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**Cc:** [Miller, Susan](#); [Harper, David](#); [Clark, Debbie](#); [Hosmer, Crista](#)  
**Subject:** Six-month Follow-up Report, Auditor General's Audit Report 2021-182, Compliance and Internal Controls Over Financial Reporting and Federal Awards in Accordance with the Uniform Guidance, published March 30, 2021  
**Date:** Thursday, September 30, 2021 3:16:29 PM  
**Attachments:** [image001.png](#)  
[image002.png](#)  
[2021-182 report.pdf](#)  
[CFO Transmittal Letter.docx](#)  
[IA 20-602 SW Financial Statements 6 month FU Status of Corrective Action Report, 9.27.21.docx](#)

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Good afternoon, CFO Patronis,

I hope this email finds you well.

Attached, please find the Six-month follow-up report for the Auditor General's *Audit Report 2021-182, Compliance and Internal Controls Over Financial Reporting and Federal Awards in Accordance with the Uniform Guidance*, published March 30, 2021. A copy of *Audit Report 2021-182* is included for your reference.

If you have any questions or concerns regarding this report, please feel free to contact me or Debbie Clark, Director of Audit.

Have a great day!

Thank you,  
*Crista*

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**SIX-MONTH FOLLOW-UP REPORT  
STATUS OF CORRECTIVE ACTION**

<b>Reviewing Entity</b>	<b>Report</b>	<b>Report Title</b>	<b>Date Published</b>
State of Florida Auditor General	AG 2021-182	Compliance and Internal Controls Over Financial Reporting and Federal Award	March 30, 2021
<b>Finding 1</b>	The Florida Department of Financial Services (FDFS) overstated State of Florida Employees Deferred Compensation Plan (Plan) flexible benefits contributions and benefit payments amounts. Additionally, FDFS controls over the reporting of participant investment amounts by Plan investment providers need enhancement. (Finding No. 2020-001)		
<b>Recommendation</b>	We recommend that FDFS management enhance year-end closing procedures to ensure that only valid flexible benefits contributions and benefit payments are recorded in the statement of changes in fiduciary net position. In addition, we recommend that FDFS management investigate and resolve the differences in the amounts reported by the investment providers and enhance procedures to verify the accuracy of investment provider reporting.		
<b>Responsible Division</b>	Division of Treasury		
<b>Original Response</b>	<p>The Deferred Compensation Program is financially stable and a solid trust fund that aids many participants in the program upon retirement. The Department does concur that the flexible benefit contributions and benefit payments General Ledger codes (GLs) were overstated. However, the Department would like to provide clarification that the error was made in the year-end closing process and there was no net change to the fiduciary position of the Deferred Compensation Trust Fund or the financial statements once the audit adjustment entries were performed to the general ledger codes. The Department will enhance our procedures to ensure this error does not occur in the future.</p> <p>Additionally, the Department concurs that the procedures for reporting the participant related investment amounts should be improved. The Department will continue to work with the providers within the program to have them enhance their reporting classifications procedures between contributions and benefit payments to better reflect the transfers being performed between providers and participants which in turn will provide accurate reporting to the Department and to the citizens of Florida.</p>		
<b>Six-month Follow-up:</b> September 30, 2021			
<b>Reported Status</b>	<p>Complete. The Department identified areas of improvement to the procedures detailing Bureau of Deferred Compensation compilation of fiscal year end data received from its respective investment providers, specifically as related to asset transfer from an investment provider exiting the Plan. These updated procedures specify that intrafund transfers resulting from an investment provider exiting the Plan to another investment provider should be excluded.</p> <p>Additionally, a discrepancy in reported amounts from an investment provider leaving the Plan was fully resolved.</p>		
<b>OIG Assessment</b>	Closed. Based on the information provided by division leadership, appropriate corrective actions appear to have been taken.		

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<b>Reviewing Entity</b>	<b>Report</b>	<b>Report Title</b>	<b>Date Published</b>
State of Florida Auditor General	AG 2021-182	Compliance and Internal Controls Over Financial Reporting and Federal Award	March 30, 2021
<b>Finding 2</b>	The FDFS, Statewide Financial Reporting Section (SFRS), did not adequately ensure that the financial statements and notes to the financial statements in the State's Comprehensive Annual Financial Report (CAFR) were free from material misstatement or prepared in accordance with generally accepted accounting principles. (Finding No. 2020-002)		
<b>Recommendation</b>	We recommend that FDFS management enhance CAFR preparation and oversight processes to ensure that the financial statements and notes to the financial statements are prepared in accordance with GAAP and are free from material misstatement.		
<b>Responsible Division</b>	Division of Accounting and Auditing		
<b>Original Response</b>	We concur. The Division of Accounting & Auditing will enhance CAFR preparation and oversight processes. The Division will increase management oversight and provide staff training to ensure established controls for preparing the Comprehensive Annual Financial Report are followed for the timely detection and correction of errors identified in the financial statements. These coordinated efforts will increase management's ability to provide adequate oversight for the preparation of the financial statements and the notes to the financial statements.		
<b>Six-month Follow-up:</b> September 30, 2021			
<b>Reported Status</b>	Fully completed. The Annual Comprehensive Financial Report (ACFR) Task List has been updated to include additional supervisory review and sign-off. All procedures have been enhanced to include Bureau Chief and Division review prior to submission to the Auditor General's Office. Analytics have been added to each financial statement work paper and work papers for the Notes. The Division meets with the Bureau regularly to ensure progress is made. Training is being provided to ACFR Team Members. The ACFR Team meets weekly to ensure work is being completed timely and allow time to discuss issues encountered. The BFR managers meet bi-weekly.		
<b>OIG Assessment</b>	Closed. Based on the information provided by division leadership, appropriate corrective actions appear to have been taken.		

