

FLORIDA SINGLE AUDIT ACT

QUESTIONS AND ANSWERS



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PREFACE

The purpose of this questions and answers document is to provide clarifications and additional working guidance to those participating in *Florida Single Audit Act* audits. This document was prepared based on questions raised by State agencies, nonstate entities, and auditors since the inception of the *Act*. Additionally, this document has been exposed for comment to State agencies and various professional associations representing nonstate entities and auditors.

Many of the answers to the questions included in this document are based on interpretations of statutory and other regulatory provisions. However, this document is not authoritative and is not legally binding on State agencies or nonstate entities, although it does, in many instances, cite laws and regulatory provisions with which such State agencies and nonstate entities are required to comply. This document is not intended to impinge on or supersede the provisions of the *Florida Single Audit Act* (Section 215.97, Florida Statutes); Rules of the Department of Financial Services, Chapter 69I-5, Florida Administrative Code; or Chapters 10.550 and 10.650, Rules of the Auditor General.

Implementation

1. What is the *Florida Single Audit Act* and what was its effective date?

In 1998, the Florida Legislature enacted the *Florida Single Audit Act* (Chapter 98-91, Laws of Florida) to establish uniform State audit requirements for nonstate entities receiving State financial assistance. Originally, this legislation was codified as Section 216.3491, Florida Statutes; however, the *Act* has since been amended and renumbered as Section 215.97, Florida Statutes. The *Act* was effective for nonstate entity fiscal years beginning on or after July 1, 2000 (i.e., for fiscal years ending on or after June 30, 2001). For most local governmental entities, this means the *Act* was effective for the fiscal year ended September 30, 2001.

2. What State organizations are responsible for implementing the *Florida Single Audit Act* and where can information be found regarding implementation of the *Act*?

The *Act* establishes responsibilities for the Executive Office of the Governor, Department of Financial Services, the Auditor General, the various State awarding agencies, and the coordinating agencies. The Department of Financial Services has established Department of Financial Services Rules, Chapter 69I-5, Florida Administrative Code, to provide guidance to State awarding agencies, nonstate entities, and independent auditors, including a prescribed format for the Schedule of Expenditures of State Financial Assistance. The Auditor General has promulgated rules (Chapters 10.550 and 10.650, Rules of the Auditor General) that are intended to implement the provisions of Section 215.97, Florida Statutes, which prescribes the requirement for *Florida Single Audit Act* audits and describe the contents and the filing deadlines for the financial reporting package. These rules, the *Florida Single Audit Act*, and other guidance can be accessed through the following Web sites:

- a. Department of Financial Services - <https://apps.fldfs.com/fsaa/>
- b. Auditor General – <http://www.myflorida.com/audgen/pages/flsaa.htm>

Applicability

3. What entities are subject to the *Florida Single Audit Act* (i.e., what is a nonstate entity)?

Nonstate entity, for purposes of the *Florida Single Audit Act*, is a local governmental entity, nonprofit organization, or for-profit organization that receives State financial assistance (see question 28). Local governmental entity means a county (taken as a whole), municipality, 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 of Florida. Nonprofit organization means any corporation, trust, association, cooperative, or other organization that is operated primarily for scientific, educational service, charitable, or similar purpose in the public interest; is not organized primarily for profit; uses net proceeds to maintain, improve, or expand the operations of the organization; and has no part of its income or profit distributable to its members, directors, or officers. For-profit organization means any organization or sole proprietor that is not a local governmental entity or a nonprofit organization. Nonstate entities include nonprofit and for-profit organizations in other states and countries. Nonstate entities do not include Federal agencies, other state governments, and governments of other countries.

4. Are local governmental entities in states other than Florida subject to the *Florida Single Audit Act*?

No. Such governments are not considered to be “local” to the State of Florida.

5. Are direct-support and citizen-support organizations as defined by Chapter 10.700, Rules of the Auditor General, subject to the *Florida Single Audit Act*?

Yes. Direct-support and citizen-support organizations are considered to be nonprofit organizations as defined by Section 215.97(2)(1), Florida Statutes, and are not otherwise exempted from the *Florida Single Audit Act*.

6. Is the *Florida Single Audit Act* identical to the *Federal Single Audit Act*?

No. The *Florida Single Audit Act* is intended to closely parallel the *Federal Single Audit Act*, but the *Acts* are not identical. For example, the *Federal Single Audit Act* does not apply to for-profit organizations while the *Florida Single Audit Act* does. Also, the *Federal Single Audit Act* establishes a time frame of nine months for local governments to submit report packages while the *Florida Single Audit Act* does not establish a time frame (the time frame is established by the Auditor General). There are other differences between these *Acts*, which nonstate entities and auditors should be aware of to ensure compliance with both.

Audit Requirements

7. When is an audit required pursuant to the *Florida Single Audit Act* and what determines whether a State single audit or project-specific audit is required?

Each nonstate entity that expends \$500,000 (\$300,000 for nonstate entity fiscal years ending prior to September 30, 2004) or more of State financial assistance in any fiscal year of such nonstate entity is required to have a State single audit for such fiscal year in accordance with the requirements of the *Florida Single Audit Act*. If only one State project is involved in a nonstate entity's fiscal year, the nonstate entity may elect to have only a project-specific audit of the State project for that fiscal year. A State single audit means an audit of a nonstate entity's financial statements and State financial assistance conducted in accordance with the auditing standards as stated in the Rules of the Auditor General. Pursuant to Section 215.97(10), Florida Statutes, the scope of a project-specific audit is similar to that of a State single audit except that it does not include an audit of the financial statements.

- 8. During the current fiscal year audit, the auditors discover that prior fiscal year expenditures of State financial assistance were not identified as such for purposes of determining whether a nonstate entity's expenditures of State financial assistance exceeded the *Florida Single Audit Act* threshold for the prior fiscal year. If the nonstate entity did not provide for an audit in accordance with the *Act* for the prior fiscal year, what actions should be taken?**

The additional prior fiscal year expenditures of State financial assistance should be added to total expenditures of State financial assistance previously reported for the prior fiscal year to determine if the threshold was exceeded. If so, the nonstate entity should take appropriate action to provide for an audit for the prior fiscal year in accordance with the *Act*. Remember, the *Florida Single Audit Act* threshold was \$300,000 for fiscal years ending prior to September 30, 2004. Also, see question 80.

- 9. Is a project-specific audit in accordance with Section 215.97(10), Florida Statutes, permissible for a nonstate entity that receives Federal awards and State financial assistance?**

Yes, if the nonstate entity received and expended Federal awards/State financial assistance related to only one Federal program and one State project (as defined by Section 215.97(2)(t), Florida Statutes) during the fiscal year.

- 10. A nonstate entity that receives State financial assistance from only one State project realizes well after the audit period report filing deadline that a *Florida Single Audit* was required for the prior fiscal year as well as the current fiscal year. Is it acceptable to produce a two-year project-specific audit to satisfy both years?**

No. Section 215.97(8)(e), Florida Statutes, provides that audits shall be performed annually.

- 11. In determining whether an audit is required under the *Florida Single Audit Act* (i.e., whether a nonstate entity expended at least \$500,000 of State financial assistance in a given fiscal year), should the nonstate entity's fiscal year, or the State awarding agency's fiscal year (July 1 through June 30), be used?**

The nonstate entity's fiscal year should be used (see Section 215.97(2)(a), Florida Statutes).

12. Must a *Florida Single Audit Act* audit be done in accordance with *Government Auditing Standards* published by the Comptroller General of the United States?

Yes. See Sections 10.551(5) and 10.651(4), Rules of the Auditor General.

13. If a State program has specific statutory audit requirements and is also considered a State project as defined by Section 215.97, Florida Statutes (the *Florida Single Audit Act*), with which statute should the audit comply?

Both statutory provisions should be complied with to the extent possible (i.e., to the extent that such statutory language is not inconsistent). Instances in which conflicting statutory provisions exist should be handled on a case-by-case basis with the assistance of the State awarding agency's legal counsel.

14. How will nonstate entities and their auditors determine whether a nonstate entity expended \$500,000 or more of State financial assistance in a given fiscal year?

The primary source for determining the amount of State financial assistance expended by a nonstate entity is the nonstate entity's accounting records. However, information is available from the Department of Financial Services that may provide additional assurances as to the completeness and accuracy of State financial assistance expended as reported in the nonstate entity's accounting records. Nonstate entities and auditors can determine amounts disbursed by the State to the nonstate entity by accessing the Vendor Payment History located on the Department's Web site at <https://apps.fldfs.com/fsaa/> (the vendor ID number will be required to obtain this information). Although amounts disbursed for a particular State project cannot be obtained from the Web site, this information can be obtained by emailing a request to cheri.greene@fldfs.com. The amount disbursed by the State to a nonstate entity is not the relevant factor in determining whether a *Florida Single Audit Act* audit is required; see question 20. However, this information will assist nonstate entities and auditors in determining whether the nonstate entity received State financial assistance and, if so, whether the amount received was sufficient to allow for the possibility of a *Florida Single Audit Act* audit being required. In determining whether a nonstate entity expended \$500,000 or more of State financial assistance, nonstate entities and auditors will also need to be aware of State financial assistance received from other nonstate entities or received in the form of property, food commodities, tax credits, etc., that would not be included in the disbursement information provided by the Department.

15. How should auditors determine which projects to test as major projects pursuant to Department of Financial Services Rule 69I-5.008, Florida Administrative Code, when a nonstate entity does not classify expenditures by the Catalog of State Financial Assistance (CSFA) number, and the vendor payment history obtained from the Department of Financial Services does not match the entity records?

The most practical and reliable way to resolve this issue would be to determine directly from the respective State agencies or the nonstate entity's records how much State financial assistance was **received** from each State agency for each State project and the applicable CSFA numbers. However, if the applicable State agencies are unable to provide such clarification, then the auditor should attempt to identify the nature and amount of

expenditures relative to the State project(s) and verify whether the projects have been audited in previous years. It is the nonstate entity's responsibility to identify the amounts **expended** under each project. If the nonstate entity's records are not sufficient to show this breakdown, the deficiency should be included as an audit finding in the audit report. If all else fails, the auditor may classify all expenditures as major projects and ensure that 50 percent of the total State financial assistance expenditures are audited to comply with Department of Financial Services Rule 69I-5.008, Florida Administrative Code.

