December 14, 2011

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 have enclosed the Department’s six-month status report of corrective actions taken in response to Auditor General Report Number 2011-196, Local Government Financial Reporting System.

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

Sincerely,

Ned Luczynski

NL:sll

Attachment

cc: Robert Kneip, Chief of Staff
    Paul Whitfield, Deputy Chief Financial Officer
    Kathy DuBose, Coordinator, Joint Legislative Auditing Committee
# SIX-MONTH FOLLOW-UP REPORT
## STATUS OF CORRECTIVE ACTION

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### Finding
No. 8
The Florida Department of Financial Services (DFS) needed to enhance its procedures to ensure that it properly notifies the Legislative Auditing Committee of all entities that fail to provide annual financial reports (AFRs).

### Recommendation
DFS should enhance procedures to ensure that all known entities that fail to provide required AFRs on a timely basis are included in its notifications to the LAC. In doing so, DFS should revise its LOGER system to ensure all independent special districts comply with the separate filing requirement as set forth in Section 218.32, Florida Statutes.

### Original Response
The Department concurs. The enhancement in DFS procedures will not require a revision of LOGER but will ensure that all independent special districts comply with Section 218.32, Florida Statutes.

### Six-month Follow-up:
December 14, 2011

### Responsible Division
Division of Accounting and Auditing

### Reported Status
The Department has instituted a new internal procedure to ensure that all independent special districts, even if they are component units of a governing authority, will submit an independently reported Annual Financial Report (AFR) as well as being reported as a component unit of their parent government.

### OIG Assessment
CLOSED. The department’s new internal procedure appears to adequately address the finding and recommendation.
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**Finding No. 9**
DFS did not reconcile its database to the Special District Information Program's master list of special districts to ensure it had properly identified the population of special districts required to file AFRs.

**Recommendation**
To identify special districts that should be added or deleted in its database, and ensure that the population of special districts required to file AFRs is properly identified, DFS should reconcile its database to SDIP's master list at least annually.

**Original Response**
The Department concurs. DFS has completed its initial reconciliation between the Department of Community Affairs' Special District database and the one used by the Bureau of Local Government's LOGER system. This reconciliation will continue on a monthly basis.

**Six-month Follow-up:** December 14, 2011

**Responsible Division**
Division of Accounting and Auditing

**Reported Status**
The Department has adopted and implemented a policy to reconcile its LOGER database to the Department of Economic Opportunity's special district database on a monthly basis.

**OIG Assessment** **CLOSED.** It appears that management has taken appropriate corrective action.
## SIX-MONTH FOLLOW-UP REPORT
### STATUS OF CORRECTIVE ACTION

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**Finding No. 10**

DFS had inadequate policies and procedures regarding its certification (verification) process of AFRs. While auditors conducting financial audits of local governments are required to indicate whether the AFR is in agreement with the audit report, the level of agreement is not specified in the requirement. Also, current law does not provide time frames within which entities must respond to requests for information by DFS or provide consequences for failure to respond.

**Recommendation**

DFS should establish policies and procedures regarding its certification process, and enhance its procedures to ensure the more timely and complete reporting of AFR information on its Web site and in verified reports to the Governor, the Legislature, the Auditor General, and the SDIP. The Legislature should consider revising Section 218.32, Florida Statutes, to provide time frames within which entities must respond to DFS requests for information, including audit reports, and consequences for failure to respond. The Legislature should also consider revising Section 218.32, Florida Statutes, to require auditors to state in the management letter whether the AFR substantially agrees with the audited financial statements at an appropriate level.

**Original Response**

The Department concurs. DFS will strengthen its existing procedures related to the AFR certification process. DFS will consider proposing an amendment to Section 218.32, Florida Statutes.

**Six-month Follow-up: December 14, 2011**

**Responsible Division**

Division of Accounting and Auditing

**Reported Status**

In addition to strengthening its existing procedures, DFS has included the timeliness and accuracy of the AFR/Audit reconciliation process in its 2011/2012 performance measures. The outcomes of these performance measures are reported to the Division and Department leadership on a monthly basis, and will be included in the applicable employees’ Planning and Performance Evaluations. DFS believes that outcomes of the current Transparency and Chart of Accounts initiatives will be useful in furthering compliance with AFR requirements.

**OIG Assessment**

CLOSED. It appears that management’s actions appropriately address the finding and recommendation.