

**RULES
OF THE
AUDITOR GENERAL**



CHAPTER 10.650

***FLORIDA SINGLE AUDIT ACT* AUDITS
NONPROFIT AND FOR-PROFIT
ORGANIZATIONS**

EFFECTIVE 9-30-08

RULES OF THE AUDITOR GENERAL
CHAPTER 10.650

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PREFACE TO RULES

These Rules are intended to implement the provisions of Section 215.97, Florida Statutes, which prescribes the requirements for a *Florida Single Audit Act* audit. This statute describes who or what is to be audited; describes when, where, how, and by whom State single audits of nonprofit and for-profit organizations are to be made; and requires that certain standards and procedures be followed. Rules for implementation of the *Florida Single Audit Act* for local governmental entities are separately promulgated in Chapter 10.550, Rules of the Auditor General.

Sections 215.97(2)(a) and 215.97(8)(a), Florida Statutes, provide that each nonstate entity that expends a total amount of state financial assistance equal to or in excess of \$500,000 in any fiscal year of such nonstate entity shall be required to have an audit for such year in accordance with the Florida Single Audit Act.

The statutes use various terms that may have common meanings. However, a number of these terms such as "State single audit," "nonprofit organization," and "for-profit organization" have statutory definitions. When defined by statute, the statutory definitions prevail over other definitions.

Auditors are cautioned that, in general, these Rules neither repeat nor paraphrase the statutory provisions. Hence, knowledge of statutory provisions is the responsibility of individual auditors.

These Rules are intended to and do implement, interpret, or make specific certain statutory provisions that are within the authority of the Auditor General to implement, interpret, or make specific. However, the Rules are not intended to supersede, nor do the Rules impinge on, the authority of the Board of Accountancy in the regulation of the practice of accountancy as authorized by Chapter 473, Florida Statutes.

The contents of the financial reporting package required by Rule 10.656(3) to be submitted by nonprofit and for-profit organizations shall include an audit of the financial statements of such organizations and reports and related information required for an audit conducted pursuant to the Federal *Single Audit Act Amendments of 1996*. It is the intent of these Rules that the auditor shall combine reports and schedules to the extent possible and shall avoid including duplicate findings in the various reports, schedules, and management letter.

Project-specific audits conducted pursuant to the "*Florida Single Audit Act*" (Section 215.97, Florida Statutes), shall comply with these rules except with respect to requirements imposed by these rules applicable to financial statements and notes thereto. The scope of project-specific audits shall not be required to include an examination of the financial statements as prescribed by Rule 10.655.

These rules, as indicated in Rule 10.658, are effective for fiscal years ending September 30, 2008, and thereafter. Any nonprofit or for-profit organizations that have not filed required financial reporting packages for earlier fiscal years should submit financial reporting packages that have been prepared and submitted in accordance with the Rules in effect for those fiscal years.

History: New 06-30-01
 Last Amended 09-30-08

10.651 PURPOSE

- (1) Under the *Florida Single Audit Act* (Section 215.97, Florida Statutes), a nonprofit or for-profit organization may be required to have an annual audit of State financial assistance. The audit threshold defined in Rule 10.654(1)(a) applies to audits of State financial assistance.
- (2) Under the *Federal Single Audit Act Amendments of 1996* and United States Office of Management and Budget (OMB) *Circular No. A-133*, a nonprofit organization may also be required to have an annual audit of Federal awards. The Federal Awards audit shall be conducted as part of the *Florida Single Audit Act* audit.
- (3) The Comptroller General of the United States has adopted professional auditing standards for the audit of entities, including nonprofit or for-profit organizations, receiving Federal awards. These standards are contained in the publication entitled *Government Auditing Standards* (2003 Revision), and amendments thereto.
- (4) The Auditor General has adopted the auditing standards set forth in *Government Auditing Standards* (2003 Revision) as the standards for State single audits of nonprofit and for-profit organizations pursuant to Florida law. Hence, the same auditing standards are applicable to Federal awards audits and State financial assistance audits and should eliminate duplication of audit activity.
- (5) There are statutory differences between Federal and Florida audit requirements as to what is to be audited. There may also be differences in the way similar terms are defined in Federal law and Florida law. Auditors must preserve these distinctions.
- (6) The purpose of these Rules is to implement, interpret, or make specific various provisions of Section 215.97, Florida Statutes.
- (7) These Rules will also form the basis of the review of State single financial reporting packages pursuant to Section 215.97(11)(f), Florida Statutes.

General Authority and Law Implemented - Section 215.97, Florida Statutes.

History: New 06-30-01
Last Amended 09-30-08

10.652 RULES OF CONSTRUCTION

- (1) Applicable provisions of Florida law and expressed provisions of these Rules shall prevail over conflicting provisions of material incorporated by reference.

- (2) Audits of State financial assistance shall be guided by Florida law and these Rules.

General Authority and Law Implemented – Section 215.97, Florida Statutes.

History: New 06-30-01
 Last Amended 09-30-08

10.653 PUBLICATIONS INCORPORATED BY REFERENCE

For purposes of these Rules, the following material is incorporated by reference and shall be followed when applicable.