- 16. If a nonstate entity receives funding from a State awarding agency that includes both Federal through State awards and State financial assistance, how will the entity determine what portion of the funding is Federal awards vs. State financial assistance?**

Pursuant to Section 215.97(5)(a), Florida Statutes, State awarding agencies are required to provide recipients with information needed to comply with the *Florida Single Audit Act*. Accordingly, the State awarding agency should identify, in the contract, what portion of the resources is Federal awards vs. State financial assistance. In addition, the contract should specify the applicable Catalog of Federal Domestic Assistance (CFDA) and Catalog of State Financial Assistance (CSFA) program/project numbers. If the contract does not provide sufficient details of the resources provided, the State awarding agency should be requested to provide this information.

- 17. A nonstate entity, pursuant to a contract with a State agency, receives and expends resources totaling \$650,000 for the same project, of which \$450,000 is State funding and \$200,000 is pass-through funding from the Federal Government. What amount should be used to determine whether the \$500,000 *Florida Single Audit Act* threshold was exceeded?**

Pursuant to Section 215.97(2)(q), Florida Statutes, State financial assistance does not include Federal awards (received directly or indirectly from the Federal Government). Only the portion of funding that represents State financial assistance should be used to determine whether the \$500,000 *Florida Single Audit Act* threshold was exceeded (see questions 29 and 34).

- 18. A nonstate entity receives State financial assistance under three different contracts for the same major State project (i.e., same CSFA number). In determining audit coverage under the *Florida Single Audit Act*, should the nonstate entity's external auditor select all of the contracts pertaining to the major State project selected?**

Yes. Department of Financial Services Rules 69I-5.008 and 69I-5.009, Florida Administrative Code, establish criteria for selection of State projects for audit. These rules are explicit that the independent auditor's selection for audit is based on the auditor's analysis of State projects, not individual contracts.

- 19. What basis should be used in determining whether a nonstate entity expended at least \$500,000 of State financial assistance, and should amounts encumbered be considered in making this determination?**

Nonstate entities that are required to provide for a State single audit as defined by the *Florida Single Audit Act* are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP), which require the accrual or modified accrual basis of accounting. Accordingly, the same basis of accounting should be used in determining whether a nonstate entity expended at least \$500,000 of State financial assistance. Consistent with GAAP, it would not be appropriate to include encumbrances in making this determination.

- 20. If a nonstate entity receives State financial assistance on a cost reimbursement basis, should the determination of whether the nonstate entity expended at least \$500,000 of State financial assistance be made based on when the entity is reimbursed or when the entity incurred the expenditures?**

Consistent with Department of Financial Services Rule 69I-5.004(2)(a), Florida Administrative Code, which provides that the determination of State financial assistance expended should be based on when the related activity occurs, the determination should be based on when the nonstate entity incurred the expenditures for which it is receiving reimbursement.

- 21. How are “expenditures of State financial assistance” determined under contracts that are fixed price-performance based?**

Consistent with Department of Financial Services Rule 69I-5.004(2)(a), Florida Administrative Code, the amount of State financial assistance expended should be based on when the related activity occurs. Generally, the activity pertains to actions taken by the nonstate entity to achieve the purposes of the contracts or grant agreements. Fixed price-performance based contracts may represent payments to vendors for goods or services, in which case the State resources received would not be considered State financial assistance subject to the *Florida Single Audit Act* (see questions 38 through 40). In those instances in which such contracts are entered into with a nonstate entity, the nonstate entity’s accounting records should identify expenditure/expense transactions associated with the contract.

- 22. What are the *Florida Single Audit Act* requirements when the only type of State resources received by a nonstate entity are loans or loan guarantees?**

Department of Financial Services Rule 69I-5.004(2)(b), Florida Administrative Code, prescribes the requirements for determining the value of State financial assistance expended under loan programs. Pursuant to that Rule, loans and loan guarantees, the proceeds of which were received and expended in prior years, are not considered State financial assistance for the current year if the laws, rules, and provisions of contracts or grant agreements pertaining to such loans and loan guarantees impose no continuing compliance requirements other than to repay the loans. Thus, any such loans and loan guarantees would be excluded in determining whether a nonstate entity is required to have a *Florida Single Audit Act* audit.

- 23. For nonstate entities that have been determined to have expended at least \$500,000 of State financial assistance, is a *Florida Single Audit Act* audit required even if the State awarding agency(s) has done some monitoring for compliance and has issued a report to the nonstate entity regarding the results of such monitoring efforts?**

Yes. Audits, reviews, and monitoring efforts by State awarding agencies cannot substitute for an audit required under the *Florida Single Audit Act*. However, reports on such monitoring efforts may be useful to auditors in conducting risk assessments of State projects.

24. Can State awarding agencies require nonstate entities that expend less than \$500,000 of State financial assistance in any fiscal year to provide for an audit or attestation engagement?

If a nonstate entity expended less than \$500,000 of State financial assistance in a fiscal year, the nonstate entity is not required to provide for an audit as prescribed by the *Florida Single Audit Act*. However, the State awarding agency is not explicitly precluded from requiring an audit or attestation engagement other than that provided for in the *Florida Single Audit Act*.

25. Can State awarding agencies require nonstate entities that expend less than \$500,000 of State financial assistance in any fiscal year to submit an attestation signed by the head of the nonstate entity indicating that the State financial assistance was spent according to the agreement and all pertinent laws, rules?

Yes. Pursuant to Sections 215.97(8)(b), (c), and (d), Florida Statutes, the State awarding agency may impose such a requirement in a written agreement between the State awarding agency and the nonstate entity.

26. Can the *Florida Single Audit Act* requirements be waived for State projects that will only be in existence for one or two years?

No. The length/duration of a project has no bearing on its inclusion within the Catalog of State Financial Assistance or whether it is subject to the *Florida Single Audit Act*. Prior to the *Act*, many short duration programs were not audited. The *Florida Single Audit Act* is intended to provide accountability for all State financial assistance regardless of project duration.

- 27. Is there a requirement that the same audit firm perform both the financial statement audit and the State single audit? If different firms are allowed, how will the reporting be affected? For example, should the schedule of findings and questioned costs disclose that the financial statements were audited by other auditors?**

The *Act* does not contain any requirement that the same firm perform the financial statement audit and the State single audit. Both auditors should be careful to communicate to management the scope of their work. In addition, the State single audit firm should reference in the schedule of findings and questioned costs that the auditor's report and opinion on the financial statements, and report on compliance and internal control based on the audit of the financial statements, were prepared by other auditors.

State Financial Assistance

- 28. What is State financial assistance as contemplated by the *Florida Single Audit Act*?**

State financial assistance is financial assistance from State resources to nonstate entities to carry out a State project. The various classes or types of State financial assistance are prescribed in Department of Financial Services Rule 69I-5.004, Florida Administrative Code.

- 29. Can State financial assistance include Federal-through-State resources or State matching of Federal awards?**

No. For purposes of the *Florida Single Audit Act*, State financial assistance does not include Federal financial assistance or State matching provided by State agencies for Federal programs.

- 30. How should nonstate entities and their auditors determine whether resources received from a State agency or pass-through entity are considered to be State financial assistance as contemplated by the *Florida Single Audit Act*?**

Nonstate entities or their auditors should take the following steps to determine whether resources received from a State agency or pass-through entity are considered to be State financial assistance:

- Review the written agreement or contract, or other correspondence received from the State agency or pass-through entity, pertaining to the State resources received. Section 215.97(5)(a), Florida Statutes, requires State awarding agencies to provide recipients with information (e.g., the Catalog of State Financial Assistance number and project description) needed to comply with the *Florida Single Audit Act*. Likewise, pass-through entities have an obligation to do the same for sub recipients. Normally, this will be accomplished by including appropriate language in the contract. Sample contract language for use by State awarding agencies and pass-through entities in entering into agreements with recipients/sub recipients of Federal awards and/or State financial assistance is available at <https://apps.fldfs.com/fsaa/links.aspx>. Ideally, State agencies or pass-through entities providing State resources to nonstate entities will clearly indicate in contracts, or otherwise, whether such resources represent State financial assistance subject to the *Act*; however, if this is not the case, proceed to the following step.

- Review the Catalog of State Financial Assistance (CSFA) to determine whether there are any State projects listed that appear to be related to the State resources received by the nonstate entity. State agencies are required to use a State Project Determination Checklist (Form DFS-A2-PD) to evaluate the applicability of the *Act* to a State program (the Checklist is available at <https://apps.fldfs.com/fsaa/links.aspx>). If the *Act* is determined to be applicable (i.e., the State program represents a State project), a CSFA number is assigned and the project is added to the CSFA. State agencies are required annually to certify the accuracy and completeness of its State projects included in the CSFA. The CSFA, which is available at www.apps.fldfs.com/fsaa/ provides a descriptive listing of all State projects identified to date. The CFSA Web page allows users to search the CFSA by State awarding agency, subject, or applicant type, or to view all projects. If uncertainty still remains after searching the CFSA, proceed to the following step.
- Contact the appropriate State agency or pass-through entity to inquire as to whether the resources received are considered to be State financial assistance as contemplated by the *Act*. If the resources received are considered to be State financial assistance, the State agency or pass-through entity should be able to provide a CSFA number for the State project or an explanation as to why there is no CSFA number. Nonstate entities or auditors may want to obtain a written response from the State agency or pass-through entity.

31. For nonstate entities that receive State resources but are unable to determine whether such resources are considered to be State financial assistance as contemplated by the *Florida Single Audit Act*, even after reviewing the Catalog of State Financial Assistance (CSFA) and the contract, should the nonstate entities and their auditors assume that the resources received are not subject to the *Act*?

It is possible that State resources received by a nonstate entity may represent State financial assistance associated with a State project but not be identified as such in the contract or on the CFSA. The *Florida Single Audit Act* State Project Determination Checklist (see preceding question) helps ensure that State resources associated with a State project are identified as such and that a CSFA number is assigned to the State project. However, there may be instances in which State resources associated with a State project that has not yet been assigned a CSFA number should be treated as State financial assistance if the nonstate entity is timely notified of such by the State awarding agency. If a nonstate entity/auditor is unsure about whether State resources received are considered to be State financial assistance as contemplated by the *Act*, it is advisable that the nonstate entity/auditor contact the appropriate State agency to obtain clarification.

