



**FLORIDA**

Executive  
Director

Leon M. Biegalski

September 26, 2017

**MEMORANDUM**

**TO:** Leon M. Biegalski, Executive Director

**FROM:** Sharon Doredant, Inspector General

**SUBJECT:** Six-Month Update on Auditor General Report No. 2017-180,  
State of Florida Compliance and Internal Controls Over Financial  
Reporting and Federal Awards

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. 2017-180, State of Florida – Compliance and Internal Controls Over Financial Reporting and Federal Awards.

Both the Child Support 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

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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  
Ann Coffin, CSP Program Director  
Joseph Young, OFM Director  
Kathy DuBose, Coordinator, JLAC

**CORRECTIVE ACTION PLAN**

|  |   |                                       |                       |                                    |
|--|---|---------------------------------------|-----------------------|------------------------------------|
| <b>Status Date</b>   | <b>Report No.</b>   | <b>Report Title</b>                   |                       |                                    |
| 6/30/17  | 2017-180  | AG Financial and Federal Single Audit |                       |                                    |
| <b>Contact Person</b>  | <b>Program</b>  | <b>Process</b>                        | <b>Phone No.</b>      |                                    |
| Robin Holley   | EXE   | Financial Mgmt.                       | 717-6127              |                                    |
| <b>Activity</b>  | <b>Accountability</b>   |                                       | <b>Schedule</b>       |                                    |
| CAFR Process   | <b>Responsible Unit</b>   | <b>Coordinating Unit</b>              | <b>Repeat Finding</b> | <b>Anticipated Completion Date</b> |
|  | OFM   | OFM                                   | No                    | 5/31/17                            |
| <b>Finding</b>   | The FDOR did not record fiscal year-end net receivables and unavailable revenues for sales and use taxes and fees.  |                                       |                       |                                    |
| <b>No.</b>   | 2016-003  |                                       |                       |                                    |
| <b>Date</b>  | 4/3/17  |                                       |                       |                                    |
| <b>Recommendation</b>  | We recommend that the Office strengthen fiscal year-end reporting procedures to ensure that all adjustments are sent to the SFRS for processing. Additionally, we recommend that the Office enhance the supervisory review process to promote the timely detection and correction of errors.  |                                       |                       |                                    |
| <b>Original Response</b>   | FDOR concurs. We concur with the finding. Both financial reporting positions responsible for fiscal year-end financial reporting were vacant during year-end. These positions have both been filled as of December 31, 2016. These employees are currently in training to be prepared for the upcoming fiscal year end activities. Additionally, our year-end financial reporting procedures are under review and being updated to provide more detailed descriptions and instructions. With adequate staff, review procedures will be followed to detect issues before final submission of information to Statewide Financial Reporting Section (SFRS).  |                                       |                       |                                    |
| <b>Status Updates</b>  | <p>OIG 9/19/17: We received documentation from the program related to steps implemented to enhance controls for recording fiscal year-end net receivables and unavailable revenues for sales and use taxes and fees. The program has implemented the following:</p> <ul style="list-style-type: none"> <li>• Filled two vacant financial reporting positions.</li> <li>• Provided training to these hires related to fiscal year end activities.</li> <li>• Department of Revenue Year End Closing and Financial Statement Preparation Procedures were revised as of 7/1/17, including requirements for acknowledgement of report submission to SFRS and supervisory review of Statewide Financial Statements checklist to ensure all steps were performed.</li> </ul> <p>Based on our review of the documentation provided, the OIG considers this finding complete.</p> <p>OIG 9/1/17: Please provide an update of the current status.</p> <p>EXE 9/15/17: This fiscal year end our Financial Reporting section was fully staffed with experienced employees and worked closely with GTA Accounting staff to insure all information was received timely and accurately and filed with DFS CAFR. The data needed to calculate the amounts of fiscal year-end receivables and unavailable revenues for sales and use taxes and fees is not available until after DOR's FLAIR closing date and is always reported to DFS CAFR on an adjustment form. See documentation of submission of the adjustment form.</p> <p>OIG 6/30/17: Please provide an update.</p> <p>EXE 6/30/17: We have hired financial reporting employees with state financial reporting and FLAIR experience. While they are still learning the Revenue specific nuances, they are trained in the basic requirements and understand the State year-end financial reporting process. This will allow us to have the appropriate level of reviews and oversight to insure problems are identified early and all adjustments are submitted timely to SFRS for processing.</p> |                                       |                       |                                    |
| <input type="checkbox"/> Open<br><input type="checkbox"/> Management assumes risk<br><input type="checkbox"/> Partially complete<br><input type="checkbox"/> Complete pending OIG verification<br><input checked="" type="checkbox"/> Complete |   |                                       |                       |                                    |