- (1) *Codification of Governmental Accounting and Financial Reporting Standards* as promulgated by the Governmental Accounting Standards Board effective for the fiscal year ended September 30, 2008.
- (2) *Codification of Statements on Auditing Standards* as promulgated by the American Institute of Certified Public Accountants effective for the fiscal year ended September 30, 2008.
- (3) *Government Auditing Standards* (2003 Revision) published by the Comptroller General of the United States, and amendments thereto, effective for the fiscal year ended September 30, 2008.
- (4) *Audit and Accounting Guide - State and Local Governments* promulgated by the American Institute of Certified Public Accountants effective for the fiscal year ended September 30, 2008.
- (5) *Audit and Accounting Guide - Not-for-Profit Organizations* promulgated by the American Institute of Certified Public Accountants effective for the fiscal year ended September 30, 2008.
- (6) *Audit and Accounting Guide - Health Care Organizations* promulgated by the American Institute of Certified Public Accountants effective for the fiscal year ended September 30, 2008.
- (7) *Audit Guide – Government Auditing Standards and Circular A-133 Audits* promulgated by the American Institute of Certified Public Accountants, effective for the fiscal year ended September 30, 2008.
- (8) The Federal *Single Audit Act Amendments of 1996*, Public Law 104-156 (31 U.S.C.A., ss. 7501 to 7507).
- (9) United States Office of Management and Budget (OMB) *Circular No. A-133* effective for the fiscal year ended September 30, 2008.
- (10) Statements and interpretations issued by the Financial Accounting Standards Board effective for the fiscal year ended September 30, 2008.
- (11) Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, *Schedule of Expenditures of State Financial Assistance*.

General Authority and Law Implemented - Section 215.97, Florida Statutes.

History: New 06-30-01
Last Amended 09-30-08

10.654**DEFINITIONS**

(1) As used in these Rules, the term:

- (a) "Audit threshold" means the threshold amount used to determine when a State single audit or a project-specific audit of a nonstate entity shall be conducted in accordance with Section 215.97, Florida Statutes. Each nonstate entity that expends a total amount of State financial assistance equal to or in excess of \$500,000 in any fiscal year of such nonstate entity is required to have a State single audit or a project-specific audit for such fiscal year in accordance with the requirements of Section 215.97, Florida Statutes. [Section 215.97(2)(a), Florida Statutes]
- (b) "Auditor" means an independent certified public accountant licensed pursuant to Chapter 473, Florida Statutes, and retained and paid by a nonprofit or for-profit organization to perform an audit pursuant to Section 215.97(8), Florida Statutes.
- (c) "Generally accepted accounting principles" means those generally accepted accounting principles, as defined by the *Codification of Statements on Auditing Standards*, AU Section 411.
- (d) "Government auditing standards" means those audit standards set forth in the publication *Government Auditing Standards (2003 Revision)* issued by the Comptroller General of the United States.
- (e) "Management letter" means a statement of the auditor's comments and recommendations. This letter must be prepared and included as a part of each financial reporting package submitted pursuant to Section 215.97(8)(g), Florida Statutes. Unless otherwise required to be reported in the auditor's report on internal controls and compliance or schedule of findings and questioned costs (see Rule 10.654(1)(h)), the management letter must include violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement or State project amounts that is less than material but more than inconsequential. In addition, for matters that are inconsequential to the determination of financial statement or State project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:
 - 1. Violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred.
 - 2. Control deficiencies that are not significant deficiencies, including, but not limited to:
 - a. Improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements).
 - b. Failures to properly record financial transactions.
 - c. Inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

- (f) “Pass-through entity” means a nonprofit or for-profit entity that provides State financial assistance to a subrecipient to carry out a State project.
- (g) “Schedule of Expenditures of State Financial Assistance” means a schedule prepared 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*.
- (h) “Schedule of Findings and Questioned Costs relating to State Financial Assistance” means a schedule prepared by the auditor and included as part of each financial reporting package submitted pursuant to Section 215.97(8)(g), Florida Statutes. The schedule shall include:
 - 1. A summary of the auditors results, which shall include:
 - a. The type of report the auditor issued on the financial statements of the auditee (i.e., unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion);
 - b. Where applicable, a statement that significant deficiencies in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses;
 - c. A statement as to whether the audit disclosed any noncompliance that was material to the financial statements of the auditee;
 - d. Where applicable, a statement that significant deficiencies in internal control over major State projects were disclosed by the audit and whether any such conditions were material weaknesses;
 - e. The type of report the auditor issued on compliance for major State projects (i.e., unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion);
 - f. A statement as to whether the audit disclosed any audit findings that the auditor was required to report under Rule 10.656;
 - g. An identification of major State projects;
 - h. The calculated dollar threshold used to distinguish between Type A and Type B projects as described in Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, *Schedule of Expenditures of State Financial Assistance*.
 - 2. Findings relating to the financial statements that are required to be reported in accordance with government auditing standards.
 - 3. Findings and questioned costs for State financial assistance, which shall include audit findings as defined in Rule 10.654(1)(h)4.
 - a. Audit findings (e.g., internal control findings, compliance findings, questioned costs, or fraud) that relate to the same issue shall be

presented as a single finding. Where practical, audit findings shall be organized by State awarding agency or pass-through entity.

