





AVOIDING COMMON AUDIT FINDINGS IN LOCAL GOVERNMENT

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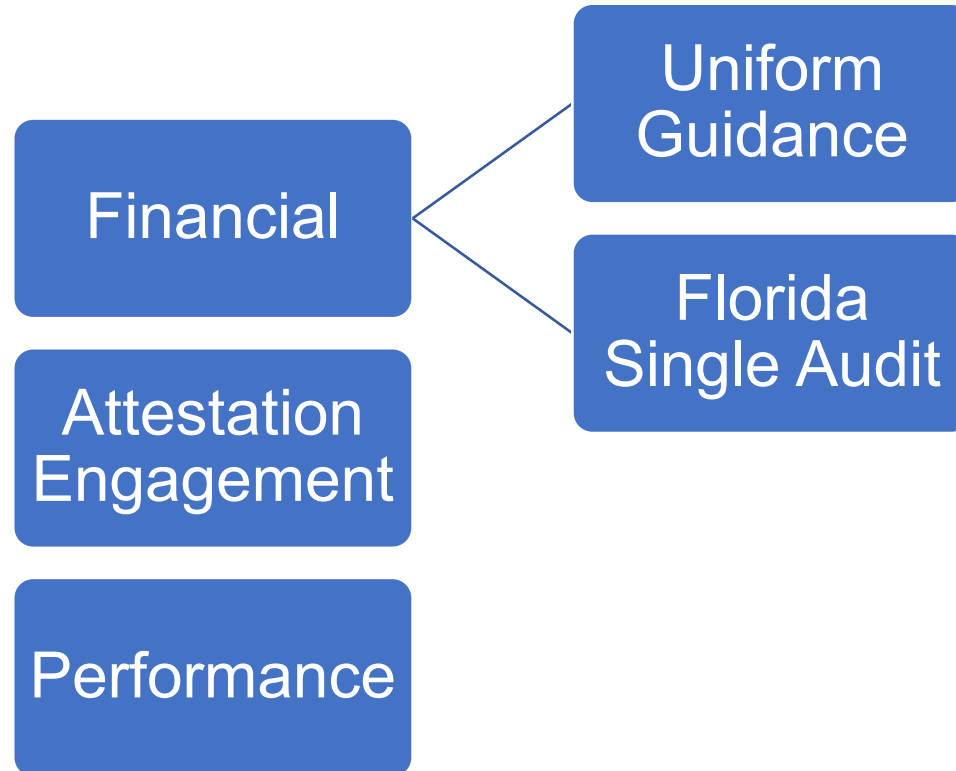
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PRESENTATION OUTLINE

- Types of Governmental Audits
- Objectives of a Financial Audit
- Uniform Grant Guidance – Single Audit
- Types of Audit Opinions
- Statements on Auditing Standards (SAS)
- Auditor General Findings & Requirements
- Headline News
- Favorite 4 Findings from Prior Year Conference
- Audit Findings
- References
- Q&A

TYPES OF GOVERNMENTAL AUDITS



OBJECTIVES OF A FINANCIAL AUDIT

The objective of the financial audit is to render an opinion by independent auditors expressing whether the Financial Statements present fairly the financial position, changes in financial position, and cash flows of the organization.





Uniform Grant Guidance (2 CFR Part 200)

- Overview & Compliance for Local Governments
- Federal regulation for grant management
- Applies to governments, nonprofits, schools
- Located in 2 CFR Part 200
- Standardizes federal requirements



Purpose of Uniform Grant Guidance

- Reduce administrative burden
- Promote consistency
- Strengthen accountability
- Prevent fraud and abuse



Key Components

- Administrative Requirements
- Cost Principles
- Audit Requirements



Administrative Requirements

- Internal controls required
- Written policies
- Procurement standards
- Subrecipient monitoring
- Reporting requirements



Cost Principles

- Allowable, reasonable, necessary
- Allocable and consistent
- Unallowable: alcohol, entertainment



Uniform Grant Guidance (UGG) 2 CFR Part 200

Office of Management & Budget 2024 Revisions provided for the following:

- Raised the single audit threshold from \$750,000 to \$1 million.
- Raised the de minimus indirect cost rate from 10% to 15%.
- Uses the term recipient and subrecipient except in areas where a specific provision applies to an entity that is not a federal entity.
- Raises equipment and supply thresholds from \$5,000 to \$10,000.

*****Effective for fiscal years beginning on or after October 1, 2024.***



Uniform Grant Guidance Update

Revises the template for a Notice of Funding Opportunity (NOFO).

