

**RULES
OF THE
AUDITOR GENERAL**



**CHAPTER 10.550
LOCAL GOVERNMENTAL ENTITY AUDITS**

EFFECTIVE 9-30-06

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PREFACE TO RULES

Audits of certain "local governmental entities" are required by Florida Statutes. These various statutes may (and certain of the statutes do) describe who or what is to be audited; describe when, where, how, and by whom the audits are to be made; and require that certain standards and procedures be followed.

Certain of these statutes use various terms that may have common meanings. However, a number of these terms such as "State single audit," "financial audit," "management letter," "county agency," and "local governmental entity" have statutory definitions. When defined by statute, the statutory definitions prevail over other definitions.

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

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

These Rules are intended to implement the provisions of Section 218.39, Florida Statutes, which prescribes the requirements for financial audits, and Section 215.97, Florida Statutes, which prescribes the requirements for *Florida Single Audit Act* audits. Where applicable, the contents of the audit report required by Rule 10.557(3) to be submitted by each local governmental entity shall include the reports and related financial information required for an audit conducted pursuant to the Federal *Single Audit Act Amendments of 1996*, as well as the reports and information specified for financial and *Florida Single Audit Act* audit reports. It is the intent of these Rules that the auditor shall combine required reports and schedules to the extent possible under these laws and shall avoid including duplicate findings in the various reports, schedules, and management letter.

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

Section 218.31(1), Florida Statutes, defines a local governmental entity, for purposes of Section 218.39, Florida Statutes, to mean a county agency, municipality, or special district but not a housing authority established under Chapter 421, Florida Statutes. Section 215.97(2)(j), Florida Statutes, defines a local governmental entity, for purposes of the *Florida Single Audit Act*, to include, in addition to a county as a whole, municipality, and special district, any other entity (other than a district school board, charter school, community college, or public university) that independently exercises any type of governmental function within the State. Entities required to have audits in accordance with the *Florida Single Audit Act* that meet the definition in Section 215.97(2)(j), Florida Statutes, but are not local governmental entities as defined for purposes of Section 218.39, Florida Statutes, shall comply with these rules except that the management letter is required to include only the items prescribed by Rule 10.554(1)(h)4., and the scope of such audits shall not be required to include the use of financial condition assessment procedures as prescribed by Rule 10.556(7).

These rules, as indicated in Rule 10.559, are effective for fiscal years ending September 30, 2006, and thereafter.

History: New 06-30-92
 Last Amended 09-30-06

10.551 PURPOSE

- (1) Local governmental entities located in Florida are, in general, required by Florida law (Section 218.39, Florida Statutes) to have an annual "financial audit."
- (2) Under the Federal *Single Audit Act Amendments of 1996* and United States Office of Management and Budget (OMB) Circular No. A-133, a local governmental entity may also be required to have an annual audit of Federal awards. In general, under Florida law, a local governmental entity "financial audit" would include an audit of Federal awards.
- (3) The Comptroller General of the United States has adopted professional auditing standards for the audit of governmental entities including "local governmental entities" receiving Federal awards. These standards are contained in the publication entitled *Government Auditing Standards* (2003 Revision), and any amendments thereto.
- (4) Under the *Florida Single Audit Act* (Section 215.97, Florida Statutes) and Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, *Schedule of Expenditures of State Financial Assistance*, a local governmental entity may also be required to have an annual audit of State financial assistance. The audit threshold defined in Rule 10.554(1)(a) applies to audits of State financial assistance. Under Florida law, a local governmental entity "financial audit" would include an audit of State financial assistance.
- (5) The Auditor General has adopted the auditing standards set forth in *Government Auditing Standards* (2003 Revision), and any amendments thereto, as the standards for auditing local governmental entities pursuant to Florida law. Hence, the same auditing standards are applicable to Federal awards audits, State financial assistance audits, and financial audits required by Florida law and should eliminate duplication of audit activity.
- (6) There are statutory differences between Federal and Florida audit requirements as to what is to be audited. There may also be differences in the way similar terms are defined in Federal law and Florida law. Auditors shall preserve these distinctions.
- (7) The purpose of these Rules is to implement, interpret, or make specific various provisions of Sections 11.45, 215.97, and 218.39, Florida Statutes.
- (8) These Rules will also form the basis of the review of local governmental entity audits pursuant to Sections 11.45(7)(b) and 215.97(11)(f), Florida Statutes.