- b. Audit findings reported under (h)2. and (h)3.a. of this subsection shall clearly indicate whether they relate to the financial statements and State financial assistance, respectively, and shall be reported in a manner that avoids duplication of findings within the schedule.
4. The following audit findings:
- a. Control deficiencies in internal control over major State projects that are determined to be significant deficiencies. Significant deficiencies include reportable conditions in internal controls that are referred to in Section 215.97(8)(i), Florida Statutes. The auditor's determination of whether a control deficiency in internal control is a significant deficiency is in relation to a type of compliance requirement for a major State project or an audit objective identified in the compliance supplement. The auditor shall identify significant deficiencies that are individually or cumulatively material weaknesses.
 - b. Material noncompliance with the provisions of laws, rules, contracts, or grant agreements related to a major State project. The auditor's determination of whether a noncompliance with the provisions of laws, rules, contracts, or grant agreements is material for the purpose of reporting an audit finding in this schedule is in relation to a type of compliance requirement for a major State project or an audit objective identified in the compliance supplement.
 - c. Known questioned costs that are greater than \$10,000 for a type of compliance requirement for a major State project. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor shall also report known questioned costs when likely questioned costs are greater than \$10,000 for a type of compliance requirement for a major State project. In reporting questioned costs, the auditor shall include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.
 - d. Known questioned costs that are greater than \$10,000 for a State project that is not audited as a major State project. Except for audit follow-up, the auditor is not required to perform audit procedures for such a State project; therefore, the auditor will normally not find questioned costs for a project that is not audited as a major State project. However, if the auditor does become aware of questioned costs for a State project that is not audited as a major State project (e.g., as part of audit follow-up or other audit procedures) and the known questioned costs are greater than \$10,000, then the auditor shall report this as an audit finding.

- e. The circumstances concerning why the auditor's report on compliance for major State projects is other than an unqualified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs relating to State financial assistance.
 - f. Known fraud affecting a major State project, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs relating to State financial assistance. This does not require the auditor to make an additional reporting when the auditor confirms that the fraud was reported outside of the auditor's reports under the direct reporting requirements of government auditing standards.
 - g. Instances where the results of auditor follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee in accordance with Rule 10.656(3)(d)6. materially misrepresents the status of any prior audit finding.
- (i) "Summary Schedule of Prior Audit Findings" means a schedule that reports the status of all audit findings included in the prior audit's schedule of findings and questioned costs relating to State financial assistance. The summary schedule shall also include audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected or no longer valid or not warranting further action.
- 1. When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken.
 - 2. When audit findings were not corrected or were only partially corrected, the summary schedule shall describe the planned corrective action as well as any partial corrective action taken.
 - 3. When corrective action taken is significantly different from corrective action previously reported in a corrective action plan, the summary schedule shall provide an explanation.
 - 4. When the auditee believes the audit findings are no longer valid or do not warrant further action, the reasons for this position shall be described in the summary schedule. A valid reason for considering an audit finding as not warranting further action is that two years have passed since the financial reporting package in which the finding occurred was submitted to the State awarding agency and the State awarding agency or pass-through entity is not currently following up with the auditee on the audit finding.

General Authority and Law Implemented – Section 215.97, Florida Statutes.

History: New 06-30-01
Last Amended 09-30-08

10.655 SCOPE OF THE *FLORIDA SINGLE AUDIT ACT* AUDIT

- (1) It is the intent of these Rules to make "government auditing standards" applicable in the State of Florida to audits of nonprofit and for-profit organizations required to be audited pursuant to Section 215.97, Florida Statutes.
- (2) Independent audits of nonprofit organizations conducted by certified public accountants in accordance with this Rule will include an examination of the financial statements, which shall be presented in accordance with the reporting standards set forth in Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*. However, if the nonprofit organization is determined to be a governmental entity based on the guidance provided in the American Institute of Certified Public Accountants *Audit and Accounting Guide – Not-for-Profit Organizations*, the audit will instead include a report on financial statements prepared in accordance with reporting standards established by the Governmental Accounting Standards Board.
- (3) For those nonprofit organizations that have been determined to be governmental entities, the financial statements referred to in subparagraph (2), above, are basic financial statements as identified by Section 2200.102(b) of the Governmental Accounting Standards Board *Codification of Governmental Accounting and Financial Reporting Standards*. In addition, the basic financial statements should be accompanied by: (1) management's discussion and analysis, as identified by Section 2200.102(a) of the Governmental Accounting Standards Board *Codification of Governmental Accounting and Financial Reporting Standards* and (2) other required supplementary information, as identified by Section 2200.102(c) of the Governmental Accounting Standards Board *Codification of Governmental Accounting and Financial Reporting Standards*.
- (4) The scope of the audit shall also include any additional activities necessary to establish compliance with the term "financial statement audit" as defined and used in *Government Auditing Standards* (2003 Revision).
- (5) When applicable, the scope of the audit shall encompass the additional activities necessary to establish compliance with the Federal *Single Audit Act Amendments of 1996*, Public Law 104-156 (31 U.S.C.A., ss. 7501 to 7507); United States Office of Management and Budget (OMB) *Circular No. A-133*; and other applicable Federal law.

General Authority and Law Implemented - Section 215.97, Florida Statutes.

