

**RULES
OF THE
AUDITOR GENERAL**



CHAPTER 10.650

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

EFFECTIVE 9-30-09

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* 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 are effective for fiscal years ending September 30, 2009, 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.

***Note: All statutory references are to the 2009 Florida Statutes.**

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

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* (July 2007 Revision), and amendments thereto.
- (4) The Auditor General has adopted the auditing standards set forth in *Government Auditing Standards* (July 2007 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 financial reporting packages pursuant to Section 215.97(11)(f), Florida Statutes.

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, 2009.
- (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, 2009.
- (3) *Government Auditing Standards* (July 2007 Revision) published by the Comptroller General of the United States, and amendments thereto, effective for the fiscal year ended September 30, 2009.
- (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, 2009.
- (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, 2009.
- (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, 2009.
- (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, 2009.
- (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, 2009.
- (10) Statements and interpretations issued by the Financial Accounting Standards Board effective for the fiscal year ended September 30, 2009.
- (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 09-30-09

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* (July 2007 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 control and compliance or schedule of findings and questioned costs (see Rule 10.654(1)(h)), the management letter shall include, but not be limited to, violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements or State project amounts that is less than material but more than inconsequential. In addition, for matters that have an inconsequential effect on the financial statements or State project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:
 - 1. Violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse.
 - 2. Control deficiencies that are not significant deficiencies.
- (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 described 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 laws, regulations, and provisions of contracts or grant agreements related to a major State project. The auditor's determination of whether a noncompliance with laws, regulations, or provisions of 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.

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* (July 2007 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 09-30-09

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* (July 2007 Revision) issued by the Comptroller General of the United States.
 2. Internal control and compliance. The report must include at a minimum:
 - a. The scope of the auditor's testing of internal control over financial reporting;
 - b. The scope of the auditor's test of compliance with laws, regulations, and provisions of contracts or grant agreements; and
 - c. The auditor's findings and recommendations resulting from those tests, including (1) significant deficiencies in internal control, identifying those that are considered to be material weaknesses; (2) instances of fraud and illegal acts unless inconsequential to the financial statements; and (3) violations of provisions of contracts or grant agreements, or abuse, that could have a material effect on the financial statements.
 - (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 provisions of contracts or grant agreements, noncompliance with which could have a 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 provisions of contracts or grant agreements that could have a 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) Known fraud or other illegal acts that have occurred affecting a Federal award shall be included as an audit finding in the Schedule of Findings and Questioned Costs for Federal Awards, unless the auditor confirms the fraud was reported to appropriate officials outside of the auditor's report, as prescribed by United States Office of Management and Budget (OMB) *Circular No. A-133*.
 - (b) If the auditor has reason to believe that fraud or illegal acts have occurred, the auditor shall be guided by the procedures for notification described in *Government Auditing Standards* (July 2007 Revision).
 - (c) 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 condition identified in the audit finding.
 3. The cause, or the reason or explanation for the condition or the factor(s) responsible for the difference between the situation that exists (condition) and the required or desired state (criteria).
 4. The effect or potential effect (i.e., outcome or consequence) of the condition. This should include 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 shall be quantified in terms of dollar value.
 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.

- (d) Audit findings included in the schedule of findings and questioned costs related to State financial assistance must include the following additional information:
1. 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.
 2. Identification of questioned costs and how they were computed.

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, 2009, and thereafter.

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

History: New 06-30-01

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