



Item: AF: I-1D

**AUDIT AND FINANCE COMMITTEE**  
Wednesday, April 30, 2008

**SUBJECT: REVIEW OF AUDITS: REPORT NO. 2008-141, STATE OF FLORIDA COMPLIANCE AND INTERNAL CONTROLS OVER FINANCIAL REPORT AND FEDERAL AWARDS FOR FISCAL YEAR ENDED JUNE 30, 2007.**

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**PROPOSED COMMITTEE ACTION**

Information Only. The complete audit can be accessed on the Auditor General's website located at: <http://www.myflorida.com/audgen/pages/summaries/2008-141.htm>

**BACKGROUND INFORMATION**

As a condition of receiving Federal funds, the U.S. Office of Management and Budget (OMB) requires an audit of the State's financial statements and Federal awards programs as described in OMB Circular A-133. The audit of the State's financial statements, performed in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards*, culminates in an *Independent Auditor's Report* and a *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards*.

Florida Atlantic University has one audit finding: FA07-099, Time and Effort Reporting.

**Finding:** After-the-fact time-and-effort payroll certification forms did not reflect actual time worked by employees on various Federal contracts and grants, and such forms and reports documenting time-and-effort were not always certified by the employee or an individual with direct knowledge of the employee's work, contrary to federal cost principles.

**Condition:** The institution's procedures required that payroll certification forms be approved at the end of each pay period by the Department head and timekeeper. In addition, faculty was required to document non-instructional activities in the Faculty Academic and Information Reporting system. Our review disclosed that the institution's procedures were not in compliance with Federal regulations, as follows:

- Although payroll certification forms were prepared after-the-fact, the percentage of effort shown was based on budgeted or anticipated percentages of effort rather than actual effort, and the forms were not signed by the employee and an individual with direct knowledge of the employee's activities.

- Our review of reports generated by the Faculty Academic and Information Reporting system for faculty paid from the three contracts or grants selected disclosed that those reports were not always signed by the employee and an individual with direct knowledge of the employee's activities.

**FAU Response and Corrective Action Plan:** The University agrees with audit finding FA 07-099 related to Time-and-Effort reporting. We have formed a committee to evaluate available Time-and-Effort reporting systems that could be integrated with our Banner ERP. The University will acquire a new Time-and-Effort system as recommended by the committee. The University will establish new policies and procedures to ensure that after-the-fact activity certification in the new Time-and-Effort system reflects the actual effort and that this effort is certified by the employees and other staff with direct knowledge of the employee's work in accordance with OMB Circular A-21.

#### **IMPLEMENTATION PLAN/DATE**

June 30, 2008.

#### **FISCAL IMPLICATIONS**

Not Applicable.

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**Supporting Documentation:** Report No. 2008-141.

**Presented by:** Dr. Kenneth A. Jessell, VP Financial Affairs

**Phone:** 561-297-3266



**AUDITOR GENERAL**  
DAVID W. MARTIN, CPA



**STATE OF FLORIDA**  
**COMPLIANCE AND INTERNAL CONTROLS OVER**  
**FINANCIAL REPORTING AND FEDERAL AWARDS**

In Accordance With OMB Circular A-133

For the Fiscal Year Ended June 30, 2007

STATE OF FLORIDA  
COMPLIANCE AND INTERNAL CONTROLS OVER  
FEDERAL AWARDS

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EXECUTIVE SUMMARY

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*Summary of Report on Financial Statements*

The State of Florida's basic financial statements, as of and for the fiscal year ended June 30, 2007, 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 fiscal year ended June 30, 2007, issued by the Chief Financial Officer.

