



REPRESENTING
ALEX SINK
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

June 9, 2010

The Honorable Alex Sink
Chief Financial Officer
Department of Financial Services
200 East Gaines Street
Tallahassee, Florida 32399

Dear CFO Sink:

We completed an audit of the Florida Department of Financial Services (the Department) payroll related processes as authorized by Section 17.04, Florida Statutes. The audit encompassed the period January 1, 2009, through June 30, 2009. The audit objectives were to determine whether:

- Payroll processing internal controls are adequate and may be relied upon to produce accurate payroll records;
- Leave without pay is processed in accordance with State rules and agency policy;
- On-call payments are paid in accordance with State rules and agency policy; and
- Salary additives are in compliance with State rules and regulations.

In planning and performing our audit, we analyzed reports for the Department's various payroll functions listed above, tested payroll transactions for the period under review, and interviewed payroll staff. All deficiencies found during our audit were corrected or are in the process of being corrected. Below is a summary of findings and corrective actions initiated:

- **Payroll Processing Procedures:** We reviewed the Payroll Processing procedures for the Department. We found that the Department had no formalized written procedures in place for some instances of its daily operations pertaining to Payroll processing. In response to the audit findings, the Department has provided supporting documentation of newly written procedures established and supporting documentation of revised procedures.
- **Terminations:** We reviewed the files of thirty employees who terminated from the Department. One employee was overpaid upon termination resulting in an overpayment totaling \$111. The Department has notified the terminated employee of the salary overpayment and collection efforts have been initiated.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
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- **Annual Leave, Special Compensatory Leave, Sick Leave Payouts:** We reviewed the files of 15 employees who received Annual leave payouts, ten employees who received Special Compensatory leave payouts, and ten employees who received Sick leave payouts from the Department. Leave payments for annual and sick leave were incorrect for one employee resulting in overpayments totaling \$173. The Department notified the terminated employee of the salary overpayments and recouped all monies owed from the terminated employee.
- **Leave Without Pay (LWOP):** We reviewed the files of 30 employees from the Department in LWOP status during the audit period. Five of the 30 employees received incorrect salary payments. This resulted in six overpayments totaling \$3,465 and one underpayment totaling \$81. The Department has recouped all of the overpayments except one. Recoupment actions have been initiated to collect the one remaining overpayment. The Department has reimbursed the employee for the one underpayment.
- **Retroactive Payments:** We reviewed the files of 15 employees who received retroactive adjustments for salary underpayments from the Department. Retroactive adjustments were incorrect for one employee resulting in an overpayment totaling \$207. The Department has initiated collection efforts to recoup the overpayment from the employee.

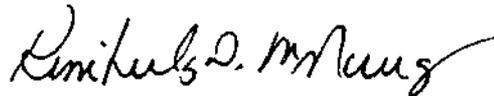
In addition to the corrective actions taken for the situations noted above, it is our understanding that new reports and processes have been implemented by the Department to prevent future occurrences.

It is our opinion, within the scope of this audit, that the Department of Financial Services has conformed to applicable laws, rules and regulations governing State personnel policies and has adequate internal control measures in place for payroll procedures and processing.

We appreciate your staff's support and cooperation. We commend your staff for the professional and courteous manner in which they assisted with the audit. The Bureau of State Payrolls staff is available for any future payroll guidance and/or training at your request.

Please contact John Bennett, Bureau Chief of State Payrolls, at (850) 413-5609, or john.bennett@myfloridaefo.com if you have any questions.

Sincerely,



Kimberly D. McMurray

KDM/kgb

cc: Mr. David W Martin, CPA
Auditor General

Mr. Robert E. Clift, Inspector General

Mr. John Bennett, Bureau Chief