- 32. What should a nonstate entity that receives State resources from a State agency/pass-through entity do if it is unable to determine whether such resources are considered State financial assistance even after making inquiry of the State agency/pass-through entity?**

It is appropriate for a nonstate entity to make such inquiries, particularly if the contract with the State agency/pass-through entity does not indicate whether the resources received are State financial assistance. If a nonstate entity requests such clarification of a State agency/pass-through entity, and the State agency/pass-through entity is unable to provide such clarification, then it is reasonable for the nonstate entity to proceed on the basis that the resources received do not represent State financial assistance. The nonstate entity should document its inquiry and the inability of the State agency/pass-through entity to provide the requested clarification.

- 33. Certain entities such as district school boards, community colleges, and public universities are not subject to the *Florida Single Audit Act*. Could State resources received from such entities be considered State financial assistance?**

Section 215.97(2)(q), Florida Statutes, in defining State financial assistance, provides that “It includes state financial assistance provided directly by state awarding agencies or indirectly by nonstate entities.” Since a district school board, community college, or public university is neither a State awarding agency nor a nonstate entity, State resources passed on by these entities should not be considered State financial assistance.

- 34. A nonstate entity receives resources from a State agency in relation to a Federal program, whereby the nonstate entity agrees to provide one-half of the non-Federal share and the other half is to be paid by the State agency. The wording in the agreement between the nonstate entity and the State agency indicates that this is “cost sharing” and does not use the term “State matching.” Is the State portion considered State matching?**

This appears to involve State matching for Federal programs, which would not be subject to the *Florida Single Audit Act*. However, the nonstate entity should consult with the appropriate State agency regarding this question.

- 35. Are resources provided to a nonstate entity for student financial aid considered to be State financial assistance as contemplated by the *Florida Single Audit Act*?**

Possibly. If a nonstate entity receives resources from the State that are used to provide student financial assistance, and the resources are not Federal awards and are not used for State matching of Federal programs, such resources may be considered to be State financial assistance (see question 31 regarding a determination as to whether State resources are considered to be State financial assistance).

- 36. Are State resources received by a nonstate entity as part of a State agency's efforts to comply with a Federal program compliance requirement regarding maintenance of effort considered to be State financial assistance as contemplated by the *Florida Single Audit Act*?**

Possibly. Maintenance of effort (MOE) is frequently required in Health and Human Services Federal programs. It is basically a requirement for States to maintain State support of programs at a certain level. The premise is that Federal resources should supplement, not supplant State (programs) projects. A nonstate entity may receive resources from a State agency as part of the State agency's effort to comply with a Federal program compliance requirement regarding MOE. The resources received may be considered State financial assistance depending on several factors, including whether or not the State maintenance of effort includes State requirements different from the Federal requirements, and is to be audited in the same manner as State matching pursuant to OMB Circular A-133. This determination will be made by State agencies for State projects using the State Project Determination Checklist (Form DFS-A2-PD) (see question 31).

- 37. If State resources are provided by a State agency to a nonstate entity through a fixed price-performance based contract, are such resources considered to be State financial assistance as contemplated by the *Florida Single Audit Act*?**

Possibly, although payments made pursuant to fixed price-performance based contracts (i.e., contracts that provide for a fixed fee per unit of service and/or require the nonstate entity to provide a deliverable) may represent payments to vendors for goods or services, which are exempt from the *Florida Single Audit Act* (see question 21).

Recipients/Sub recipients and Vendors

- 38. If State resources are not awarded to a recipient or sub recipient, but instead are used to pay a vendor for services rendered, is the vendor subject to the requirements of the *Florida Single Audit Act*?**

No. State resources used to buy goods or services from vendors are outside the scope of the *Florida Single Audit Act*. In every instance in which a State agency contracts with a third party regarding the use of State resources, and in every instance in which a recipient or sub recipient uses State financial assistance to pay third parties, it will be necessary to determine whether the third parties are recipients/sub recipients or vendors.

- 39. How will a State agency make a determination as to whether a recipient/sub recipient or vendor relationship exists?**

This determination should be made in accordance with Department of Financial Services Rule 69I-5.006, Florida Administrative Code, by the State agency at the time the contract is entered into. The *Florida Single Audit Act* Checklist for Nonstate Organizations - Recipient/Sub recipient vs. Vendor Determination (Form DFS-A2-NS) is used to make this determination. State agencies, recipients, and sub recipients are required to complete, and retain in their records, the Checklist to evaluate the applicability of the *Florida Single Audit Act* to any nonstate entities to which they provide State resources to assist in carrying out a State project. The Checklist is available at <https://apps.fldfs.com/fsaa/links.aspx>

40. Are recipients/sub recipients required to complete the Checklist for Nonstate Organizations – Recipient/Sub recipient vs. Vendor Determination (Form DFS-A2-NS)?

Recipients/sub recipients are responsible for complying with the provisions of the *Florida Single Audit Act*. This would include making a sub recipient vs. vendor determination with respect to nonstate entities to which they pass State resources. The Checklist includes a statement that recipients and sub recipients must use the Checklist. Department of Financial Services Rule 69I-5.006(2), Florida Administrative Code, requires recipients and sub recipients that provide State financial assistance to nonstate organizations to complete the checklist and retain it in their records.

41. Who is responsible for ensuring that recipients/sub recipients properly complete the Checklist for Nonstate Organizations – Recipient/Sub recipient vs. Vendor Determination (Form DFS-A2-NS)?

State awarding agencies are responsible for notifying recipients of the requirements of the *Florida Single Audit Act* (see Section 215.97(5)(a), Florida Statutes) and recipients/sub recipients are responsible for notifying sub recipients of the requirements of the *Act* (see Section 215.97(7)(a), Florida Statutes). This notification should include informing the recipient/sub recipient as to the required use of the Checklist to make a sub recipient vs. vendor determination. State awarding agencies/recipients/sub recipients have an implicit responsibility to monitor a recipient's/sub recipient's compliance with the terms of the contract or agreement and the *Act*, which should include use of the Checklist with respect to nonstate entities to which they pass State resources. For those recipients/sub recipients that are audited, the State agency/recipient/sub recipient should review audit reports prepared in accordance with the *Act* as part of their monitoring responsibilities. Auditors should be alert for instances in which a recipient/sub recipient did not comply with contract or agreement provisions requiring the use of the Checklist.

42. The bottom of the second page of the Checklist for Nonstate Organizations – Recipient/Sub recipient vs. Vendor Determination (Form DFS-A2-NS) indicates that it is possible to have a contractual agreement with a nonstate organization under Chapter 287, Florida Statutes, and still consider the nonstate organization a recipient under the Florida Single Audit Act. What is the significance of this statement?

This statement was intended to clarify that any nonstate organization that enters into a contract with a State agency under Chapter 287, Florida Statutes, may potentially be considered a recipient under the *Florida Single Audit Act*. State agencies should look at the substance of such contracts in completing the Checklist. A State agency may treat a nonstate organization as a vendor providing contractual services with respect to some State resources it provides the organization, but may have to treat the same organization as a recipient with respect to other State resources it provides the organization.

43. Will contracts between State agencies and nonstate entities be required to indicate whether a recipient or vendor relationship exists, and if the contract does not indicate that State financial assistance is involved can it be assumed that a vendor relationship exists?

Pursuant to Section 215.97(5)(a), Florida Statutes, State awarding agencies are required to provide recipients with information needed to comply with the *Act*. Although State agencies are not specifically required to indicate in the contract whether a recipient or vendor relationship exists, State agencies must indicate whether the resources being provided would require an audit in accordance with the *Act*. If the contract states that an audit is required if the nonstate entity expends at least \$500,000 of State financial assistance, this would indicate a recipient/sub recipient relationship. However, it should not be assumed that a vendor relationship exists if the contract does not indicate that State financial assistance is involved or that an audit is required. If the contract is not clear as to whether a recipient or vendor relationship exists, the nonstate entity should consult with the State agency.

- 44. What should a nonstate entity do if the State agency(s) has not indicated in the contract whether a recipient or vendor relationship exists and has not made such a determination using the Checklist for Nonstate Organizations - Recipient/Sub recipient vs. Vendor Determination (Form DFS-A2-NS) ?**

The nonstate entity should request that the State agency(s) make this determination. If the State agency does not comply with this request, the nonstate entity should make the determination using the Checklist and ask the State agency(s) whether it concurs with the determination. If the nonstate entity is still unable to resolve the matter, they should notify the Department of Financial Services, Bureau of Auditing, at (850) 413-3060.

- 45. What should a nonstate entity or its auditor do if it does not concur with a State agency's/pass-through entity's determination of whether the nonstate entity is a recipient/sub recipient or vendor?**

The nonstate entity or its auditor should contact the State agency/pass-through entity and request clarification as to the basis for the State agency's/pass-through entity's conclusion. If a State agency does not comply with this request, or if the nonstate entity or its auditor is otherwise unable to resolve the matter, they should notify the Department of Financial Services, Bureau of Auditing, at (850) 413-3060.

- 46. What are a recipient's responsibilities regarding State financial assistance passed to a sub recipient?**

Section 215.97(7), Florida Statutes, addresses the responsibilities of a recipient that passes State financial assistance on to a sub recipient. A sub recipient passing State financial assistance on to another sub recipient would have the same responsibilities.

- 47. If a sub recipient is also a component unit of a recipient and is included within the recipient's reporting entity for a *Florida Single Audit*, is the sub recipient exempt from the audit requirements of the *Florida Single Audit Act*?**

No. There is no provision in the *Act* that provides for a sub recipient that is a component unit of a recipient to satisfy the *Florida Single Audit Act* requirement by being audited as part of the recipient's reporting entity. As such, if the sub recipient is a nonstate entity and has expended \$500,000 or more of State financial assistance in a given fiscal year, regardless of the source, it is subject to the *Florida Single Audit Act* audit requirements.

48. Are recipients that are blended component units of the State of Florida excluded from the audit requirements of the *Florida Single Audit Act*?

No. There is no provision in the *Act* to exempt component units of the State of Florida from the audit requirements of the *Act*. Therefore, the question of whether the recipient entity is a component unit of the State of Florida should have no bearing on whether the entity is required to have an audit under the *Act*.

49. If a recipient/sub recipient provides \$500,000 or more of State financial assistance to a State agency, is that State agency a sub recipient and therefore required to provide for a *Florida Single Audit Act* audit and, if not, does the recipient/sub recipient have a responsibility to obtain assurance that the State financial assistance was properly expended?

The State agency would not be considered to be a sub recipient under the *Florida Single Audit Act*. The *Act* does not address what the recipient/sub recipient's responsibilities would be in this situation; however, to be consistent with the spirit of the *Act*, the recipient/sub recipient should take appropriate steps to ensure that the State agency uses the resources for a purpose that is consistent with the purpose for which the State financial assistance was provided to the recipient/sub recipient.