History: New 06-30-01
Last Amended 09-30-08

10.656 FINANCIAL REPORTING PACKAGE

- (1) To the extent possible, the auditor shall combine required reports and schedules and shall avoid including duplicate findings in the various reports, schedules, and management letter.
- (2) Each financial reporting package shall comply with the applicable reporting standards as contained in the publications referenced in Rule 10.653.
- (3) Each financial reporting package submitted pursuant to Section 215.97(8)(g), Florida Statutes, and this Chapter, must be a single document and contain at least the following:
 - (a) A table of contents.
 - (b) The auditor's reports on:
 1. The financial statements as described in Rule 10.655(2) and (3), as applicable. The report shall include at a minimum:
 - a. A statement as to whether the financial statements are presented in accordance with generally accepted accounting principles;
 - b. Expressions of opinions regarding the financial statements or an assertion to the effect that an opinion(s) cannot be expressed including the reasons therefor; and
 - c. A statement that the audit was conducted in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* (2003 Revision) issued by the Comptroller General of the United States.
 2. Internal controls and compliance. The report must include at a minimum:
 - a. The scope of the auditor's testing of internal controls over financial reporting;
 - b. The scope of the auditor's test of compliance with laws, regulations, contracts and grant agreements; and
 - c. The results of those tests, including (1) deficiencies in internal control that are considered to be significant deficiencies or material weaknesses; (2) instances of fraud and illegal acts that have an effect on the determination of financial statement amounts that is not clearly inconsequential; and (3) significant violations of laws, regulations, contracts or grant agreements, or abuse that could have a direct and material effect on the determination of financial statement amounts.
 - (c) Any other auditor's reports and related financial information required pursuant to the Federal *Single Audit Act Amendments of 1996*, Public Law 104-156 (31 U.S.C.A., ss. 7501 to 7507); United States Office of Management and Budget (OMB) *Circular No. A-133*; and other applicable Federal law.

- (d) Auditor's reports and related financial information required pursuant to the *Florida Single Audit Act* and these Rules as described below. These reports and information may be combined with the similar reports and information required by the Federal *Single Audit Act Amendments of 1996* or *OMB Circular No. A-133*; however, the State financial assistance and related findings shall be clearly distinguished from the Federal awards and related findings in such reports and information. *Florida Single Audit Act* reports and related financial information shall include:
1. A schedule of expenditures of State financial assistance prepared in accordance with Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, *Schedule of Expenditures of State Financial Assistance*. This schedule shall be included on the schedule of expenditures of Federal awards, where applicable.
 2. A report that includes an opinion (or disclaimer of opinion) as to whether the schedule of expenditures of State financial assistance is presented fairly in all material respects in relation to the financial statements taken as a whole. This report shall include the elements prescribed by the American Institute of Certified Public Accountants *Audit Guide – Government Auditing Standards and Circular A-133 Audits*, modified as appropriate to apply to an audit conducted in accordance with the *Florida Single Audit Act* and these Rules.
 3. A report on internal control related to major State projects and on compliance with laws, regulations, and contracts or grant agreements, noncompliance with which could have a direct and material effect on a major State project. This report shall describe the scope of testing of internal control and the results of those tests and shall include an opinion (or disclaimer of opinion) as to whether the auditee complied with laws, regulations, and contracts or grant agreements that could have a direct and material effect on a major State project. Where applicable, this report shall refer to the separate schedule of findings and questioned costs relating to State financial assistance (see Rule 10.654(1)(h)). The report shall include the elements prescribed by the American Institute of Certified Public Accountants *Audit Guide – Government Auditing Standards and Circular A-133 Audits*, modified as appropriate to apply to an audit conducted in accordance with the *Florida Single Audit Act* and these Rules.
 4. A schedule of findings and questioned costs relating to State financial assistance (see Rule 10.654(1)(h)).
 5. A summary schedule of prior audit findings, unless there were no prior audit findings to be reported on, in which case the auditor shall so indicate in the schedule of findings and questioned costs (see Rule 10.654(1)(i)).
 6. A corrective action plan as defined in Section 215.97(8)(i), Florida Statutes.
- (e) The "management letter" required by Sections 215.97(9)(f), and 215.97(10)(d), Florida Statutes, and defined in Rule 10.654(1)(e), unless there are no items related to State financial assistance required to be reported in the management letter, in which case the auditor shall indicate such in the schedule of findings and questioned costs. The financial reporting package shall include a written

statement of explanation or rebuttal, including corrective action to be taken, concerning deficiencies cited in the management letter.

- (f) The financial statements as described in Rule 10.655(2) and (3), as applicable.
- (4) Other reporting requirements:
- (a) If the auditor has reason to believe that fraud or illegal acts have occurred involving State financial assistance or other resources, the auditor shall be guided by the procedures for notification described in *Government Auditing Standards* (2003 Revision).
 - (b) Audit findings contained in reports, schedules, and management letters must include the following specific information.
 - 1. The criteria or specific requirement upon which the audit finding is based, including statutory, regulatory, or other citation.
 - 2. The condition found, including facts that support the deficiency identified in the audit finding.
 - 3. Information to provide proper perspective for judging the prevalence and consequences of the audit findings, such as whether the audit findings represented an isolated instance or a systemic problem. Where appropriate, instances identified shall be related to the universe and the number of cases examined and be quantified in terms of dollar value.
 - 4. The possible asserted effect to provide sufficient information to the local governmental entity and State agency, or pass-through entity.
 - 5. Recommendations to prevent future occurrences of the deficiency identified in the audit finding.
 - 6. Views of responsible officials of the nonprofit or for-profit organization when there is disagreement with the audit findings, to the extent practical.
 - 7. Reference numbers for each audit finding to allow for easy referencing of the audit findings during follow-up.
- (5) Audit findings included in the schedule of findings and questioned costs related to State financial assistance must include the following additional information:
- (a) State project identification including the Catalog of State Financial Assistance number and year, name of the State awarding agency, and name of any applicable pass-through entity. When any such information is not available, the auditor shall provide the best information available to describe the State financial assistance.
 - (b) Identification of questioned costs and how they were computed.

General Authority and Law Implemented - Section 215.97, Florida Statutes.