*Summary of Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of the Financial Statements Performed  
in Accordance with Government Auditing Standards*

**Internal Control Over Financial Reporting**

We noted the following matters involving the internal control over financial reporting and its operation that we consider to be significant deficiencies:

- For one or more financial statement accounts, the **Departments of Financial Services, Management Services, Environmental Protection, and Transportation** did not accurately report or classify assets, net assets, or liabilities in accordance with general accepted accounting principles. (Finding Nos. FS 07-001, FS 07-002, FS 07-003, FS 07-004, FS 07-006, FS 07-007, and FS 07-008)
- The **State Board of Administration** did not always timely and properly administer procedures designed to measure compliance with Rule 2a-7 requirements and related Investment Policy Guidelines and did not always document decisions related to management of the Local Government Surplus Funds Trust Fund Investment Pool. (Finding No. FS 07-005)
- **Board of Governors** and **Department of Education** procedures for reviewing and compiling State universities' and community colleges' financial information submitted to the Department of Financial Services did not always ensure that such information was timely, accurate, and complete. Such information is included in the State's basic financial statements and the Schedule of Expenditures of Federal Awards. (Finding No. FS 07-009)
- The **Agency for Health Care Administration** and the **Departments of Children and Family Services, Community Affairs, Education, and Environmental Protection** procedures for preparing the Schedule of Expenditures of Federal Awards did not include a reconciliation to the financial statements or the underlying financial system (FLAIR) from which the financial statements were prepared. Additionally, errors were noted in the amount of expenditures reported for some programs. (Finding Nos. FS 07-010 and FS 07-011)

We believe that none of the significant deficiencies described above is a material weakness.

As an additional matter, we also noted that the **Department of Management Services** used a long-term investment rate assumption in determining the actuarial accrued liability for the Health Insurance Subsidy Pension plan that was not commensurate with the nature and mix of current and expected plan investments. The actuarial accrued liability is reported as required supplementary information to the basic financial statements. (Finding No. FS 07-012)

**Compliance**

The results of our audit of the State's basic financial statements disclosed no instances of noncompliance that are required to be reported by *Government Auditing Standards*.

*Summary of Report on Compliance with Requirements Applicable to Each Major Program  
and on Internal Control over Compliance in Accordance with OMB Circular A-133*

During the 2006-07 fiscal year, State agencies, universities, and community colleges administered over 550 Federal awards programs or program clusters. Expenditures for the 41 major programs totaled \$21.4 billion, or approximately 94 percent of the total expenditures of \$22.8 billion, as reported on the Supplementary Schedule of Expenditures of Federal Awards.



## Compliance

Except as described in the following paragraphs, the State of Florida complied, in all material respects, with the compliance requirements applicable to each of its major Federal awards programs.

- The **Department of Agriculture and Consumer Services** did not always obtain required semiannual certifications for employees who worked solely on the **Plant and Animal Disease, Pest Control, and Animal Care Program**. (Finding No. FA 07-001)
- The **Department of Education** used moneys set aside for Immigrant Children and Youth under the **English Language Acquisition Grants Program** for other Program purposes. (Finding No. FA 07-040)
- The **Department of Children and Family Services** did not document, in a substantial number of instances, the eligibility of clients receiving benefits under the **Adoption Assistance Program**. (Finding No. FA 07-056)
- The **Division of Emergency Management** had not implemented procedures to ensure the timely completion of final inspections of large projects for the **Disaster Grants – Public Assistance (Presidentially Declared Disasters) Program**. (Finding No. FA 07-074)
- The **Department of Community Affairs** and the **Division of Emergency Management** did not adequately document the appropriateness of subgrantee reimbursements under the **Hazard Mitigation Grant Program**. (Finding No. FA 07-076)

The results of our audit also disclosed other instances of noncompliance pertaining to various programs administered by **various State agencies, universities, and community colleges**. Some of the instances of noncompliance, primarily those pertaining to the **Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility** compliance requirements, resulted in questioned costs subject to disallowance by the grantor agency. Other instances pertained to various compliance requirements including, but not limited to, **Matching, Level of Effort, and Earmarking; Subrecipient Monitoring; and Special Tests and Provisions**. Instances of noncompliance are described in the Schedule of Findings and Questioned Costs.