General Authority and Law Implemented - Sections 11.45 and 215.97, Florida Statutes.

History: New 08-01-86
Last Amended 09-30-06

10.552 RULES OF CONSTRUCTION

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

- (2) Audits of non-Federal resources shall be guided by Florida law and these Rules and audits of Federal awards shall be guided by Federal law and applicable provisions of Florida law.

General Authority and Law Implemented - Sections 11.45 and 215.97, Florida Statutes.

History: New 08-01-86
 Last Amended 09-30-01

10.553 PUBLICATIONS INCORPORATED BY REFERENCE

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

- (1) *Codification of Governmental Accounting and Financial Reporting Standards* as promulgated by the Governmental Accounting Standards Board effective for the fiscal year ended September 30, 2006.
- (2) *Codification of Statements on Auditing Standards* as promulgated by the American Institute of Certified Public Accountants effective for the fiscal year ended September 30, 2006.
- (3) *Government Auditing Standards* (2003 Revision) published by the Comptroller General of the United States, and any amendments thereto, effective for the fiscal year ended September 30, 2006.
- (4) *Audit and Accounting Guide -- State and Local Governmental Units* promulgated by the American Institute of Certified Public Accountants, effective for the fiscal year ended September 30, 2006.
- (5) *Audit and Accounting Guide -- Health Care Organizations* promulgated by the American Institute of Certified Public Accountants, effective for the fiscal year ended September 30, 2006.
- (6) *Audit and Accounting Guide – Government Auditing Standards and Circular A-133 Audits* promulgated by the American Institute of Certified Public Accountants, effective for the fiscal year ended September 30, 2006.
- (7) Statements and interpretations issued by the Financial Accounting Standards Board, effective for the fiscal year ended September 30, 2006.
- (8) The Federal *Single Audit Act Amendments of 1996*, Public Law 104-156 (31 U.S.C.A., ss. 7501 to 7507).
- (9) United States Office of Management and Budget (OMB) Circular No. A-133 effective for the fiscal year ended September 30, 2006.
- (10) Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, *Schedule of Expenditures of State Financial Assistance*.

General Authority and Law Implemented - Sections 11.45 and 215.97, Florida Statutes.

History: New 08-01-86
Last Amended 09-30-06

10.554**DEFINITIONS**

- (1) As used in these Rules, the term:
- (a) "Audit threshold" means the threshold amount used to determine when a State single audit or a project-specific audit of a nonstate entity shall be conducted in accordance with Section 215.97, Florida Statutes. Each nonstate entity that expends a total amount of State financial assistance equal to or in excess of \$500,000 in any fiscal year of such nonstate entity is required to have a State single audit, or a project-specific audit, for such fiscal year in accordance with the requirements of Section 215.97, Florida Statutes. [Section 215.97(2)(a), Florida Statutes]
 - (b) "Auditor" means an independent certified public accountant licensed pursuant to Chapter 473, Florida Statutes, and retained by a local governmental entity to perform an audit pursuant to Sections 218.39 and 215.97(8), Florida Statutes.
 - (c) "County agency" means a board of county commissioners or other legislative and governing body of a county, however styled, including that of a consolidated or metropolitan government, a clerk of the circuit court, a separate or ex officio clerk of the county court, a sheriff, a property appraiser, a tax collector, a supervisor of elections, or any other officer in whom any portion of the fiscal duties of the above are under law separately placed. [Section 11.45(1)(b), Florida Statutes.]
 - (d) "County audit report" means a single document that includes a financial audit of the county as a whole and, for each county agency other than a board of county commissioners, an audit of its financial accounts and records, including a report on compliance and internal control, a management letter, and financial statements as required by Rule 10.557. In addition, if a board of county commissioners elects to have a separate financial audit of its financial accounts and records, such separate audit shall be done in the manner required by these rules, and included in the county audit report. [Section 218.39(2), Florida Statutes.]
 - (e) "Deteriorating financial condition" means a circumstance determined as of the fiscal year end that significantly impairs a local governmental entity's ability to generate enough revenues to meet its expenditures without causing a condition described in Section 218.503(1), Florida Statutes, to occur.
 - (f) "Generally accepted accounting principles" means those "generally accepted accounting principles," as defined by the Codification of Statements on Auditing Standards, AU Section 411, and any amendments thereto, applicable to state and local governmental entities.
 - (g) "Governmental auditing standards" means those audit standards set forth in the publication *Government Auditing Standards* (2003 Revision), issued by the Comptroller General of the United States, and any amendments thereto.
 - (h) "Management letter" means a statement of the auditor's comments and recommendations. This letter shall be prepared and included as a part of each audit report pursuant to Section 218.39(4), Florida Statutes. Unless otherwise required to be reported in the auditor's report on compliance and internal controls or schedule of findings and questioned costs (see Rule 10.554(1)(l)), the management letter shall include, but not be limited to:

