



## Summary

**Report Number:** [2013-161](#)  
**Report Title:** **State of Florida - Compliance and Internal Controls Over Financial Reporting and Federal Awards**  
**Report Period:** **FYE 06/30/2012**  
**Release Date:** **03/28/2013**

### 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, 2012. 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, 2012.

### 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, 2012, 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, 2012, 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 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 follow established fiscal year-end procedures to record adjustments to Claims payable in the General Fund. (Finding No. FS 12-001)
- The Agency for Health Care Administration incorrectly recorded incurred-but-not-reported (IBNR) Medicaid claims liabilities and used an incorrect Federal Medical Assistance Percentage (FMAP). (Finding No. FS 12-002)
- The Department of Financial Services incorrectly calculated estimates of amounts yet to be reclaimed by and paid to unclaimed property claimants. (Finding No. FS 12-003)
- The Department of Economic Opportunity improperly classified various accounts on the Statements of Net Assets and Cash Flows. (Finding Nos. FS 12-004, 12-005, and 12-006)

- The Department of Transportation's fiscal year-end closing procedures did not address all of the accounts and disclosures impacted by public-private partnership agreements with deferred payment arrangements. (Finding No. FS 12-007)
- The Statewide Financial Reporting Section incorrectly classified a portion of the General Fund's unassigned fund balance as nonspendable fund balance. (Finding No. FS 12-008)

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

- The Agency for Health Care Administration did not consider all post-closing adjustments, retain supporting documentation for all refunds and changes in the allowance for doubtful accounts, and apply the correct FMAP when establishing net receivables due from the Federal government. (Finding No. FS 12-009)

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

- The Departments of Revenue, Financial Services, and Management Services improperly coded various financial statements accounts during the fiscal year-end financial reporting closing process. (Finding Nos. FS 12-010, 12-011, and 12-012)
- The Agency for Health Care Administration prepared the Schedule of Expenditures of Federal Awards (SEFA) data file using the cash basis of accounting, rather than the modified accrual basis of accounting. Additionally, the SEFA data file submitted to the Department of Financial Services did not include all American Recovery and Reinvestment Act (ARRA) expenditures or amounts subgranted to other entities. (Finding No. FS 12-013)

[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 650 Federal awards programs or program clusters during the 2011-12 fiscal year. Expenditures for the 42 major programs totaled \$32.5 billion, or approximately 94 percent of the total expenditures of \$34.7 billion, as reported on the supplementary Schedule of Expenditures of Federal Awards.

Compliance requirements for Federal awards 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; 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**

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:

- For the SNAP (Supplemental Nutrition Assistance Program) Cluster, we were unable to express and did not express an opinion on the Department of Children and Families compliance with the Special Tests and Provisions – EBT Card Security requirement because the Department of Children and Families' had not yet provided the information needed to demonstrate whether the State had met the requirement. (Finding No. FA 12-001)
- For the Special Education Cluster (IDEA), 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 12-022)

- For the TANF (Temporary Assistance for Needy Families) Cluster, we were unable to express and did not express an opinion on the State's compliance with the Special Tests and Provisions – Child Support Non-Cooperation requirement because the Department of Revenue could not provide the information needed to determine whether the State had met the requirement. (Finding No. FA 12-043)
- For the Adoption Assistance Program, we were unable to express and did not express an opinion on the Department of Children and Families' compliance with the Eligibility requirement because the Department of Children and Families could not provide the information needed to determine whether the State had met the requirement. (Finding No. FA 12-051)
- For the Adoption Assistance Program, we were unable to express and did not express an opinion on the Department of Children and Families' compliance with the Matching, Level of Effort, Earmarking requirement because the Department of Children and Families had not accumulated the information needed to demonstrate whether the State met the State-level maintenance of effort requirement or, alternatively, the applicability of the requirement. (Finding No. FA 12-052)
- The Department of Education did not appropriately allocate salary and benefit costs for employees who worked on multiple programs or obtain periodic certifications for employees whose salaries and benefits were paid solely from Vocational Rehabilitation Cluster funds. 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 12-026 and FA 12-027)
- The Department of Children and Families failed to timely impose sanctions on TANF recipients who did not comply with work activity requirements. (Finding No. FA 12-044)
- The Agency for Health Care Administration had not documented that the State had met the Medicaid Cluster matching requirements. Additionally, the Agency for Health Care Administration's matching requirement calculations were not adequately supported, accurately prepared, or properly reviewed and approved. (Finding No. FA 12-066)
- The Department of Children and Families did not meet the maintenance of effort requirement for the Block Grants for the Prevention and Treatment of Substance Abuse Program. Additionally, the Department of Children and Families did not meet the earmarking requirement for primary prevention programs for individuals who do not require treatment of substance abuse for the Block Grants for the Prevention and Treatment of Substance Abuse Program. (Finding Nos. FA 12-073 and FA 12-074)

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 material weaknesses or significant deficiencies. Material weaknesses and significant deficiencies are described in the SCHEDULE OF FINDINGS AND QUESTIONED COSTS and pertained to several compliance requirements. The following deficiencies in internal control over compliance were considered material weaknesses:

- The Department of Economic Opportunity did not appropriately allocate salary and benefit costs charged to the State-Administered CDBG Cluster, the Weatherization Assistance for Low-Income Persons Program, and the Low-Income Home Energy Assistance Program. (Finding No. FA 12-004)
- The Department of Transportation's procedures were not sufficient to ensure that the Federal Financial Reports for the Federal Transit Cluster were properly completed and, as a result, submitted reports were inaccurate or incomplete. (Finding No. FA 12-012)

- The Department of Children and Families did not always pay TANF benefits in the correct amounts and made benefit payments to an individual in excess of the lifetime limit. Additionally, for the TANF and Medicaid Clusters, the Department of Children and Families did not always timely process the Income Eligibility and Verification System (IEVS) data exchange responses received. (Finding Nos. FA 12-040 and FA 12-065)
- The Agency for Health Care Administration claim payments to providers for the Refugee and Entrant Assistance – State Administered Program were not always paid in accordance with established Medicaid Program policy. (Finding No. FA 12-045)
- The instances described in the previous paragraphs on compliance for the Vocational Rehabilitation Cluster (Finding No. FA 12-026); TANF Cluster (Finding No. FA 12-043); Adoption Assistance Program (Finding No. FA 12-051); and Medicaid Cluster (Finding No. FA 12-066) 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 2011-12 fiscal year, the State of Florida received and expended over \$1.4 billion in Federal funding provided pursuant to 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 ARRA-related 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 of America.
- 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.