History: New 06-30-01
Last Amended 09-30-08

10.657 DELIVERY OF FINANCIAL REPORTING PACKAGE

- (1) Copies of the financial reporting package required by Rule 10.656 shall be submitted to those charged with governance of the recipient organization, the State awarding agencies, and the Auditor General. Copies of a subrecipient's financial reporting package shall be submitted to the subrecipient organization, the recipient organization that provided the State financial assistance, and to the Auditor General. One paper copy and one electronic copy of the financial reporting package shall be provided to the Auditor General.
- (2) The financial reporting package required to be submitted pursuant to Section 215.97(8)(g), Florida Statutes, must be submitted to the Auditor General and the State awarding agencies within 45 days after delivery of the financial reporting package to the auditee, but no later than 9 months after the end of the fiscal year of the auditee. The date that the financial reporting package was delivered to the auditee shall be indicated by that organization in correspondence accompanying the financial reporting package submitted to the Auditor General.

General Authority and Law Implemented - Section 215.97, Florida Statutes.

History: New 06-30-01
 Last Amended 09-30-08

10.658 **EFFECTIVE DATE**

These Rules shall take effect for fiscal years ending September 30, 2008, and thereafter.

General Authority and Law Implemented - Section 215.97, Florida Statutes.

History: New 06-30-01
 Last Amended 09-30-08

APPENDIX
EXCERPT FROM FLORIDA STATUTES 2008

215.97 Florida Single Audit Act.--

(1) The purposes of the section are to:

- (a) Establish uniform state audit requirements for state financial assistance provided by state agencies to nonstate entities to carry out state projects.
- (b) Promote sound financial management, including effective internal controls, with respect to state financial assistance administered by nonstate entities.
- (c) Promote audit economy and efficiency by relying to the extent possible on already required audits of federal financial assistance provided to nonstate entities.
- (d) Provide for identification of state financial assistance transactions in the state accounting records and recipient organization records.
- (e) Promote improved coordination and cooperation within and between affected state agencies providing state financial assistance and nonstate entities receiving state assistance.
- (f) Ensure, to the maximum extent possible, that state agencies monitor, use, and followup on audits of state financial assistance provided to nonstate entities.

(2) Definitions; as used in this section, the term:

- (a) "Audit threshold" means the threshold amount used to determine when a state single audit or project-specific audit of a nonstate entity shall be conducted in accordance with this section. Each nonstate entity that expends a total amount of state financial assistance equal to or in excess of \$500,000 in any fiscal year of such nonstate entity shall be required to have a state single audit, or a project-specific audit, for such fiscal year in accordance with the requirements of this section. Every 2 years the Auditor General, after consulting with the Executive Office of the Governor, the Department of Financial Services, and all state awarding agencies, shall review the threshold amount for requiring audits under this section and may adjust such threshold amount consistent with the purposes of this section.
- (b) "Auditing standards" means the auditing standards as stated in the rules of the Auditor General as applicable to for-profit organizations, nonprofit organizations, or local governmental entities.
- (c) "Catalog of State Financial Assistance" means a comprehensive listing of state projects. The Catalog of State Financial Assistance shall be issued by the Department of Financial Services after conferring with the Executive Office of the Governor and all state awarding agencies. The Catalog of State Financial Assistance shall include for each listed state project: the responsible state awarding agency; standard state project number identifier; official title; legal authorization; and description of the state project, including objectives, restrictions, application and awarding procedures, and other relevant information determined necessary.
- (d) "Coordinating agency" means the state awarding agency that provides the predominant amount of state financial assistance expended by a recipient, as determined by the recipient's Schedule of Expenditures of State Financial Assistance. To provide continuity, the determination of the predominant amount of state financial assistance shall be based upon state financial assistance expended in the recipient's fiscal years ending in 2006, 2009, and 2012, and every third year thereafter.
- (e) "Financial reporting package" means the nonstate entities' financial statements, Schedule of Expenditures of State Financial Assistance, auditor's reports, management letter, auditee's written responses or corrective action plan, correspondence on followup of prior years' corrective actions taken, and such other information determined by the Auditor General to be necessary and consistent with the purposes of this section.

APPENDIX
EXCERPT FROM FLORIDA STATUTES 2008

(f) "Federal financial assistance" means financial assistance from federal sources passed through the state and provided to nonstate organizations to carry out a federal program. "Federal financial assistance" includes all types of federal assistance as defined in applicable United States Office of Management and Budget circulars.

(g) "For-profit organization" means any organization or sole proprietor that is not a governmental entity or a nonprofit organization.

(h) "Independent auditor" means an independent certified public accountant licensed under chapter 473.

(i) "Internal control over state projects" means a process, effected by a nonstate entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

1. Effectiveness and efficiency of operations.
2. Reliability of financial operations.
3. Compliance with applicable laws and regulations.

(j) "Local governmental entity" means a county as a whole, municipality, or special district or any other entity excluding a district school board, charter school, community college, or public university, however styled, which independently exercises any type of governmental function within the state.

(k) "Major state project" means any state project meeting the criteria as stated in the rules of the Department of Financial Services. Such criteria shall be established after consultation with all state awarding agencies and shall consider the amount of state project expenditures and expenses or inherent risks. Each major state project shall be audited in accordance with the requirements of this section.

(l) "Nonprofit organization" means any corporation, trust, association, cooperative, or other organization that:

1. Is operated primarily for scientific, educational service, charitable, or similar purpose in the public interest.
2. Is not organized primarily for profit.
3. Uses net proceeds to maintain, improve, or expand the operations of the organization.
4. Has no part of its income or profit distributable to its members, directors, or officers.