1. A statement as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report.
2. A statement as to whether or not the local governmental entity complied with Section 218.415, Florida Statutes, regarding the investment of public funds.
3. Any recommendations to improve the local governmental entity's financial management, accounting procedures, and internal controls.
4. Matters that are not clearly inconsequential, considering both quantitative and qualitative factors, including the following:
 - a. Violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and were discovered within the scope of the audit.
 - b. Improper or illegal expenditures discovered within the scope of the audit that may not materially affect the financial statements.
 - c. Deficiencies in internal control that are not reportable conditions, including, but not limited to:
 1. Improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements).
 2. Failures to properly record financial transactions.
 3. Other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.
5. The name or official title and legal authority for the primary government and each component unit of the reporting entity as defined in publications cited in Rule 10.553, unless disclosed in the notes to the financial statements. Legal authority includes the general law, special acts, ordinances, resolutions, or other means by which the local governmental entity was created and is governed. For county agencies, legal authority disclosure shall include a reference to a county charter, if applicable.
6. For counties as a whole, municipalities, and special districts only:
 - a. A statement as to whether or not the local governmental entity has met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. [See also Rule 10.558]
 - b. A statement as to whether or not the financial report 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 current audit period and, if not, explanations of any significant differences.

- c. The following information regarding the auditor's application of financial condition assessment procedures pursuant to Rule 10.556(7):
 - 1. A statement that the auditor applied financial condition assessment procedures pursuant to Rule 10.556(7).
 - 2. If deteriorating financial conditions are noted, a statement that the local governmental entity's financial condition is deteriorating and a description of conditions causing the auditor to make this conclusion. If the auditor has reported that the local governmental entity has met one or more of the financial emergency conditions specified in Section 218.503(1), Florida Statutes (see a., above), this statement shall indicate whether such financial emergency condition resulted from a deteriorating financial condition. Findings regarding deteriorating financial condition shall be prepared in accordance with Rule 10.557(6).
 - d. If appropriate, 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 218.39(3)(b), Florida Statutes]
7. For clerks of the courts only:
- a. A statement as to whether or not the clerk of the courts complied with the budget certified by the Florida Clerk of Courts Operations Corporation pursuant to Section 28.35, Florida Statutes.
 - b. A statement as to whether or not the clerk of the courts complied with the performance standards developed and certified pursuant to Section 28.35, Florida Statutes.
- (i) "Affidavit" means the affidavit required by Section 163.31801, Florida Statutes, for local governmental entities that adopted an impact fee by ordinance or resolution subsequent to June 13, 2006.
 - (j) "Pass-through entity" means a local governmental entity that provides State financial assistance to a subrecipient to carry out a State project.
 - (k) "Schedule of Expenditures of State Financial Assistance" means a schedule prepared in accordance with the requirements of Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, *Schedule of Expenditures of State Financial Assistance*.
 - (l) "Schedule of Findings and Questioned Costs relating to State Financial Assistance" means a schedule prepared by the auditor and included as part of each audit report submitted pursuant to Section 215.97(8)(g), Florida Statutes. The schedule shall include:
 - 1. A summary of the auditor's results, which shall include:

