental benefit accounts to ensure receipt of a completed and signed FNG 37 document. The division identified 22 benefit recipients that had an unsigned FNG 37 on file. The division requested and received updated signed FNG 37 documents from the Department of Military Affairs on all 22 benefit recipients. The division provided additional training to internal staff working on National Guard accounts and reminded the Department of Military Affairs of the requirements to process and receive a benefit. The division has not received any unsigned FNG 37 documents since the training to staff and outreach to Dept of Military Affairs.</p>		
<input type="checkbox"/>	Open			
<input type="checkbox"/>	Management/Agency Assumes Risk			
<input type="checkbox"/>	Partially Complete			
<input type="checkbox"/>	Complete Pending Verification by OIG			
<input checked="" type="checkbox"/>	Closed			
<b>Status Update-12 months</b>				
<input type="checkbox"/>	Open			
<input type="checkbox"/>	Management/Agency Assumes Risk			
<input type="checkbox"/>	Partially Complete			
<input type="checkbox"/>	Complete Pending Verification by OIG			
<input type="checkbox"/>	Closed			
<b>Status Update-18 months</b>				
<input type="checkbox"/>	Open			
<input type="checkbox"/>	Management/Agency Assumes Risk			
<input type="checkbox"/>	Partially Complete			
<input type="checkbox"/>	Complete Pending Verification by OIG			
<input type="checkbox"/>	Closed			

## Audit Findings Status Update Form

<b>Status Date</b>	<b>Report/Agency #</b>	<b>Report Title/Agency Name</b>	
6/15/17	2017-073	Florida Retirement System Pension Plan and Other State Administered Systems CAFR Report FYE June 30, 2016	
<b>Contact Person</b>	<b>Title</b>		<b>Phone No.</b>
Kelly McMullen	Bureau Chief of Financial Management Services		(850) 487-0950
	<a href="mailto:Kelly.McMullen@dms.myflorida.com">Kelly.McMullen@dms.myflorida.com</a>		
<b>Activity</b>	<b>Accountability</b>		<b>Schedule</b>
Accounts Payable	Responsible Area	Repeat Finding	Anticipated Completion Date/Date Adjustments will be made
	Financial Management Services	No	8/31/17
<b>Finding</b>			
<b>No.</b>	1	<b>Finding Category - Material Weakness</b>	
<b>Date</b>	6/15/17		
<b>Finding</b>	The Department of Management Services (Department) did not always properly identify, accrue, and record accounts payable and amounts due to other governmental units.		
<b>Recommendation</b>	To ensure that only goods and services received on or prior to the fiscal year-end are accrued and recorded, we recommend that the Department enhance fiscal year-end cut-off procedures and training for accounting for National Guard payables. We also recommend that, to appropriately record amounts due to other governmental units, the Department establish fiscal year-end cutoff procedures that properly identify those municipalities approved to receive Police and Firefighters' premium tax distributions on or prior to the fiscal year-end.		
<b>Management/Agency Response</b>	<p>The department conservatively reported the potential total surtax liability rather than actual approved payments as of June 30. Prospectively, the department will ensure compliance to the applicable standards. It is important to note the characterization of the payables at issue in this finding was not detrimental to the state.</p> <p>The Bureau of Financial Management Services will establish cut-off procedures to identify payables as of the fiscal year end date. Training will be provided to appropriate staff members and year-end adjusting entries will be reviewed to ensure standard compliance. The Division of Retirement is also updating processes to ensure there is streamlined funding source identification along with an appropriate payment verification process.</p>		
<b>Status Update-6 months</b>			
<input type="checkbox"/>	Open	The Bureau of Financial Management Services (FMS) provided training to personnel in the Division of Retirement who are responsible for identifying accounts payable. In addition, similar training was provided to all appropriate Department staff at FMS' annual Disbursements and Year-End training. During the year-end process in July and August, all adjusting entries related to payables will be reviewed for compliance with standards. Regarding the amounts due to other governmental units, the Division of Retirement has updated their process to record the date when required documentation is received from the local plans. This will enable the Division to accurately identify the amounts due to the police and fire plans as of the June 30 cutoff date.	
<input type="checkbox"/>	Management/Agency Assumes Risk		
<input type="checkbox"/>	Partially Complete		
<input type="checkbox"/>	Complete Pending Verification by OIG		
<input checked="" type="checkbox"/>	Closed		
<b>Status Update-12 months</b>			
<input type="checkbox"/>	Open		
<input type="checkbox"/>	Management/Agency Assumes Risk		
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<b>Status Update-18 months</b>			
<input type="checkbox"/>	Open		
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