(m) "Nonstate entity" means a local governmental entity, nonprofit organization, or for-profit organization that receives state financial assistance.

(n) "Recipient" means a nonstate entity that receives state financial assistance directly from a state awarding agency.

(o) "Schedule of Expenditures of State Financial Assistance" means a document prepared in accordance with the rules of the Department of Financial Services and included in each financial reporting package required by this section.

(p) "State awarding agency" means a state agency, as defined in s. [216.011](#), that is primarily responsible for the operations and outcomes of a state project, regardless of the state agency that actually provides state financial assistance to a nonstate entity.

(q) "State financial assistance" means state resources, not including federal financial assistance and state matching on federal programs, provided to a nonstate entity to carry out a state project. "State financial assistance" includes the types of state resources stated in the rules of the Department of Financial Services established in consultation with all state awarding agencies. State financial assistance may be provided directly by

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state awarding agencies or indirectly by nonstate entities. "State financial assistance" does not include procurement contracts used to buy goods or services from vendors and contracts to operate state-owned and contractor-operated facilities.

(r) "State matching" means state resources provided to a nonstate entity to meet federal financial participation matching requirements.

(s) "State program" means a set of special purpose activities undertaken to realize identifiable goals and objectives in order to achieve a state agency's mission and legislative intent requiring accountability for state resources.

(t) "State project" means a state program that provides state financial assistance to a nonstate organization and that must be assigned a state project number identifier in the Catalog of State Financial Assistance.

(u) "State Projects Compliance Supplement" means a document issued by the Department of Financial Services, in consultation with all state awarding agencies. The State Projects Compliance Supplement shall identify state projects, the significant compliance requirements, eligibility requirements, matching requirements, suggested audit procedures, and other relevant information determined necessary.

(v) "State project-specific audit" means an audit of one state project performed in accordance with the requirements of subsection (10).

(w) "State single audit" means an audit of a nonstate entity's financial statements and state financial assistance. Such audits shall be conducted in accordance with the auditing standards as stated in the rules of the Auditor General.

(x) "Subrecipient" means a nonstate entity that receives state financial assistance through another nonstate entity.

(y) "Vendor" means a dealer, distributor, merchant, or other seller providing goods or services that are required for the conduct of a state project. These goods or services may be for an organization's own use or for the use of beneficiaries of the state project.

(3) The Executive Office of the Governor is responsible for notifying the Department of Financial Services of any actions during the budgetary process that impact the Catalog of State Financial Assistance.

(4) The Department of Financial Services shall:

(a) Upon conferring with the Executive Office of the Governor and all state awarding agencies, adopt rules necessary to provide appropriate guidance to state awarding agencies, nonstate entities, and independent auditors of state financial assistance relating to the requirements of this section, including:

1. The types or classes of state resources considered to be state financial assistance that would be subject to the requirements of this section. This would include guidance to assist in identifying when the state awarding agency or a nonstate entity has contracted with a vendor rather than with a recipient or subrecipient.

2. The criteria for identifying a major state project.

3. The criteria for selecting state projects for audits based on inherent risk.

(b) Be responsible for coordinating revisions to the Catalog of State Financial Assistance after consultation with the Executive Office of the Governor and all state awarding agencies.

(c) Be responsible for coordinating with the Executive Office of the Governor actions affecting the budgetary process under paragraph (b).

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(d) Be responsible for coordinating revisions to the State Projects Compliance Supplement, after consultation with the Executive Office of the Governor and all state awarding agencies.

(e) Make enhancements to the state's accounting system to provide for the:

1. Recording of state financial assistance and federal financial assistance appropriations and expenditures within the state awarding agencies' operating funds.

2. Recording of state project number identifiers, as provided in the Catalog of State Financial Assistance, for state financial assistance.

3. Establishment and recording of an identification code for each financial transaction, including awarding state agencies' disbursements of state financial assistance and federal financial assistance, as to the corresponding type or organization that is party to the transaction (e.g., other governmental agencies, nonprofit organizations, and for-profit organizations), and disbursements of federal financial assistance, as to whether the party to the transaction is or is not a nonstate entity.

(f) Upon conferring with the Executive Office of the Governor and all state awarding agencies, adopt rules necessary to provide appropriate guidance to state awarding agencies, nonstate entities, and independent auditors of state financial assistance relating to the format for the Schedule of Expenditures of State Financial Assistance.

(g) Perform any inspections, reviews, investigations, or audits of state financial assistance considered necessary in carrying out the Department of Financial Services' legal responsibilities for state financial assistance or to comply with the requirements of this section.

(5) Each state awarding agency shall:

(a) Provide to each recipient information needed by the recipient to comply with the requirements of this section, including:

1. The audit and accountability requirements for state projects as stated in this section and applicable rules of the Department of Financial Services and rules of the Auditor General.

2. Information from the Catalog of State Financial Assistance, including the standard state project number identifier; official title; legal authorization; and description of the state project including objectives, restrictions, and other relevant information determined necessary.

3. Information from the State Projects Compliance Supplement, including the significant compliance requirements, eligibility requirements, matching requirements, suggested audit procedures, and other relevant information determined necessary.

(b) Require the recipient, as a condition of receiving state financial assistance, to allow the state awarding agency, the Department of Financial Services, and the Auditor General access to the recipient's records and the recipient's independent auditor's working papers as necessary for complying with the requirements of this section.