- a. The type of report the auditor issued on the financial statements of the auditee (i.e., unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion);
 - b. Where applicable, a statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses;
 - c. A statement as to whether the audit disclosed any noncompliance that was material to the financial statements of the auditee;
 - d. Where applicable, a statement that reportable conditions in internal control over major State projects were disclosed by the audit and whether any such conditions were material weaknesses;
 - e. The type of report the auditor issued on compliance for major State projects (i.e., unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion);
 - f. A statement as to whether the audit disclosed any audit findings that the auditor was required to report under Rule 10.557;
 - g. An identification of major State projects; and
 - h. The calculated dollar threshold used to distinguish between Type A and Type B projects as described in Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, *Schedule of Expenditures of State Financial Assistance*.
2. Findings relating to the financial statements that are required to be reported in accordance with governmental auditing standards.
 3. Findings and questioned costs for State financial assistance, which shall include audit findings as defined in Rule 10.554(1)(l)4.
 - a. Audit findings (e.g., internal control findings, compliance findings, questioned costs, or fraud) that relate to the same issue shall be presented as a single finding. Where practical, audit findings shall be organized by State awarding agency or pass-through entity.
 - b. Audit findings reported under (l)2. and (l)3.a. of this subsection, shall clearly indicate whether they relate to the financial statements and State financial assistance, respectively, and shall be reported in a manner that avoids duplication of findings within the schedule.
 4. The following audit findings:
 - a. Reportable conditions in internal control over major State projects. The auditor's determination of whether a deficiency in internal control is a reportable condition is in relation to a type of compliance requirement for a major State project or an audit objective identified in the compliance supplement. The auditor shall identify reportable conditions that are individually or cumulatively material weaknesses.

- b. Material noncompliance with the provisions of laws, rules, contracts, or grant agreements related to a major State project. The auditor's determination of whether a noncompliance with the provisions of laws, rules, contracts, or grant agreements is material for the purpose of reporting an audit finding in this schedule is in relation to a type of compliance requirement for a major State project or an audit objective identified in the compliance supplement.
 - c. Known questioned costs that are greater than \$10,000 for a type of compliance requirement for a major State project. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor shall also report known questioned costs when likely questioned costs are greater than \$10,000 for a type of compliance requirement for a major State project. In reporting questioned costs, the auditor shall include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.
 - d. Known questioned costs that are greater than \$10,000 for a State project that is not audited as a major State project. Except for audit follow-up, the auditor is not required to perform audit procedures for such a State project; therefore, the auditor will normally not find questioned costs for a project that is not audited as a major State project. However, if the auditor does become aware of questioned costs for a State project that is not audited as a major State project (e.g., as part of audit follow-up or other audit procedures) and the known questioned costs are greater than \$10,000, then the auditor shall report this as an audit finding.
 - e. The circumstances concerning why the auditor's report on compliance for major projects is other than an unqualified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs relating to State financial assistance.
 - f. Known fraud affecting a major State project, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs relating to State financial assistance. This does not require the auditor to make an additional reporting when the auditor confirms that the fraud was reported outside of the auditor's reports under the direct reporting requirements of governmental auditing standards.
 - g. Instances where the results of auditor follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee in accordance with Rule 10.557(3)(d)5. materially misrepresents the status of any prior audit finding.
- (m) "Summary Schedule of Prior Audit Findings" means a schedule that reports the status of any audit findings included in the prior audit's schedule of findings and

questioned costs relating to State financial assistance. The summary schedule shall also include audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected or no longer valid or not warranting further action.

1. When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken.
2. When audit findings were not corrected or were only partially corrected, the summary schedule shall describe the planned corrective action as well as any partial corrective action taken.
3. When corrective action taken is significantly different from corrective action previously reported in a corrective action plan, the summary schedule shall provide an explanation.
4. When the auditee believes the audit findings are no longer valid or do not warrant further action, the reasons for this position shall be described in the summary schedule. A valid reason for considering an audit finding as not warranting further action is that two years have passed since the audit report in which the finding occurred was submitted to the State awarding agency and the State awarding agency or pass-through entity is not currently following up with the auditee on the audit finding.

General Authority and Law Implemented - Sections 11.45 and 215.97, Florida Statutes.