- Federal agencies must design and execute a plan to increase the accessibility, readability, clarity, and design of their NOFOs for new discretionary assistance programs where Federal awards are selected on a competitive basis
- Federal agencies must announce specific NOFOs for Federal financial assistance that will be openly competed. NOFOs should be limited in length and only request information necessary for effective communication of program objectives.



Uniform Grant Guidance Update

Build America, Buy America

- 2 CFR part 184 and Memorandum M-24-02,9 providing implementing guidance on the application of the Buy America preference in Federal financial assistance programs for infrastructure set forth in the Build America, Buy America Act (BABA) included in the Infrastructure Investment and Jobs Act.¹⁰ BABA strengthens America's industrial base, protects national security, and improves the resiliency of critical supply chains by maximizing the use of American products in Federal awards for infrastructure.
- This memorandum directs Federal agencies to use the program development and NOFO process as a tool to identify and address supply chain gaps. Early identification of items that are not available domestically can provide opportunities for agencies to take steps to build domestic manufacturing capacity.
- Agencies to develop a plan for increasing domestic supply, in coordination with OMB. Federal agencies are also encouraged to gather Buy America sourcing plans from applicants as part of the application process. Federal agencies should consider asking applicants to identify products they expect to procure for the infrastructure project that are not available domestically, and to describe their plan to comply with domestic content requirements.



One Big Beautiful Bill Act (2025)

- Signed into law July 4, 2025
- Extends and expands many provisions of the 2017 Tax Cuts and Jobs Act
- Includes new deductions, credits, and tax relief
- Many provisions effective beginning Tax Year 2025

The OBBBA, signed in July 2025 did not directly amend or replace the UGG in 2 CFR Part 200. The act is primarily a tax and federal spending law, focused on tax policy, entitlement spending, and certain tax provisions.



Florida Single Audit Overview

- Applies to state & local governments
- Governed by Chapter 10.550, Auditor General Rules
- Covers federal AND state financial assistance
- Aligns with Uniform Grant Guidance (UGG)



Florida-Specific Single Audit Requirements

- Chapter 10.550, Rules of the Auditor General
- State Single Audit threshold: \$750,000 (federal + state)
- SEFA + SEFA-like state schedule required
- Submission via Florida Auditor General reporting system
- Additional state compliance requirements



Common Findings & Best Practices

- Incomplete SEFA or errors
- Weak internal controls
- Procurement noncompliance
- Lack of documentation
- Best Practice: Monthly monitoring & training



What This Means for Local Governments

- Centralized grant tracking is critical (SEFA accuracy)
- Procurement must follow UGG and Florida rules
- Strong internal controls and documentation required
- Timely and complete reporting is essential
- Correct prior audit findings proactively



Top 5 Focus Areas to Avoid Findings

- Perform monthly grant reconciliations
- Document all procurement decisions
- Maintain written policies and approvals
- Track and resolve prior audit findings
- Submit complete audit packages on time



Real-World Application

- Track grants separately
- Follow procurement rules
- Maintain documentation
- Monitor subrecipients
- Prepare SEFA and State Project Schedule
- Internal controls over compliance
- Test major programs
- Follow Auditor General reporting format
- Submit to Florida Auditor General



OTHER TYPES OF GOVERNMENTAL AUDITS

Attestation Engagement

Examinations/procedures that lead to a report & assertion about subject matter that is the responsibility of another party.

Performance

Determination of whether managers are using resources efficiently & effectively in accomplishing organizational goals.

TYPES OF AUDIT OPINIONS

Unmodified

Financial statements present fairly, in all material respects, financial position & changes in position.

Qualified

Financial Statements contain material departure from GAAP or there is a material change between periods in GAAP.

TYPES OF AUDIT OPINIONS

Adverse

Financial statements do not present fairly in conformity with GAAP.

Disclaimer

Auditor unable to obtain sufficient appropriate audit evidence on which to base the opinion. Often due to inability to examine records.

STATEMENT ON AUDITING STANDARDS (SAS)

SAS 114

- Communicating with those charged with governance
- Auditor's responsibilities
- Overview of scope & timing of audit
- Significant findings from the audit

SAS 115

- Communicating Internal Control Related Matters.
Control Deficiency
Significant Deficiency *
Material Weakness*

**Requires written communication to management and those charged with governance.*

SAS 115 - DEFINITIONS

Control Deficiency

A deficiency in internal control 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 and correct misstatements on a timely basis.

