



FLORIDA

Executive
Director

Leon M. Biegalski

September 14, 2017

MEMORANDUM

TO: Leon M. Biegalski, Executive Director

FROM: Sharon Doredant, Inspector General

SUBJECT: Six-Month Update on Auditor General Report No. 2017-148,
State of Florida – Taxpayer Refunds and Selected Administrative
Activities

As required by *section 20.55(6)(h), Florida Statutes*, attached is the Department's six-month status update for corrective actions taken in response to Auditor General Report No. 2017-148, State of Florida – Taxpayer Refunds and Selected Administrative Activities.

Both the General Tax Administration Program and the Office of Financial Management provided updates on actions taken to correct the findings. Based on our review of their summaries and the supporting documentation provided, we consider the findings complete.

We did not verify the efficiency and effectiveness of corrective actions taken to address the problems. Additionally, we did not perform substantive testing of system changes and changes that would require testing such as is performed in an audit. We will follow up on those items and conduct audit tests during our next audits of the relevant program areas.

If you have any questions, please contact me at 617-8152, or Marie Walker at 717-7598.

SD/ww

Attachment

Leon M. Biegalski
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cc: Andrea Moreland, Deputy Executive Director
Tajiana Ancora-Brown, Chief of Staff
Marie Walker, Director of Auditing
Angela Welch, Deputy Inspector General
Maria Johnson, GTA Program Director
Joseph Young, OFM Director
Kathy DuBose, Coordinator, JLAC

CORRECTIVE ACTION PLAN

Status Date	Report No.	Report Title		
9/1/17	2017-148	Taxpayer Refunds and Selected Administrative Activities		
Contact Person	Program	Process	Phone No.	
Andrea Hunter	GTA	Refunds	850/717-7773	
Activity	Accountability		Schedule	
System modification	Responsible Unit	Coordinating Unit	Repeat Finding	Anticipated Completion Date
	Refunds	Refunds	No	09/30/2017
Finding	Department controls for timely and appropriately processing taxpayer refunds need enhancement.			
No.	1			
Date	3/14/17			
Recommendation	We recommend that Department management ensure that refund applications are timely examined, applicants are timely notified of any apparent application errors or omissions, and overpayments of tax are timely refunded. Additionally, we recommend that Department management ensure interest due to tax overpayments is calculated and paid in accordance with State law.			
Original Response	<p>A primary goal of the Department's Refund Process is to provide assurance to the public that state tax dollars being refunded by the Department are properly authorized disbursements. Section 213.255(8), Florida Statutes, states: "Nothing in this section is intended to alter the department's right to audit or verify refund claims either before or after they are paid."</p> <p>The Department is pleased that no errors were identified regarding erroneous approval of refunds as we have diligently sought to fulfill our delegated fiduciary responsibility of ensuring tax refund claims are valid. During the most recent fiscal year the Department processed 152,000 refunds and incurred interest of approximately 1%. The accrual represents less than 0.03% of the total value of refunds processed.</p> <p>Regarding the calculation of interest, the Department is in agreement with the six items noted. Programming changes have been initiated to default the interest key into the record based on the tax type, rather than having manual selection of the key. Additionally, the Department will re-address the programming logic for interest accrual so it is expanded beyond the CIT interest provision.</p> <p>Regarding the interest in those rare instances of refund offset reversals, the Department will ensure that existing procedures are re-emphasized to staff handling those situations as a part of our routine training.</p> <p>Regarding the timeliness of refund processing, The Department places heightened focus on cycle time with established measures specifically addressing this area of performance. There are two primary performance measures regarding timely processing of refund claims. These measures have been established with an understanding of both the complex nature of refund processing and the impact of fluctuating refund volumes have on our ability to process refund claims within the stated time frames.</p> <p>Due to the combination of staffing, refund volume fluctuations, and emerging tax issues, there may be instances where refund claims are not processed within 90 days and as such, the interest provisions as prescribed in section 213.255 and section 220.726, Florida Statutes, are enacted. However, the Department will continue to make every effort to process the refund claims in a timely manner.</p>			

CORRECTIVE ACTION PLAN

Status Updates

- Open
- Management assumes risk
- Partially complete
- Complete pending OIG verification
- Complete

OIG 9/1/17: We received documentation from the program related to the steps implemented to enhance controls for timely and appropriately processing taxpayer refunds. The program has implemented the following changes:

- Additional training was provided to staff related to the process for paying interest in the case of refund offset reversals.
- Performance measures are in place and monitored related to timely processing of refund claims.
- The Refund Case Management (RCM) system was modified to designate interest keys based on tax type and interest rules associated with the specific tax type.
- In addition, the refund aging date rules were modified in RCM to recognize the 30-day period specified in s.213.255(3), F.S.

Based on our review of the documentation provided, the OIG considers this finding complete.

OIG 8/14/17: Please provide an update for the Six-Month Follow-up.