(c) Notify the recipient that this section does not limit the authority of the state awarding agency to conduct or arrange for the conduct of additional audits or evaluations of state financial assistance or limit the authority of any state awarding agency inspector general, the Auditor General, or any other state official.

(d) Be provided one copy of each financial reporting package prepared in accordance with the requirement of this section.

(e) Review the recipient's financial reporting package, including the management letters and corrective action plans, to the extent necessary to determine whether timely and appropriate corrective action has been taken with

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respect to audit findings and recommendations pertaining to state financial assistance that are specific to the state awarding agency.

(f) Designate within the state awarding agency an organizational unit that will be responsible for reviewing financial reporting packages pursuant to paragraph (e).

If the state awarding agency is not the coordinating agency as defined in paragraph (2)(d), the state awarding agency's designated organizational unit shall communicate to the coordinating agency the state awarding agency's approval of the recipient's corrective action plan with respect to findings and recommendations that are not specific to the state awarding agency.

(6) Each coordinating agency shall:

(a) Review the recipient's financial reporting package, including the management letter and corrective action plan, to identify audit findings and recommendations that affect state financial assistance that are not specific to a particular state awarding agency.

(b) For any findings and recommendations identified pursuant to paragraph (a):

1. Determine whether timely and appropriate corrective action has been taken.
2. Promptly inform the state awarding agency, as provided in paragraph (5)(f), of actions taken by the recipient to comply with the approved corrective action plan.

(c) Maintain records of followup actions taken for the use of any succeeding coordinating agency.

(7) As a condition of receiving state financial assistance, each nonstate entity that provides state financial assistance to a subrecipient shall:

(a) Provide to each subrecipient information needed by the subrecipient to comply with the requirements of this section, including:

1. Identification of the state awarding agency.
2. The audit and accountability requirements for state projects as stated in this section and applicable rules of the Department of Financial Services and rules of the Auditor General.
3. Information from the Catalog of State Financial Assistance, including the standard state project number identifier; official title; legal authorization; and description of the state project, including objectives, restrictions, and other relevant information.
4. Information from the State Projects Compliance Supplement including the significant compliance requirements, eligibility requirements, matching requirements, and suggested audit procedures, and other relevant information determined necessary.

(b) Review the financial reporting package of the subrecipient, including the management letter and corrective action plan, to the extent necessary to determine whether timely and appropriate corrective action has been taken with respect to audit findings and recommendations pertaining to state financial assistance provided by a state awarding agency or nonstate entity.

(c) Perform any other procedures specified in terms and conditions of the written agreement with the state awarding agency or nonstate entity, including any required monitoring of the subrecipient's use of state financial assistance through onsite visits, limited scope audits, or other specified procedures.

(d) Require subrecipients, as a condition of receiving state financial assistance, to permit the independent auditor of the nonstate entity, the state awarding agency, the Department of Financial Services, and the Auditor

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General access to the subrecipient's records and the subrecipient's independent auditor's working papers as necessary to comply with the requirements of this section.

- (8) Each recipient or subrecipient of state financial assistance shall comply with the following:
- (a) Each nonstate entity that meets the audit threshold requirements, in any fiscal year of the nonstate entity, stated in the rules of the Auditor General, shall have a state single audit conducted for such fiscal year in accordance with the requirements of this act and with additional requirements established in rules of the Department of Financial Services and rules of the Auditor General. If only one state project is involved in a nonstate entity's fiscal year, the nonstate entity may elect to have only a state project-specific audit.
 - (b) Each nonstate entity that does not meet the audit threshold requirements, in any fiscal year of the nonstate entity, stated in this law or the rules of the Auditor General is exempt for such fiscal year from the state single audit requirements of this section. However, such nonstate entity must meet terms and conditions specified in the written agreement with the state awarding agency or nonstate entity.
 - (c) If a nonstate entity has extremely limited or no required activities related to the administration of a state project, and only acts as a conduit of state financial assistance, none of the requirements of this section apply to the conduit nonstate entity. However, the nonstate entity that is provided state financial assistance by the conduit nonstate entity is subject to the requirements of this section.
 - (d) Regardless of the amount of the state financial assistance, this section does not exempt a nonstate entity from compliance with provisions of law relating to maintaining records concerning state financial assistance to such nonstate entity or allowing access and examination of those records by the state awarding agency, the nonstate entity, the Department of Financial Services, or the Auditor General.
 - (e) Audits conducted pursuant to this section shall be performed annually.
 - (f) Audits conducted pursuant to this section shall be conducted by independent auditors in accordance with auditing standards stated in rules of the Auditor General.
 - (g) Upon completion of the audit required by this section, a copy of the recipient's financial reporting package shall be filed with the state awarding agency and the Auditor General. Upon completion of the audit required by this section, a copy of the subrecipient's financial reporting package shall be filed with the nonstate entity that provided the state financial assistance and the Auditor General. The financial reporting package shall be filed in accordance with the rules of the Auditor General.
 - (h) All financial reporting packages prepared pursuant to this section shall be available for public inspection.
 - (i) If an audit conducted pursuant to this section discloses any significant audit findings relating to state financial assistance, including material noncompliance with individual state project compliance requirements or reportable conditions in internal controls of the nonstate entity, the nonstate entity shall submit as part of the financial reporting package to the state awarding agency or nonstate entity a plan for corrective action to eliminate such audit findings or a statement describing the reasons that corrective action is not necessary.
 - (j) An audit conducted in accordance with this section is in addition to any audit of federal awards required by the federal Single Audit Act and other federal laws and regulations. To the extent that such federally required audits provide the state awarding agency or nonstate entity with information it requires to carry out its responsibilities under state law or other guidance, the state awarding agency or nonstate entity shall rely upon and use that information.
 - (k) Unless prohibited by law, the costs of audits pursuant to this section are allowable charges to state projects. However, any charges to state projects should be limited to those incremental costs incurred as a result of the audit requirements of this section in relation to other audit requirements. The nonstate entity should allocate such incremental costs to all state projects for which it expended state financial assistance.