## CORRECTIVE ACTION PLAN

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|  | <p>After year-end activities are concluded for FY16-17, we will continue our review of financial reporting procedures and update as appropriate.</p> |
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**CORRECTIVE ACTION PLAN**

| Status Date  |          | Report No.   | Report Title                          |                             |
|--|----------|--|---------------------------------------|-----------------------------|
| 6/30/17  |          | 2017-180   | AG Financial and Federal Single Audit |                             |
| Contact Person   |          | Program  | Process                               | Phone No.                   |
| Robin Holley   |          | EXE  | Office of Financial Mgmt.             | 717-6127                    |
| Activity   |          | Accountability   |                                       | Schedule                    |
| CAFR Process   |          | Responsible Unit   | Coordinating Unit                     | Repeat Finding              |
|  |          | OFM  | OFM                                   | No                          |
|  |          |  |                                       | Anticipated Completion Date |
|  |          |  |                                       | 5/31/17                     |
| Finding  |          | The FDOR did not properly record cash deposited in the State Treasury as Pooled investments with State Treasury.   |                                       |                             |
| No.  | 2016-004 |  |                                       |                             |
| Date   | 4/3/17   |  |                                       |                             |
| Recommendation   |          | We recommend that the FDOR take steps to ensure that employees have a sufficient understanding of, and adhere to, fiscal year-end reporting procedures, including those requiring reclassification of supplemental cash receipts. To ensure that deposits with the State Treasury are properly recorded as Pooled investments with State Treasury, we also recommend that the SFRS take steps to ensure that only amounts recorded to GLCs 121, 122, and 224 are considered when reconciling to Cash with the State Treasury.  |                                       |                             |
| Original Response  |          | FDOR concurs. We concur with the finding. Both financial reporting positions responsible for fiscal year-end financial reporting were vacant during year-end. These positions have both been filled as of December 31, 2016. These employees are currently in training to be prepared for the upcoming fiscal year end activities. Additionally, our year-end financial reporting procedures are under review and being updated to provide more detailed descriptions and instructions. With adequate staff, review procedures will be followed to detect issues before final submission of information to Statewide Financial Reporting Section (SFRS).   |                                       |                             |
| Status Updates   |          | <p>OIG 9/18/17: We received documentation from the program related to steps implemented to ensure employees have a sufficient understanding of, and adherence to, fiscal year-end reporting procedures. The program has implemented the following changes:</p> <ul style="list-style-type: none"> <li>• Filled two vacant financial reporting positions.</li> <li>• Provided training for these hires related to fiscal year end activities.</li> <li>• Revised Department of Revenue Year End Closing and Financial Statement Preparation Procedures effective 7/1/17, including requirements of acknowledgement of reclassification of supplemental cash receipts completion and supervisory review to ensure all steps were completed.</li> </ul> <p>Based on our review of the documentation provided, the OIG considers this finding complete.</p> <p>OIG 9/1/17: Please provide update.</p> <p>EXE 9/15/17: This fiscal year end our Financial Reporting section was fully staffed with experienced employees and worked closely with DFS CAFR to confirm that all cash entries were recorded correctly. See documentation attached of DFS CAFR approval of cash transactions.</p> <p>OIG 6/30/17: Please provide an update.</p> <p>EXE 6/30/17: We have hired financial reporting employees with state agency financial reporting and FLAIR experience. While they are still learning the Revenue specific nuances, they are trained in the basic requirements and understand the State year-end financial reporting process. This will allow us to have the appropriate level of reviews and oversight to insure problems are identified early and reclassifications of supplemental cash receipts and deposits with the State Treasury are properly recorded.</p> |                                       |                             |
| <input type="checkbox"/> Open<br><input type="checkbox"/> Management assumes risk<br><input type="checkbox"/> Partially complete<br><input type="checkbox"/> Complete pending OIG verification<br><input checked="" type="checkbox"/> Complete |          |  |                                       |                             |