Type A and Type B Projects/Risk Assessment

50. Have the rules for determining Type A and Type B major State projects changed since the *Florida Single Audit Act* audit threshold increased to \$500,000?

No. Department of Financial Services Rules 69I-5.008 and 69I-5.009, Florida Administrative Code, which establish the criteria for determining and selecting major State projects have not changed. Also, since the Federal program determination rules have not been revised since the *Federal Single Audit* threshold increased to \$500,000, it is not anticipated that the Administrative Rules will be revised in the near future.

51. What are Type A and Type B projects and how are they determined?

The auditor is required to use a risk-based approach to determine which State projects are major State projects. This risk-based approach must include consideration of the amount of State project expenditures and the inherent risk of the State project, and requires identification of State projects as Type A or Type B projects as defined by Department of Financial Services Rule 69I-5.008, Florida Administrative Code. For auditees with State financial assistance expenditures between \$300,000 and \$1,000,000, Type A projects are defined as the larger of \$100,000 or 30% of total State financial assistance expended. For auditees with State financial assistance expenditures exceeding \$1,000,000, Type A projects are defined as the larger of \$300,000 or 3% of total State financial assistance expended. State projects not identified as Type A projects are considered Type B projects.

52. A nonstate entity receives and expends State financial assistance from several State projects, all of which are determined to be high-risk Type A projects. Should all of these projects be selected for audit, or only enough of the projects to meet 50 percent of the total expenditures of State financial assistance.

Department of Financial Services Rule 69I-5.008(6), Florida Administrative Code, requires that all Type A projects be selected for audit, except those determined to be low-risk. This is the case regardless of the percentage of total State financial assistance expenditures that the Type A project expenditures represent. The 50 percent audit coverage stated in Department of Financial Services Rule 69I-5.008(6)(c), Florida Administrative Code, is to ensure that the total State financial assistance expenditures associated with the Type A and Type B projects audited is at least 50 percent of the nonstate entity's total State financial assistance expenditures.

- 53. For *Federal Single Audit Act* audits, OMB Circular A-133 provides that audit coverage may be reduced for low-risk auditees. Can there be a low-risk auditee under the *Florida Single Audit Act*?**

No. There is no such provision under the *Florida Single Audit Act*. However, Department of Financial Services Rule 69I-5.008(4) and (5), Florida Administrative Code, provides guidance on how to assess projects as high-risk or low-risk. The determination of which projects are high-risk versus low-risk affects the auditor's identification of major projects.

- 54. Department of Financial Services Rule 69I-5.008(6), Florida Administrative Code, states that, at a minimum, the auditor shall audit as major projects all Type A projects, except that the auditor may exclude any low-risk Type A projects. The Rule further states that 50 percent audit coverage is to be met. If a nonstate entity's State projects were all determined to be low-risk Type A projects, and one Type A project was selected for testing that meets the 50 percent audit coverage rule, is that sufficient, or should the other low-risk Type A projects be tested as well?**

As long as the project selected for testing makes up at least 50 percent of the entity's total State financial assistance expenditures for that fiscal year, that is sufficient audit coverage in accordance with Department of Financial Services Rule 69I-5.008, Florida Administrative Code.

- 55. If a Type A project was audited during the prior year, can it be considered a low risk Type A project in the subsequent year if it is the initial audit under the *Florida Single Audit Act*?**

No. Pursuant to Department of Financial Services Rule 69I-5.008(4), Florida Administrative Code, a Type A project must have been audited as a major State project in at least one of the two most recent audit periods. Therefore, there will be no low risk Type A projects the first year that a *Florida Single Audit Act* audit is conducted because no project will have been audited under the *Florida Single Audit Act* in the prior year.

- 56. Department of Financial Services Rule 69I-5.008(4), Florida Administrative Code, provides that for a Type A State project to be considered low-risk, it should have been audited as a major State project in at least one of the two most recent audit periods and, in the most recent audit period, should have had no "reportable audit findings." What is the meaning of "reportable audit findings"?**

The Department's Rules do not define the term "reportable audit findings." However, the term "reportable audit findings" should be interpreted to mean any findings reported in the auditor's reports or schedule of findings and questioned costs relating to State financial

assistance. It will also include any findings in the management letter that could have a significant impact on a State project.

Compliance Testing

- 57. For *Federal Single Audit Act* audits, there is a Compliance Supplement that provides guidance as to compliance testing. Is there a Compliance Supplement for *Florida Single Audit Act* audits?**

Yes. The Compliance Supplement Web page at <https://apps.fldfs.com/fsaa/compliance.aspx> allows users to search by State awarding agency, Catalog of State Financial Assistance number, or State project title. Compliance Supplement Part Six provides guidance on how to identify applicable compliance requirements for State projects that are not specifically listed in the Compliance Supplement.

- 58. Does the Compliance Supplement include compliance requirements for all State projects?**

No. However, Compliance Supplement Part Six provides guidance on how to identify compliance requirements, and design tests of compliance, for State projects not included in the Compliance Supplement.

- 59. The *Federal Single Audit Act* Compliance Supplement includes a step to trace the amounts reported on Federal grant award reports prepared by State agency recipients to the State agency recipients' accounting records. Are similar requirements included in the *Florida Single Audit Act* Compliance Supplement?**

Yes. The specific requirements for reporting are unique to each State project and are found in the laws, rules, and the provisions of contracts or agreements pertaining to the project. For projects listed in the Compliance Supplement, these specific requirements are in Part Four. For projects not listed in the Compliance Supplement, a determination must be made as to whether the required reports are supported by applicable accounting or performance records and fairly presented in accordance with project requirements (see Compliance Supplement Part Three, item H).

- 60. Some nonstate entities may be required to have an audit in accordance with both the *Federal* and *Florida Single Audit Act*. If a nonstate entity receives State resources in the form of Federal through State awards and State financial assistance, both of which qualify as a major program/project and for which the compliance requirements are identical, can they be audited using the same compliance test procedures?**

The auditor could use the same compliance test procedures for both the major Federal program and the major State project. However, the auditor should ensure that sufficient coverage is provided for both the Federal program and State project. For example, the auditor, when sampling expenditures, should ensure that a sufficient (i.e., representative) sample of expenditures is selected for both the Federal program and State project.

Reporting Requirements

61. What information should be included in the financial reporting package?

Sections 10.557(3) [local governments] and 10.656(3) [nonprofit and for-profit organizations], Rules of the Auditor General, specify what the financial reporting package is to include. In accordance with *Government Auditing Standards* published by the Comptroller General of the United States, the financial reporting package must include an auditor's report on internal control and compliance based on an audit of the financial statements (see Sections 10.557(3)(b)2. [local governments] and 10.656(3)(d)3. [nonprofit and for-profit organizations], Rules of the Auditor General). This report may be combined with the auditor's report on internal control and compliance applicable to major Federal programs and/or State projects (see Appendix A). However, care should be taken to ensure that all required items are included in the combined report.

62. If the audit discloses no findings that are required to be reported in the auditor's report on compliance and internal control, management letter, schedule of findings and questioned costs, schedule of prior audit findings, and corrective action plan, must the financial reporting package include these items?

All financial reporting packages must include the auditor's report on compliance and internal control and a schedule of findings and questioned costs. In accordance with Section 10.656(3)(d)6, Rules of the Auditor General, if no summary schedule of prior audit findings is required because there were no prior audit findings related to State projects, the auditor must indicate so in the schedule of findings and questioned costs. If no corrective action plan is required because there were no findings required to be reported under the *Florida Single Audit Act*, this should be stated in the schedule of findings and questioned costs as well. Also, pursuant to Section 10.656(3)(e), Rules of the Auditor General, if there are no items related to State financial assistance required to be reported in the management letter, auditors of nonprofit and for-profit organizations, in lieu of preparing a management letter, may state in the schedule of findings and questioned costs that there are no findings required to be reported in the management letter pursuant to Section 10.654(1)(e), Rules of the Auditor General. All local governmental entity financial reporting packages must include a management letter.

63. If the nonstate entity is required to have an audit in accordance with both the *Federal Single Audit Act* and *Florida Single Audit Act*, can the various reports/schedules required to comply with the *Federal Single Audit Act* be modified to satisfy the *Florida Single Audit Act* requirements?

Yes. Department of Financial Services Rule 69I-5.003(1), Florida Administrative Code, requires that the schedule of expenditures of State financial assistance be combined with the schedule of expenditures of Federal awards. Additionally, Chapters 10.550 and 10.650, Rules of the Auditor General, provide that the auditor should combine required reports and schedules and avoid including duplicate findings in the various reports, schedules, and management letter. Appendices A through E provide examples of the auditor's report on internal control and compliance applicable to major Federal programs and State projects, management letter, schedule of findings and questioned costs, summary schedule of prior audit findings, and corrective action plan. The examples are based on the assumption that the nonstate entity was subjected to both a Federal and Florida Single Audit. However, they can

be easily adapted for just a Florida Single Audit by deleting language related to the Federal Single Audit.

64. If a nonstate entity has a project-specific audit pursuant to Section 215.97(8)(a), Florida Statutes, what must the financial reporting package consist of?

Pursuant to Section 215.97(10)(d), Florida Statutes, auditors conducting project-specific audits must report on the results of such audits consistent with the requirements of the State single audit, and must issue a management letter as prescribed in the Rules of the Auditor General. Accordingly, the financial reporting package for a project-specific audit should include all the items prescribed by the Rules of the Auditor General for a State single audit, except that financial statements and notes thereto, an auditor's report on the financial statements, and an auditor's report on internal control and compliance based on an audit of the financial statements are not required. The financial reporting package should include the reports/management letter/schedules illustrated by Appendices A and E.

65. The example auditor's report shown as Appendix A requires a statement that the use of the report is restricted to certain specified parties. Does this mean that the auditor's report is not available for distribution to the public?

No. The restricted report language is included in the example auditor's reports to be consistent with Section 532 of the American Institute of Certified Public Accountants Codification of Statements on Auditing Standards. However, pursuant to Florida's public records law, financial reporting packages prepared and submitted to a State agency or the Auditor General pursuant to the *Florida Single Audit Act* are a matter of public record and their distribution is not limited.

66. Regarding the summary schedule of prior audit findings, which must address the status of findings included in the prior audit schedule of findings and questioned costs, does the prior audit finding need to be repeated in its entirety or is it sufficient to make reference to the prior audit finding in the prior audit report (e.g., by reference to finding number or paragraph number)?

