



Summary

Report Number: [2017-180](#)

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

Report Period: [07/01/2015 - 06/30/2016](#)

Release Date: [03/28/2017](#)

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

The State of Florida's basic financial statements, as of and for the fiscal year ended June 30, 2016, were fairly presented, in all material respects, in accordance with accounting principles generally accepted in the United States. Our report is included in the [Florida Comprehensive Annual Financial Report](#) for the fiscal year ended June 30, 2016, issued by the Chief Financial Officer.

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

Internal Control Over Financial Reporting

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

- The Department of Transportation did not record a liability and expenditure for certain goods and services received during the fiscal year that had not been paid for by fiscal year end. (Finding No. 2016-001)
- The Agency for Health Care Administration, Bureau of Financial Services, did not record a prior-period adjustment for the correction of an error in previously issued financial statements. In addition, the Bureau did not record a receivable for the portion of the amount due to Medicaid managed care providers that was to be reimbursed by the U.S. Department of Health and Human Services. (Finding No. 2016-002)
- The Department of Revenue did not record fiscal year-end net receivables and unavailable revenues for sales and use taxes and fees. (Finding No. 2016-003)

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

- The Department of Revenue did not properly record cash deposited in the State Treasury as Pooled investments with State Treasury. (Finding No. 2016-004)
- The Department of Business and Professional Regulation did not record the fiscal year-end cigarette tax receivable and revenue related to July tax payments collected on June sales of cigarette tax stamps. (Finding No. 2016-005)

SUMMARY OF REPORT ON FEDERAL AWARDS

State agencies, universities, and colleges administered approximately 577 Federal awards programs and program clusters during the 2015-16 fiscal year. Expenditures for the 18 major programs totaled \$20.7 billion, or approximately 58 percent of the total expenditures of \$35.3 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, which resulted in opinion qualifications:

- The Department of Economic Opportunity did not always ensure that Unemployment Insurance benefit payments were made only to eligible claimants. Additionally, the Department of Economic Opportunity could not provide complete records to demonstrate that benefit overpayments were properly identified and did not always accurately identify overpayments or recover overpayments through an offset against Unemployment Insurance benefit payments. (Finding Nos. 2016-010 and 2016-012)
- The Department of Transportation did not always meet the Federal matching requirement for the Highway Planning and Construction Cluster funded projects and incorrectly reported matching amounts to the Federal Highway Administration. (Finding No. 2016-014)
- The Department of Education did not adequately ensure that subrecipients utilized Migrant Education – State Grant Program funds to supplement and not supplant non-Federal funds. (Finding No. 2016-020)
- The Department of Education did not always ensure that eligibility determinations were completed within the time frame required by Rehabilitation Services – Vocational Rehabilitation Grants to States Program regulations or within the authorized extension. (Finding No. 2016-023)
- The Department of Children and Families could not always demonstrate that Department of Revenue Child Support Enforcement sanction requests for uncooperative Temporary Assistance for Needy Families Cluster recipients were received and reviewed or that sanctions were appropriately imposed. (Finding No. 2016-033)
- The Department of Revenue did not always ensure that required subrecipient audits were completed, timely received, and reviewed and that determinations were made regarding whether management decisions and corrective actions were required. Additionally, the Department of Revenue did not always evaluate each subrecipient's risk of noncompliance. (Finding No. 2016-036)

The results of our audit also disclosed other instances of noncompliance pertaining to programs administered by various State agencies, 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 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 Unemployment Insurance Program (Finding Nos. 2016-010 and 2016-012) and Child Support Enforcement Program (Finding No. 2016-036) 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.

AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRA)

During the 2015-16 fiscal year, the State of Florida received and expended over \$38 million in Federal funding provided pursuant to ARRA. The United States Congress mandated additional reporting and transparency requirements to be met by recipients of ARRA funds, and the Federal Single Audit has been identified as one of the tools used to measure the degree of stewardship and accountability provided by the states for moneys provided under ARRA. Expenditures of ARRA funds are separately identified on the SEFA. Programs that included ARRA funds, and for which ARRA-related findings are disclosed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**, are distinctively identified in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** and the **Index of Federal Findings by Federal Agency and Compliance Requirement**.

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, 2016. 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, 2016. 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 clusters, 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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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



[Part A - State Agencies](#)



[Part B - State Universities](#)



[Part C - 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.