



Summary

Report Number: [2012-142](#)
Report Title: **State of Florida - Compliance and Internal Controls Over Financial Reporting and Federal Awards**
Report Period: **FYE 06/30/2011**
Release Date: **03/20/2012**

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, 2011. 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, 2011.

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, 2011, 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, 2011, 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 that we considered to be material weaknesses:

- 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. (Finding No. FS 11-001)
- For claims payable, accounts payable and accrued liabilities, and expenditures, the **Agency for Health Care Administration** did not follow established fiscal year-end procedures requiring the accrual of expenditure amounts in accordance with generally accepted accounting principles. (Finding No. FS 11-002)

We consider the following deficiencies in internal control over financial reporting and its operation to be significant deficiencies:

- 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 11-003)
- The **Agency for Health Care Administration** did not have a process in place to monitor compliance with Medicaid Program matching requirements. (Finding No. FS 11-004)

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

- The **Department of Financial Services** did not, in all instances, identify and correctly record financial statement transactions for the Rehabilitation and Liquidation Trust Fund. (Finding No. FS 11-005)
- The **Department of Education** did not take into consideration the short-term portion of university auxiliary debt reported by the various colleges and universities when calculating the amount reported as advances to other entities. (Finding No. FS 11-006)

Compliance

The results of our tests disclosed an instance of noncompliance that is required to be reported by *Government Auditing Standards*. We found that the **Agency for Health Care Administration** had not documented that the State had met the matching requirements of the Medicaid Program. (Finding No. FS 11-004)

[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, and colleges administered approximately 615 Federal awards programs or program clusters during the 2010-11 fiscal year. Expenditures for the 36 major programs totaled \$38.5 billion, or approximately 94 percent of the total expenditures of \$41.1 billion, as reported on the supplementary Schedule of Expenditures of Federal Awards.

Compliance requirements for major programs are established in 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; Matching, Level of Effort, Earmarking; Period of Availability of Federal Awards; Procurement and Suspension and Debarment; Reporting; Subrecipient Monitoring; and Special Tests and Provisions.

Compliance

For the Special Education Cluster, we were unable to express and did not express an opinion on the **Department of Education's** compliance with the Matching, Level of Effort, Earmarking requirement because the **Department of Education** had not yet accumulated the information needed to demonstrate whether the State had met the State-level maintenance of effort requirement. (Finding No. FA 11-027)

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

- The **Department of Transportation** did not always follow established procedures requiring the documentation of monitoring activities for the Highway Planning and Construction Cluster. (Finding No. FA 11-016)
- The **Executive Office of the Governor** did not document that weekly certified payrolls from subrecipients for the State Energy Program were received and reviewed for compliance with the Davis-Bacon Act. (Finding No. FA 11-019)

- The **Department of Education** did not maintain appropriate records to support the salaries and benefit amounts charged to the Vocational Rehabilitation Cluster. Additionally, the **Department of Education** did not always ensure that eligibility determinations were made within the time frame required by Program regulations. (Finding Nos. FA 11-030 and FA 11-031)
- The **Department of Children and Family Services** failed to timely impose Child Support Enforcement sanctions on uncooperative TANF (Temporary Assistance for Needy Families) recipients. (Finding No. FA 11-049)
- In several of the instances tested, the **Department of Revenue** did not timely establish support obligations or commence proceedings to establish support obligations and, if necessary, paternity for the Child Support Enforcement program. Additionally, for several of the interstate cases tested, the **Department of Revenue** did not provide required child support services within specified time frames. (Finding Nos. FA 11-052 and FA 11-053)
- The **Agency for Health Care Administration** had not documented that the State had met the matching requirements of the Medicaid Program and did not have a process in place to monitor compliance with matching requirements. Additionally, **Agency for Health Care Administration** procedures were not sufficient to ensure that Medicaid providers receiving payments had a current Medicaid provider agreement in effect. Also, the Agency did not always maintain Medicaid provider files containing applications, agreements, and other required documentation evidencing the provider's eligibility to participate in the Medicaid program. (Finding Nos. FA 11-069 and FA 11-070)
- The **Department of Children and Family Services** did not meet the maintenance of effort requirement for the Block Grants for the Prevention and Treatment of Substance Abuse Program. (Finding No. FA 11-075)

The results of our audit also disclosed other instances of noncompliance pertaining to programs administered by **various State agencies, universities, and 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, and 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 Community Affairs** did not appropriately allocate salary and benefit costs charged to the Low-Income Home Energy Assistance Program, the State-Administered CDBG Cluster, and the Weatherization Assistance for Low-Income Persons Program. (Finding No. FA 11-005)
- The **Department of Revenue's** contract with a service provider for Unemployment Insurance did not include provisions requiring the provider to deliver an independent service auditor's report describing the provider's internal controls and opining on the effectiveness of those controls related to the collection of data for unemployment taxes. (Finding No. FA 11-010)
- The **Division of Emergency Management** did not appropriately allocate salary and benefit costs charged to the Disaster Grants and Hazard Mitigation Programs and the Homeland Security Cluster. Additionally, the **Division of Emergency Management** did not always maintain sufficient documentation to evidence during-the-award monitoring of subrecipients for the Homeland Security Cluster. (Finding Nos. FA 11-076 and FA 11-080)
- The instances described in the previous paragraphs on compliance for the Highway Planning and Construction Cluster (Finding No. FA 11-016); State Energy Program (Finding No. FA 11-019); Vocational Rehabilitation Cluster (Finding No. FA 11-030); and Medicaid Cluster (Finding Nos. FA 11-069 and FA 11-070) 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 and colleges; or discretely presented component units other than the State's universities and 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 2010-11 fiscal year, the State of Florida received and expended over \$6.6 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 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 SCHEDULE OF FINDINGS AND QUESTIONED COSTS and 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.



[Auditor's Reports](#)



[Financial Statements Findings](#)



[Federal Findings and Questioned Costs](#)

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, and colleges to our findings and recommendations are included within the audit report which can be viewed on the Auditor General Web site.