For prior audit findings that have been corrected, reference to the prior audit finding in the prior audit report is sufficient. For prior audit findings that have not been corrected, the finding should be repeated in its entirety in the current year schedule of findings and questioned costs, and the current year summary schedule of prior audit findings may refer to the current year schedule of findings and questioned costs rather than repeating the prior year finding in its entirety.

67. Are management's responses to State single audit findings required to be included along with the audit findings presented in the schedule of findings and questioned costs?

Pursuant to Section 10.557(3)(d)6, Rules of the Auditor General, the audit report must include a corrective action plan as defined by Section 215.97(8)(i), Florida Statutes, which states that a corrective action plan is required to be submitted as part of the financial reporting package if the audit 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.

68. **For *Federal Single Audit Act* audits, a “data collection form” is required. Is a data collection form required for *Florida Single Audit Act* audits?**

No. There is no such provision under the *Florida Single Audit Act*.

69. **A nonstate entity that has an office in Florida, but has its headquarters in a state other than Florida, is required to have a State single audit in accordance with *Florida Single Audit Act*, which must include a financial statement audit. Would an organizational-wide financial statement audit of the entity suffice or would a financial statement audit of the Florida office be required?**

The *Act* doesn’t specifically address this question. Unless the State awarding agency indicates otherwise, an organizational-wide financial statement audit of the nonstate entity would suffice with respect to the requirement for audited financial statements.

70. **If an audit firm is conducting a State single audit of a recipient that passed State financial assistance on to a sub recipient, and the audit firm determines that the sub recipient’s audit report is substandard (i.e., not in accordance with the *Florida Single Audit Act*), should this be included as an audit finding in the recipient’s audit report?**

Pursuant to Section 215.97(7), Florida Statutes, a recipient that provides State financial assistance to a sub recipient must review the sub recipient’s audit reports 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, and perform such other procedures as specified in terms and conditions of the written agreement with the State awarding agency including any required monitoring of the sub recipients use of State financial assistance through onsite visits, limited scope audits, or other specified procedures. This statutory requirement clearly provides that the recipient has a responsibility to monitor the sub recipient’s compliance with the *Florida Single Audit Act*. Consistent with this responsibility, the recipient should use the sub recipient’s audit report to assess the sub recipient’s compliance with the *Act*, and a substandard sub recipient audit report may inhibit the recipient’s ability to do this. Findings related to inadequate monitoring of sub recipients should be included in the recipient’s schedule of findings and questioned costs, or in the auditor’s management letter if the finding does not meet the criteria for inclusion in the schedule of findings and questioned costs. Note: Section 215.97(7), Florida Statutes, prescribes responsibilities of recipients, but does not specifically address whether such responsibilities apply to sub recipient pass-through entities. However, consistent with the spirit of the *Act*, these same responsibilities should apply to sub recipients that pass on State financial assistance to other sub recipients.

Schedule of Expenditures of State Financial Assistance

71. **What information should be included on the schedule of expenditures of State financial assistance?**

Department of Financial Services Rule 69I-5.003, Florida Administrative Code, specifies the information that should be included on the schedule of expenditures of State financial assistance. The notes to the schedule should describe the significant accounting policies used in preparing the schedule.

- 72. Is the schedule of expenditures of State financial assistance considered part of the required supplementary information pursuant to GASB 34, and where should the schedule be located in the audit report?**

The schedule of expenditures of State financial assistance is not required supplementary information per Generally Accepted Accounting Principles. It is considered to be supplementary information that is required by Section 215.97, Florida Statutes. There is no required location where the schedule should be placed in the audit report, but it is usually included in a section of the report labeled “Other Compliance”, “Other Reports”, or “Single Audit” and it generally follows the required auditor reports, financial statements and notes thereto, and the required supplementary information.

- 73. Under the *Federal Single Audit Act*, grants with similar CFDA numbers are allowed to be clustered as a single federal program. Is there a similar requirement for State projects?**

No. Section 215.97(2)(t), Florida Statutes, defines “State project” to mean all State financial assistance to a nonstate entity assigned a single State project number identifier in the Catalog of State Financial Assistance. Also, Department of Financial Services Rule 69I-5.003(1)(a), Florida Administrative Code, requires that the schedule of expenditures of State financial assistance to list individual State projects, by State agency. The State projects should be identified by the appropriate CSFA number and contract or grant number.

- 74. In the determination of expenditures of State financial assistance, should the expenditures of two different State grants (with different CSFA numbers) received for different phases of the same job be combined as one total in the determination of a Type A or B project?**

No. By definition, a State project includes all State financial assistance assigned to a single State project number identifier in the Catalog of State Financial Assistance. As such, grants with different CSFA numbers should be treated as different State projects. The respective State projects would then be classified as Type A or B projects in accordance with Department of Financial Services Rule 69I-5.008, Florida Administrative Code.

- 75. If an entity receives Federal awards and State financial assistance, and is required to provide for both a Federal and Florida single audit, should the expenditures of Federal awards and State financial assistance be reported on separate schedules of expenditures of Federal awards and State financial assistance, or on a combined schedule?**

Department of Financial Services Rule 69I-5.003, Florida Administrative Code, requires that the schedules of expenditures of Federal awards and State financial assistance be combined. The Rule provides an example of a combined schedule of expenditures of Federal awards and State financial assistance.

- 76. If a nonstate entity receives both Federal awards and State financial assistance, how is this presented on a combined schedule of expenditures of Federal awards and State financial assistance?**

The expenditures should be shown on different lines under the appropriate headings with a Catalog of Federal Domestic Assistance number shown for the Federal portion and a Catalog of State Financial Assistance number shown for the State portion (see example of a combined schedule in Department of Financial Services Rule 69I-5.003, Florida Administrative Code).

- 77. Department of Financial Services Rule 69I-5.003, Florida Administrative Code, requires that the schedule of expenditures of State financial assistance include total State financial assistance transferred to sub recipients for each State project. Will this information be required for a combined schedule of expenditures of Federal awards and State financial assistance?**

The combined schedule should include total State financial assistance transferred to sub recipients for each State project, and amounts transferred to sub recipients should be included under both the Expenditure and Transfer to Sub recipient columns illustrated in Department of Financial Services Rule 69I-5.003, Florida Administrative Code. OMB Circular A-133 requires that the schedule of expenditures of Federal awards include, to the extent practical, the total amount provided to sub recipients from each Federal program. If it is practical for the nonstate entity to determine this information for Federal programs, the information should be shown on the combined schedule. If this information for Federal programs is not reported on the combined schedule, it may be desirable to add a footnote to the combined schedule explaining that this information is presented for State financial assistance but not for Federal awards.

- 78. Since State financial assistance does not include State matching provided for Federal programs, should State matching be reported on the schedule of expenditures of State financial assistance or on a combined schedule of expenditures of Federal awards and State financial assistance?**

State matching provided for Federal programs should not be shown on a schedule of expenditures of State financial assistance. However, on a combined schedule of expenditures of Federal awards and State financial assistance, the State matching may be shown under the Federal awards section of the schedule or as “other State funds.”

- 79. For *Federal Single Audit Act* audits, auditees are expected to be able to reconcile amounts presented in the financial statements to related amounts on the schedule of expenditures of Federal awards (see Section 7.05 of the American Institute of Certified Public Accountants’ Audit Guide – Government Auditing Standards and Circular A-133 Audits). What are auditee and auditor responsibilities regarding amounts reported on the schedule of expenditures of State financial assistance?**

Nonstate entities that receive State financial assistance should be able to reconcile amounts presented in the financial statements to related amounts on the schedule of expenditures of State financial assistance. Further, nonstate entities should document in the accounting records the use of any State financial assistance received. This should be done in a manner that demonstrates how amounts received reconcile to amounts expended as reported on the schedule. Auditors must obtain reasonable assurance that amounts reported on the schedule are fairly stated in all material respects in relation to the financial statements in accordance with Sections 10.557(3)(d)2. and 10.656(3)(d)2., Rules of the Auditor General. Such

reasonable assurance may include verifying that the amount of State financial assistance received by the nonstate entity reconciles to amounts shown as expended on the schedule.

- 80. A nonstate entity has been awarded State financial assistance and incurs expenditures during the current fiscal year related to a State project for which it is to be reimbursed in the subsequent fiscal year. Should the amount of these expenditures be reported on the nonstate entity's schedule of expenditures of State financial assistance for the current fiscal year?**

The schedule of expenditures of State financial assistance should include expenditures of any State projects for which the nonstate entity is eligible for reimbursement. This is consistent with Department of Financial Services Rule 69I-5.004(2)(a), Florida Administrative Code, which provides that the determination of when State financial assistance is expended should be based on when the activity occurs (the activity pertains to events that require the nonstate entity to comply with contracts or agreements, such as expenditure transactions associated with grants). For example, if a nonstate entity is awarded a \$100,000 grant on a reimbursement basis, and incurs \$80,000 of eligible expenditures related to that grant during the fiscal year 2006, then the nonstate entity should report \$80,000 as State financial assistance expended related to that grant on its schedule of expenditures of State financial assistance for the fiscal year 2006 regardless of when it is actually reimbursed the \$80,000 (this example is based on the assumption that the schedule is prepared on a Generally Accepted Accounting Principles basis).

- 81. For Federal single audits, OMB Circular A-133 does not prescribe the basis of accounting for the schedule of expenditures of Federal awards and, accordingly, the schedule may be prepared on a basis of accounting different than that used for the financial statements (see Section 7.05 of the American Institute of Certified Public Accountants' Audit Guide – Government Auditing Standards and Circular A-133 Audits). Is this also the case for the schedule of expenditures of State financial assistance?**

Department of Financial Services Rule 69I-5.003, Florida Administrative Code, which prescribes the format of the schedule of expenditures of State financial assistance, does not prescribe the basis of accounting for the schedule. However, nonstate entities are encouraged to prepare the schedule of expenditures of State financial assistance on the same basis used to prepare the financial statements, and may be required to do so by State awarding agencies. If the nonstate entity does prepare the schedule using a basis of accounting other than that used to prepare the financial statements, they must be able to reconcile the amounts presented on the schedule to the amounts presented on the financial statements.

- 82. For State projects whereby the contract/agreement states that the nonstate entity will be reimbursed for a percentage of expenditures related to the project, what dollar amount should be reported on the schedule of expenditures of State financial assistance, the total amount of qualifying expenditures or only the percentage that will be reimbursed?**

Since the nonstate entity is being reimbursed for a percentage of expenditures, the amount of State financial assistance expended to be shown on the schedule should be based on the percentage that will be reimbursed.