## Internal Controls Over Compliance

We noted numerous matters at **various State agencies, universities, and community colleges** involving internal control over compliance and its operation that we consider to be significant deficiencies. Significant deficiencies are described in the Schedule of Findings and Questioned Costs and pertained to various compliance requirements including, but not limited to, **Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Reporting, Subrecipient Monitoring, and Special Tests and Provisions**. The findings described in the previous paragraphs on compliance for the **Plant and Animal Disease, Pest Control, and Animal Care Program** (Finding No. FA 07-001), the **English Language Acquisition Grants Program** (Finding No. FA 07-040); **Adoption Assistance Program** (Finding No. FA 07-056); **Disaster Grants – Public Assistance (Presidentially Declared Disasters) Program** (Finding No. FA 07-074); and **Hazard Mitigation Grant Program** (Finding No. FA 07-076) involved material weaknesses in internal control. The following significant deficiencies were also considered material weaknesses:

- The **Department of Community Affairs** did not have appropriate controls in place over systems used to process payments and administer the **Community Development Block Grant Program**. (Finding No. FA 07-006)
- Procedures implemented by the **Department of Children and Family Services** for the **Medicaid Cluster** were not adequate to document that data exchanges had been performed or that the results were timely processed. (Finding No. FA 07-061)
- The **Department of Community Affairs** did not have adequate procedures in place to ensure that access to the State's accounting system was appropriate. This weakness affected all five of the Department's major programs. (Finding No. FA 07-066)

## Schedule of Expenditures of Federal Awards

The State's Supplementary Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the State's basic financial



statements. The State's SEFA does not include the State's blended component units, Workforce Florida, Inc., and Scripps Florida Funding Corporation; discretely presented component units of the State's universities and community colleges; or discretely presented component units other than the State's universities and community colleges. Information on the schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

### Scope

As a condition of receiving Federal funds, the U.S. Office of Management and Budget (OMB) requires, as described in OMB Circular A-133, an audit of the State's financial statements and 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, 2007. We also subjected supplementary information contained in the State's Comprehensive Annual Financial Report and the State's Schedule of Expenditures of Federal Awards to auditing procedures applied in our audit of the basic financial statements. Additionally, we audited the State's compliance with governing requirements for 41 Federal awards programs or program clusters that we identified as major programs for the fiscal year ended June 30, 2007.

### Objectives

The objectives of our audit were:

- The expression of 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.
- The expression of an opinion concerning whether the State's Schedule of Expenditures of Federal Awards is presented fairly, in all material respects, in relation to the State's basic financial statements taken as a whole.
- To obtain an understanding of the internal control over compliance for each major Federal program, assess the control risk, and perform tests of controls, unless the controls were deemed to be ineffective.
- The expression of opinions concerning whether the State complied, in all material respects, with laws, regulations, and the provisions of contracts or grant agreements pertaining to Federal awards that may have a direct and material effect applicable to each of the major Federal programs.

### Methodology

We conducted our audit in accordance with auditing standards generally accepted in the United States; applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and related guidance provided by OMB Circular A-133.

Please address inquiries regarding this report to Brenda Pelham, CPA, Audit Manager, via e-mail ([brendapelham@aud.state.fl.us](mailto:brendapelham@aud.state.fl.us)) or by telephone (850 487-9060) or the Audit Manager identified in the contact information section of each finding.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.myflorida.com/audgen>); by telephone (850 487-9024); or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).

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DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA



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The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Florida as of and for the fiscal year ended June 30, 2007, which collectively comprise the State of Florida's basic financial statements and have issued our report thereon dated February 25, 2008. Our report was modified to include a reference to other auditors, the State's implementation of Governmental Accounting Standards Board Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, the reclassification of the plan used to report the Retiree Health Insurance Subsidy (HIS) Program, a subsequent event concerning the 2a-7-like fund classification of the State's Local Government Surplus Funds Trust Fund Investment Pool, and an issue with respect to the measurement of required supplementary information relating to the HIS Program's actuarial accrued liability and unfunded actuarial accrued liability. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Prepaid College Program Fund, Florida Turnpike Fund, Hurricane Catastrophe Fund, College Savings Plan, certain discretely presented component units, and the Legislature, as described in our report on the State of Florida's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Florida's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's

ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in finding Nos. FS 07-01 through FS 07-11 in the Financial Statements Findings section of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State of Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted an additional matter involving the State's internal control over financial reporting, that we reported to management and that is described in finding No. FS 07-12 in the Financial Statement Findings section of the accompanying Schedule of Findings and Questioned Costs.

State agency responses to each of the findings identified in our audit are included in the Schedule of Findings and Questioned Costs. We did not audit these responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, applicable management, the Executive Office of the Governor, and Federal and other awarding agencies. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



David W. Martin, CPA  
February 25, 2008





DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

### Compliance

We have audited the compliance of the State of Florida with the types of compliance requirements described in the United States Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2007. The State of Florida's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the management of the State of Florida. Our responsibility is to express an opinion on the State of Florida's compliance based on our audit.