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(l) Audit costs may not be charged to state projects when audits required by this section have not been made or have been made but not in accordance with this section. If a nonstate entity fails to have an audit conducted consistent with this section, a state awarding agency or nonstate entity may take appropriate corrective action to enforce compliance.

(m) This section does not prohibit the state awarding agency or nonstate entity from including terms and conditions in the written agreement which require additional assurances that state financial assistance meets the applicable requirements of laws, regulations, and other compliance rules.

(n) A state awarding agency or nonstate entity that conducts or arranges for audits of state financial assistance that are in addition to the audits conducted under this act, including audits of nonstate entities that do not meet the audit threshold requirements, shall, consistent with other applicable law, arrange for funding the full cost of such additional audits.

(o) A contract involving the State University System or the Florida Community College System funded by state financial assistance may be in the form of:

1. A fixed-price contract that entitles the provider to receive full compensation for the fixed contract amount upon completion of all contract deliverables;
2. A fixed-rate-per-unit contract that entitles the provider to receive compensation for each contract deliverable provided;
3. A cost-reimbursable contract that entitles the provider to receive compensation for actual allowable costs incurred in performing contract deliverables; or
4. A combination of the contract forms described in subparagraphs 1., 2., and 3.

(9) The independent auditor when conducting a state single audit of a nonstate entity shall:

(a) Determine whether the nonstate entity's financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles.

(b) Determine whether state financial assistance shown on the Schedule of Expenditures of State Financial Assistance is presented fairly in all material respects in relation to the nonstate entity's financial statements taken as a whole.

(c) With respect to internal controls pertaining to each major state project:

1. Obtain an understanding of internal controls.
2. Assess control risk.
3. Perform tests of controls unless the controls are deemed to be ineffective.
4. Determine whether the nonstate entity has internal controls in place to provide reasonable assurance of compliance with the provisions of laws and rules pertaining to state financial assistance that have a material effect on each major state project.

(d) Determine whether each major state project complied with the provisions of laws, rules, and guidelines as identified in the State Projects Compliance Supplement, or otherwise identified by the state awarding agency, which have a material effect on each major state project. When major state projects are less than 50 percent of the nonstate entity's total expenditures for all state financial assistance, the auditor shall select and test additional state projects as major state projects as necessary to achieve audit coverage of at least 50 percent of the expenditures for all state financial assistance provided to the nonstate entity. Additional state projects

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needed to meet the 50-percent requirement may be selected on an inherent risk basis as stated in the rules of the Department of Financial Services.

(e) Report on the results of any audit conducted pursuant to this section in accordance with the rules of the Department of Financial Services and rules of the Auditor General. Financial reporting packages shall include summaries of the auditor's results regarding the nonstate entity's financial statements; Schedule of Expenditures of State Financial Assistance; internal controls; and compliance with laws, rules, and guidelines.

(f) Issue a management letter as prescribed in the rules of the Auditor General.

(g) Upon notification by the nonstate entity, make available the working papers relating to the audit conducted pursuant to this section to the state awarding agency, the Department of Financial Services, or the Auditor General for review or copying.

(10) The independent auditor, when conducting a state project-specific audit of a nonstate entity, shall:

(a) Determine whether the nonstate entity's schedule of Expenditure of State Financial Assistance is presented fairly in all material respects in conformity with stated accounting policies.

(b) Obtain an understanding of internal controls and perform tests of internal controls over the state project consistent with the requirements of a major state project.

(c) Determine whether or not the auditee has complied with applicable provisions of laws, rules, and guidelines identified in the State Projects Compliance Supplement, or otherwise identified by the state awarding agency, which could have a direct and material effect on the state project.

(d) Report on the results of the state project-specific audit consistent with the requirements of the state single audit and issue a management letter as prescribed in the rules of the Auditor General.

(e) Upon notification by the nonstate entity, make available the working papers relating to the audit conducted pursuant to this section to the state awarding agency, the Department of Financial Services, or the Auditor General for review or copying.

(11) The Auditor General shall:

(a) Have the authority to audit state financial assistance provided to any nonstate entity when determined necessary by the Auditor General or when directed by the Legislative Auditing Committee.

(b) Adopt rules that state the auditing standards that independent auditors are to follow for audits of nonstate entities required by this section.

(c) Adopt rules that describe the contents and the filing deadlines for the financial reporting package.

(d) Provide technical advice upon request of the Department of Financial Services and state awarding agencies relating to financial reporting and audit responsibilities contained in this section.

(e) Be provided one copy of each financial reporting package prepared in accordance with this section.

(f) Perform ongoing reviews of a sample of financial reporting packages filed pursuant to this section to determine compliance with the reporting requirements of this section and applicable rules of the Department of Financial Services and rules of the Auditor General.

History.--s. 2, ch. 98-91; s. 58, ch. 2000-371; s. 233, ch. 2003-261; s. 11, ch. 2005-152; ss. 14, 16, ch. 2006-122.

Note.--Former s. 216.3491.