CORRECTIVE ACTION PLAN

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|  | <p>Revenue met with Treasury and SFRS staff to review lessons learned from last fiscal year-end close. Everyone involved in the process explained their role, procedures, timelines and requirements. Because there were so many new people involved in this process, the meeting was beneficial to all.</p> |
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**CORRECTIVE ACTION PLAN**

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|--|---|---------------------------------------|--|------------------------------------|
| <b>Status Date</b>   | <b>Report No.</b>   | <b>Report Title</b>                   |  |                                    |
| 6/30/17  | 2017-180  | AG Financial and Federal Single Audit |  |                                    |
| <b>Contact Person</b>  | <b>Program</b>  | <b>Process</b>                        | <b>Phone No.</b>                       |                                    |
| Chris Butterworth  | CSP   | Contract Mgmt.                        | 617-8055                               |                                    |
| <b>Activity</b>  | <b>Accountability</b>   |                                       | <b>Schedule</b>                        |                                    |
|  | <b>Responsible Unit</b>   | <b>Coordinating Unit</b>              | <b>Repeat Finding</b>                  | <b>Anticipated Completion Date</b> |
| Contract Mgmt.   | Contract Mgmt.  | Contract Mgmt.                        | Yes Report #2016-159 Finding #2015-029 | 06/30/2017                         |
| <b>Finding</b>   | The FDOR did not adequately ensure that service organization internal controls related to the State Disbursement Unit's (SDU) processing of child support obligation collections and disbursements were appropriately designed and operating effectively.   |                                       |  |                                    |
| <b>No.</b>   | 2016-035  |                                       |  |                                    |
| <b>Date</b>  | 4/3/17  |                                       |  |                                    |
| <b>Recommendation</b>  | We again recommend that the FDOR ensure that service organization internal controls related to the processing of child support obligation collections and disbursements are appropriately designed and operating effectively.   |                                       |  |                                    |
| <b>Original Response</b>   | FDOR Child Support Program concurs. SMI, Inc. began operations as the SDU vendor on October 1, 2016.  |                                       |  |                                    |
|  | The first annual SOC1 and SOC2 audit reports are due to DOR by the end of the state fiscal year.  |                                       |  |                                    |
| <b>Status Updates</b>  | <p>OIG 9/21/17: We received information and documentation from the program of steps implemented to ensure service organization internal controls related to the State Disbursement Unit (SDU) processing of child support obligation collections and disbursements are appropriately designed and operating effectively.</p> <p>The contract with the SDU vendor SMI, Inc. (operation effective date October 1, 2016), requires annual SOC1 and SOC2 audit reports.</p> <p>The program received the first annual SOC1 and SOC2 reports on June 30, 2017. The program has a process in place to review the reports and follow up on any issues of concern.</p> <p>Based on our review of the documentation provided, the OIG considers this finding complete.</p> <p>OIG 9/1/17: Please provide an update on the review status of the SOC1 and SOC2.</p> <p>OIG 6/30/17: Please provide an update.</p> <p>Status as of 06/30/2017:<br/>SOC1 and SOC2 audits were received on June 30, 2017 from SMI and are under review by the Program.</p> <p>Status as of 09/01/2017:<br/>The Program met with the OIG to review the reports. A response memo to SMI is under management review, with an anticipated completion date of September 22, 2017.</p> |                                       |  |                                    |
| <input type="checkbox"/> Open<br><input type="checkbox"/> Management assumes risk<br><input type="checkbox"/> Partially complete<br><input type="checkbox"/> Complete pending OIG verification<br><input checked="" type="checkbox"/> Complete |   |                                       |  |                                    |

