



Schedule of Expenditures of State Financial Assistance,
Compliance Report on Space Florida – Spaceport
Improvement Program Project, and Report of
Independent Certified Public Accountants

United Launch Alliance, LLC

December 31, 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
United Launch Alliance, LLC

We have audited the accompanying Schedule of Expenditures of State Financial Assistance for the Space Florida – Spaceport Improvement Program Project of United Launch Alliance, LLC (the “Entity”) for the year ended December 31, 2018, and the related notes to the Schedule of Expenditures of State Financial Assistance.

Management’s responsibility for the Schedule of Expenditures of State Financial Assistance

Management is responsible for the preparation and fair presentation of the Schedule of Expenditures of State Financial Assistance in accordance with accounting principles generally accepted in the United States of America and the financial reporting provisions of Section 215.97, Florida Statutes and the requirements of Chapter 10.650, *Rules of the Auditor General* of the State of Florida; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule of Expenditures of State Financial Assistance that is free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on the Schedule of Expenditures of State Financial Assistance based on our audit. 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 and Chapter 10.650, *Rules of the Auditor General* of the State of Florida. Those standards and Chapter 10.650, *Rules of the Auditor General* of the State of Florida, require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Expenditures of State Financial Assistance is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule of Expenditures of State Financial Assistance. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Schedule of Expenditures of State Financial Assistance, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity’s preparation and fair presentation of the Schedule of Expenditures of State Financial Assistance in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule of Expenditures of State Financial Assistance.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule of Expenditures of State Financial Assistance referred to above presents fairly, in all material respects, the expenditures of state financial assistance of the Entity for the year ended December 31, 2018 in accordance with accounting principles generally accepted in the United States of America and the financial reporting provisions of Section 215.97, *Florida Statutes* and the requirements of Chapter 10.650, *Rules of the Auditor General* of the State of Florida.

Grant Thornton LLP

Fort Lauderdale, Florida
June 26, 2019

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR THE SPACE FLORIDA – SPACEPORT IMPROVEMENT PROGRAM PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY FLORIDA SINGLE AUDIT ACT AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Board of Directors
United Launch Alliance, LLC

Report on compliance for the Space Florida – Spaceport Improvement Program Project

We have audited the compliance of United Launch Alliance, LLC (the “Entity”) with the types of compliance requirements described in the *Florida Department of Financial Services’ State Projects Compliance Supplement* that could have a direct and material effect on its Space Florida – Spaceport Improvement Program Project for the year ended December 31, 2018.

Management’s responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to the Space Florida – Spaceport Improvement Program Project.

Auditor’s responsibility

Our responsibility is to express an opinion on compliance for the Entity’s Space Florida – Spaceport Improvement Program Project based on our audit of the types of compliance requirements referred to above. 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; the Florida Single Audit Act (Section 215.97, *Florida Statutes*); and Chapter 10.650, *Rules of the Auditor General of the State of Florida*. Those standards, Section 215.97, *Florida Statutes*; and Chapter 10.650, *Rules of the Auditor General of the State of Florida* 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 the Space Florida – Spaceport Improvement Program Project occurred. An audit includes examining, on a test basis, evidence about the Entity’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 on compliance for the Space Florida – Spaceport Improvement Program Project. However, our audit does not provide a legal determination of the Entity’s compliance.

Opinion on the Space Florida – Spaceport Improvement Program Project

In our opinion, the Entity complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Space Florida – Spaceport Improvement Program Project for the year ended December 31, 2018.

Report on internal control over compliance

Management of the Entity is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Entity's internal control over compliance with the types of compliance requirements that could have a direct and material effect on its Space Florida – Spaceport Improvement Program Project to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its Space Florida – Spaceport Improvement Program Project and to test and report on internal control over compliance in accordance with Section 215.97, *Florida Statutes*, and Chapter 10.650, *Rules of the Auditor General* of the State of Florida, 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 Entity's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the Space Florida – Spaceport Improvement Program Project on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the Space Florida – Spaceport Improvement Program Project will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the Space Florida – Spaceport Improvement Program Project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency in the Entity's internal control over compliance.

The Entity's response to the findings on internal control over compliance identified in our audit, which is described in the accompanying schedule of findings and questioned costs was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the Entity's response.