The State of Florida's basic financial statements include the operations of component units that received Federal awards during the fiscal year ended June 30, 2007, that are not included in the State's supplementary Schedule of Expenditures of Federal Awards. Our audit of Federal awards, as described below, did not include the operations of the blended component units, Workforce, Florida, Inc., and Scripps Florida Funding Corporation; or discretely presented component units of the State agencies, universities, and community colleges. As applicable, Federal awards administered by these component units are the subjects of audits completed by other auditors. Our audit, as described below, also did not include the operations of the Legislature.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the State of Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State's compliance with those requirements.



As described in the accompanying Schedule of Findings and Questioned Costs, the State of Florida did not comply with requirements applicable to the Federal Programs listed below. Compliance with such requirements is necessary, in our opinion, for the State of Florida to comply with the requirements applicable to the respective Program.

Finding No. FA 07-	Major Program	Types of Compliance Requirements Not Complied With
001	Plant and Animal Disease, Pest Control, and Animal Care (CFDA No. 10.025)	Allowable Costs/Cost Principles
040	English Language Acquisition Grants (CFDA No. 84.365)	Matching, Level of Effort, Earmarking
056	Adoption Assistance (CFDA No. 93.659)	Eligibility
074	Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)	Special Tests and Provisions
076	Hazard Mitigation Grant (CFDA No. 97.039)	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Florida complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2007. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133, and which are described in the accompanying Schedule of Findings and Questioned Costs as finding Nos. FA 07-:

004	007	016 and 017	024
026	031 through 035	041	044 and 045
047	049 through 051	054	056
059	061	063 and 064	069
075	078 through 082	085 through 103	

**Internal Control Over Compliance**

The management of the State of Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the State of Florida’s internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Florida’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity’s internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity’s internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or

detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the following finding Nos. of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies:

001 through 009	011	013 and 014	016 through 031
033 through 040	043	047 through 054	056 through 064
066 through 071	074	076 through 082	085 through 103

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider the following items to be material weaknesses.

Finding No. FA 07-	Major Program	Compliance Requirement
001	Plant and Animal Disease, Pest Control, and Animal Care (CFDA No. 10.025)	Allowable Costs/Cost Principles
006	Community Development Block Grants/State's Program (CFDA No. 14.228)	Allowable Costs/Cost Principles
040	English Language Acquisition Grants (CFDA No. 84.365)	Matching, Level of Effort, Earmarking
056	Adoption Assistance (CFDA No. 93.659)	Eligibility
061	Medicaid Cluster (CFDA No. 93.778)	Eligibility
066	Community Development Block Grants/State's Program (CFDA No. 14.228)	Allowable Costs/Cost Principles
	Low-Income Home Energy Assistance (CFDA No. 93.568)	
	Homeland Security Cluster (CFDA Nos. 97.004 and 97.067)	
	Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)	
	Hazard Mitigation Grant (CFDA No. 97.039)	
074	Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)	Special Tests and Provisions
076	Hazard Mitigation Grant (CFDA No. 97.039)	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

The State agencies, universities, and community colleges' responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit these responses and, accordingly, we express no opinion on them.

**Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Florida as of and for the year ended June 30, 2007, and have issued our Independent Auditor's Report

thereon dated February 25, 2008. Our Independent Auditor's Report was modified to include a reference to other auditors, the State's implementation of Governmental Accounting Standards Board Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, the reclassification of the Retiree Health Insurance Subsidy (HIS) Program from an other postemployment benefit plan to a pension plan, a subsequent event concerning the 2a-7-like fund classification of the State's Local Government Surplus Funds Trust Fund Investment Pool, and an issue with respect to required supplementary information relating to the measurement of the HIS Program's actuarial accrued liability and unfunded actuarial accrued liability. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State of Florida's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, applicable management, Workforce Florida, Inc., and the Executive Office of the Governor. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



David W. Martin, CPA  
Auditor General  
March 14, 2008

(except as related to field work in regard to the Schedule of Expenditures of Federal Awards that was performed concurrently with the Independent Auditor's Report on Financial Statements dated February 25, 2008)



