THE LEDGER

ACCOUNTING & AUDITING

The mission of the Division of Accounting and Auditing is to safeguard public assets, settle the state's financial obligations, report financial information, and improve accountability of the state.

Division Director
Christina Smith

Assistant Division Directors
Rachael Lieblick
Rick Sweet

(850) 413-5510

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Florida PALM Project Update

The Florida PALM Project is the effort by the Department of Financial Services to replace the state of Florida's accounting and cash management systems: FLAIR and CMS. The Project is currently in the planning phase known as the Pre-Design, Development, and Implementation (Pre-DDI) Phase with a focus on releasing a procurement for Software and System Integrator (SSI).

With support and collaboration from state agencies, the Project has made significant progress during the last few months. The Project published the Level 2 Standardized Business Process Models – Version 1.0, which is the first time ever the state of Florida's financial management processes have been documented end-to-end. This document is now available on the Florida PALM Project's website at myfloridacfo.com/FloridaPALM. There are also meeting summaries and related reports available on the Project website.

Additionally, agencies provided extensive feedback on the Cycle 1 Business Requirements, and the Project Team is using that feedback to make appropriate updates to the business requirements to create the Cycle 2 Business Requirements. The Project Team will be sharing all of the agency feedback and updates based on the feedback with agency Administrative Services Directors, Chief Information Officers (CIOs), and those who served as their agency's Requirements Review Coordinators.

The Project will continue to engage agencies for Project-related activities, and agencies will have the opportunity to designate the most appropriate person for each set of upcoming activities. Requests for points-of-contact will be made directly to Administrative Services Directors and CIOs for future collaboration activities.

Purchasing Card Program Modernization Effort Underway

The Department of Financial Services' Director of Accounting and Auditing is excited to announce that a new state term contract for Purchasing Card (PCard) Services was executed on January 5, 2016 with Bank of America (BoA); the state's vendor since the PCard program's inception 19 years ago.

Over the next six to eight months, BoA will be working closely with the Project Manager and Statewide PCard Administrator to integrate FLAIR with Works® to provide a new PCard experience to administrators, approvers, and cardholders early next year. Works® is BoA's award-winning web-based solution that will replace FLAIR's PCard module, and will allow for self-service program administration, reconciliation, and reporting in real time. No changes to day-to-day business are anticipated until the final quarter of the year.

Communications regarding the PCard Works® project timeline and implementation plans will be provided in the coming months as system development and testing near completion. The Department and BoA are committed to making this a seamless transition and will fully support agencies from training and enrollment through go-live and operations.

Contact the Statewide PCard Administrator at PCardReporting@MyFloridaCFO.com or (850) 413-5512 with any questions or feedback regarding the PCard program.

Trending:
The Importance of Pension Reporting

The importance of properly financing state and local government retirement systems has never been greater. Sound pension funding policies not only help ensure costs and benefits remain sustainable, but also strengthen the financial position and credit rating of the sponsoring governments.

Generally there are two sets of pension numbers—those related to accounting and those related to funding. Both sets of numbers serve an important role in government finance. The accounting numbers primarily relate to the determination of pension expense for the reporting period and the pension obligation that was incurred as of a point in time. The funding numbers address how governments approach pension plan funding—a government's policy or statute regarding how much money the government will contribute to the pension plan each year.

The Governmental Accounting Standards Board (GASB) released new standards for how governments should report pensions on their books (GASB Statement Nos. 67 and 68). The accounting numbers required by the new statements convey the financial obligations to current and former employees for retirement (pension benefits). The amounts reported as liabilities represent the benefits that employees have earned and, therefore, that the government has a present obligation to pay in the future. The *total pension liability* represents the government's promise of (deferred) benefits for work already performed. When the total pension liability exceeds the pension plan's net position (formerly referred to as plan net assets) available for paying benefits, there is a *net pension liability*. Governments will now be required to report that amount as a liability in their financial statements.

Reporting the net pension liability alongside other liabilities, such as outstanding bonds, claims and judgments, and long-term leases, is a major step toward getting all significant resources and obligations into the financial statements and more completely depicting a government's financial status.

The state's Comprehensive Annual Financial Report (CAFR) for Fiscal Year 14/15 included the state's net pension liability totaling $3,020,406,747 in compliance with GASB 68. The details associated with this calculation can be found in Note 6 on pg 109 of the CAFR (http://www.myfloridacfo.com/Division/AA/ Reports/default.htm).

The state has a total of 127,341 members in the Florida Retirement System as of June 30, 2015 totaling $5.2 billion in payroll annually. As for the State's funding number, the funded ration for the plan was 86.5% and the overall investment returns was 2.58% for the fiscal year.

> "*The state has a total of **127,341** members in the Florida Retirement System...totaling **$5.2 billion** in payroll annually.*"

Florida Grant Consortium

Next Workshop: March 24, 2016 • **Time:** 8:30 am - 11:30 am • **Location:** Dept. of Revenue Complex

The workshop will center on the steps that occur after an agency has been awarded grant funding, including obtaining spending authority and disbursement agreements for services to be performed.

