

**Navy Federal Credit Union**  
**Florida Project-Specific Audit**  
**For the year ended December 31, 2019**

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## **Report of Independent Auditors**

To the Board of Directors and Supervisory Committee of Navy Federal Credit Union

### **Report on the Schedule of Expenditures of State Financial Assistance**

We have audited the accompanying schedule of expenditures of state financial assistance (the “financial statement”) arising from cash transactions for the Quick Action Closing Fund of Navy Federal Credit Union as of December 31, 2019, and the related notes.

#### ***Management’s Responsibility for the Schedule of Expenditures of State Financial Assistance***

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

#### ***Auditors’ Responsibility***

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit 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 the audit requirements of Chapter 10.650, Rules of the Auditor General. Those standards and Chapter 10.650, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to Navy Federal Credit Union's preparation and fair presentation of the financial statement 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 Navy Federal Credit Union'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 financial statement. 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 financial statement referred to above presents fairly, in all material respects, the expenditures of state financial assistance arising from cash transactions for the Quick Action Closing Fund of Navy Federal Credit Union as of December 31, 2019, in accordance with the cash basis of accounting described in Note 1.



***Basis of Accounting***

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*PricewaterhouseCoopers LLP*

June 30, 2020

**NAVY FEDERAL CREDIT UNION**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**For the Year Ended 12/31/2019**

	<u>CSFA</u> <u>No.</u>	<u>Grant</u> <u>No.</u>	<u>Expenditures</u> <u>(in thousands)</u>
State of Florida			
Department of Economic Opportunity			
Division of Strategic Business Development (DSBD)			
DIRECT PROJECT			
Quick Action Closing Fund	40.008	SB15-041	\$4,000
Total DSBD			\$4,000
Total Expenditures of State Financial Assistance			\$4,000

*The accompanying note is an integral part of this schedule.*

## **Note 1: Summary of Significant Accounting Policies**

### **Basis of Presentation**

The accompanying Schedule of Expenditures of State Financial Assistance (the "Schedule") summarizes the expenditures of Navy Federal Credit Union (the "Company") under this program for the year ended December 31, 2019 and is presented using the cash basis of accounting. The information in the Schedule is presented in accordance with the requirements of Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, *Schedule of Expenditures of State Financial Assistance*. Because the Schedule presents only a selected portion of the operations of the Company, it is not intended to and does not present the financial position, results of operations and cash flows of the Company. Additionally, the Company did not pass through any state financial assistance to subrecipients or have any non-cash expenditures.



**Report of Independent Auditors on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each Major State Program and on Internal  
Control Over Compliance in Accordance with Chapter 10.650, State of Florida Rules of the  
Auditor General**

To the Board of Directors and Supervisory Committee of Navy Federal Credit Union

**Report on Compliance for the State Program**

We have audited Navy Federal Credit Union's compliance 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 Quick Action Closing Fund (the "State Program") 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 its State Program.

***Auditors' Responsibility***

Our responsibility is to express an opinion on Navy Federal Credit Union's compliance with the State Program 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; and the audit requirements of Chapter 10.650, State of Florida Rules of the Auditor General. Those standards and Chapter 10.650, State of Florida Rules of the Auditor General 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 State Program occurred. An audit includes examining, on a test basis, evidence about Navy Federal Credit Union'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 Navy Federal Credit Union's State Program. However, our audit does not provide a legal determination of Navy Federal Credit Union's compliance.

***Opinion on the State Program***

In our opinion, Navy Federal Credit Union complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its State Program for the year ended December 31, 2019.



## Report on Internal Control Over Compliance

Management of Navy Federal Credit Union 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 Navy Federal Credit Union's internal control over compliance with the types of requirements that could have a direct and material effect on its State Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its State Program and to test and report on internal control over compliance in accordance with Chapter 10.650, State of Florida Rules of the Auditor General, 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 Navy Federal Credit Union'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 a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 a state program 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 a state program 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Chapter 10.650, State of Florida Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

*PricewaterhouseCoopers LLP*

June 30, 2020



**Navy Federal Credit Union  
Schedule of Findings and Questioned Costs  
For the Year Ended 12/31/2019**

**Section I – Summary of Auditor’s Results**

Type of auditor’s report issued	Unmodified
Internal control over financial reporting	
Material Weakness	No
Significant deficiencies identified that are not considered to be a material weakness	None reported
Noncompliance material to financial statements noted	No

**State Awards**

Internal control over state programs	
Material Weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a material weakness?	None reported
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings that are required to be reported in Accordance with Chapter 10.654, Rules of the Auditor General?	No

**Identification of Major Programs**

<b>State CSFA Number(s)</b>	<b>Name of State Program/Cluster</b>
40.008	Quick Action Closing Fund
Dollar threshold used to distinguish between Type A and Type B programs	N/A
Auditee qualified as low-risk auditee?	N/A

**Section II – Financial Statement Findings**

There are no findings to be reported in the management letter. A summary schedule of prior audit findings is not required because there were no prior findings.

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

There are no findings to be reported in the management letter. A summary schedule of prior audit findings is not required because there were no prior findings.