History: New 08-01-86
 Last Amended 09-30-06

10.556 SCOPE OF THE ANNUAL FINANCIAL AUDIT AND *FLORIDA SINGLE AUDIT ACT* AUDIT

- (1) It is the intent of these Rules to make "governmental auditing standards" applicable in the State of Florida to audits of each local governmental entity required to be audited pursuant to Section 218.39(1) or 215.97, Florida Statutes.
- (2) The scope of a "financial audit" shall include:
 - (a) An examination of financial statements to express an opinion on the fairness with which they present financial position, results of operations, and changes in financial position in conformity with generally accepted accounting principles.
 - (b) An examination to determine whether operations are properly conducted in accordance with legal and regulatory requirements.
 - (c) An examination of any additional financial information necessary to comply with generally accepted accounting principles.
- (3) For entities other than county agencies, the financial statements referred to in subparagraph (2)(a), above, are the government-wide financial statements (GASB Statement 34, paragraphs 6b(1) and 12 through 62) and fund financial statements (GASB Statement 34, paragraphs 6b(2) and 63 through 112).
- (4) For the separate audits of boards of county commissioners and other county agencies (see Rule 10.554(1)(c)), the financial statements referred to in subparagraph (2)(a), above, are the fund financial statements (GASB Statement 34, paragraphs 6b(2) and 63 through 112), except that the reconciliations referred to in GASB Statement 34, paragraphs 77, 85, 90, and 104, are not required. If a county agency elects to present government-wide financial statements (GASB Statement 34, paragraph 6b(1)), in addition to the required fund financial statements, the reconciliation required by GASB Statement 34, paragraph 77, shall be presented for the individual county agency.
- (5) The scope of the audit shall also include any additional activities necessary to establish compliance with the term "financial statement audit" as defined and used in *Government Auditing Standards* (2003 Revision), and any amendments thereto.
- (6) When applicable, the scope of the audit shall encompass the additional activities necessary to establish compliance with the Federal *Single Audit Act Amendments of 1996*, Public Law 104-156 (31 U.S.C.A., ss. 7501 to 7507); United States Office of Management and Budget (OMB) Circular No. A-133; other applicable Federal law; and the *Florida Single Audit Act*.

- (7) The scope of the audit shall include the use of financial condition assessment procedures to assist the auditor in the detection of deteriorating financial conditions pursuant to Section 218.39(5), Florida Statutes. The auditor may use the financial condition assessment procedures developed by the Auditor General or appropriate alternative financial condition procedures. Financial condition assessment procedures developed by the Auditor General are available on the Auditor General Web site. The financial condition assessment shall be done as of the fiscal year end; however, the auditor shall give consideration to subsequent events, through the date of the audit report, that could significantly impact the local governmental entity's financial condition.

General Authority and Law Implemented - Sections 11.45 and 215.97, Florida Statutes.

History: New 08-01-86
 Last Amended 09-30-06

10.557 **AUDIT REPORT**

- (1) To the extent possible, the auditor shall combine required reports and schedules and shall avoid including duplicate findings in the various reports, schedules, and management letter.
- (2) Each audit report shall comply with the applicable reporting standards as contained in the publications referenced in Rule 10.553.
- (3) Each audit report submitted pursuant to Sections 218.39(8) and 215.97(8)(g), Florida Statutes, and this Chapter, shall be a single document and contain at least the following:
 - (a) A table of contents.
 - (b) The auditor's reports on:
 1. The financial statements as described in Rule 10.556(3) and (4), as applicable. The report shall include at a minimum:
 - a. A statement as to whether the financial statements are presented in accordance with generally accepted accounting principles;
 - b. An expression of opinion regarding the financial statements taken as a whole, or an assertion to the effect that an opinion cannot be expressed including the reasons therefor; and
 - c. A statement that the audit was conducted in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* (2003 Revision), and any amendments thereto, issued by the Comptroller General of the United States.
 2. Compliance and internal controls based on an audit of the financial statements. The report shall include at a minimum:
 - a. The scope of the auditor's testing of compliance with laws and regulations;
 - b. The scope of the auditor's testing of internal controls over financial reporting; and
 - c. The results of those tests, including deficiencies in internal control that are considered to be reportable conditions; instances of fraud and illegal acts; and significant violations of provisions of contracts or grant agreements and abuse that are material to the financial statements;
 - (c) Any other auditor's reports and related financial information required for the local governmental entity pursuant to the Federal *Single Audit Act Amendments of 1996*; United States Office of Management and Budget (OMB) Circular No. A-133; and other applicable Federal law.

