



Summary

Report Number: [2011-167](#)

Report Title: **State of Florida - Compliance and Internal Controls Over Financial Reporting and Federal Awards**

Report Period: **FYE 06/30/2010**

Release Date: **03/29/2011**

Scope

As a condition of receiving Federal funds, the U.S. Office of Management and Budget (OMB) requires, as described in OMB Circular A-133, an audit of the State's financial statements and major Federal awards programs. Pursuant to Section 11.45, Florida Statutes, we conducted an audit of the basic financial statements of the State of Florida as of and for the fiscal year ended June 30, 2010. We also subjected supplementary information contained in the State's Comprehensive Annual Financial Report and the State's Schedule of Expenditures of Federal Awards to auditing procedures applied in our audit of the basic financial statements. Additionally, we audited the State's compliance with governing requirements for the Federal awards programs or program clusters that we identified as major programs for the fiscal year ended June 30, 2010.

Summary of Independent Auditor's Report on Financial Statements

The State of Florida's basic financial statements, as of and for the fiscal year ended June 30, 2010, were fairly presented in all material respects, in accordance with accounting principles generally accepted in the United States. Our report is included in the [Florida Comprehensive Annual Financial Report](#) for fiscal year ended June 30, 2010, issued by the Chief Financial Officer.

[Summary of Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards](#)

Internal Control Over Financial Reporting

We noted the following matters involving the internal control over financial reporting and its operation to be significant deficiencies:

- The **Agency for Health Care Administration** did not record a receivable and deferred revenue to represent its claim on Federal financial resources related to incurred but not reported (IBNR) Medicaid claims liabilities. (Finding No. FS 10-001)
- For receivable and related financial statement accounts, we found that the **Agency for Health Care Administration** did not properly accrue revenues in accordance with generally accepted accounting principles. (Finding No. FS 10-002)

- The **Department of Financial Services** made an error in estimating the portion of escheat collections received that is expected to be reclaimed and paid. This error led to overstated assets and deductions in the Unclaimed Property Trust Fund and understated liabilities and revenues in the Public Education fund. (Finding No. FS 10-003)
- For accounts payable and related accounts, the **Agency for Health Care Administration** did not follow established fiscal year-end procedures to accrue expenditure amounts in accordance with generally accepted accounting principles. (Finding No. FS 10-004)
- For accounts payable and accrued liability accounts, the **Agency for Workforce Innovation** did not correctly record amounts due related to benefit payments. Additionally, the **Agency for Workforce Innovation** did not properly record a receivable to represent its claim on Federal financial resources for the payment of the Federally-funded portion of unemployment benefit payments. (Finding No. FS 10-005)
- The **Department of Financial Services**, Statewide Financial Reporting Section did not record all financial statement transactions for the State Treasury External Investment Trust Fund. (Finding No. FS 10-006)

We consider the significant deficiencies described above relating to finding Nos. FS 10-001 through FS 10-006 to be material weaknesses.

We noted additional matters that were reported to management but that we did not consider to be significant deficiencies or material weaknesses.

- For accounts payable and accrued liabilities, the **Department of Environmental Protection** did not accrue expenditures in accordance with generally accepted accounting principles. (Finding No. FS 10-007)
- The **Departments of Management Services and Corrections** did not properly record the assets and liabilities resulting from the issuance of certificates of participation. Although responsible for the resulting debt, the **Department of Management Services** did not record any entries in its records related to the issuance of the certificates of participation. (Finding No. FS 10-008)
- The **Department of Financial Services** did not have sufficient procedures or did not completely follow established procedures to ensure that adjustments made to the financial statements had the intended results and that a reserve account was properly established. (Finding No. FS 10-009)
- The **Department of Financial Services** did not adequately review the data presented on the Schedule of Expenditures of Federal Awards (SEFA) and Notes to the SEFA to ensure accuracy and completeness. (Finding No. FS 10-010)
- The **Department of Children and Family Services** did not follow written procedures related to the steps required to complete the Schedule of Expenditures of Federal Awards. (Finding No. FS 10-011)

Compliance

The results of our audit of the State's basic financial statements disclosed no instances of noncompliance that are required to be reported by *Government Auditing Standards*.

[Summary of Independent Auditor's Report on Compliance
with Requirements Applicable to Each Major Program
and on Internal Control over Compliance
in Accordance with OMB Circular A-133](#)

State agencies, universities, colleges, and community colleges administered approximately 650 Federal awards programs or program clusters during the 2009-10 fiscal year. Expenditures for the 38 major programs totaled \$39.4 billion, or approximately 98 percent of the total expenditures of \$40.4 billion, as reported on the supplementary Schedule of Expenditures of Federal Awards.

Compliance requirements for major programs are identified pursuant to the OMB *Circular A-133 Compliance Supplement*. Types of compliance requirements include: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Eligibility; Equipment and Real Property Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Awards; Procurement and Suspension and Debarment; Program Income; Real Property Acquisition/Relocation Assistance; Reporting; Subrecipient Monitoring; and Special Tests and Provisions.

