

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

**Florida Power and Light Company**

December 31, 2019

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors  
Florida Power and Light Company

We have audited the accompanying Schedule of Expenditures of State Financial Assistance of Florida Power and Light Company (the "Entity") for the year ended December 31, 2019, 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, 2019 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  
September 18, 2020

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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  
Florida Power and Light Company

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

We have audited the compliance of Florida Power and Light Company (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, 2019.

**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, 2019.

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001 and 2019-002 that we consider to be a deficiency in the Entity's internal control over compliance. However, material weaknesses may exist that have not been identified.

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  
September 18, 2020

**Florida Power and Light Company**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**Year Ended December 31, 2019**

<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	SF18-046	55.037	\$ 2,485,822
	C20244	55.037	<u>3,966,195</u>
Total expenditures of state financial assistance			<u>\$ 6,452,017</u>

The accompanying notes are integral part of this schedule.

**Florida Power and Light Company**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

**December 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and presentation of the Schedule of Expenditures of State Financial Assistance (the "Schedule") of Florida Power and Light Company (the "Entity" or "Company") have been designed to conform to accounting principles generally accepted in the United States of America 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. Because the Schedule presents only a selected portion of the operations of the Entity, it is not intended to and does not present the financial position, changes in equity, or cash flows of the Entity.

***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 September 18, 2020, there were no material questioned or disallowed costs as a result of grant audits in process or completed of which management is aware.

**Florida Power and Light Company**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2019**

**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? **None reported**

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? **See Section II**

Identification of major state project:

<u>CSFA Number</u>	<u>Name of State Project</u>
55.037	State of Florida, Department of Transportation - Passed Through Space Florida - Spaceport Improvement Program

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

**State** **\$300,000**

**Florida Power and Light Company**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**Year Ended December 31, 2019**

**Section II - Schedule of Expenditures of State Financial Assistance Findings**

**Finding No. 2019-001**

**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:** The Company's policy is to ensure amounts above \$25,000 are accrued for at year end. Management review controls were not precise enough as the invoices that were identified outside of the period of availability were below the \$25,000 threshold. Therefore, the individual invoices noted outside of the period of performance were below \$25,000 each. In total, the invoices noted outside the period of availability were \$43,355.

**Effect:** As a result of this finding, there was a total of \$43,355 in expenditures that were expended during the year ended December 31, 2019 that related to year end December 31, 2018 expenditures with regards to grant agreement SF18-046. While such expenditures were incorrectly included in the December 31, 2019 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.

**Context:** As part of the compliance testing performed, it was noted that two sample selections were outside the period of availability of the grant agreement SF18-046. The Company then performed an assessment on the population and noted the total amount of invoices within the population that was outside of the period of performance. Based on this information, we are able to quantify the audit finding as mentioned within the effect.

**Repeat Finding:** The conditions in this finding were previously reported in finding 6a of prior audit report. Refer to the Summary Schedule of Prior Audit Findings.

**Recommendation:** We recommend that the Entity implement a cut-off review control that is 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 and planned corrective actions:** 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 2019 audited costs.

**Florida Power and Light Company**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**Year Ended December 31, 2019**

**Finding No. 2019-002**

**Criteria:** Space Florida requires that the quarterly report is due on the 15th of the month.

**Condition:** Although there is a process in place to ensure quarterly reports are submitted timely to Space Florida, there was insufficient internal controls to ensure the quarterly report for June 2019, was submitted timely to Space Florida.

**Cause:** The Entity did not have adequate internal controls in place to ensure it submitted quarterly reports timely to Space Florida.

**Effect:** As a result of this finding, certain reporting requirements were not satisfied as stated per the grant agreement. This finding does not result in a questioned cost.

**Context:** As part of testing the reporting requirements as stated per the grant agreement, we noted the June 30, 2019 report related to grant number SF 18-046 was provided to Space Florida past the due date. The due date is the 15<sup>th</sup> of the following month after the quarter. The June 30, 2019 report was submitted on July 22, 2019. This is a progress requirement stated per the grant agreement, and therefore, the finding did not result in a dollar value variance.

**Repeat Finding:** The conditions in this finding were previously reporting in finding 6b of prior audit report. Refer to the Summary Schedule of Prior Audit Findings.

**Recommendation:** We recommend that the Entity implement internal controls to ensure to adhere to the reporting requirements as stated per the grant agreement with Space Florida.

**View of responsible officials and planned corrective actions:** In totality, the Entity agrees with the condition, effect, and recommendation as provided. The Quarterly reports were filed in conjunction with the invoice requests and were subsequently reviewed by Space Florida. Based on the follow-up, the quarterly reports were deemed acceptable and resulted in payment for the applicable timeframe. The Entity will confirm that all reporting requirements have been deemed satisfied by Space Florida.

**Section III - State Award Findings and Questioned Costs**

No matters were reported.

**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.

**Florida Power and Light Company**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended December 31, 2019**

**Fiscal year: 2018**

Prior Audit Finding Number: 6a  
Florida Department of Transportation  
Spaceport Improvement Program  
CSFA # 55.037; Contract/Grant number: SF18-046

*Condition:* In testing, it was found that two invoices totaling \$19,468 for expenditures incurred from August 2017 to November 2017. These costs were determined to be allowable per the grant agreement, but as they were incurred before November 3, 2017, they are outside the period of availability but included as they were invoiced after November 3, 2017.

*Auditor's Recommendation:* Both invoices were based on work completed by the vendor after November 3, 2017 (the effective date of the agreement). While such expenditures were inappropriately included in the December 31, 2018 Schedule, the expenditures were appropriate and eligible expenditures under the Space Florida - Spaceport Improvement Project and were properly submitted for reimbursement. Therefore, this finding did not result in a questioned cost. FPL will confirm with Space Florida these costs were eligible.

*Current Status:* Corrective action is in process regarding controls surrounding cutoff of expenditures. Space Florida noted the two invoices totaling \$19,468 to be ineligible expenditures under the grant due to the dates of service being performed outside of the grant agreement effective date. The Entity remediated by providing payment of \$19,468 to Space Florida.

*Agency Contact:*

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**Florida Power and Light Company**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED**

**Year Ended December 31, 2019**

Finding number: 6b

Florida Department of Transportation

Spaceport Improvement Program

CSFA # 55.037; Contract/Grant number: SF18-046

*Condition:* The Agreement with Space Florida, attachment B, Section III, B, requires that the quarterly report (1) includes the number of Florida employees working the project effort and, (2) is due quarterly on the 10<sup>th</sup> of the month beginning June 2018. It was found the quarterly reports sent to Space Florida did not include the number of employees on the project, nor were the June and September quarterly reports sent by the 10<sup>th</sup> of the month. While such quarterly reports were not submitted per the requirements of attachment B, section III, B, per the agreement, the quarterly reports were filed in conjunction with the invoice requests and were subsequently reviewed by Space Florida. Based on the follow-up, the quarterly reports were deemed acceptable and resulted in payment for the applicable timeframe. Therefore, this finding did not result in a questioned cost.

*Auditor's Recommendation:* As part of the corrective action plan, the Entity will implement internal controls to ensure that the reporting requirements are met as stated per the grant agreement and confirm that the requirements are deemed satisfied by Space Florida.

*Current Status:* Corrective action is in process.

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