- (d) For counties as a whole, municipalities, and special districts, auditor's reports and related financial information required pursuant to the *Florida Single Audit Act* and these Rules as described below. These reports and information may be combined with the similar reports and information required by the Federal *Single Audit Act Amendments of 1996* or OMB Circular No. A-133; however, the State financial assistance and related findings shall be clearly distinguished from the Federal awards and related findings in such reports and information. *Florida Single Audit Act* reports and related financial information shall include:
1. A schedule of expenditures of State financial assistance prepared in accordance with Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, *Schedule of Expenditures of State Financial Assistance*. This schedule shall be included on the schedule of expenditures of Federal awards, where applicable.
 2. A report that includes an opinion (or disclaimer of opinion) as to whether the schedule of expenditures of State financial assistance is presented fairly in all material respects in relation to the financial statements taken as a whole. This report shall include the elements prescribed by the American Institute of Certified Public Accountants *Audit and Accounting Guide – Government Auditing Standards and Circular A-133 Audits*, modified as appropriate to apply to an audit conducted in accordance with the *Florida Single Audit Act* and these Rules.
 3. A report on internal control related to major State projects and on compliance with laws, rules and the provisions of contracts or grant agreements, noncompliance with which could have a direct and material effect on a major State project. This report shall describe the scope of testing of internal control and the results of those tests and shall include an opinion (or disclaimer of opinion) as to whether the auditee complied with laws, rules, and the provisions of contracts or grant agreements that could have a direct and material effect on a major State project. Where applicable, this report shall refer to the separate schedule of findings and questioned costs relating to State financial assistance (see Rule 10.554(1)(l)). The report shall include the elements prescribed by the American Institute of Certified Public Accountants *Audit and Accounting Guide – Government Auditing Standards and Circular A-133 Audits*, modified as appropriate to apply to an audit conducted in accordance with the *Florida Single Audit Act* and these Rules.
 4. A schedule of findings and questioned costs relating to State financial assistance (see Rule 10.554(1)(l)).
 5. A summary schedule of prior audit findings, unless there were no prior audit findings to be reported on, in which case the auditor shall so indicate in the schedule of findings and questioned costs (see Rule 10.554(1)(m)).
 6. A corrective action plan as defined in Section 215.97(8)(i), Florida Statutes.
- (e) The "management letter" required by Sections 218.39(4), 215.97(9)(f), and 215.97(10)(d), Florida Statutes, and defined in Rule 10.554(1)(h). Separate management letters are required for the county as a whole and for each county agency for which a separate audit was conducted pursuant to Section 218.39(2), Florida Statutes. The management letter for the county as a whole shall include all

the elements of a management letter as prescribed in Rule 10.554(1)(h), while the separate county agency management letters shall include all the elements of a management letter as prescribed in Rule 10.554(1)(h) except as otherwise indicated in Rules 10.554(1)(h)6. and 7. For those findings that are specific to a particular county agency, the management letter for the county as a whole may make reference to the separate county agency management letters rather than duplicating such findings included in the separate county agency management letters.

- (f) A “management’s discussion and analysis” as required by GASB Statement 34, paragraphs 6a and 8 through 11, except that the “management’s discussion and analysis” is not required for the separate audits of county agencies (see Rule 10.554(1)(d)).
 - (g) The annual financial statements as described in Rules 10.556(3) and (4), as applicable, reported on together with related notes to the financial statements. Reporting options allowed by generally accepted accounting principles shall be applied consistently for the countywide and individual county agency financial statements, and among the county agencies within a particular county. The notes to the financial statements shall include the disclosures required by GASB Statement 34, paragraphs 6b(3) and 113 through 123, and Appendix D, except as provided in (h), below. The notes to the financial statements of a county agency shall include disclosures related to capital assets and long-term liabilities, regardless of whether government-wide financial statements are presented for the county agency.
 - (h) The notes to the financial statements presented in the separate audits of county agencies may supplement rather than duplicate the notes to the financial statements included in the countywide financial statements. If a particular disclosure for a county agency is adequately presented in the notes to the countywide financial statements, disclosure may be made in the notes to the county agency financial statements by reference to the notes to the countywide financial statements.
 - (i) “Required supplementary information” as required by GASB Statement 34, paragraphs 6c and 129 through 133. Required supplementary information for separate audits of county agencies shall include a budgetary comparison schedule as required by GASB Statement 34, paragraphs 6c, 130, and 131, unless presented as part of the basic financial statements.
 - (j) The written statement of explanation or rebuttal required by Rule 10.558(1).
 - (k) For local governmental entities that adopted an impact fee by ordinance or resolution subsequent to June 13, 2006, an “affidavit” signed and sworn to by the Chief Financial Officer before an officer authorized to administer oaths (e.g., notary public), stating that the entity complied with the requirements of Section 163.31801, Florida Statutes.
- (4) (a) If the auditor has reason to believe that illegal acts or fraud have occurred in the administration of Federal awards, the auditor shall notify appropriate officials as prescribed by United States Office of Management and Budget (OMB) Circular No. A-133.