**CORRECTIVE ACTION PLAN**

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| <b>Status Date</b><br>6/30/17  |          | <b>Report No.</b><br>2017-180  | <b>Report Title</b><br>AG Financial and Federal Single Audit FY2015-16 |  |
| <b>Contact Person</b><br>Chris Butterworth   |          | <b>Program</b><br>CSP  | <b>Process</b><br>Contract Management                                  | <b>Phone No.</b><br>617-8055           |
| <b>Activity</b>  |          | <b>Accountability</b>  |  | <b>Schedule</b>                        |
| Contract Mgmt.   |          | <b>Responsible Unit</b>  | <b>Coordinating Unit</b>   | <b>Repeat Finding</b>                  |
|  |          | Contract Management  | Contract Management  | Yes Report #2016-159 Finding #2015-030 |
| <b>Anticipated Completion Date</b>   |          | 3/31/17  |  |  |
| <b>Finding</b>   |          | The FDOR did not always ensure that required subrecipient audits were completed, timely received, and reviewed and that determinations were made regarding whether management decisions and corrective actions were required. Additionally, the FDOR did not always evaluate each subrecipient's risk of noncompliance.  |  |  |
| <b>No.</b>   | 2016-036 |  |  |  |
| <b>Date</b>  | 4/3/17   |  |  |  |
| <b>Recommendation</b>  |          | We recommend that FDOR management take necessary actions to ensure that all required subrecipient audit reports are timely received and reviewed and that any related management decisions are timely issued. Additionally, we recommend that FDOR management take necessary actions to ensure that each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward is evaluated for the purpose of determining the appropriate subrecipient monitoring.  |  |  |
| <b>Original Response</b>   |          | FDOR concurs. The Department has already taken actions to ensure subrecipient audit reports are received timely, reviewed annually and any related management decisions issued timely. The Department's Subrecipient Federal Award Notification and Single Audit Review Procedure is currently in the review and approval process (full approval anticipated March 31, 2017). All subrecipient Single Audit assessments for Federal FY 2014-15 have been completed with no findings identified. Subrecipient Single Audit assessments for FY 2015-16 will begin June 1, 2017.  |  |  |
| <b>Status Updates</b>  |          | <p>OIG 9/22/17: We received documentation from the program of steps implemented to ensure all required subrecipient audit reports are timely received and reviewed, and any related management decisions are timely issued, and each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward are evaluated to determine appropriate subrecipient monitoring. The program has implemented the following changes:</p> <ul style="list-style-type: none"> <li>• Procedures effective May 10, 2016, require the contract manager to ensure subrecipient quarterly audit reports, as performed by the CPA firm under contract to the Florida Association of Court Clerks, and other audits required by 45 CFR 75.352 (f) and (g) are timely received, reviewed, and a corrective action process is implemented, if required.</li> <li>• The Child Support Program Subrecipient Federal Award Notification and Single Audit Review Procedure was approved and posted March 28, 2017. All subrecipient Single Audit assessments for Federal FY2014/15 have been completed with no findings identified by the Child Support Program. Subrecipient Single Audit assessments for FY2015/16 began June 1, 2017.</li> </ul> <p>Based on our review of the documentation provided, the OIG considers this finding complete.</p> <p>OIG 6/30/17: Please provide an update.</p> <p>Status as of 06/30/2017:<br/>The Department has already taken actions to ensure subrecipient audit reports are received timely, reviewed annually and any related management decisions issued timely. The Department's</p> |  |  |
| <input type="checkbox"/> Open<br><input type="checkbox"/> Management assumes risk<br><input type="checkbox"/> Partially complete<br><input type="checkbox"/> Complete pending OIG verification<br><input checked="" type="checkbox"/> Complete |          |  |  |  |



