



## Summary

Report Number: [2016-159](#)

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

Report Period: **FYE 06/30/2015**

Release Date: **03/29/2016**

### SUMMARY OF REPORT ON FINANCIAL STATEMENTS

The State of Florida's basic financial statements, as of and for the fiscal year ended June 30, 2015, were fairly presented, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our report is included in the [Florida Comprehensive Annual Financial Report](#) for the fiscal year ended June 30, 2015, issued by the Chief Financial Officer.

### SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

#### Internal Control Over Financial Reporting

We noted the following matter involving the internal control over financial reporting and its operation to be a significant deficiency:

- The Department of Management Services did not properly classify net position for applicable internal service funds in accordance with generally accepted accounting principles. (Finding No. 2015-001)

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

- The Department of Military Affairs did not properly record prior-period adjustments related to property purchased and depreciation. (Finding No. 2015-002)
- Department of Financial Services compilation procedures for recording nonspendable fund balances were not sufficient. (Finding No. 2015-003)
- The Department of Transportation recorded a loan receivable that was not supported by the loan documentation and agreement terms. (Finding No. 2015-004)

### SUMMARY OF REPORT ON FEDERAL AWARDS

State agencies, universities, and colleges administered approximately 570 Federal awards programs or program clusters during the 2014-15 fiscal year. Expenditures for the 33 major programs totaled \$31.8 billion, or approximately 90 percent of the total expenditures of \$35.3 billion, as reported on the supplementary Schedule of Expenditures of Federal Awards.

Compliance requirements for Federal awards programs are established in the *Office of Management and Budget (OMB) Compliance Supplement*. Types of compliance requirements include: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Eligibility; Equipment and Real Property Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; Program Income; 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 Economic Opportunity did not always ensure that Unemployment Insurance (UI) benefits were made only to eligible claimants, and did not follow established benefit accuracy measurement (BAM) case investigation procedures and methodology necessary to meet Federal BAM program testing requirements. Additionally, the Department of Economic Opportunity could not provide complete records to demonstrate that benefit overpayments were properly identified and handled and did not always accurately identify overpayments and recover overpayments through an offset against UI benefit payments. (Finding Nos. 2015-006, 2015-008, and 2015-009)
- The Department of Transportation did not always meet the Federal matching requirement for Highway Planning and Construction Cluster funded projects and incorrectly reported matching amounts to the Federal Highway Administration (FHWA). In addition, the Department of Transportation did not always obtain a Job Guide Schedule as required by the Quality Assurance Program for Construction approved by the FHWA. As a result, the Department of Transportation could not provide documentation demonstrating that required sampling and testing had been performed. (Finding Nos. 2015-010 and 2015-011)
- The Department of Transportation did not report program income amounts in quarterly Federal Financial Reports (FFRs) for the Federal Transit Cluster. In addition, Department of Transportation management did not always review the FFRs submitted to the Federal Transit Administration. (Finding No. 2015-012)
- The Department of Education did not always ensure that eligibility determinations were completed within the time frame required by Rehabilitation Services – Vocational Rehabilitation Grants to States Program regulations or within the authorized extension. (Finding No. 2015-015)
- The Department of Revenue did not ensure that, for the Child Support Enforcement Program, the required subrecipient audits were completed and timely received and reviewed and that determinations were timely made regarding whether management decisions and corrective actions were required. Additionally, Department of Revenue procedures were not sufficient to ensure that during-the-award monitoring had been completed, during-the-award monitoring results were reviewed, and follow-up was performed to ensure that the subrecipient had taken timely and appropriate action to address all cited deficiencies. (Finding No. 2015-030)
- The Agency for Health Care Administration did not always calculate Federal funds draws or related expenditures correctly for the Medicaid Cluster. Additionally, the Agency for Health Care Administration did not always limit Federal funds draws to amounts needed for immediate cash needs for the Children’s Health Insurance Program and Medicaid Cluster. (Finding No. 2015-035)
- The Division of Emergency Management did not adequately track Federal funds awarded and did not obligate 80 percent of the 2014 Homeland Security Grant Program funds to local governments within 45 days after the receipt of the grant award. (Finding No. 2015-045)

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 Temporary Assistance For Needy Families Cluster benefits in the correct amount. In addition, the Department of Children and Families did not always timely process Income Eligibility and Verification System data exchange responses. (Finding No. 2015-024)
- The instances described in the previous paragraphs on compliance for the Unemployment Insurance (Finding Nos. 2015-006, 2015-008, and 2015-009), Highway Planning and Construction Cluster (Finding No. 2015-010), Federal Transit Cluster (Finding No. 2015-012), Child Support Enforcement (Finding No. 2015-030), Children's Health Insurance Program and Medicaid Cluster (Finding No. 2015-035), and Homeland Security Grant Program (Finding No. 2015-045).

### SUMMARY OF REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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 Federal awards expenditures for the State's blended component units, CareerSource Florida, Inc., Scripps Florida Funding Corporation, and Florida Commission on Community Service; discretely presented component units of the State's universities and colleges; or discretely presented component units other than the State's universities and colleges. In our opinion, 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 2014-15 fiscal year, the State of Florida received and expended over \$285.7 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 SEFA. 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**.

### AUDIT SCOPE

As a condition of receiving Federal funds, the 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, 2015. We also subjected supplementary information contained in the State's Comprehensive Annual Financial Report and the State's SEFA 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, 2015.

## AUDIT OBJECTIVES

The objectives of our audit were to:

- Express 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.
- Express an opinion concerning whether the State's SEFA was presented fairly, in all material respects, in relation to the State's basic financial statements taken as a whole.
- Obtain an understanding of the internal control over financial reporting and the internal control over compliance for each major Federal awards program or program clusters, assess the control risk, and perform tests of controls, unless the controls were deemed to be ineffective.
- Express 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 or program clusters.
- Determine whether management had taken appropriate actions to correct deficiencies noted in our previous audit reports.

## AUDIT 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 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.