

Jonathan Zachem, Secretary

Rick Scott, Governor

MEMORANDUM

TO: Jonathan Zachem, Secretary

FROM: Lynne T. Winston, Inspector General 

DATE: August 18, 2017

SUBJECT: Initial Follow-Up Response to Auditor General Report Number 2017-180,
*Auditor General Report, State of Florida Compliance and Internal Controls
over Financial Reporting and Federal Awards*
(OIG Project Number G-1718BPR-002)

Section 20.055, Florida Statutes, requires that I monitor and report to you on the status of implementation of findings and recommendations made in audits issued by the Auditor General. Accordingly, the attached report is our initial follow-up response to Auditor General Report Number 2017-180, *Auditor General Report, State of Florida Compliance and Internal Controls over Financial Reporting and Federal Awards* (published March 2017).

Our review found that management has taken substantive action to address the issue noted in the audit report.

We would like to thank the management of the Division of Administration and Financial Management for their assistance.

Please contact me if you have any questions.

LTW:sbh

Attachment

cc: Eric W. Miller, Chief Inspector General
Kathy DuBose, Coordinator, Legislative Auditing Committee
Reginald Dixon, Chief of Staff
Ruth Dillard, Director, Division of Administration and Financial Management
Thomas Philpot, Director, Division of Alcoholic Beverages and Tobacco



**DEPARTMENT OF BUSINESS & PROFESSIONAL REGULATION
Office of Inspector General**

**Jonathan Zachem
Secretary**

**Lynne T. Winston
Inspector General**



**Initial Follow-up Response to
*Auditor General Report, State of Florida Compliance and Internal Controls
over Financial Reporting and Federal Awards*
Auditor General Report Number 2017-180
August 18, 2017
OIG Project Number G-1718BPR-002**

OVERVIEW

Section 20.055, Florida Statutes, requires the Inspector General to monitor and report to the Secretary on the status of corrective action taken in response to reports issued by the Auditor General. In March 2017, the Auditor General published Report Number 2017-180, *State of Florida Compliance and Internal Controls over Financial Reporting and Federal Awards*. The objectives of this audit included an understanding of the internal controls over financial reporting within various state agencies, including the Department of Business and Professional Regulation (department).

Finding Number 2016-005 concerned the department. The Auditor General determined that the department did not record the fiscal year-end cigarette tax receivable and revenue related to July tax payments collected on June sales of cigarette tax stamps. Prior to audit adjustment, the receivables, net, and taxes accounts were understated in the General Fund by \$76,297,830.

The purpose of this report is to inform the Secretary of the status of management's response to the audit findings and recommendations.

STATUS REPORT

Auditor General Finding 2016-005: Net Receivables

The department did not record the fiscal year-end cigarette tax receivable and revenue related to July tax payments collected on June sales of cigarette tax stamps.

At fiscal year end, the Division of Alcoholic Beverages and Tobacco is to provide the Bureau of Finance and Accounting a report identifying the July payments on June cigarette tax stamps. The Bureau of Finance and Accounting is to use the report to record the fiscal year-end cigarette tax receivable and related tax revenue. However, the audit found that the Division of Alcoholic Beverages and Tobacco did not provide the report to the Bureau of Finance and Accounting and follow-up was not conducted to obtain the information necessary to record the fiscal year-end cigarette tax receivable and tax revenue. Additionally, the Bureau of Finance and Accounting did not provide to other state agencies the fiscal year-end cigarette tax revenue distribution amounts to be recorded as due from other funds.

While the Bureau of Finance and Accounting had established procedures for certain fiscal year-end processes, the bureau's procedures did not specifically address the recording of taxes

receivable and the communication of year-end distribution accrual information to state agencies. In addition, Division of Alcoholic Beverages and Tobacco and Bureau of Finance and Accounting processes were not sufficient to detect the omissions. The absence of sufficiently comprehensive procedures, staff turnover, and review process deficiencies contributed to the errors.

Prior to audit adjustment, the receivables, net, and taxes accounts were understated in the General Fund by \$76,297,830. Additionally, absent communication to other applicable state agencies, the information necessary to appropriately record cigarette taxes receivable, the due from other funds, due to other Funds, accounts payable and accrued liabilities, operating transfers in, operating transfers out, and current expenditures – general government accounts, will be understated.

Recommendation

The Auditor General recommended that the Bureau of Finance and Accounting strengthen fiscal year-end reporting procedures to ensure that all taxes receivable and related revenues are appropriately recoded and the amount to be recorded by other state agencies as due from other funds is appropriately communicated. In addition, they recommended that the Division of Alcoholic Beverages and Tobacco and Bureau of Finance and Accounting enhance supervisory review processes to promote the timely detection and correction of errors.

Original Agency Response

To ensure future year end taxes receivable and related distributions are recoded in the financial statement, the Bureau of Finance and Accounting has updated the year-end checklist to include the confirmation of the taxes receivable from the Division of Alcoholic Beverages and Tobacco Cigarette Tax Collection Trust Fund and at the same time compare the year end trial balance from the prior year to the current year to make sure the receivable has been recorded with the related distributions to other state agencies. This update to the checklist will also ensure the related supervisory review.

Status as of August 2017

Fully corrected. To prevent future year end taxes receivable and the related distributions from not being recorded in the financial statements, the agency's Bureau of Finance and Accounting has updated the year-end checklist. It now includes confirmation of the taxes receivable from the Alcoholic Beverage & Tobacco Cigarette Tax Collection Trust Fund and at the same time compares the year end trial balance from the prior year to the current year to make sure the receivable has been recorded with the related distributions to other state agencies. Additional supervisory review has also been built into the process.

OIG Assessment:

CLOSED. The Bureau of Finance and Accounting provided our office a copy of the updated year-end checklists and updated policies and procedures regarding year-end financials. Our office reviewed this information and determined that it provides evidence of corrective action to address the risk associated with the audit findings. Our office also confirmed that the year-end receivables were received from the Division of Alcoholic Beverages and Tobacco for the Cigarette Tax Collection Trust Trust and have been recorded for the fiscal year ending June 30,

2017. Based on our review of supporting documentation we concluded that management's actions are sufficient to close this audit finding and recommendation.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this follow-up report was to determine the status of action taken by management of the Division of Administration and Financial Management in response to the findings and recommendations made in Auditor General Report Number 2017-180, *State of Florida Compliance and Internal Controls over Financial Reporting and Federal Awards*. Our review focused on corrective action taken since the report's publication in March 2017.

In July and August, 2017, Division of Administration and Financial Management, Bureau of Finance and Accounting management provided updated information on the status of its implementing actions. We reviewed the information and supporting documentation and evaluated whether sufficient corrective action has been taken to mitigate the risk associated with the audit finding.

This work product was prepared pursuant to Section 20.055, Florida Statutes, and in accordance with applicable *Principles and Standards for Offices of Inspector Generals* (as published by the Association of Inspectors General) and *International Standards for the Professional Practice of Internal Auditing* (as published by the Institute of Internal Auditors, Inc.).

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This review was conducted by Steven Henry, Auditor, CIGA, CGAP, CICA and was supervised by Karen Barron, Director of Auditing.

This work product was prepared pursuant to Section 20.055, Florida Statutes, and in conformance with applicable Principles and Standards for Offices of Inspectors General (as published by the Association of Inspectors General) and applicable standards of the International Standards for the Professional Practice of Internal Auditing (as published by the Institute of Internal Auditors, Inc.)

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