GTA 08/16/2017- The Refund Case Management (RCM) system was modified to designate interest keys based on tax type and interest rules associated with the specific tax type. This change was implemented 03/17/2017. Support for the system change is attached (Confirmation of Manual Posting Changes). The refund aging date rules were modified in RCM to recognize the 30-day period specified in s.213.255(3), F.S. These changes were deployed in the system on 7/7/2017. Support for this system update is attached (Confirmation of Aging Date Changes). We deem this to be complete.

OIG 6/30/17: Please provide an update.

GTA 6/30/2017 - A system change was implemented to integrate the manual posting for refunds with no sales order. As part of this change, the interest key is assigned by the system based on tax type. In addition, the aging date rules are being modified to recognize the 30-day examination/notification period indicated in s. 213.255(3), F.S. These changes are expected to be completed and implemented by 9/30/2017.

CORRECTIVE ACTION PLAN

Status Date	Report No.	Report Title		
9/1/17	2017-148	Taxpayer Refunds and Selected Administrative Activities		
Contact Person	Program	Process	Phone No.	
Robin Holley	EXE	PCards	717-6127	
Activity	Accountability		Schedule	
PCards	Responsible Unit	Coordinating Unit	Repeat Finding	Anticipated Completion Date
	OFM	OFM	No	9/30/17
Finding No.	The Department did not always timely cancel purchasing cards (PCards) upon a cardholder's separation from Department employment.			
Date	3/14/17			
Recommendation	We recommend that Department management promptly cancel purchasing cards upon a cardholder's separation from Department employment.			
Original Response	<p>We agree that PCards for employees leaving the Department were not always cancelled timely.</p> <p>We have updated our PCard procedures and communicated to Program PCard Administrators that employees should discontinue use of their PCards two weeks prior to leaving the department or as soon as possible. We will continue to monitor the daily report for PCard holders leaving the agency and will work with the programs to ensure timely cancellation of PCards. Cards will be terminated no later than the employee's last day of employment, whenever we have advanced notice of their termination. The DOR PCard Administrator Guide will be updated as well to provide direction on this issue.</p>			
Status Updates	<p>OIG 8/11/17: We received documentation from the program related to the steps implemented to ensure purchasing cards are canceled timely when cardholders separate from the Department. The program will monitor termination reports to identify PCard holders leaving the Department to help ensure timely cancellation of PCards. In addition, the program has updated the DOR PCard Administrator Guide to provide direction on the issue, including the requirement that employees should discontinue use of their PCards two weeks prior to leaving the Department whenever possible. Based on our review of the documentation provided, the OIG considers this finding complete.</p> <p>EXE 7/18/17: All the changes noted in our original response have been implemented and PCards are now canceled promptly upon notification to the agency PCard administrator of an employee leaving or no longer needing a PCard.</p> <p>OIG 6/30/17: Please provide an update.</p>			
<input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially complete <input type="checkbox"/> Complete pending OIG verification <input checked="" type="checkbox"/> Complete				

CORRECTIVE ACTION PLAN

Status Date	Report No.	Report Title			
9/1/17	2017-148	Taxpayer Refunds and Selected Administrative Activities			
Contact Person	Program	Process	Phone No.		
Robin Holley	EXE	Public Deposits	717-6127		
Activity	Accountability		Schedule		
Public Deposits	Responsible Unit	Coordinating Unit	Repeat Finding	Anticipated Completion Date	
	OFM	OFM	No	9/30/17	
Finding	<p>The Department did not always comply with requirements of State law regarding public deposits.</p> <p>We recommend that Department management take steps to ensure compliance with the public deposits requirements in State law.</p> <p>We agree that the Department's 2015 Public Depositor Annual report to the Chief Financial Officer was inaccurate.</p> <p>Wells Fargo was inadvertently left off our 2015 Public Depositor Annual Report to the Chief Financial Officer. However, we did have Public Deposit Identification and Acknowledgment Forms on file for all DOR accounts outside the State Treasury.</p> <p>Over the past few months, we have worked closely with State Treasury staff to confirm all the reporting requirements for bank accounts outside the State Treasury. We have developed detailed procedures to explain the reporting requirements for bank accounts held outside the State Treasury. Our 2016 Public Depositor Annual Report to the Chief Financial Officer included both banks.</p>				
No.					3
Date					3/14/17
Recommendation					
Original Response					
Status Updates	<p>OIG 9/1/17: We received documentation from the program related to the steps implemented to ensure compliance with the public deposits requirements in State Law. The program worked with the State Treasury to identify all reporting requirements and developed an internal procedure related to reporting requirements for bank accounts held outside the State Treasury. Based on our review of the documentation provided, the OIG considers this finding complete.</p> <p>OIG 8/14/17: Please provide documentation of changes and detailed procedures noted in original response.</p> <p>EXE 7/1/17: All the changes noted in our original response have been implemented and we are in compliance with the public deposits requirements in State law.</p> <p>OIG 6/30/17: Please provide an update</p>				
<input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially complete <input type="checkbox"/> Complete pending OIG verification <input checked="" type="checkbox"/> Complete					