**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:

Unqualified on all opinion units

Internal control over financial reporting:

Material weakness identified? No

Significant deficiencies identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

Material weaknesses identified? Yes

Significant deficiencies identified that are not considered to be material weaknesses? Yes

Type of report the auditor issued on compliance for major programs:

Unqualified for all major programs, except for the following programs which were qualified:

- Plant and Animal Disease, Pest Control, and Animal Care (10.025)
- English Language Acquisition Grants (84.365)
- Adoption Assistance (93.659)
- Disaster Grants - Public Assistance (Presidentially Declared Disasters (97.036)
- Hazard Mitigation Grant (97.039)

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? Yes

Dollar threshold used to distinguish between Type A and Type B programs: \$34,252,248

Auditee qualified as low-risk auditee? No

**LISTING OF MAJOR PROGRAMS**  
**FISCAL YEAR ENDED JUNE 30, 2007**

Name of Federal Program or Cluster (1)	CFDA Number(s)	Total Expenditures
Plant and Animal Disease, Pest Control, and Animal Care	10.025	\$ 16,984,765
Food Stamp Cluster	10.551 & 10.561	1,431,901,375
Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559	551,522,680
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	266,602,033
Child and Adult Care Food Program	10.558	122,519,136
Community Development Block Grants - State's Program	14.228	60,073,278
Unemployment Insurance	17.225	1,024,385,607
WIA (Workforce Investment Act) Cluster	17.258, 17.259 & 17.260	114,791,175
Highway Planning and Construction Cluster	20.205	2,102,320,791
Capitalization Grants for Clean Water State Revolving Funds	66.458	66,243,633
Capitalization Grants for Drinking Water State Revolving Funds	66.468	21,901,831
Adult Education - State Grant Program	84.002	34,449,391
Title I Grants to Local Educational Agencies	84.010	650,771,741
Special Education Cluster	84.027 & 84.173	591,742,984
Federal Family Education Loans (FFEL - Guaranty Agencies)	84.032	684,682,261 (3)
Vocational Education - Basic Grants to States	84.048	72,221,469
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	165,590,921
Special Education - Grants for Infants and Families with Disabilities	84.181	21,689,009
Twenty-First Century Community Learning Centers	84.287	42,732,336
Reading First State Grants	84.357	58,351,206
English Language Acquisition Grants	84.365	47,048,055
Improving Teacher Quality State Grants	84.367	137,819,554
Help America Vote Act Requirements Payments	90.401	9,282,583
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	59,329,529
Temporary Assistance for Needy Families	93.558	419,837,620
Child Support Enforcement	93.563	197,425,196
Refugee and Entrant Assistance - State Administered Programs	93.566	77,073,674
Low-Income Home Energy Assistance	93.568	47,537,993
CCDF (Child Care Development Fund) Cluster	93.575 & 93.596	360,143,012
Foster Care - Title IV-E	93.658	144,702,454
Adoption Assistance	93.659	62,862,857
Social Services Block Grant	93.667	175,144,831
State Children's Insurance Program	93.767	269,723,135
Medicaid Cluster	93.775, 93.776, 93.777, 93.778	8,382,401,180
HIV Care Formula Grants	93.917	115,248,693
Disability Insurance - SSI (Supplemental Security Income) Cluster	96.001	93,358,621
Homeland Security Cluster	97.004 & 97.067	50,565,061
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	554,675,035
Hazard Mitigation Grant	97.039	22,410,934
Student Financial Assistance Cluster (Including CFDA 84.032 FFEL - Lenders)	(2)	1,574,937,800
Research and Development Cluster	(2)	488,239,560
<b>Total</b>		<b>\$ 21,391,244,999</b>

Notes: (1) The Schedule of Expenditures of Federal Awards identifies the programs included within the respective clusters.

(2) The Schedule of Expenditures of Federal Awards identifies the various CFDA numbers included within the respective clusters.

(3) The amount shown includes the value of loans guaranteed during the 2006-07 fiscal year totaling \$544,986,119. See the Schedule of Expenditures of Federal Awards, Note 2, for a description of the determination of the value of loans guaranteed.

