



Summary

Report Number: [2021-182](#)

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

Report Period: **FYE 06/30/2020**

Release Date: **03/30/2021**

[Management's Corrective Action Plan](#)

[Summary Schedule of Prior Audit Findings](#)

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

The State of Florida's basic financial statements, except for the effects of the matters described in the INDEPENDENT AUDITOR'S REPORT "Basis for Qualified Opinions on Business-Type Activities and Reemployment Assistance Fund" paragraph, as of and for the fiscal year ended June 30, 2020, were presented fairly, 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, 2020, 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 material weaknesses:

- The Florida Department of Financial Services (FDFS) overstated State of Florida Employees Deferred Compensation Plan (Plan) flexible benefits contributions and benefit payments amounts. Additionally, FDFS controls over the reporting of participant investment amounts by Plan investment providers need enhancement. (Finding No. 2020-001)
- The FDFS, Statewide Financial Reporting Section (SFRS), did not adequately ensure that the financial statements and notes to the financial statements in the State's Comprehensive Annual Financial Report were free from material misstatement or prepared in accordance with generally accepted accounting principles. (Finding No. 2020-002)
- During the fourth quarter of the 2019-20 fiscal year, Florida Department of Economic Opportunity management bypassed a key Reemployment Assistance Claims and Benefits Information System internal control, thereby increasing the risk of improper unemployment insurance benefit payments and undetected material misstatements. (Finding No. 2020-003)
- The FDFS did not always perform or timely perform State Treasury bank account reconciliations. (Finding No. 2020-004)

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

- The FDFS, SFRS, recorded incorrect amounts for debt related to capital assets to Net Position - Net investments in capital assets. (Finding No. 2020-005)

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

- The FDFS, SFRS, and the Florida Department of Education (FDOE) did not record or correctly record various entries related to the receipt of bond proceeds and the incurring of bonds payable for FDOE Board of Governors non-State trustee debt for Florida Agricultural and Mechanical University. (Finding No. AM 2020-01)
- The Florida Department of Transportation understated Net Position – Net investment in capital assets and overstated Net Position – Unrestricted, when accounting for the completed Palmetto Express Lanes project. (Finding No. AM 2020-02)
- The FDFS, Bureau of Financial Services, did not record the Long-term liabilities and Expenses of the State Risk Management Trust Fund in the Governmental Activities Statement of Net Position and Statement of Activities, respectively. (Finding No. AM 2020-03)
- Florida Department of Agriculture and Consumer Services procedures for preparing the Schedule of Expenditures of Federal Awards (SEFA) data form were not sufficient to ensure the accuracy of reported amounts. As a result, prior to audit adjustment, amounts reported on the State's SEFA were incorrect. (Finding No. AM 2020-04)

SUMMARY OF REPORT ON FEDERAL AWARDS

State agencies, universities, and colleges administered approximately 547 Federal awards programs and program clusters during the 2019-20 fiscal year. Expenditures for the 24 major programs totaled \$39.2 billion, or approximately 77 percent of the total expenditures of \$51.1 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 Unemployment Insurance (UI) program, we are unable to express, and do not express, an opinion on the Florida Department of Economic Opportunity's (FDEO) compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, and Special Tests and Provisions – UI Program Integrity – Overpayments compliance requirements because the FDEO could not provide complete and accurate data for the period April 2020 through June 2020 to demonstrate that UI benefit payments were made only to eligible claimants in the correct amounts and that UI benefit overpayments were properly identified and handled in accordance with applicable requirements or that debts resulting from overpayments were appropriately offset. (Finding Nos. 2020-007 and 2020-021 – Unemployment Insurance)
- The FDEO did not always ensure that UI claimants complied with the participation requirements of the Reemployment Services and Eligibility Assessments program, which resulted in an opinion qualification. (Finding No. 2020-022 – Unemployment Insurance)

- The Florida Department of Children and Families did not always timely review and process Income Eligibility and Verification System data exchange responses, resulting in an opinion qualification. (Finding No. 2020-037 – Temporary Assistance for Needy Families)
- Florida Agency for Health Care Administration records did not evidence that site visits of Medicaid program providers were conducted in accordance with Federal regulations, which resulted in an opinion qualification. (Finding No. 2020-041 – Medicaid Cluster)
- The Florida Division of Emergency (FDEM) did not monitor subrecipients in accordance with FDEM procedures or timely issue management decisions for subrecipient audit findings, resulting in an opinion qualification. (Finding No. 2020-050 – 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, 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 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 Unemployment Insurance (Finding Nos. 2020-007, 2020-021, and 2020-022), Temporary Assistance for Needy Families (Finding No. 2020-037), Medicaid Cluster (Finding No. 2020-041), and Disaster Grants – Public Assistance (Presidentially Declared Disasters) (Finding No. 2020-050), 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, 2020. 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, 2020. 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.

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