Significant Deficiency

A control deficiency, or combination of control deficiencies, 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.

Material Weakness

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.



AUDITOR GENERAL FINDINGS

Weak Internal Controls (Most Frequent)

- Lack of segregation of duties
- Inadequate oversight or review processes
- Missing or ineffective policies

**This is the root cause of many other findings (procurement, reporting, fraud risk).



AUDITOR GENERAL FINDINGS

Errors or Incomplete SEFA / State Schedules

- Missing or inaccurate Schedule of Expenditures of Federal Awards (SEFA)
- Failure to include State Financial Assistance (SESA)
- Incomplete notes or incorrect CFDA numbers

Florida requires:

SEFA combined with state financial assistance schedule. Entities track federal grants ***but fail to properly track state awards.***



AUDITOR GENERAL FINDINGS

Noncompliance with Procurement Requirements

- Missing quotes or bid documentation
- Following competitive procurement thresholds
- Conflicts of interest not documented



AUDITOR GENERAL FINDINGS

Inadequate Documentation for Costs

- Unsupported expenditures
- Missing invoices, contracts, or approvals
- Payroll/time reporting deficiencies

Auditor
General
Requirements

Florida Statutes

Section 163.387

Section 215.97

Section 218.39

Section 288.8018(1)

Florida Auditor General

Rule 10.556-10.558



HEADLINE NEWS



Florida School Voucher Program

Florida's universal school voucher system allows any student to receive public funds for private education, heavily utilizing Education Savings Accounts (ESAs) administered primarily through Step Up for Students. However, following 2025 audits uncovering major, over \$47 million in misallocated funds and tracking failures, the Senate passed a bill in January 2026 to overhaul the system with stricter documentation and student tracking.

Florida School Voucher Program

Major Findings Included

- Misallocated funds-Millions in voucher funds were improperly sent to families or private schools for students who were enrolled in public schools, resulting in the need to recoup funds.
- Tracking failures-The Florida Department of Education (FDOE) faced difficulties tracking roughly \$270 million in voucher funds.
- Double Payments-Evidence of double payments (public and private) for roughly 30,000 students.
- Underfunded Public Schools- A \$398 million funding shortfall for public schools was identified.

How can these findings be mitigated?



The Accountants as the Foundation

- Internal Accountants
- External Accountants
- Governmental Accountants
- Systems Accountants
- Forensic Accountants
- Bookkeeping / General Ledger / TB Accountants

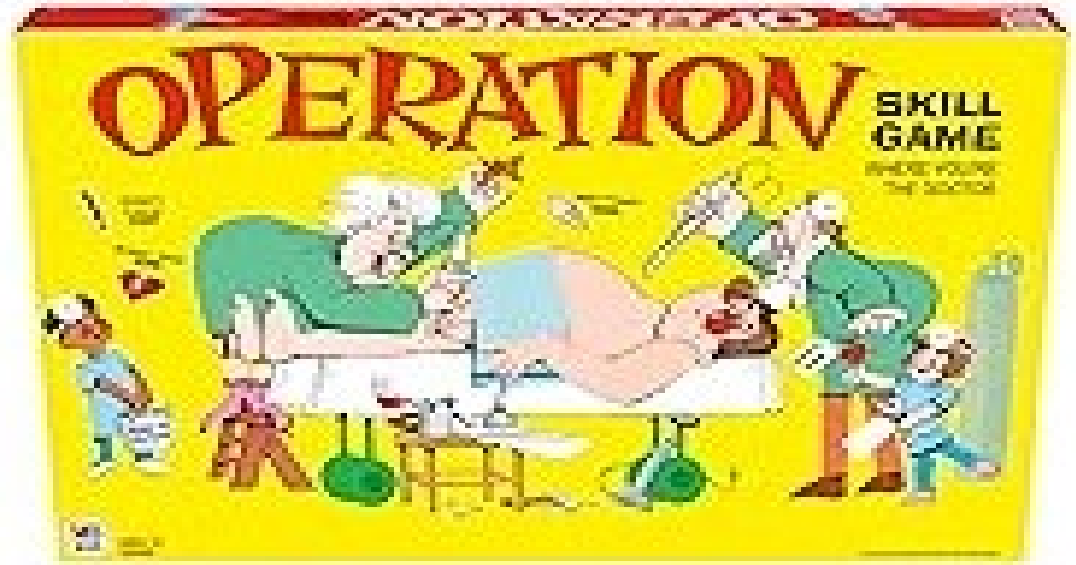




What Type of Accountant are you?