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**FINANCIAL STATEMENTS FINDINGS**

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Our audit of the State of Florida's basic financial statements for the fiscal year ended June 30, 2007, disclosed certain matters that we communicated in the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards*. These matters are included in this section of the report as finding Nos. FS 07-01 through FS 07-12 and, as applicable, are categorized as follows in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*:

- **Significant Deficiency.** A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.
- **Material Weakness.** A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.



**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

<b>Finding Number</b>	<b>FA 07-099</b>
<b>CFDA Number</b>	15.634, 20.514, and 66.468
<b>Program Title</b>	<b>Research &amp; Development Cluster (R&amp;D)</b> Groundwater Modeling and Refinement for Public Well Safety (15.634) USDOT Consortium Intermodal Transportation (20.514) Invasive Plants – State Wildlife Grants ( 66.468)
<b>Compliance Requirement</b>	<b>Allowable Costs/Cost Principles – Time-and-Effort</b>
<b>State Educational Entity</b>	<b>Florida Atlantic University (FAU)</b>
<b>Federal Grant/Contract Number and Grant Year</b>	CFDA No. 15.634 Federal Wildlife Commission (FWC) Agreement No. 06006, July 1, 2006 - June 30, 2007 CFDA No. 20.514 49 United States Code (USC) 5314(a), June 15, 2004 – August 31, 2007 CFDA No. 66.468 Department of Environmental Protection (DEP) Contract No. GW 252, July 1, 2005 – June 30, 2007
<b>Finding Type</b>	Material Noncompliance and Significant Deficiency Questioned Costs - \$330,375.83 (FWC Agreement No. 06006, \$39,866.36; 49 USC 5314(a), \$230,793.84; DEP Contract No. GW 252, \$59,715.63)
<b>Finding</b>	After-the-fact time-and-effort payroll certification forms did not reflect actual time worked by employees on various Federal contracts and grants, and such forms and reports documenting time-and-effort were not always certified by the employee or an individual with direct knowledge of the employee's work, contrary to Federal cost principles.
<b>Criteria</b>	OMB Circular A-21, Sections C., <i>Basic Considerations</i> and J. 10.c.(2), <i>Compensation for Personal Services</i> ; and the institution's Directives and Procedures.  Federal regulations require that after-the-fact personnel activity reports be completed within six months of the end of the academic term for academic personnel, and monthly for non-academic or non-professional personnel. These reports should be signed by the employee and a supervisor with direct knowledge of the employee's activities.
<b>Condition</b>	The institution's procedures required that payroll certification forms be approved at the end of each pay period by the Department head and timekeeper. In addition, faculty was required to document non-instructional activities in the Faculty Academic and Information Reporting system. Our review disclosed that the institution's procedures were not in compliance with Federal regulations, as follows:  <ul style="list-style-type: none"> <li>• Although payroll certification forms were prepared after-the-fact, the percentage of effort shown was based on budgeted or anticipated percentages of effort rather than actual effort, and the forms were not signed by the employee and an individual with direct knowledge of the employee's activities.</li> <li>• Our review of reports generated by the Faculty Academic and Information Reporting system for faculty paid from the three contracts or grants selected disclosed that those reports were not always signed by the employee and an individual with direct knowledge of the employee's activities.</li> </ul> <p>Questioned costs for salary and benefits (\$272,036.80) and OPS (\$58,339.03) payroll for the three contracts or grants tested totaled \$330,375.83 (FWC</p>

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	Agreement No. 06006, \$39,866.36; 49 USC 5314(a), \$230,793.84; and DEP Contract No. GW 252, \$59,715.63).
<b>Cause</b>	The institution had not implemented procedures to ensure that all required time-and-effort after-the-fact certifications were completed in accordance with Federal requirements.
<b>Effect</b>	Financial data may not be reliable, reports to users may not be accurate, and unallowable costs may be charged to grants and go undetected.
<b>Recommendation</b>	The institution should implement procedures to ensure that after-the-fact activity certification forms and Faculty Academic and Information Reporting system reports reflect the employees' actual effort and are certified by employees and an individual with direct knowledge of the employee's work in accordance with Federal Regulations.
<b>Auditor General Contact and Telephone Number</b>	Ted Sauerbeck, CPA, Audit Manager tedsauerbeck@aud.state.fl.us (850) 487-4468
<b>FAU Response and Corrective Action Plan</b>	The University agrees with audit finding FA 07-099 related to Time-and-Effort reporting. We have formed a committee to evaluate available Time-and-Effort reporting systems that could be integrated with our Banner ERP. The University will acquire a new Time-and-Effort system as recommended by the committee. The University will establish new policies and procedures to ensure that after-the-fact activity certification in the new Time-and-Effort system reflects the actual effort and that this effort is certified by the employees and other staff with direct knowledge of the employee's work in accordance with OMB Circular A-21.
<b>FAU Contact and Telephone Number</b>	Edwin P. Bemmell (561) 297 2606
<b>Estimated Corrective Action Date</b>	June 30, 2008