- 83. If a nonstate entity is to receive State financial assistance on a cost reimbursement basis**

by virtue of two or more contracts/agreements from different State awarding agencies or pass-through entities related to the same project, how should the expenditures for a particular fiscal year be allocated among the contracts/agreements?

Unless specified by the State awarding agencies or pass-through entities, it would be the nonstate entity's responsibility to allocate the expenditures using a reasonable allocation basis. One method would be to make the allocation based on the contract/agreement award amounts. For example, if contracts/agreements A, B, and C are for \$150,000, \$150,000, and \$300,000, respectively, the recipient would allocate 25% of the expenditures to contracts/agreements A and B, and 50% to contract/agreement C. If an allocation method is not addressed in the contract/agreement, the nonstate entity should consult with the appropriate State awarding agency or pass-through entity.

- 84. A nonstate entity receives \$1,000,000 under a contract/agreement based on units of service provided by the nonstate entity, but the nonstate entity incurs \$1,200,000 in allowable costs related to providing those units of service. What amount should be reported as total expenditures on the schedule of expenditures of State financial assistance?**

The actual expenditures should be shown on schedule of State financial assistance to the extent to which they do not exceed the award amount. In this case, for example, only \$1,000,000 should be reported as total expenditures on the schedule of expenditures of State financial assistance.

- 85. How should expenditures of State projects that have not been assigned a CSFA number (see question 31) be reported on the schedule of expenditures of State financial assistance?**

The expenditures should be reported on the schedule under a heading labeled "Other State Financial Assistance," and the notes to the schedule should include an explanation that a CSFA number has not yet been assigned.

Filing Requirements

- 86. What is the time frame for local governmental entities to complete *Florida Single Audit Act* audits?**

Pursuant to Section 10.558(3), Rules of the Auditor General, the financial reporting package must be delivered to the State awarding agencies and the Auditor General within 45 days after delivery of the financial reporting package to the auditee, but no later than 12 months after the local governmental entity's fiscal year end.

- 87. Why is the time frame for local governmental entities to complete *Florida Single Audit Act* audits different than the 9-month time frame established by the *Federal Single Audit Act*?**

The 12-month time frame was established for local governmental entities to be consistent with the time frame established for audits conducted pursuant to Section 218.39(1), Florida Statutes.

88. What is the time frame for nonprofit and for-profit organizations to complete *Florida Single Audit Act* audits?

Pursuant to Section 10.657(2), Rules of the Auditor General, the financial reporting package must be delivered to the State awarding agencies and the Auditor General within 45 days after delivery of the financial reporting package to the auditee, but no later than 9 months after the auditee’s fiscal year end. This is consistent with the *Federal Single Audit Act* time frame.

89. Is there a “clearing house” similar to the Bureau of Census for Federal Single Audit documents or do financial reporting packages need to be filed with each State awarding agency?

There is no provision for a “clearing house” in the *Florida Single Audit Act*. Pursuant to Sections 10.558(2) and 10.657(1), Rules of the Auditor General, copies of a State financial assistance recipient’s financial reporting package must be submitted to the recipient organization, State awarding agencies, and the Auditor General. Copies of a sub recipient’s financial reporting package must be submitted to the recipient organization that provided the State financial assistance.

90. If there are no findings to be reported in the auditor’s report on compliance and internal control, schedule of findings and questioned costs, or management letter, must a financial reporting package still be filed or is notification that there were no findings to be reported sufficient?

The financial reporting package must be filed regardless of whether or not there are any findings. However, see question 64 regarding situations where there are no findings to be included in the management letter for a nonprofit or for-profit organization.

91. Why are two paper copies and one electronic copy of the financial reporting package required to be submitted to the Auditor General pursuant to Section 10.558(2), Rules of the Auditor General?

One paper copy is a ‘public record copy’ available for inspection by the Auditor General, legislative staff, and the general public. The second paper copy is for Auditor General review purposes pursuant to Section 215.97(11)(f), Florida Statutes, as Auditor General staff often make notations on financial reporting packages as part of the desk review process. The electronic copy is for the new electronic review program currently under development by the Auditor General.

Audit Costs

92. Can a nonstate entity use State financial assistance to pay for a *Florida Single Audit Act* audit?

Yes. Pursuant to Section 215.97(8)(k), Florida Statutes, the cost of audits pursuant to the *Florida Single Audit Act* 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 *Florida*

Single Audit Act audit requirements 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.

93. How should incremental audit costs incurred as a result of a *Florida Single Audit Act* audit be allocated to all State projects as required by Section 215.97(8)(k), Florida Statutes?

Section 215.97(8)(k), Florida Statutes, does not specify the manner in which the costs should be allocated. The nonstate entity should allocate the incremental costs using a reasonable allocation method.

94. If a State awarding agency requires a nonstate entity that expended less than \$500,000 of State financial assistance in any fiscal year to have an audit or attestation engagement other than that provided for in the *Florida Single Audit Act*, does the State awarding agency have to provide the nonstate entity with funding to pay for the audit or attestation engagement?

No. Pursuant to Section 215.97(8)(n), Florida Statutes, State awarding agencies that provide State financial assistance to nonstate entities and conduct or arrange for audits of State financial assistance that are in addition to the audits conducted under the *Florida Single Audit Act* shall, consistent with other applicable law, arrange for funding the full cost of such additional audits. In determining whether such costs are allowable charges to a State project, State awarding agencies should review the statute or proviso language that relates to the project. If administrative services are included within this language, the audit or attestation engagement could probably be charged to the project. If the statute or proviso language only discusses direct project expenditures, the cost of the audit or attestation engagement probably cannot be charged to the project. If a State awarding agency requires a nonstate entity that expended less than \$500,000 of State financial assistance in any fiscal year to have an audit or attestation engagement, the State awarding agency is not explicitly precluded from requiring the nonstate entity to pay for the audit or attestation engagement.

95. Pursuant to Department of Financial Services Rule 69I-5.004, Florida Administrative Code, State financial assistance includes tax credits and refunds issued/paid to taxpayers for public purposes authorized by State law. If such taxpayers provide for an audit conducted in accordance with the *Florida Single Audit Act*, or are subjected to a self-audit, certified audit, or a Florida Department of Revenue (FDOR) tax audit, related to a tax credit or refund, can the taxpayer, pursuant to the *Act*, obtain additional resources from the State for some portion of the cost of the audit?

No. Section 215.97(8)(k), Florida Statutes, allows the nonstate entity (i.e., taxpayer) to use the tax credit or refund to pay for an audit conducted in accordance with the *Florida Single Audit Act*. However, the *Act* does not authorize the State to provide additional credit or refund amounts, or other additional resources, to compensate the taxpayer for any portion of the cost of an audit conducted in accordance with the *Act*, or the cost of a self-audit, certified audit, or FDOR tax audit. The taxpayer and FDOR or other State awarding agency are responsible for coordinating audit scopes to ensure that there is no duplication of audit efforts that would give standing to a taxpayer claim to additional compensation.

State Awarding Agency Responsibilities

- 96. Can the sample contract language for use by State awarding agencies in entering into agreements with recipients of Federal awards and/or State financial assistance (available at <https://apps.fldfs.com/fsaa/links.aspx>) be modified to only include applicable language (e.g., if the contract involves no Federal awards, can it be amended to omit language relating to Federal audit requirements)?**

Yes. The suggested language encompasses both Federal awards and State financial assistance and can be amended as appropriate. Modified contracts relating to State financial assistance should, at a minimum, include sufficient information to inform recipients and auditors of *Florida Single Audit Act* audit requirements. Recipients/sub recipients are also encouraged to use similar contract language when awarding State financial assistance to sub recipients.

- 97. The *Federal Single Audit Act* provides for the use of cognizant/oversight agencies to improve efficiency in following up on findings included in audit reports. Does the *Florida Single Audit Act* provide for cognizant/oversight agencies?**

Yes. Section 215.97(6), Florida Statutes, establishes a State coordinating agency to review the recipient's financial reporting package to identify audit findings and recommendations that are not specific to a particular State awarding agency and determine whether timely and appropriate corrective action is taken.

- 98. Section 215.97(5)(e), Florida Statutes, provides that each State awarding agency shall review the recipient's financial reporting package 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 the State awarding agency. Which unit (Inspector General/Internal Audit, program administration, etc.) within the State awarding agency is responsible for these duties?**

Each State awarding agency must make this determination based on input received from the State awarding agency's program administration, audit, financial, legal, and other appropriate staff.

- 99. If the State awarding agency, in reviewing a recipient's State single audit report, determines that the recipient's financial statements or schedule of expenditures of State financial assistance has not been properly prepared, should the State awarding agency contact the recipient or the auditor regarding the necessary corrections?**

This is for the State awarding agency to determine and should be addressed in the recipient's contract/agreement.

- 100. The *Florida Single Audit Act* has established additional responsibilities that could result in increased workload for some State awarding agencies. To help minimize the increased workload, should State awarding agencies establish a central point within each agency to coordinate reviews of recipient financial reporting packages?**

Yes. Section 215.97(5)(f), Florida Statutes, requires the State awarding agency to designate an organizational unit within the agency to be responsible for reviewing financial reporting packages. If the State awarding agency is not the coordinating agency, it must communicate to the coordinating agency its approval of the recipient's corrective action plan.

101. What is the responsibility of a State awarding agency under the *Florida Single Audit Act* if it provides resources to an entity that is not a nonstate entity as contemplated by the *Act* (pass-through entity) that passes the resources on to a nonstate entity?

The State awarding agency has no responsibility under the *Florida Single Audit Act* as the resources do not constitute State financial assistance because such resources were provided to an entity that is exempt from the *Act* (see question 28).

102. What is the responsibility of a State awarding agency regarding updates to the Catalog of State Financial Assistance?

According to Section 215.97(4)(b) and (d), Florida Statutes, the Department of Financial Services is responsible for coordinating revisions to the Catalog and Compliance Supplement, after consultation with the Executive Office of the Governor and State awarding agencies. It will be up to each State awarding agency to determine which unit within the State awarding agency will be responsible for coordinating with the Department of Financial Services.

103. The State Project Determination Checklist (Form DFS-A2-PD) indicates that State maintenance of effort (MOE) resources may have contract stipulations that require that such resources be tested in accordance with OMB Circular A-133 Federal program requirements. What is a State agency's responsibility with respect to ensuring that MOE resources provided are properly used?