MR & MRS POTATO HEAD



OPERATION

FAVORITE 4 FROM PRIOR YEAR

CAUSE	CONDITION	EFFECT
<p>Finance did not ensure that all adjusting entries were recorded to the appropriate general ledger accounts.</p>	<p>At commencement of final fieldwork, our discussion with management focused on structural fund changes/additions as a result of previous discussions for operational needs as well as changes for the upcoming system implementation. These topics result in major adjustments for each internal service fund and each fund type that was impacted by the operational and new system implementation changes. In addition, we noted several other areas that needed adjustment: debt, fixed assets and grants.</p>	<p>At the commencement of final fieldwork, all significant areas should be completed in order to limit the need for a large volume of subsequent journal entries. This reduces the chance of errors and helps ensure a timely completion of the audit process.</p>

FAVORITE 4 FROM PRIOR YEAR

CAUSE	CONDITION	EFFECT
<p>The City was not consistent in the application of the City's capitalization policy resulting in the expenditure/expensing of costs that should have been capitalized pursuant to the City's policies. As a result, entries to reclassify capital expenditures/expenses of approximately \$5 million across multiple funds were needed to properly account for capital expenditures that met the City's criteria to be included as a capital asset.</p>	<p>The City did not capitalize expenditures consistent with the City's capitalization policies.</p>	<p>The City is not in compliance with their capitalization policies. As a result, capital assets could be understated and current year expenditures/expenses overstated.</p>

FAVORITE 4 FROM PRIOR YEAR

CAUSE	CONDITION	EFFECT
The School Board did not have adequate controls in place to monitor compliance with prevailing wage requirements.	The School Board did not have adequate internal controls to ensure that it received weekly certified payrolls from contractors and subcontractors if paid with this grant money.	Failure to comply with program requirements could result in loss of grant funding.

FAVORITE 4 FROM PRIOR YEAR

CAUSE	CONDITION	EFFECT
<p>The new accounting system was not designed and implemented effectively such that it was not functioning sufficiently to maintain up-to-date and accurate financial records for most classes of transactions and account balances.</p>	<p>During the audit we found that financial records for many classes of transactions and account balances were not accurately completed on a timely basis. Financial reports were not in place to extract the financial information required and the financial information provided to us required material correcting entries</p>	<p>Multiple material errors were identified during the audit.</p>



SMALL LOCAL GOVERNMENT FINDINGS



SMALL GOVERNMENT FINDINGS

CAUSE	CONDITION	EFFECT
<p>The deficiency arises from lack of personnel with the necessary skill, knowledge, and experience to prepare financial statements and disclosures independently. While management possesses the ability to review auditor-assisted financial statements, they do not have the technical expertise to prepare them in compliance with GAAP.</p>	<p>The audit identified that the Town does not have the necessary expertise to prevent, detect, and correct misstatements in financial statements. Specifically, the Town lacks the capability to draft financial statements and require footnote disclosures in accordance with GAAP without external assistance.</p>	<p>The absence of internal expertise in financial statement preparation increases the risk of errors, misstatements, and non-compliance with GAAP. Without adequate internal controls, financial reporting may be inaccurate or incomplete, potentially impacting decision making and regulatory compliance.</p>

RESOLUTION OF THE FINDINGS

- Hiring qualified staff with experience in Accounting & Financial Reporting.
- Training in governmental accounting & reporting.
- Documented financial processes.
- Consider outsourcing the financial statement preparation process.



SMALL GOVERNMENT FINDINGS

CAUSE	CONDITION	EFFECT
Inadequate design and implementation of compensating internal controls.	The audit found that the Town Clerk is performing both bookkeeping and receipting functions, and there are no adequate compensating internal controls.	The clerk could commit theft of cash and rental fees without being easily or quickly detected.



RESOLUTION OF THE FINDINGS

- Hiring qualified staff with experience in Accounting & Financial Reporting.
- Documented financial processes.
- Management or supervision of the clerk staff.
- Separation of duties from bookkeeper and person making deposits.