- (b) If the auditor has reason to believe that illegal acts or fraud have occurred involving State financial assistance or other governmental resources, the auditor shall be guided by the procedures for notification described in *Government Auditing Standards* (2003 Revision), and any amendments thereto.
- (5) The financial statements included in the separate county agency audit report as described in Rule 10.557(3) are special purpose financial statements that do not constitute a complete presentation of a county but otherwise constitute financial statements prepared in conformity with generally accepted accounting principles. Separate financial statements prepared for the board of county commissioners shall include any component units of the board of county commissioners. Auditor's reports on county agency financial statements shall be prepared in accordance with the Codification of Statement on Auditing Standards, AU Section 623.22a, promulgated by the American Institute of Certified Public Accountants. All county agency audit reports shall be included in the county audit report submitted to the Auditor General pursuant to Sections 218.39(8) and 215.97(8)(g), Florida Statutes.
- (6) Audit findings contained in reports, schedules, and management letters shall include the following specific information:
 - (a) The criteria or specific requirement upon which the audit finding is based (i.e., the required or desired state or what is expected from the program or operation), including statutory, regulatory, or other citation. The criteria shall be stated fairly, explicitly, and completely, and the source of the criteria identified.
 - (b) The condition found, including facts that support the deficiency identified in the audit finding. The scope or extent of the condition shall be stated, and shall include information to provide proper perspective for judging the prevalence and consequences of the audit findings, such as whether the audit findings represented an isolated instance or a systemic problem. Where appropriate, instances identified shall be related to the universe and the number of cases examined and be quantified in terms of dollar value.
 - (c) The cause of the deficiency (i.e., the factor or factors responsible for the difference between condition and criteria), if determinable. In reporting the cause, auditors may consider whether the evidence provides a reasonable and convincing argument for why the stated cause is the key factor or factors contributing to the difference as opposed to other possible causes, such as poorly designed criteria or factors uncontrollable by program management. The auditors also may consider whether the identified cause could serve as a basis for recommendations.
 - (d) The possible asserted effect of the deficiency (i.e., the impact of the difference between condition and criteria). The effect shall be stated clearly, concisely, and, if possible, in quantifiable terms.
 - (e) Recommendations to prevent future occurrences of the deficiency identified in the audit finding.
 - (f) Views of responsible officials of the auditee when there is disagreement with the audit findings, to the extent practical. When the audited entity's comments oppose the report's findings, conclusions, or recommendations, and are not, in the auditors' opinion, valid, or when planned corrective actions do not adequately address the auditors' recommendations, the auditors shall state their reasons for disagreeing with the comments or planned corrective actions. The auditors'

disagreement shall be stated in a fair and objective manner. Conversely, the auditors shall modify their report as necessary if they find the comments valid.

- (g) Reference numbers for each audit finding to allow for easy referencing of the audit findings during follow-up.
- (7) Audit findings included in the schedule of findings and questioned costs related to State assistance shall include the following additional information:
- (a) State project identification including the Catalog of State Financial Assistance number and year, name of the State awarding agency, and name of any applicable pass-through entity. When any such information is not available, the auditor shall provide the best information available to describe the State financial assistance.
 - (b) Identification of questioned costs and how they were computed.

General Authority and Law Implemented - Sections 11.45 and 215.97, Florida Statutes.