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<b>Reviewing Entity</b>	<b>Report</b>	<b>Report Title</b>	<b>Date Published</b>
State of Florida Auditor General	AG 2021-182	Compliance and Internal Controls Over Financial Reporting and Federal Award	March 30, 2021
<b>Finding 3</b>	The FDFS did not always perform or timely perform State Treasury bank account reconciliations. (Finding No. 2020-004)		
<b>Recommendation</b>	We recommend that FDFS management ensure that daily and monthly bank reconciliations are timely performed for all accounts.		
<b>Responsible Division</b>	Division of Treasury		
<b>Original Response</b>	The Department concurs and will ensure that the daily and monthly procedures are completed timely for all accounts.		
<b>Six-month Follow-up:</b> September 30, 2021			
<b>Reported Status</b>	Complete. Treasury is following daily and monthly procedures.		
<b>OIG Assessment</b>	Closed. Based on the information provided by division leadership, appropriate corrective actions appear to have been taken.		

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<b>Reviewing Entity</b>	<b>Report</b>	<b>Report Title</b>	<b>Date Published</b>
State of Florida Auditor General	AG 2021-182	Compliance and Internal Controls Over Financial Reporting and Federal Award	March 30, 2021
<b>Finding 4</b>	The FDFS, SFRS, recorded incorrect amounts for debt related to capital assets to Net Position-Net investments in capital assets. (Finding No. 2020-005)		
<b>Recommendation</b>	We recommend that SFRS management ensure that, prior to completing the government-wide financial statements, SFRS staff follow established controls and evaluate all governmental activities amounts provided by State agencies for consistency and reasonableness. Additionally, we again recommend that SFRS management enhance controls to ensure that supervisory review of government-wide net position calculations is conducted to promote the timely detection and correction of errors.		
<b>Responsible Division</b>	Division of Accounting & Auditing		
<b>Original Response</b>	We concur. The Division of Accounting & Auditing will ensure staff follow established internal controls, including the verification of amounts presented by State agencies for consistency and reasonableness and there is an adequate supervisory review of the government-wide net position calculations performed, prior to the presentment of the financial statements.		
<b>Six-month Follow-up:</b> September 30, 2021			
<b>Reported Status</b>	Fully corrected.		
<b>OIG Assessment</b>	Closed. Based on the information provided by division leadership, appropriate corrective actions appear to have been taken.		

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Reviewing Entity	Report	Report Title	Date Published
State of Florida Auditor General	AG 2021-182	Compliance and Internal Controls Over Financial Reporting and Federal Award	March 30, 2021
<b>Finding 5</b>	The FDFS, SFRS, and the Florida Department of Education (FDOE) did not record or correctly record various entries related to the receipt of bond proceeds and the incurring of bonds payable for FDOE Board of Governors (BOG) non-State trustee debt for Florida Agricultural and Mechanical University (FAMU). (Finding No. AM 2020-01)		
<b>Recommendation</b>	We recommend that SFRS and BOG management work together to ensure that all applicable FAMU and other non-State trustee debt-related entries are timely and properly recorded in the appropriate funds, in accordance with the <i>Guidance</i> .		
<b>Responsible Division</b>	Division of Accounting and Auditing		
<b>Original Response</b>	<p>The Statewide Financial Reporting Section’s (SFRS) role during the Comprehensive Annual Financial Report cycle is to provide guidance and assistance on how to report/record the various accounting transaction types incurred by reporting entities during the fiscal year. Specific to bond transaction reporting, the SFRS provides guidance through the Capital Asset and Long-Term Debt Accounting Entries document available to all reporting entities on the Accounting and Auditing website. On page 5 and 6 of the Capital Asset and Long-Term Debt Accounting entries document, example entries for the recording of bond sales, bond principal and interest payments, refunding, and year-end entries (when SBA is involved) are provided.</p> <p>During the 2018-2019 Comprehensive Annual Financial Report cycle, the SFRS agreed to assist the FDOE and BOG in the initial recording of the HBCU Bonds obtained by FAMU from an external private financing entity. This assistance agreement was not perpetual as bond maturities exceed 25 years. Additionally, the SFRS is not a party to the transaction and does not have access to the accounting information necessary to perform this task. The initial SFRS assistance provided to the FDOE/BOG involved the creation of a debt service and long-term debt fund (State Fund 40 and 90, respectively) and the recording of the bond related activities based on the information received for FAMU, through the FDOE/BOG, for the first year of bond activities. The debt service fund is for recording of debt service payments made during the year.</p> <p>The long-term debt fund is for recording bond refundings and proceeds made during the year. In August 2020, the SFRS emailed the FDOE/BOG to initiate the recording of entries for the FAMU related bond activities for fiscal year 2020. This communication requested the bond information from FDOE/BOG and initially indicated that the SFRS would prepare and record the bond related activities for fiscal year 2020 using the information that would be received from FAMU, within the State Fund 7 (SF7) accounts originally created during the year of the bond issuance, with future years handled exclusively by FDOE/BOG.</p> <p>Subsequent communication by FDOE/BOG indicated a preference to handle for the fiscal year 2020, so the SFRS emailed the original entries to FDOE/BOG. This is where the SFRS erred. The email and documentation attached to the communication did not appropriately: instruct FDOE/BOG to create new funds within the FDOE for recording; reference to the Capital Asset and Long-Term</p>		