Intended purpose

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Section 215.97, *Florida Statutes*, and Chapter 10.650, *Rules of the Auditor General* of the State of Florida. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Fort Lauderdale, Florida
June 26, 2019

United Launch Alliance, LLC

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

December 31, 2018

<u>State Agency/Pass-Through Entity/State Project</u>	<u>Contract/Grant Number</u>	<u>State CSFA Number</u>	<u>Expenditures</u>
State of Florida, Department of Transportation			
Passed Through Space Florida – Spaceport Improvement Program	G019	55.037	<u>\$ 2,797,596</u>
 Total expenditures of state financial assistance			 <u>\$ 2,797,596</u>

United Launch Alliance, LLC

NOTES TO THE SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE

December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation of the Schedule of Expenditures of State Financial Assistance (the "Schedule") of United Launch Alliance, LLC (the "Entity" or "Company") have been designed to conform to accounting principles generally accepted in the United States and the reporting and compliance requirements of Section 215.97, *Florida Statutes*, and Chapter 10.650, *Rules of the Auditor General* of the State of Florida.

Reporting Entity

Section 215.97, *Florida Statutes*, and Chapter 10.650, *Rules of the Auditor General* of the State of Florida, set forth the audit and reporting requirements for state financial assistance. The Schedule includes all State of Florida awards expended by the Company.

Basis of Accounting

The Schedule has been prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues when they are earned and expenditures when the related liability is incurred.

NOTE 2 - CONTINGENCIES

Grant monies received and disbursed by the Company are for specific purposes and are subject to audit by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. In the opinion of management, grant expenditures are in compliance with the terms of the grant agreement and applicable state laws and regulations. As of June 26, 2019, there were no material questioned or disallowed costs as a result of grant audits in process or completed of which management is aware.

United Launch Alliance, LLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2018

Section I – Summary of Auditor’s Results

Schedule of Expenditures of State Financial Assistance

Type of auditor’s report issued: **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified? **None reported**
- Noncompliance material to financial statements noted? **No**

Noncompliance material to financial statements noted? **No**

State Financial Assistance

Internal control over the Space Florida – Spaceport Improvement Program Project:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified? **Yes**

Type of auditor’s report issued on compliance for state projects: **Unmodified**

Any audit findings disclosed that are required to be reported related to Section 215.97, *Florida Statutes* and Chapter 10.650, *Rules of the Auditor General* of the State of Florida? **No**

Identification of major state project:

<u>CSFA Number</u>	<u>Name of State Project</u>
55.037	Passed Through Space Florida – Spaceport Improvement Program

Dollar threshold used to distinguish between Type A and Type B projects:

State	<u>\$300,000</u>
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United Launch Alliance, LLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended December 31, 2018

Section II – Schedule of Expenditures of State Financial Assistance

Finding No. 2018-001

Criteria: The Schedule of Expenditures of State Financial Assistance (the “Schedule”) has been prepared using the accrual basis of accounting. Accordingly, per *Florida Administrative Code* Section 69I-5.004(2)(a) the determination of when state financial assistance is expended should be based on when the related activity occurs.

Condition: Although there is a process in place to recognize expenditures within the period of performance of the award based on the timing of when reimbursements are submitted, there was insufficient review of the reporting of those expenditures to reflect them in the Schedule on an accrual basis of accounting.

Cause: Management review controls were not sufficient to review expenditures for reporting on the Schedule under the accrual basis of accounting, and accruals were not made for such expenditures to reflect them in the correct period.

Effect: As a result of this finding, there was a total of \$348,500 in expenditures that were expended during the year ended December 31, 2017 that were not reported in the Schedule for the year ended December 31, 2017. While such expenditures were not included in the December 31, 2017 Schedule, the expenditures were appropriate and eligible expenditures under the Space Florida – Spaceport Improvement Project and were properly submitted for reimbursement. Therefore, this finding does not result in a questioned cost.

Recommendation: We recommend that the Entity implement a cut-off review control whereby expenditures are reviewed at period end for proper timing, and accruals are made to reflect expenditures in the correct accounting period.

View of Responsible Officials: In totality, the Entity agrees with the condition, effect, and recommendation as provided. We would however like to offer a statement of clarification related to cause. The Entity believes it acted in good faith in providing all known costs at the time of the audit that were anticipated to be used as reimbursable for the Space Florida Grant based on the criteria set forth at the beginning of the 2018 audit of 2017 costs. The Space Florida grant covered only a very small portion of the Commercial Crew non-recurring effort and at the time of the audit, it was not readily known if the 2017 VIF 2nd Elevator costs would be included when the final invoice was prepared in late 2018 and submitted early 2019.

Section III – State Award Findings and Questioned Costs

No matters were reported.

(continued)

United Launch Alliance, LLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended December 31, 2018

Section IV – Other Matters

No management letter is required because there were no findings required to be reported in a management letter pursuant to Section 10.654(1), *Rules of the Auditor General* of the State of Florida.

As part of its corrective action plan, the Entity will implement a cut-off review control to review expenditures at period-end for proper timing and to reflect such expenditures The Schedule of Expenditures of State Financial Assistance in the correct accounting period.

No summary schedule of prior audit findings is required as there were no prior audit findings.