Over the years there are some State programs (projects) that have evolved to the point that they have identical requirements as the Federal program they are associated with. It is in these cases that, assuming all stipulations in the State Project Determination Checklist (Form DFS-A2-PD) are met, MOE resources would be subject to a Federal single audit and not to the *Florida Single Audit Act*. However, MOE resources may not be tested in a Federal or State single audit because amounts expended are less than \$500,000, or the MOE may be associated with a nonmajor Federal program/State project or may not be otherwise selected for testing. It is the State agency's responsibility to have monitoring activities that identify these situations and tailor its monitoring of those nonstate entities accordingly.

APPENDIX A

(AUDITOR'S LETTERHEAD)

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133 AND
CHAPTER [10.550 OR 10.650, AS APPLICABLE]
RULES OF THE AUDITOR GENERAL
(Unqualified Opinion on Compliance and No Material Weaknesses [No Significant Deficiencies
in Internal Control Over Compliance Identified] (Revised December 2010))**

To (entity official)

Compliance

We have audited the compliance of (entity) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that are applicable to each of its major Federal programs and State projects for the year ended _____, 20XX. The (entity)'s major Federal programs and State projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs and State projects is the responsibility of (entity)'s management. Our responsibility is to express an opinion on the (entity)'s compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter (*cite 10.550 or 10.650, as applicable*), Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter (*cite 10.550 or 10.650, as applicable*), 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 a major Federal program or State project occurred. An audit includes examining, on a test basis, evidence about the (entity)'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the (entity)'s compliance with those requirements.

In our opinion, the (entity) complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs and State projects for the year ended _____, 20XX. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and Chapter (*cite 10.550 or 10.650, as applicable*), Rules of the Auditor General, and which are described in the accompanying schedule of findings and questioned costs as items [list the reference numbers of the related findings, for example, 20XX-1 and 20XX-6].¹

Internal Control Over Compliance

APPENDIX A (Continued)

The management of the (entity) is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs and State projects. In planning and performing our audit, we considered the (entity)'s internal control over compliance with the requirements that could have a direct and material effect on a major Federal program or State project to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the (entity)'s internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program or State project on a timely basis. A material weakness in internal control 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 Federal program or State project will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

(Entity)'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit (entity)'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, *[identify the body or individuals charged with governance]*, others within the entity, *[identify the legislative or regulatory body]*, and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

[Signature]

[Date]

¹. When there are no such instances of noncompliance identified in the schedule of findings and questioned costs, the last sentence should be omitted.

APPENDIX B-1

SAMPLE MANAGEMENT LETTER – COUNTIES AS A WHOLE, MUNICIPALITIES, & SPECIAL DISTRICTS *(Revised September 2010)*

(AUDITOR'S LETTERHEAD)

Honorable (*Board of Directors, Commissioners, Council Members, or other title as appropriate*)(*name of entity*), Florida.

We have audited the financial statements of the (*name of entity*), Florida, as of and for the fiscal year ended September 30, 20XX, and have issued our report thereon dated _____, 20XX. (*If the auditor's report on the financial statements includes any departures from an unqualified opinion, disclose such departures in the management letter.*)

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 (*if applicable*) OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated _____, 20XX, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report (**except as noted below under the heading *Prior Year Findings and Recommendations - use when appropriate***). (*If there were no recommendations made in the preceding audit report, state such in the management letter.*)
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the (*name of entity*) complied with Section 218.415, Florida Statutes. (*If the entity did not comply with Section 218.415, Florida Statutes, revise language as appropriate and describe the nature of the noncompliance.*)
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection

APPENDIX B-1 (Continued)

with our audit, we did not have any such recommendations (*or, if applicable, state the recommendations*).

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings (*or, if applicable, state the findings and recommendations*).
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings (*or, if applicable, state the findings and recommendations*).
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The (name of entity) was established by (*insert appropriate reference to the specific legal authority that established the entity*). The (name of entity) included the following component units: (*Identify by name each component unit and the specific legal authority for its creation. If there were no component units related to the entity, state such in the management letter. Information regarding the specific legal authority for the entity and its component units, if any, is only required to be in the management letter if not already disclosed in the notes to the financial statements, although disclosure of such information in the notes to the financial statements is preferable. If applicable, Section 10.554(1)(i)7.d., Rules of the Auditor General, requires a statement indicating the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary to a proper reporting of the component unit within the audited financial statements of the county, municipality, or special district.*)
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the (name of entity) did not meet any of the conditions described in Section 218.503(1), Florida Statutes. (*If the entity met any of the conditions in Section 218.503(1), Florida Statutes, revise the language as appropriate and specify in the management letter which of the conditions described in Section 218.503(1), Florida Statutes, were met and state whether or not the condition resulted from a deteriorating financial condition, as defined in Rule 10.554(1)(f), Rules of the Auditor General. If there has been an unreserved or total fund balance deficit or unrestricted or total net assets deficit reported on the fund financial statements, the management letter should describe accounting practices that places the deficit in the proper perspective. For example, if there are sufficient resources of the local governmental entity available to cover the deficit, as reported on the balance sheet or statement of net assets on the fund financial statements, the management letter should identify the specific resources or refer to a finding in the audit report that identifies the*

APPENDIX B-1 (Continued)

resources.)

- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the ***(name of entity)*** for the fiscal year ended September 30, 20XX, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 20XX. In connection with our audit, we determined that these two reports were in agreement. ***(Provide explanations for any significant differences that exist. The management letter cannot be completed until the annual financial report is complete.)***
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the ***(name of entity's)*** financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. ***(Note: If the financial condition assessment procedures disclose that the local governmental entity's overall financial condition is deteriorating, include a statement to that effect and a description of conditions causing the auditor to make this conclusion. Findings regarding deteriorating financial condition shall be prepared in accordance with Section 10.557(4)(d), Rules of the Auditor General. The auditor may want to make a statement that the assessment was done as of the fiscal year end.)***

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General (***refer to other governmental agencies if appropriate***), and is not intended to be and should not be used by anyone other than these specified parties.

(name of CPA firm)

(date of management letter)

[NOTE: This example management letter for counties as a whole, municipalities, and special districts is intended to provide guidance concerning the preparation of a management letter pursuant to Chapter 10.550, Rules of the Auditor General for Local Governmental Entity Audits. It should be amended as appropriate based on the auditor's professional judgment regarding the particular circumstances of the audit and changes to Government Auditing Standards and/or Chapter 10.550, Rules of the Auditor General for Local Governmental Entity Audits.]

APPENDIX B-2

SAMPLE MANAGEMENT LETTER – COUNTY CONSTITUTIONAL OFFICERS

(Revised September 2010)

(AUDITOR’S LETTERHEAD)

Honorable (*Constitutional Officer*), (*name of entity*), Florida.

We have audited the financial statements of the (*name of entity*), Florida, as of and for the fiscal year ended September 30, 20XX, and have issued our report thereon dated _____, 20XX. *(If the auditor's report on the financial statements includes any departures from an unqualified opinion, disclose such departures in the management letter.)*

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 (*if applicable*) OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated _____, 20XX, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report (**except as noted below under the heading Prior Year Findings and Recommendations - use when appropriate**). *(If there were no recommendations made in the preceding audit report, state such in the management letter.)*
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the (*name of entity*) complied with Section 218.415, Florida Statutes. *(If the entity did not comply with Section 218.415, Florida Statutes, revise language as appropriate and describe the nature of the noncompliance.)*
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations (*or, if applicable, state the*

APPENDIX B-2 (Continued)

recommendations).

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings *(or, if applicable, state the findings and recommendations).*
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings *(or, if applicable, state the findings and recommendations).*
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The *(name of entity)* was established by *(insert appropriate reference to the specific legal authority that established the entity)*. The *(name of entity)* included the following component units: *(Identify by name each component unit and the specific legal authority for its creation. If there were no component units related to the entity, state such in the management letter. Information regarding the specific legal authority for the entity and its component units, if any, is only required to be in the management letter if not already disclosed in the notes to the financial statements, although disclosure of such information in the notes to the financial statements is preferable.)*

For clerks of the courts only:

- Section 10.554(1)(i)8., Rules of the Auditor General, requires a statement as to whether or not the clerk of the courts complied with the requirements of Sections 28.35 and 28.36, Florida Statutes. In connection with our audit, we determined that the clerk complied with such requirements. *(If the Clerk did not comply with Sections 28.35 and 28.36, Florida Statutes, revise language as appropriate and describe the nature of the noncompliance.)*

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General *(refer to other governmental agencies if appropriate)*, and is not intended to be and should not be used by anyone other than these specified parties.

(name of CPA firm)

(date of management letter)

[NOTE: This example management letter for county constitutional officers is intended to provide guidance concerning the preparation of a management letter pursuant to Chapter 10.550, Rules of the Auditor General for Local Governmental Entity Audits. It should be amended as appropriate based on the auditor's professional judgment regarding the particular circumstances of the audit and changes to Government Auditing Standards and/or Chapter 10.550, Rules of the Auditor General for Local Governmental Entity Audits.]

APPENDIX B-3

SAMPLE MANAGEMENT LETTER – NONPROFIT AND FOR-PROFIT ORGANZATIONS *(Revised September 2010)*

(AUDITOR’S LETTERHEAD)

The “management letter” pursuant to Sections 215.97(9)(f), and 215.97(10)(d), Florida Statutes, is required unless there are no items related to State financial assistance required to be reported in the management letter. If there are no such items, the auditor shall indicate such in the Schedule of Findings and Questioned Costs.

To the Honorable *(Board of Directors, Commissioners, Council members, or other title as appropriate)*(name of entity), Florida.

We have audited the financial statements of the (name of entity), as of and for the fiscal year ended _____, 20XX, and have issued our report thereon dated _____, 20XX. *(If the auditor's report on the financial statements includes any departures from an unqualified opinion, disclose such departures in the management letter.)*

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 *(if applicable)* OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated _____, 20XX, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General, which requires disclosure in the management letter of 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, that have occurred, or are likely to have occurred,(2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, the following matters are required to be disclosed: *(describe findings)*.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General *(refer to other governmental agencies if appropriate)*, and is not intended to be and should not be used by anyone other than these specified parties.