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	<p>Debt Accounting entries document available to all reporting entities on the Accounting and Auditing (A&amp;A) website; and reference to Checklist Item #13 - Long-Term Debt, which allows reporting entities to verify the accuracy of the debt entries made within the accounting system from the governmental fund perspective. This was an oversight by SFRS and this exclusion may have contributed to the error in the accounting entries recorded by FDOE/BOG.</p> <p>To correct this error and prevent in future years, the SFRS will provide specific instructions to FDOE/BOG on how to perform the bond related recording activities in their entirety. The steps to be provided will include: the creation of the governmental funds needed within the FDOE; the adjustments needed to have the correct beginning balances for the new FDOE funds created for fiscal year 2021; a related hyperlink for accessing the Capital Asset and Long-Term Debt Accounting Entries document available on the A&amp;A website; and instructions on how to run Checklist Item #13 – Long-Term Debt from within the Working Trial Balance database. This combination of instruction should provide FDOE/BOG with the guidance information necessary to perform the bond related entries for all future years and remove SFRS as a responsible party for the recording of government-wide and debt service accounting entries related to the receipt of bond proceeds and the incurrence of bonds payable for the FDOE/BOG debt for the FAMU bonds.</p>
<p><b>Six-month Follow-up:</b> September 30, 2021</p>	
<p><b>Reported Status</b></p>	<p>Fully corrected. The Bureau of Financial Reporting has agreed and is assisting BOG with preparing the required adjustments. The debt was settled during the fiscal year and this will be the final year the adjustments are necessary.</p>
<p><b>OIG Assessment</b></p>	<p>Closed. Based on the information provided by division leadership, appropriate corrective actions appear to have been taken.</p>

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<b>Reviewing Entity</b>	<b>Report</b>	<b>Report Title</b>	<b>Date Published</b>
State of Florida Auditor General	AG 2021-182	Compliance and Internal Controls Over Financial Reporting and Federal Award	March 30, 2021
<b>Finding 6</b>	The FDFS, Bureau of Financial Services, did not record the Long-term liabilities and Expenses of the State Risk Management Trust Fund in the Governmental Activities Statement of Net Position and Statement of Activities, respectively. (Finding No. AM 2020-03)		
<b>Recommendation</b>	We recommend that Bureau management ensure that appropriate Bureau staff adhere to established procedures for obtaining copies of the SRMTF actuarial report and recording actuarially estimated claims losses and related expenses in the Governmental Activities Statement of Net Position and Statement of Activities, respectively.		
<b>Responsible Division</b>	Bureau of Financial Services		
<b>Original Response</b>	The Department concurs and will ensure that established procedures for obtaining the actuarial report from the Division and recording the estimated liabilities and expenses for unpaid insurance claims are followed and completed timely for the impacted funds.		
<b>Six-month Follow-up:</b> September 30, 2021			
<b>Reported Status</b>	<p>The implementation of Finding 6 has not been fully executed as the actuarial report is not expected to be available and adjustments performed until the end of October or beginning of November 2021.</p> <p>However, the procedures and checklist tools are completed. DFS will adhere to year-end procedures and task list to ensure the actuarial report is provided to the Bureau of Financial Services. Upon receipt of the actuarial report, staff will prepare the estimated liabilities and expenses for unpaid insurance claims to ensure the adjustments are recorded correctly and submitted to the CAFR team to perform post-closing adjustments to this trust fund.</p> <p>DFS has also established calendar task alarm to email a reminder to the Division to provide the actuarial report.</p>		
<b>Expected Completion Date for Corrective Action</b>	November 2021		
<b>OIG Assessment</b>	Partially closed. Based on the information provided by division leadership, some corrective action appears to have been taken, but corrective action does not appear to be completed.		