



## Summary

**Report Number:** [2023-174](#)

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

**Report Period:** **FYE 06/30/2022**

**Release Date:** **03/29/2023**

### [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 as of and for the fiscal year ended June 30, 2022, 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 Annual Comprehensive Financial Report \(ACFR\)](#) for the fiscal year ended June 30, 2022, issued by the Chief Financial Officer.

#### SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

We noted and considered the following matters involving internal control over financial reporting and its operation to be significant deficiencies. However, these significant deficiencies are not considered material weaknesses.

- The Florida Agency for Healthcare Administration (FAHCA) did not record for financial statement reporting purposes all fiscal year-end net receivables and related unavailable revenue for the Medicaid Drug Rebate Program. Additionally, the FAHCA incorrectly recorded unavailable revenue as grants and donations. (Finding No. 2022-001)
- The Florida Department of Revenue incorrectly recorded a portion of the fiscal year-end net receivables and related unearned revenue, unavailable revenue, and other revenue for sales and use taxes and fees and did not reverse the prior year unavailable revenue closing balance for sales and use taxes and fees. (Finding No. 2022-002)

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

- The Florida Department of Financial Services (FDFS), Statewide Financial Reporting Section (SFRS), incorrectly accounted for amounts associated with the operations of Florida Department of Transportation toll facilities and the Florida Turnpike Enterprise. (Finding No. AM 2022-01)
- The Florida Department of Economic Opportunity (FDEO) incorrectly calculated and recorded the fiscal year-end net receivable for unemployment insurance (UI) overpayments and incorrectly recorded UI overpayments as a reduction in Benefit payments instead of as a revenue in accordance with applicable accounting standards. (Finding No. AM 2022-02)

- The Florida Fish and Wildlife Conservation Commission incorrectly reported monthly lease payment information to the FDFS, SFRS, that was used by the SFRS to calculate and record a lease liability and lease asset. (Finding No. AM 2022-03)
- The FDFS did not prepare and furnish complete financial statements to the Auditor General or prepare and publish the ACFR within statutorily prescribed time periods. (Finding No. AM 2022-04)
- Florida Department of Juvenile Justice 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 2022-05)
- The FDEO did not properly report amounts for UI on the SEFA and Notes to the SEFA. As a result, prior to audit adjustment, amounts reported on the State's SEFA and Notes to the SEFA were incorrect. (Finding No. AM 2022-06)
- The Florida Department of Education (FDOE) did not properly report amounts for one Federal program on the SEFA. As a result, prior to audit adjustment, amounts reported on the State's SEFA were incorrect. (Finding No. AM 2022-07)
- Florida Department of Legal Affairs procedures for preparing the 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 2022-08)
- Florida Department of Health procedures for preparing the 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 2022-09)

#### SUMMARY OF REPORT ON FEDERAL AWARDS

State agencies, universities, and colleges administered approximately 573 Federal awards programs and program clusters during the 2021-22 fiscal year. Expenditures for the 25 major programs totaled \$45 billion or approximately 77 percent of the total expenditures of \$58.3 billion reported on the SEFA.

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 UI program, we are unable to express, and do not express, an opinion on the FDEO's compliance with the Reporting compliance requirement because the FDEO did not maintain records to support the amounts reported in Federal Performance Reports submitted to the Employment and Training Administration. (Finding No. 2022-019)
- For the English Language Acquisition State Grants (ELAG) program, we are unable to express, and do not express, an opinion on the FDOE's compliance with the Matching, Level of Effort, Earmarking compliance requirement because FDOE records did not evidence that local educational agencies met the maintenance of effort requirement. (Finding No. 2022-029)
- For the Education Stabilization Fund (ESF) program, we are unable to express, and do not express an opinion on the FDOE's compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Equipment and Real Property Management, and Reporting compliance requirements

because FDOE monitoring activities did not validate the allowability of actual subrecipient ESF program expenditures. (Finding No. 2022-033)

- For the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program, we are unable to express, and do not express an opinion on the Florida Division of Emergency Management’s (FDEM’s) compliance with the Reporting compliance requirement because the FDEM did not timely or accurately report subaward information required by the Federal Funding Accountability and Transparency Act (FFATA) in the Federal Funding Accountability and Transparency Act Subaward Reporting System. Additionally, the FDEM was unable to provide all FFATA reports requested for audit. (Finding No. 2022-062)
- FDEO records did not clearly evidence that UI benefit payments were made only to eligible claimants, which resulted in an opinion qualification. (Finding No. 2022-018 – UI)
- The FDEO did not always ensure or timely ensure that UI claimants complied with the participation requirements of the Reemployment Services and Eligibility Assessments program, resulting in an opinion qualification. (Finding No. 2022-020 – UI)
- The Florida Department of Children and Families (FDCF) did not always correctly report performance data in Emergency Rental Assistance (ERA) monthly reports and FDCF records did not support financial data included in ERA quarterly reports, resulting in an opinion qualification. (Finding No. 2022-026 – ERA)
- FDOE monitoring activities did not validate the allowability of actual subrecipient ESF program expenditures, resulting in an opinion qualification for the Subrecipient Monitoring compliance requirement. (Finding No. 2022-033 – ESF)
- The FDCF did not always timely review and process Income Eligibility and Verification System data exchange responses, resulting in an opinion qualification. (Finding No. 2022-044 – Temporary Assistance for Needy Families)
- The FDCF did not maintain documentation supporting the total number of recipients of selected Social Services Block Grant (SSBG) services included in the Post-Expenditure Report submitted to the Office of Community Services and incorrectly reported the total number of recipients of Protective Services – Adults, resulting in an opinion qualification. (Finding No. 2022-048 – SSBG)
- The FAHCA did not check all required Federal databases to confirm the identity of providers upon enrollment and reenrollment, resulting in an opinion qualification. (Finding No. 2022-051 – Medicaid Cluster and Children’s Health Insurance Program)
- The FDEM did not evaluate each subrecipient’s risk of noncompliance for the purpose of determining the appropriate subrecipient monitoring and, consequently, the FDEM could not demonstrate that monitoring performed was based on risk, resulting in an opinion qualification. (Finding No. 2022-063 - 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 State 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 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 UI program (Finding Nos. 2022-018, 2022-019, and 2022-020), ERA program (Finding No. 2022-026), ELAG program (Finding No. 2022-029), ESF program (Finding No. 2022-033), TANF program (Finding No. 2022-044), SSBG program (Finding No. 2022-048), Medicaid Cluster and Children’s Health Insurance Program (Finding No. 2022-051) and Disaster Grants – Public Assistance (Presidentially Declared Disasters) (Finding Nos. 2022-062 and 2022-063) 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 the 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, 2022. We also subjected supplementary information contained in the State's Annual Comprehensive 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, 2022. 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:

- Obtain reasonable assurance about whether the State's basic financial statements as a whole were free from material misstatement, whether due to fraud or error, and to issue an auditor's report that included our opinions.
- 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 internal control over financial reporting and 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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**Written responses to our findings and recommendations are included within the audit report which can be viewed on the Auditor General Web site.**