



## Summary

**Report Number:** [2019-186](#)

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

**Report Period:** [FYE 06/30/2018](#)

**Release Date:** [03/28/2019](#)

### SUMMARY OF REPORT ON FINANCIAL STATEMENTS

The State of Florida's basic financial statements, as of and for the fiscal year ended June 30, 2018, 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, 2018, 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 matters involving internal control over financial reporting and its operation to be significant deficiencies:

- The Florida Department of Transportation (FDOT) did not record a prior-period adjustment for the correction of an error in previously issued financial statements. Additionally, the FDOT did not record a liability for a payment received prior to meeting eligibility requirements and becoming susceptible to accrual. (Finding No. 2018-001)
- The Florida Department of Health improperly recorded withdrawals from the State Treasury Investment Pool as investment earnings and current expenditures. (Finding No. 2018-002)

We noted the following additional matter that we reported to management but did not consider to be a significant deficiency:

- The Florida Department of Revenue understated receivables, net and unavailable revenue due to an error in the preparation of year-end accrual entries. (Finding No. AM 2018-01)

### SUMMARY OF REPORT ON FEDERAL AWARDS

State agencies, universities, and colleges administered approximately 532 Federal awards programs and program clusters during the 2017-18 fiscal year. Expenditures for the 21 major programs totaled \$25.1 billion, or approximately 67 percent of the total expenditures of \$37.2 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:

- The Florida Department of Military Affairs (FDMA) could not demonstrate that, prior to entering into covered transactions, the FDMA determined that the contractors were not suspended, debarred, or otherwise excluded by the Federal Government. Additionally, the FDMA did not include in applicable contractual agreements a clause requiring the contractor to comply with Federal guidance on suspension and debarment. These instances of noncompliance resulted in an opinion qualification. (Finding No. 2018-005 – National Guard Military Operations and Maintenance Projects)
- Florida Department of Economic Opportunity (FDEO) records did not always evidence that employer responses to Unemployment Insurance (UI) benefit claims were considered in making benefit eligibility determinations. Additionally, FDEO case investigation records did not always include all required documentation evidencing compliance with FDEO and Federal requirements. These instances of noncompliance resulted in opinion qualifications. (Finding Nos. 2018-014 and 2018-017 – Unemployment Insurance)
- For the UI program, we were unable to express, and did not express, an opinion on the FDEO's compliance with the Reporting and the Special Tests and Provisions – UI Program Integrity – Overpayments requirements because the FDEO could not provide accurate data demonstrating that benefit overpayments were properly identified and handled or that debts resulting from overpayments were appropriately offset. In addition, the FDEO could not demonstrate that the reported overpayment amounts on Federal Financial Reports were accurate. (Finding No. 2018-015 – Unemployment Insurance)
- For the Federal Family Education Loans Program, we were unable to express, and did not express, an opinion on the Florida Department of Education's (FDOE'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 requirements because the FDOE did not provide documentation demonstrating that interface processing errors related to the Subrogation-SAIG Portal interface were timely investigated and corrected. Additionally, the FDOE 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. 2018-019 – Federal Family Education Loans)
- Florida Department of Children and Families (FDCF) expenditures charged to various Federal program grants were not always incurred during the authorized period of performance, which resulted in an opinion qualification. (Finding No. 2018-025)
- The FDCF did not always timely review and process Income Eligibility and Verification System data exchange responses, which resulted in an opinion qualification. (Finding No. 2018-026 – Temporary Assistance for Needy Families Cluster)
- The Florida Division of Emergency Management (FDEM) did not always maintain documentation to support costs charged to the Disaster Grants program, did not verify that all applicable subrecipients were audited, and did not evaluate subrecipient risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward or develop an appropriate monitoring plan based on an assessed risk of noncompliance. Additionally, the FDEM did not obtain required reports from some of its subrecipients. These instances of noncompliance resulted in opinion qualifications. (Finding Nos. 2018-033, 2018-035, and 2018-036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters))

The results of our audit also disclosed other instances of noncompliance pertaining to programs administered by various State agencies and a university, 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 and one university 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. In addition to the instances described in the previous paragraphs on compliance for the National Guard Military Operations and Maintenance (O&M) Projects (Finding No. 2018-005), Unemployment Insurance (Finding Nos. 2018-014, 2018-015, and 2018-017), Federal Family Education Loans Program (Finding No. 2018-019), Supplemental Nutrition Assistance Program Cluster, Temporary Assistance for Needy Families Cluster, Refugee and Entrant Assistance State/Replacement Designee Administered Programs, Social Services Block Grant, Medicaid Cluster, Block Grants for Community Mental Health Services, and Block Grants for Prevention and Treatment of Substance Abuse (Finding No. 2018-025), Temporary Assistance for Needy Families Cluster (Finding No. 2018-026), and Disaster Grants – Public Assistance (Presidentially Declared Disasters) (Finding Nos. 2018-033, 2018-035, and 2018-036), the following deficiency in internal control over compliance was also considered a material weakness:

- FDMA records did not evidence that access to the Integrated Emergency Operations Management System was granted only to authorized users or that the access privileges granted were appropriate. (Finding No. 2018-004 – National Guard Military Operations and Maintenance Projects)

## 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. and the 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, 2018. 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, 2018. 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.

#### 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 Universities](#)



[Part C - State Colleges](#)

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