



Summary

Report Number: [2018-189](#)

Report Title: [State of Florida - Compliance and Internal Controls Over Financial Reporting and Federal Awards](#)

Report Period: [FYE 06/30/2017](#)

Release Date: [03/30/2018](#)

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

The State of Florida's basic financial statements, as of and for the fiscal year ended June 30, 2017, 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, 2017, issued by the Chief Financial Officer.

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

Internal Control Over Financial Reporting

We noted and consider the following matter involving internal control over financial reporting and its operation to be a material weakness:

- The Agency for Health Care Administration understated certain asset and revenue amounts due to an error in the preparation of year-end accrual entries. (Finding No. 2017-001)

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

- The Department of Health improperly recorded State Treasury investment earnings, deposits, and withdrawals. (Finding No. 2017-002)
- Department of Financial Services procedures for preparing the Schedule of Expenditures of Federal Awards (SEFA) were not sufficient to ensure that the SEFA and related notes were accurate and presented in accordance with Federal and other guidelines. (Finding No. 2017-003)

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

- The Department of Financial Services, Statewide Financial Reporting Section, did not appropriately classify a portion of the fund balances of the General Fund as committed. (Finding No. AM 2017-01)
- Florida Atlantic University procedures for preparing the SEFA data form were not sufficient to ensure the accuracy of reported amounts. (Finding No. AM 2017-02)

SUMMARY OF REPORT ON FEDERAL AWARDS

State agencies, universities, and colleges administered approximately 575 Federal awards programs and program clusters during the 2016-17 fiscal year. Expenditures for the 20 major programs totaled \$25.4 billion, or approximately 71 percent of the total expenditures of \$36 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 Performance; 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:

- For the Federal Family Education Loans Program, we were unable to express, and did not express, an opinion on the Department of Education's compliance with the Special Tests and Provisions - Assignment of Defaulted Loans to the United States Department of Education (USED) and Correct Handling of Loans Sold to the USED requirement because the Department of Education did not provide documentation demonstrating that interface processing errors related to the Subrogation-SAIG Portal interface were timely investigated and corrected. Additionally, the Department of Education did not provide sufficient documentation to demonstrate that the Office of Student Financial Assistance (OSFA) subrogation process complied with USED mandatory assignment criteria; subrogation transaction processing errors were timely identified, logged, and resolved; and OSFA had adequate audit and monitoring capabilities to process subrogation and override transactions. (Finding No. 2017-022)
- The Department of Education did not always maintain current and accurate Federal Family Education Loans Program loan status records, which resulted in an opinion qualification for the Special Tests and Provisions – Current Records and Federal Reinsurance Rate requirement. (Finding No. 2017-023)
- For the Temporary Assistance for Needy Families 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 - Income Eligibility and Verification System requirement because the Department of Children and Families did not retain all Income Eligibility and Verification System (IEVS) data exchange responses and, consequently, could not demonstrate compliance with Federal IEVS data exchange requirements. Additionally, the Department of Children and Families did not always timely provide IEVS data exchange responses. (Finding No. 2017-035)

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 instances described in the previous paragraphs on compliance for the Federal Family Education Loans Program (Finding Nos. 2017-022 and 2017-023) and Temporary Assistance for Needy Families Cluster (Finding No. 2017-035) were deficiencies in internal control over compliance that were considered material weaknesses.

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 the Uniform Guidance 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.; Space Florida; 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 as a whole.

AUDIT SCOPE

As a condition of receiving Federal funds, the OMB requires, as described in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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, 2017. 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 and program clusters that we identified as major programs for the fiscal year ended June 30, 2017. We also performed procedures to assess the reasonableness of the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS** prepared by the State of Florida.

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 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 cluster, 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 Federal statutes, regulations, and the terms and conditions of Federal awards that may have a direct and material effect applicable to each of the major Federal awards programs and program clusters.
- Determine whether management had taken appropriate actions to correct deficiencies noted in our previous audit reports.
- Assess the reasonableness of the Summary Schedule of Prior Audit Findings prepared by the State of Florida.

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 the Uniform Guidance.



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MANAGEMENT'S CORRECTIVE ACTION PLAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



[Part A - State Agencies](#)



[Part B - State Colleges](#)

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