# STATE OF FLORIDA

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

SUBMITTED IN ACCORDANCE WITH  
OMB CIRCULAR A-133

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2007



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Florida Atlantic University**

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<u>Paragraph/Finding No(s). (1)</u>	<u>Program/Area</u>	<u>Brief Description</u>	<u>Status</u>	<u>Comments</u>
FA 06-084 FA 05-089	Student Financial Assistance (SFA) Cluster CFDA Nos. 84.032 and 84.063	The institution did not implement procedures to timely identify stale-dated checks with Title IV HEA funds and return those funds to the Title IV HEA programs before the date the funds would otherwise escheat or no later than the date a check to the student would cease to be negotiable.	Fully Corrected	The University has implemented procedures for identifying, segregating, and monitoring stale dated checks in accordance with established Title IV guidelines. We will ensure the timely remittance of Title IV funds to the appropriate agencies to assure compliance with Federal regulations.
FA 06-096 FA 05-104	SFA Cluster CFDA Nos. 84.032 and 84.063	The institution did not comply with return to Title IV regulations for students that unofficially withdrew.	Fully Corrected	Wording in the drop-down box for professors to explain F and U grades has been clarified to the following: "A Financial Aid reason code must be provided for all F and U grades assigned as a final grade. Examples of valid forms of documentation that you may use are attendance rosters, graded assignments, quizzes, or exams. For audit purposes, please retain documentation for three years."
FA 06-104 FA 04-107	R&D Cluster Various	The frequency of grants claiming CAS exemptions (approximately 60 percent) does not appear to qualify as unlike circumstances.	Partially Corrected	We agree with the audit findings related to the use of CAS 502 exemptions. We have discussed this matter in depth with the staff of both the pre- and post-award administration at our institution in order to create an awareness of the CAS 502 requirements. We have also followed up with several reminders to the University community, indicating that we will only issue CAS exemptions, which rigidly adhere to the Federal regulations. Finally, we are in the process of engaging a consulting firm who will perform a compliance risk analysis and recommend changes to policies in order to assure compliance to Federal regulations. We are still waiting for a determination/clarification from the

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Florida Atlantic University**

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<u>Paragraph/Finding No(s). (1)</u>	<u>Program/Area</u>	<u>Brief Description</u>	<u>Status</u>	<u>Comments</u>
				Department of Health and Human Services on this issue.
FA 05-122	Research and Development (R&D) Cluster CFDA No. 20.514	Grant charges were not adequately documented.	Fully Corrected	All computers are now properly installed and used by faculty and students for research purposes associated with the grant. The computers are currently located on the Boca Campus in EG253.
FA 04-117	R&D Cluster CFDA Nos. 11.417 and 43.001	The institution claimed, as part of grants' matching, indirect costs calculated on the matching funds, which may be unallowable.	Fully Corrected	The cost sharing in question was in one instance approved by the pass-through granting agency and for the other grant, we were informed by the grantor that the cost share was a goal and funding would not be reduced if we could not meet that goal. Therefore there is no affect if we reduce the cost share to exclude the indirect costs. In addition, OMB Circular A110 defines cost sharing as the portion of project or program costs not borne by the Federal Government. The University's calculation of indirect cost (using the Federally approved indirect cost rate) based on actual expenditures was in accordance with OMB circulars and properly authorized.

Note: (1) Paragraph/Finding No(s). refer to audit findings in report No. 2005-158, report No. 2006-152, or report No. 2007-146.

Name and Title of Responsible Official: Kenneth A. Jessell, Vice President for Financial Affairs