SMALL GOVERNMENT FINDINGS

CAUSE	CONDITION	EFFECT
<p>Audit procedures identified that the City did not maintain all credit card receipts/invoices in support of purchases made.</p>	<p>The audit identified that the City was not able to produce all credit card receipts for credit card purchases made during the year.</p>	<p>The City did not maintain appropriate disbursements records for purchases made.</p>



MEDIUM LOCAL GOVERNMENT FINDINGS



MEDIUM GOVERNMENT FINDINGS

CAUSE	CONDITION	EFFECT
<p>The City did not properly calculate the lease entries according to the terms as per the lease contract and the City's incremental borrowing rate. The City did not properly record the proceeds and corresponding capital expenditure when a lease liability was recorded.</p>	<p>The City did not correctly estimate and record leases consistent with Governmental Accounting Standards Board (GASB) Statement No. 87, <i>Leases</i> in multiple instances. Specifically: 1) In the General Fund the Ballpark lease receivable was overstated by \$374,454 and deferred inflows for leases was overstated by \$378,640 as the City did not calculate the lease using the City's incremental borrowing rate; 2) in CRA Fund the lease receivable was overstated by \$12,354 and the deferred inflows was overstated by \$19,368; 3) In the General Fund the City did not properly record the lease proceeds and corresponding capital outlay for a lease liability addition during the year, understanding both lease proceeds and capital outlay by \$202,763.</p>	<p>As a result of these errors, the City's financial statements reflected inaccurate balances for lease receivables, deferred inflows, lease proceeds, and capital outlay. These inaccuracies may mislead users of the financial statements and result in noncompliance with applicable accounting standards.</p>



RESOLUTION OF THE FINDINGS

- Training on governmental accounting & reporting; specifically, on GASB 87.
- Work with the auditors on the proper recording of all the leases.
- Document financial processes.
- Create an annual checklist with documentation that includes all leases, the corresponding entry, and payment schedules.



MEDIUM GOVERNMENT FINDINGS

CAUSE	CONDITION	EFFECT
<p>The department at the City that is responsible for managing the grant did not originally have a process in place to document their review of progress reports submitted to the Florida Department of State by their third party consultant.</p>	<p>Review of quarterly reports was not always documented by City officials before submittal by their third party consultant.</p>	<p>Reports submitted to the Florida Department of State may be incomplete, include errors, or be submitted late.</p>



RESOLUTION OF THE FINDINGS

- Hiring qualified staff with experience in grant accounting & reporting.
- Document financial processes specifically related to grant reporting requirements.
- Management or Supervision of grant processes should also be documented and performed monthly, with proper sign off after review.
- Create a quarterly checklist with documentation that includes all grant expenditures, the corresponding purchase orders, and proof of payments.
- Documentation of proper sign off of quarterly reports before submittal should be included in the grant reporting processes.



MEDIUM GOVERNMENT FINDINGS

CAUSE	CONDITION	EFFECT
Extenuating circumstances resulting from the Hurricane Idalia/Helene delayed the annual inventory of fixed assets.	No inventory of capital assets was taken during the year ending September 30, 2023 or 2024.	Misstatement of capital asset balances, potential errors in financial statements.



LARGE LOCAL GOVERNMENT FINDINGS



LARGE GOVERNMENT FINDINGS

CAUSE	CONDITION	EFFECT
<p>Staff responsible for reporting the change in enrollment status was not aware that the students were not reported within the required time frame.</p>	<p>The School Board could not provide documentation confirming that the student's change in enrollment status was reported in a timely manner to the NSLDS, as required by the Compliance Supplement.</p>	<p>The School Board is not in compliance with the grant terms and therefore future funding maybe impacted.</p>

RESOLUTION OF THE FINDINGS

- This scenario indicates a significant compliance finding regarding Title IV federal student aid regulations. Failure to provide documentation for timely NSLDS (National Student Loan Data System) enrollment reporting often leads to audit findings. Schools must report enrollment status changes within 60 days, or as part of a roster file, to avoid issues with student grace periods and loan servicing.
- **Key Compliance Implications**
- **Audit Risk:** Inability to document compliance frequently leads to findings in the Student Financial Assistance Cluster, requiring corrective action plans.
- **Reporting Timelines:** Institutions must report enrollment status changes (withdrawals, graduations, or less than half-time) within 60 days of determination, or include them in a subsequent roster file.
- **Impacted Data:** Schools must report accurate enrollment statuses (e.g., Graduated 'G', Withdrawn 'W') at both the campus and program level to ensure accurate borrower records.

