



## Summary

**Report Number:** [2020-170](#)

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

**Report Period:** [FYE 06/30/2019](#)

**Release Date:** [03/25/2020](#)

### SUMMARY OF REPORT ON FINANCIAL STATEMENTS

The State of Florida's basic financial statements, as of and for the fiscal year ended June 30, 2019, 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, 2019, 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 significant deficiency:

- The Florida Department of Financial Services (FDFS), Statewide Financial Reporting Section (SFRS), recorded incorrect amounts for debt related to capital assets to Net Position – Net investments in capital assets (Net investments in capital assets). (Finding No. 2019-001)

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

- The FDFS incorrectly recognized tobacco settlement amounts owed to the State as revenues prior to the amounts becoming available. Additionally, the FDFS did not record net receivables and unavailable revenue for all tobacco settlement amounts. (Finding No. AM 2019-01)
- The Florida Department of Transportation overstated disposition gain (loss) and Capital contributions amounts. (Finding No. AM 2019-02)
- The Florida Department of Health did not properly account for all construction work in progress and recorded incorrect amounts for construction work in progress to Capital assets, net and Human services, expenses for the 2017-18 and 2018-19 fiscal years. (Finding No. AM 2019-03)

### SUMMARY OF REPORT ON FEDERAL AWARDS

State agencies, universities, and colleges administered approximately 565 Federal awards programs and program clusters during the 2018-19 fiscal year. Expenditures for the 23 major programs totaled \$25.6 billion, or approximately 69 percent of the total expenditures of \$36.9 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 Division of Emergency Management (FDEM) did not always obtain and maintain documentation to support costs charged to the 2017 Wildfires and Hurricanes Indemnity Program (WHIP). Additionally, the FDEM did not evaluate subrecipient risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward or develop appropriate subrecipient monitoring plans based on an assessed risk of noncompliance and did not verify that all applicable subrecipients of the Disaster Grants program were audited. These instances of noncompliance resulted in opinion qualifications. (Finding No. 2019-002 – WHIP, and Finding Nos. 2019-040 and 2019-041 – Disaster Grants – Public Assistance (Presidentially Declared Disasters))
- 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. 2019-004 – National Guard Military Operations and Maintenance Projects)
- For the Unemployment Insurance (UI) program, we are unable to express, and do not express, an opinion on the Florida Department of Economic Opportunity's (FDEO's) compliance with the Reporting compliance requirement because the FDEO did not submit the required Federal Financial Reports to the Employment and Training Administration. (Finding No. 2019-014 – Unemployment Insurance)
- For the UI program, we are unable to express, and do not express an opinion on the Florida Department of Revenue's (FDOR's) compliance with the Special Tests and Provisions – Match with Internal Revenue Service (IRS) 940 Federal Unemployment Tax Act Tax Form compliance requirement because the FDOR could not provide a copy of the certification files provided to the IRS evidencing the match of employer tax payments with credits claimed for the payments on the employer's Form 940 or Schedule H. (Finding No. 2019-016 – Unemployment Insurance)
- The Florida Department of Children and Families did not always timely review and process Income Eligibility and Verification System data exchange responses, which resulted in an opinion qualification. (Finding No. 2019-030 – Temporary Assistance for Needy Families)
- Florida Agency for Persons with Disabilities records did not always evidence that continued stay reviews were completed for beneficiaries of Intermediate Care Facility Services for Individuals with Intellectual Disabilities in accordance with the time frame specified by Federal regulations, resulting in an opinion qualification. (Finding No. 2019-035 – Medicaid Cluster)

The results of our audit also disclosed other instances of noncompliance pertaining to programs administered by various State agencies and a college, 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 college involving internal control over compliance and its operation that we consider 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 WHIP (Finding No. 2019-002), National Guard Military Operations and Maintenance Projects (Finding No. 2019-004), Unemployment Insurance (Finding Nos. 2019-014 and 2019-016), Temporary Assistance for Needy Families (Finding No. 019-030), Medicaid Cluster (Finding No. 2019-035), and Disaster Grants – Public Assistance (Presidentially Declared Disasters) (Finding Nos. 2019-040 and 2019-041), are deficiencies in internal control over compliance considered to be 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. 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, 2019. 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, 2019. 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.