For more information, visit the Consortium webpage:
http://www.myfloridacfo.com/Division/AA/Grants/default.html

ALL EYES ON:

Pre-Audit vs. Expanded Audit of Payment

The Bureau of Auditing is frequently asked to describe the difference between a pre-audit and an Expanded Audit of Payment. A pre-audit is completed before a vendor is paid, and an Expanded Audit of Payment is completed after a vendor has been paid.

PRE-AUDIT - Vouchers (payment requests) are submitted to the Bureau of Auditing for approval so that the vendor can be paid for services performed. When conducting a pre-audit, auditors are simply validating the agency's attestation that the goods or services have been received and payment is compliant with all applicable laws and rules. The auditor reviews the payment request to determine whether or not the following components have been met:

- **Obligation:** Does the payment request demonstrate that a service has been performed?
- **Supported**: Does the payment request contain an invoice that identifies services have been performed?
- **Compliance:** Is the payment in *general compliance* with applicable laws and rules?
- **Authorization**: Does the payment request contain an authorizing document for the services (an agreement such as a purchase order, vendor contract, or grant agreement), and is the request authorized by the General Appropriations Act?
- **Recordkeeping:** Has the payment been properly entered into FLAIR or MyFloridaMarketPlace?

If all of the above criteria are met, the payment request is approved and the vendor will receive compensation for the goods or services rendered.

EXPANDED AUDIT OF PAYMENT - Often, the Bureau of Auditing will conduct a post audit of payments paid for contractual services, including grant agreements. The purpose of the Expanded Audit of Payment is to verify goods or services rendered are in accordance with the agreement and that state funds are accounted for.

When contract and grant managers complete page 1 of the FACTS Contract Summary Form, they are certifying that the goods and services for which they are submitting for payment have been satisfactorily received.

Auditors must have source documentation (often referred to as documentary evidence) from the agency that demonstrates the contractual obligations have been successfully completed and the state funds were accounted for and used appropriately.

Examples of source documentation for goods and services include:

- Sign-In-Sheets
- Project Timesheets
- Meeting Agenda
- Schedule of Values
- Project Timesheets
- Publications
- Construction Photos
- Architect Certification of Completion (AIA)

Examples of expenditure documentation include:

- Payroll Registers
- Subcontractor Invoices
- Paid Receipts
- Cancelled Checks

In order to complete an Expanded Audit of Payment, the auditor reviews the documentation to verify the goods received or services performed are in accordance with the agreement, then reviews the expenditure documentation to ensure the expenditures are reasonable, necessary, allowable and in accordance with the agreement's budget. When complete, the auditor communicates their findings to the agency.

IN THE SPOTLIGHT: DFS Bureau of Auditing

Made up from more than 80 dedicated employees, the Bureau of Auditing is responsible for a range of critical duties, all of which have one overarching theme — accountability. Led by Mark Merry, the Bureau accomplishes its mission of ensuring that tax dollars are spent wisely and that agencies are held to fiscal standards, whether set by state law, rule, or policy.

More than half of the Bureau's team members are organized into one of five process teams, each of which is responsible for "paying the bills." This involves the review and audit of agency payment requests, contracts, and grant agreements. Since 2013, the Bureau has used the Florida Accountability Contract Tracking System (FACTS) as a tool to reinforce best practices related to contract and grant agreements, as well to provide transparency into state spending.

Two additional teams complement the Bureau's process teams by reviewing contract and grant manager files, and by sampling and reviewing agency invoices after the payment processing has been completed. These extra steps are designed to assist agencies in all critical aspects of their fiscal responsibilities.

The Statewide Purchasing Card (PCard) Administrator is responsible for establishing PCard policy, assisting agency administrators, and is the direct point of contact with the PCard program's bank. In January, our PCard team kicked off a project that will transition the PCard application from the homegrown FLAIR application to a web-based solution, one that will provide agencies with several key enhancements including document management and improved data analytics tools.

Training agency staff in best practices in contract and grant management, as well as the Florida Single Audit Act, has long been a priority of the Bureau. Since January 2015, the Contract/ Grant Accountability Training team has partnered with the Department of Management Services (DMS) in the delivery of the Florida Certified Contract Manager (FCCM) training. In its first year, more than 1,000 contract managers have been certified, and the DFS and DMS instructors are receiving high praises on their delivery of this training.

In 2016, the Bureau looks forward to carrying out the chief financial officer's priorities of ensuring transparency and accountability in the state's expenditures, strengthening state contract and grant agreements, and reinforcing best practices in contract monitoring and management.

Bureau of Auditing By the Numbers Fiscal Year 2014-15

328,808	Agency Invoices Audited
$62.2 Billion	Value of Payments Audited
2.6 Days	Avg. Time to Process Agency Invoices
1,150	Contracts/Grants Reviewed
3,332	Purchasing Card Payments Audited
1,738	State Employees Trained by Auditing
20,700	Active Purchasing Cards