Compliance

The State of Florida complied, in all material respects, with the compliance requirements applicable to each of its major Federal awards programs, except as described in the following instances, which resulted in opinion qualifications:

- The **Department of Environmental Protection** did not provide for and submit an annual audit required by grant agreements for the Capitalization Grants for Drinking Water State Revolving Funds. (Finding No. FA 10-015)
- The **Department of Education** did not meet maintenance of effort requirements for the Special Education Cluster or the State Fiscal Stabilization Fund - Education State Grants, Recovery Act. (Finding Nos. FA 10-026 and FA 10-034)
- The **Department of Education** was continuing to negotiate an agreement on its time distribution system and, as a result, the **Department** did not maintain appropriate records to support salaries and benefits charged to the Vocational Rehabilitation Cluster. (Finding No. FA 10-029)
- The **Department of Children and Family Services** did not timely impose child support sanctions on clients who were receiving benefits under the TANF (Temporary Assistance for Needy Families) Cluster. (Finding No. FA 10-042)
- The **Department of Revenue** did not timely establish support obligations or commence proceedings to establish support obligations and, if necessary, paternity. Additionally, for interstate cases, the **Department of Revenue** did not provide required child support services within specified time frames. (Finding Nos. FA 10-044 and FA 10-045)
- The **Department of Children and Family Services** did not document, in a significant number of instances, the eligibility of clients to receive benefits under the Medicaid Cluster. Additionally, data exchange processes were not timely performed. (Finding No. FA 10-064)
- **Agency for Health Care Administration** procedures did not reasonably ensure that current provider agreements were in effect for Medicaid providers receiving payments. (Finding No. FA 10-067)
- The **Department of Children and Family Services** did not meet maintenance of effort requirements for the Block Grants for Community Mental Health Services and the Block Grants for the Prevention and Treatment of Substance Abuse Programs. (Finding Nos. FA 10-071 and FA 10-072)
- The **Division of Emergency Management's** final inspections and project closeout procedures did not provide an adequate and timely accounting of eligible costs for completed large projects. Additionally, **Division of Emergency Management** records were inaccurate and incomplete. (Finding No. FA 10-079)

The results of our audit also disclosed other instances of noncompliance pertaining to programs administered by **various State agencies, universities, colleges, and community colleges** as described in the SCHEDULE OF FINDINGS AND QUESTIONED COSTS. Some of the instances of noncompliance resulted in questioned costs subject to disallowance by the grantor agency.

Internal Control Over Compliance

We noted numerous matters at **various State agencies, universities, colleges, and community colleges** involving internal control over compliance and its operation that we considered to be significant deficiencies. Significant deficiencies are described in the SCHEDULE OF FINDINGS AND QUESTIONED COSTS and pertained to several compliance requirements. The following significant deficiencies were considered material weaknesses:

- The **Department of Health** did not always maintain records to support salaries and benefits charged to the Public Health Emergency Preparedness Program. Additionally, various methodologies used by county health departments to allocate salaries resulted in overcharges to the Program. (Finding No. FA 10-039)
- The instances described in the previous paragraphs on compliance for Vocational Rehabilitation Cluster (Finding No. FA 10-029); Child Support Enforcement (Finding Nos. FA 10-044 and FA 10-045); Medicaid Cluster (Finding Nos. 10-064 and FA 10-067); Block Grants for Community Mental Health Services (Finding No. FA 10-071); Block Grants for the Prevention and Treatment of Substance Abuse (Finding No. FA 10-072); and Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Finding No. FA 10-079) also involved material weaknesses in internal control.

[Summary of Independent Auditor's Report on Supplementary Information](#)

The State's supplementary Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the State's basic financial statements. The State's SEFA does not include the State's blended component units, Workforce Florida, Inc., and Scripps Florida Funding Corporation; discretely presented component units of the State's universities, colleges, and community colleges; or discretely presented component units other than the State's universities, colleges, and community colleges. Information on the SEFA is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

[American Recovery and Reinvestment Act of 2009 \(ARRA\)](#)

During the 2009-10 fiscal year, the State of Florida received and expended over \$8.2 billion in Federal funding provided pursuant to the ARRA. The United States Congress mandated additional reporting and transparency requirements to be met by recipients of ARRA funds, and the Federal Single Audit has been identified as one of the tools that will be used to measure the degree of stewardship and accountability provided by the states for moneys provided under ARRA. Expenditures of ARRA funds are separately identified on the supplementary Schedule of Expenditures of Federal Awards. Programs that included ARRA funds, and for which findings are disclosed in the SCHEDULE OF FINDINGS AND QUESTIONED COSTS, are distinctively identified in the INDEX OF FEDERAL FINDINGS BY FEDERAL AGENCY AND COMPLIANCE REQUIREMENT.

Objectives

The objectives of our audit were:

- The expression of opinions concerning whether the State's basic financial statements were presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States.
- The expression of an opinion concerning whether the State's Schedule of Expenditures of Federal Awards is presented fairly, in all material respects, in relation to the State's basic financial statements taken as a whole.
- To obtain an understanding of the internal control over compliance for each major Federal program, assess the control risk, and perform tests of controls, unless the controls were deemed to be ineffective.
- The expression of opinions concerning whether the State complied, in all material respects, with laws, regulations, and the provisions of contracts or grant agreements that may have a direct and material effect applicable to each of the major Federal programs.

Methodology

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Circular A-133.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



[Part A - State Agencies](#)



[Part B - State Universities](#)



[Part C - State Community Colleges](#)

Written responses from the State agencies, universities, colleges, and community colleges to our findings and recommendations are included within the audit report which can be viewed on the Auditor General Web site.