



## Summary

**Report Number:** [2014-173](#)

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

**Report Period:** **FYE 06/30/2013**

**Release Date:** **03/31/2014**

### 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, 2013. 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, 2013.

### **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, 2013, 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, 2013, 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 to be a significant deficiency:

- The Agency for Health Care Administration did not appropriately record in the correct funds the receivables resulting from Medicaid overpayments. (Finding No. 2013-001)
- The Agency for Health Care Administration did not correctly identify, calculate, and record all Disproportionate Share Program receivables, revenues, and deferred revenues. (Finding No. 2013-002)
- The Department of Management Services did not separately record employee pension contributions on the financial statements. (Finding No. 2013-003)
- The Department of Management Services did not properly classify its internal service fund's net position. (Finding No. 2013-004)

- The Statewide Financial Reporting Section improperly classified financial activity for a blended component unit as a special revenue fund rather than as an enterprise fund. (Finding No. 2013-005)

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

- The Department of Revenue did not record the Medicaid claims amount due from the counties as certified by the Agency for Health Care Administration. (Finding No. 2013-006)
- The Department of Highway Safety and Motor Vehicles inadvertently coded transactions as Accounts payable and accrued liabilities rather than Due to other funds. (Finding No. 2013-007)
- The Agency for Health Care Administration did not record all year-end accounts payable and expenditures in the period the transactions occurred. (Finding No. 2013-008)
- The Department of Education incorrectly recorded Advances to other entities, Investment earnings, and Deferred revenue for the Board of Governors auxiliary debt obligations to be repaid by colleges and universities. (Finding No. 2013-009)
- The Department of Education procedures for preparing the Schedule of Expenditures of Federal Awards data form were not sufficient to ensure amounts reported were accurate. (Finding No. 2013-010)

#### Summary of Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

State agencies, universities, and colleges administered approximately 620 Federal awards programs or program clusters during the 2012-13 fiscal year. Expenditures for the 39 major programs totaled \$32.9 billion, or approximately 95 percent of the total expenditures of \$34.6 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 Funds; 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 Supplemental Nutrition Assistance Program (SNAP) 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. 2013-011)
- The Department of Education did not correctly allocate IDEA funding under the Special Education Cluster to local educational agencies in accordance with Federal regulations. (Finding No. 2013-023)
- The Department of Education did not meet the Federal maintenance of effort requirement and incorrectly reported the non-Federal share of outlays amount on the Final Financial Status Report submitted in December 2012 for the period July 2010 through September 2012 for the Career and Technical Education – Basic Grants to States Program. (Finding No. 2013-026)

- 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 Rehabilitation Services – Vocational Rehabilitation Grants to States 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. 2013-027 and 2013-028)
- The Department of Children and Families failed to impose Child Support Enforcement sanctions on uncooperative Temporary Assistance for Needy Families (TANF) recipients. (Finding No. 2013-042)

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 Children and Families did not always pay TANF benefits in the correct amounts. In addition, for the TANF Program and Medicaid Cluster, the Department of Children and Families did not always timely process the Income Eligibility and Verification System (IEVS) and non-IEVS data exchange responses received. (Finding Nos. 2013-039 and 2013-053)
- The instances described in the previous paragraphs on compliance for the Rehabilitation Services – Vocational Rehabilitation Grants to States Program (Finding Nos. 2013-027 and 2013-028) and the TANF Program (Finding No. 2013-042) also involved a material weakness in internal control.

### **Summary of Independent Auditor's Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

The State's 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., Scripps Florida Funding Corporation, and Space Florida; 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 2012-13 fiscal year, the State of Florida received and expended over \$589 million 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 awards 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 awards 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](#)

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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.