RESOLUTION OF THE FINDINGS

Recommendations for Resolution

- **Locate Documentation:** Search for submission confirmation files from the [National Student Clearinghouse](#) or direct NSLDS reports.
- **Review Procedures:** Establish a formal process for reviewing and correcting errors flagged by NSLDS, as shown in the [Error Resolution Report Guide](#).
- **Verify Changes:** Ensure that all status changes are processed at the program level.
- If documentation cannot be found, the school should contact the NSLDS Customer Support Center for guidance



LARGE GOVERNMENT FINDINGS

CAUSE	CONDITION	EFFECT
<p>Management indicated that the entries used information as of 09/30/2024, instead of using information as of 09/30/2023 which was the appropriate measurement date for recording the pension entries.</p>	<p>A material adjustment was identified and recorded to pension deferred outflows of resources in the governmental activities. The City inadvertently presented the amount base on the incorrect measurement date, resulting in an understatement of approximately \$30 million.</p>	<p>The original balance reported in the draft financial statements of \$158 million was understated by \$30 million.</p>

RESOLUTION OF THE FINDINGS

- A material adjustment of approximately \$30 million regarding pension deferred outflows of resources, caused by using an incorrect measurement date, is a significant restatement for a governmental entity. Based on typical governmental accounting error corrections, this type of error often requires a **prior period adjustment** to the beginning net position in the government-wide financial statements.
- **Key Accounting Considerations**
- **Measurement Date Error:** Under GASB Statement No. 68, the net pension liability and related deferred outflows/inflows must be measured as of a specific date (measurement date) that is not earlier than the end of the employer's prior fiscal year.
- **Correction Mechanism:** Since the error resulted in a material understatement of deferred outflows of resources (which are similar to assets and increase net position), the correction is typically treated as a restatement of the beginning net position in the financial statements for the current year.
- **Components Affected:** The adjustment affects the **Governmental Activities** statement of net position, specifically increasing deferred outflows of resources and adjusting the net position



LARGE GOVERNMENT FINDINGS

CAUSE	CONDITION	EFFECT
<p>Internal controls over certain payments, including payments regulating review of contractor and subcontractor wage rates were not evidenced with clear documentation.</p>	<p>Internal controls related to review of one invoice for a payment to a subrecipient, did not have evidence of all required approvals necessary to ensure compliance with allowable costs, cost principles, and period of performance requirements. One monthly payroll allocation journal entry did not have evidence of required approval necessary to ensure compliance with allowable costs, cost principles, and period of performance requirements. Controls were not sufficient over the special tests and provisions – wage rate requirements compliance requirement.</p>	<p>Allowable costs, cost principle, period of performance, and special tests and provisions-wage rate requirements compliance requirements may not be met due to lack of reperformable internal controls.</p>



FEDERAL GOVERNMENT FINDINGS

CAUSE	CONDITION	EFFECT Federal Labor Relations Authority
<p>Federal Labor Relations Authority (FLRA) did not have sufficient internal controls in place to ensure a complete review of all open obligations as budget and finance staff were not sufficiently working with project management personnel.</p>	<p>The audit indicated that FLRA's procedures for the review of open obligations should be improved. Discussions with budget and finance staff during the audit indicated that significantly aged open obligations were not fully vetted with project management personnel to determine if they should be closed out. In addition, FLRA's Executive Director stated that older obligations may have been left open due to staffing turnover. FLRA should verify what makes up these balances to ensure accuracy.</p>	<p>The following amounts currently are reflected on the trial balance as undelivered orders that are aged more than three years.</p>



RESOLUTION OF THE FINDINGS

- To ensure accurate reporting, FLRA should take the following steps:
- **Conduct a Comprehensive Review:** Perform a line-by-line validation of all significantly aged open obligations to identify their purpose and current status.
- **Vet with Project Managers:** Actively engage project management personnel to determine if the obligations should be closed out.
- **Strengthen Procedures:** Implement new, mandatory procedures for regular, documented reviews of open obligations to prevent reoccurrence.
- **Mitigate Turnover Risks:** Develop a formalized, documented handover process for financial obligations to ensure continuity during staff changes.
- **Verify Account Balances:** Ensure that the final account balances match documentation to ensure integrity in financial reporting.



REFERENCES

Florida Statutes

<http://www.leg.state.fl.us/statutes/>

Rules of the Auditor General

https://flauditor.gov/pages/pdf_files/10_550.pdf

Uniform Grant Guidance

[CFO.gov | Uniform Guidance: Title 2 of the Code of Federal Regulations](#)

Whitehouse Office of Management and Budget

[M-24-11-Revisions-to-2-CFR.pdf \(whitehouse.gov\)](#)

Spectrum News 13

https://mynews13.com/fl/orlando/news/2025/12/04/audit-finds-fl-vouchers-program-has-trouble-tracking-millions#:~:text=The%20audit's%20findings%20include:%20*%20The%20state,to%20private%20schools%20and%20other%20education%20entities.



Q & A

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