## CORRECTIVE ACTION PLAN

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|  | <p>Subrecipient Federal Award Notification and Single Audit Review Procedure was approved and posted March 28, 2017. All subrecipient Single Audit assessments for Federal FY 2014-15 have been completed with no findings identified. Subrecipient Single Audit assessments for FFY 2015-16 will begin June 1, 2017.</p> |
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**CORRECTIVE ACTION PLAN**

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|--|--|---------------------------------------|--|------------------------------------|
| <b>Status Date</b>   | <b>Report No.</b>  | <b>Report Title</b>                   |  |                                    |
| 6/30/17  | 2017-180   | AG Financial and Federal Single Audit |  |                                    |
| <b>Contact Person</b>  | <b>Program</b>   | <b>Process</b>                        | <b>Phone No.</b>                       |                                    |
| Chris Butterworth  | CSP  | Contract Management                   | 617-8055                               |                                    |
| <b>Activity</b>  | <b>Accountability</b>  |                                       | <b>Schedule</b>                        |                                    |
| Contract Mgmt.   | <b>Responsible Unit</b>  | <b>Coordinating Unit</b>              | <b>Repeat Finding</b>                  | <b>Anticipated Completion Date</b> |
|  | Contract Management  | Contract Mgmt.                        | Yes Report #2016-159 Finding #2015-031 | 3/31/17                            |
| <b>Finding</b>   | The FDOR did not modify subaward agreements to notify subrecipients that the terms and conditions of the Federal award had been revised.   |                                       |  |                                    |
| <b>No.</b>   | 2016-037   |                                       |  |                                    |
| <b>Date</b>  | 4/3/17   |                                       |  |                                    |
| <b>Recommendation</b>  | To ensure that subrecipients are timely notified of changes in Federal award terms and conditions, we recommend that FDOR management enhance procedures to specify that all required information be communicated to subrecipients.   |                                       |  |                                    |
| <b>Original Response</b>   | FDOR Child Support Program concurs. The Department's Subrecipient Federal Award Notification and Single Audit Review (final approval anticipated March 31, 2017) include steps to notify subrecipients of Federal award identifying information and major changes to the terms and conditions. In October 2016 and January 2017, the Department sent the quarterly Federal award notification to each subrecipient.  |                                       |  |                                    |
| <b>Status Updates</b>  | <p>OIG 9/22/14: We received documentation from the program of steps implemented to modify subaward agreements to ensure subrecipients are notified that terms and conditions of the Federal award has been revised. The program has implemented the following changes:</p> <ul style="list-style-type: none"> <li>• Procedures implemented May 10, 2016, require the contract manager to ensure that subrecipients are timely notified of changes in Federal award terms and conditions.</li> <li>• The Child Support Program Subrecipient Federal Award Notification and Single Audit Review procedure (approved and posted March 28, 2017) includes steps to notify subrecipients of major changes to the terms and conditions. In October 2016 and January 2017, the Child Support Program sent the quarterly Federal award notification to each subrecipient.</li> </ul> <p>Based on our review of the documentation provided, the OIG considers this finding complete.</p> <p>OIG 6/30/17: Please provide an update.</p> <p>Status as of 06/30/2017:<br/>FDOR Child Support Program concurs. The Department's Subrecipient Federal Award Notification and Single Audit Review (approved and posted March 28, 2017) include steps to notify subrecipients of Federal award identifying information and major changes to the terms and conditions. In October 2016 and January 2017, the Department sent the quarterly Federal award notification to each subrecipient.</p> |                                       |  |                                    |
| <input type="checkbox"/> Open<br><input type="checkbox"/> Management assumes risk<br><input type="checkbox"/> Partially complete<br><input type="checkbox"/> Complete pending OIG verification<br><input checked="" type="checkbox"/> Complete |  |                                       |  |                                    |