(name of CPA firm)

(date of management letter)

[NOTE: This example management letter is intended to provide guidance concerning the preparation of a management letter pursuant to Chapter 10.650, Rules of the Auditor General for Florida Single Audit Act Audits of Nonprofit and For-Profit Organizations. It should be amended as appropriate based on the auditor's professional judgment regarding the particular circumstances of the audit and changes to Government Auditing Standards and/or Chapter 10.650, Rules of the Auditor General for Florida Single

APPENDIX C

Audit Act Audits of Nonprofit and For-Profit Organizations.] (entity)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL PROGRAMS AND STATE PROJECTS

Fiscal Year Ended ____, 20XX

A. SUMMARY OF AUDITOR'S RESULTS

(NOTE: The following is an example using a narrative format. However, a short-form tabular format is also acceptable. Additionally, significant deficiencies noted below include reportable conditions in internal control that are referred to in Section 215.97(8), Florida Statutes)

1. The auditor's report expresses an *(unqualified, qualified, adverse, or disclaimer, as the case may be)* opinion on the (entity) basic financial statements.
2. A significant deficiency in internal control disclosed during the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. This significant deficiency is not considered a material weakness. **(revise language as appropriate)**
3. No instances of noncompliance material to the financial statements of the (entity) were disclosed during the audit.
4. A significant deficiency in internal control over a major Federal program or State project **(revise language as appropriate)** is reported in the Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program or Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter [550 or 650], Rules of the Auditor General. This significant deficiency is not considered a material weakness. **(revise language as appropriate)**
5. The auditor's report on compliance with requirements applicable to the major Federal programs and State projects for the (entity) expresses an *(unqualified, qualified, adverse, or disclaimer, as the case may be)* opinion.
6. Audit findings required to be reported relative to the major Federal programs and State projects for the (entity) are reported in Parts C and D of this Schedule.

Alternatively: Our audit disclosed no findings required to be reported related to Federal programs under section 510(a) of OMB Circular A-133, or did our audit disclose any findings related to State projects required to be disclosed under Chapter *(10.557 for local government entities, or 10.656 for nonprofit and for-profit organizations)*.

APPENDIX C (Continued)

The programs/projects tested as major programs/projects included the following:

Federal Program or Cluster	Federal CFDA No.	<u>Year</u>
----------------------------	------------------	-------------

(List each major Federal program and CFDA number)

State Project	State CSFA No.	<u>Year</u>
---------------	----------------	-------------

(List each State awarding agency and any applicable pass-through entity)

7. The threshold for distinguishing Type A and Type B programs/projects was \$(xxx,xxx) for major Federal programs and \$(xxx,xxx) for major State projects.
8. The (entity) was determined to be/not to be a low-risk audit pursuant to OMB Circular A-133. *(This does not apply to State projects.)*

B. FINDINGS – FINANCIAL STATEMENTS

Finding Number	Finding
XX-01	[Description of Finding]

Criteria or specific requirement: (Including statutory, regulatory, or other citation)

Condition: (Provide relative facts to support the identified deficiency.)

Context: (Describe the work performed that resulted in the finding, and provide sufficient information for judging the prevalence and consequences of the finding, such as the relation to the population or universe of costs or the number of cases examined as well as quantification of audit findings in dollars)

Effect: (Explain why the awarding agencies, pass-through entities, and regulating authorities should be concerned about the audit finding)

Cause: (Provide perspective for judging the prevalence and consequences of the audit finding. State whether the audit finding is an isolated incident or a systematic problem)

Recommendation: (Give a suggestion as to how the audit finding can be rectified and/or prevented)

Views of responsible officials and planned corrective actions:

C. FINDINGS and QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

APPENDIX C (Continued)

**Finding
Number**

XX-02

Finding

(List the name of the awarding Federal Agency)
(List the applicable CFDA number and title)
(List the name of any pass-through agencies, or entities)

Criteria or specific requirement: Including statutory, regulatory, or other citation

Condition: (Provide relative facts to support the identified deficiency.)

Questioned Costs: (Identify questioned costs as required by sections 510(a)(3) and 510(a)(4) of OMB Circular A-133.)

Context: (Describe the work performed that resulted in the finding, and provide sufficient information for judging the prevalence and consequences of the finding, such as the relation to the population or universe of costs or the number of cases examined as well as quantification of audit findings in dollars)

Effect: (Explain why the awarding agencies, pass-through entities, and regulating authorities should be concerned about the audit finding)

Cause: (Provide perspective for judging the prevalence and consequences of the audit finding. State whether the audit finding is an isolated incident or a systematic problem)

Recommendation: (Give a suggestion as to how the audit finding can be rectified and/or prevented)

Views of responsible officials and planned corrective actions:

Note: Corrective action plan required by section 315(c) OMB Circular A-133 to include contact information on person responsible for corrective action, the corrective action planned, and anticipated completion date. See Appendix E.

D. FINDINGS and QUESTIONED COSTS – MAJOR STATE PROJECTS

**Finding
Number**

XX-03xx

Finding

(List the name of the sponsoring State agency)
(List the applicable CSFA number and title)
(List the name of any pass-through entities)

Criteria or specific requirement: Including statutory, regulatory, or other citatic

Condition: (Provide relative facts to support the identified deficiency.)

Questioned Costs: (Identify questioned costs as required by Sections 10.557(7)(l

APPENDIX C (Continued)

and 10.656(5)(b), Rules of the Auditor General)

Context: (Describe the work performed that resulted in the finding, and provide sufficient information for judging the prevalence and consequences of the finding, such as the relation to the population or universe of costs or the number of cases examined as well as quantification of audit findings in dollars)

Effect: (Explain why the awarding agencies, pass-through entities, and regulating authorities should be concerned about the audit finding)

Cause: (Provide perspective for judging the prevalence and consequences of the audit finding. State whether the audit finding is an isolated incident or a systematic problem)

Recommendation: (Give a suggestion as to how the audit finding can be rectified and/or prevented)

Views of responsible officials and planned corrective actions:

E. OTHER ISSUES

(It is suggested that the auditor include statements regarding the following situations, as applicable, in the Schedule of Findings and Questioned Cost: (a) no management letter (see AG Rule Section 10.656(3)(e)) is required because there were no findings required to be reported in the management letter; (b) no Summary Schedule of Prior Audit Findings (see AG Rules 10.557(3)(d)5. and 10.656(3)(d)6.) is required because there were no prior audit findings related to Federal programs or State projects; or (c) no Corrective Action Plan (see AG Rules 10.557(3)(d)6. and 10.656(3)(d)7.) is required because there were no findings required to be reported under the Federal or Florida Single Audit Acts.)

APPENDIX D

(entity)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FEDERAL PROGRAMS AND STATE PROJECTS

Fiscal Year Ended _____, 20XX

(NOTE: For the initial year of an audit done pursuant to the Florida Single Audit Act, this schedule, with respect to "State Financial Assistance," will not be required since the prior audit was not done under the Florida Single Audit Act. However, it is possible that there could be some findings in the prior audit related to projects that are considered to be State financial assistance projects for the current year audit, in which case this schedule would be required.)

PRIOR-YEAR FINDINGS and QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

Finding

Number

Prior Audit Finding

Finding 1

(List the name of Federal awarding agency)

XX-01

(List the CFDA number and title)

(List the name of any pass-through agencies, or entities)

Condition: (State the condition as it originally appeared in the Schedule of Findings and Questioned Costs)

Auditor's Recommendation: (State the auditor's recommendation as it originally appeared in the Schedule of Findings and Questioned Cost).

Current Status: (If the finding has been corrected a statement to that effect is sufficient. If the corrective action is being carried out, provide the progress that has been made. Corrective action that is significantly different from that provided in the prior year's corrective action plan is required to be disclosed. Finally, an explanation is required if the finding is no longer valid, or if for some other reason corrective action is no longer warranted.)

PRIOR-YEAR FINDINGS and QUESTIONED COSTS – MAJOR STATE PROJECTS

(List the name of the sponsoring State agency)

(List the CSFA number and title)

(List the name of any pass-through entity)

Condition: (State the condition as it originally appeared in the Schedule of Findings and Questioned Costs)

APPENDIX D (Continued)

Auditor's Recommendation: (State the auditor's recommendation as it originally appeared in the Schedule of Findings and Questioned Cost).

Current Status: (If the finding has been corrected a statement to that effect is sufficient. If the corrective action is being carried out, provide the progress that has been made. Corrective action taken that is significantly different from that provided in the prior year's corrective action plan is required to be disclosed. Finally, an explanation is required if the finding is no longer valid, or if for some other reason corrective action is no longer warranted.)

APPENDIX E

(entity)

CORRECTIVE ACTION PLAN

Fiscal Year Ended _____, 20XX

(To be completed if a corrective action plan is not reported in the Schedule of Findings and Questioned Costs. List findings for each Federal program and State project as illustrated below.)

Federal Programs:

Finding: (state finding as included in the Schedule of Findings and Questioned Costs)

Recommendation: (state recommendation as included in the Schedule of Findings and Questioned Costs)

Management Response: (state management's response, include name of person responsible for corrective action, the corrective action planned, and anticipated completion date)

State Projects:

Finding: (state finding as included in the Schedule of Findings and Questioned Costs)

Recommendation: (state recommendation as included in the Schedule of Findings and Questioned Costs)

Management Response: (state management's response and corrective action planned)

(If the management letter required for nonprofit and for-profit organizations by Section 10.656(3)(e), Rules of the Auditor General, includes findings and recommendations, corrective actions to be taken to address those findings and recommendations should be included in the corrective action plan if not addressed in a separate written response.)

APPENDIX F
EXCERPT FROM FLORIDA STATUTES 2010

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

APPENDIX F (Continued)
EXCERPT FROM FLORIDA STATUTES 2010

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.

(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.

APPENDIX F (Continued)
EXCERPT FROM FLORIDA STATUTES 2010

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 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).

APPENDIX F (Continued)
EXCERPT FROM FLORIDA STATUTES 2010

(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).

(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

APPENDIX F (Continued)
EXCERPT FROM FLORIDA STATUTES 2010

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

APPENDIX F (Continued)
EXCERPT FROM FLORIDA STATUTES 2010

(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

APPENDIX F (Continued)
EXCERPT FROM FLORIDA STATUTES 2010

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 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.

APPENDIX F (Continued)
EXCERPT FROM FLORIDA STATUTES 2010

(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.

(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

APPENDIX F (Continued)
EXCERPT FROM FLORIDA STATUTES 2010

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 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:

APPENDIX F (Continued)
EXCERPT FROM FLORIDA STATUTES 2010

- (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.