History: New 08-01-86
 Last Amended 09-30-06

10.558 DELIVERY OF AUDIT REPORT AND AUDITEE'S RESPONSE

- (1) To promote uniformity in the conduct of financial audits and to provide to the public the auditee's explanations of corrective action designed to prevent recurrence of any deficiencies cited in the auditor's reports and management letter, a written statement of explanation or rebuttal concerning the deficiencies, including corrective action to be taken, shall be filed with the governing body of the local governmental entity within 30 days after delivery of the auditor's findings to be included in the auditor's reports or management letter prepared pursuant to Section 218.39(4), Florida Statutes. The written statement shall include corrective actions taken, or to be taken, regarding a financial emergency condition reported by the auditor pursuant to Rule 10.554(1)(h)6.a., and determined to be the result of a deteriorating financial condition reported pursuant to Rule 10.554(1)(h)6.c. [See Section 218.39(6), Florida Statutes.]
- (2) The auditor shall submit a copy of the audit report required by Rule 10.557 to each member of the governing body of the primary government and the head of the governing body of all component units included in the audit. Copies of a State financial assistance recipient's audit report shall be submitted to the recipient organization, State awarding agencies, and the Auditor General. Two copies of the audit report shall be provided to the Auditor General. Copies of a subrecipient's audit report shall be submitted to the recipient organization that provided the State financial assistance.
- (3) The audit report required to be submitted pursuant to Sections 218.39(8) and 215.97(8)(g), Florida Statutes, including the auditee's responses thereto, and the corrective action plans required for the Federal and *Florida Single Audit Act* audits, shall be submitted to the Auditor General and State awarding agencies (if applicable) within 45 days after delivery of the audit report but no later than 12 months after the end of the fiscal year of the governmental entity. The date that the audit report was delivered to the local governmental entity shall be indicated by the local governmental entity in correspondence accompanying the audit report submitted to the Auditor General. [See Section 218.39(8), Florida Statutes.]

General Authority and Law Implemented - Sections 11.45 and 215.97, Florida Statutes.

History: New 08-01-86
Last Amended 09-30-05

10.559 EFFECTIVE DATE

These Rules, as amended, shall take effect September 30, 2006, and are applicable to audits of local governmental entities for fiscal years ending September 30, 2006, and thereafter.

General Authority and Law Implemented - Sections 11.45 and 215.97, Florida Statutes.

History: New 08-01-86
 Last Amended 09-30-06

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11.45 Definitions; duties; authorities; reports; rules.—

(1) DEFINITIONS.—As used in ss. 11.40-11.515, the term:

(a) "Audit" means a financial audit, operational audit, or performance audit.

(b) "County agency" means a board of county commissioners or other legislative and governing body of a county, however styled, including that of a consolidated or metropolitan government, a clerk of the circuit court, a separate or ex officio clerk of the county court, a sheriff, a property appraiser, a tax collector, a supervisor of elections, or any other officer in whom any portion of the fiscal duties of the above are under law separately placed.

(c) "Financial audit" means an examination of financial statements in order to express an opinion on the fairness with which they are presented in conformity with generally accepted accounting principles and an examination to determine whether operations are properly conducted in accordance with legal and regulatory requirements. Financial audits must be conducted in accordance with generally accepted auditing standards and government auditing standards as adopted by the Board of Accountancy.

(d) "Governmental entity" means a state agency, a county agency, or any other entity, however styled, that independently exercises any type of state or local governmental function.

(e) "Local governmental entity" means a county agency, municipality, or special district as defined in s. 189.403, but does not include any housing authority established under chapter 421.

(f) "Management letter" means a statement of the auditor's comments and recommendations.

(g) "Operational audit" means a financial-related audit whose purpose is to evaluate management's performance in administering assigned responsibilities in accordance with applicable laws, administrative rules, and other guidelines and to determine the extent to which the internal control, as designed and placed in operation, promotes and encourages the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of financial records and reports, and safeguarding of assets.

(h) "Performance audit" means an examination of a program, activity, or function of a governmental entity, conducted in accordance with applicable government auditing standards or auditing and evaluation standards of other appropriate authoritative bodies. The term includes an examination of issues related to:

1. Economy, efficiency, or effectiveness of the program.
2. Structure or design of the program to accomplish its goals and objectives.
3. Adequacy of the program to meet the needs identified by the Legislature or governing body.
4. Alternative methods of providing program services or products.
5. Goals, objectives, and performance measures used by the agency to monitor and report program accomplishments.
6. The accuracy or adequacy of public documents, reports, or requests prepared under the program by state agencies.
7. Compliance of the program with appropriate policies, rules, or laws.
8. Any other issues related to governmental entities as directed by the Legislative Auditing Committee.

(i) "Political subdivision" means a separate agency or unit of local government created or established by law and includes, but is not limited to, the following and the officers thereof: authority, board, branch, bureau, city, commission, consolidated government, county, department, district, institution, metropolitan government, municipality, office, officer, public corporation, town, or village.

(j) "State agency" means a separate agency or unit of state government created or established by law and includes, but is not limited to, the following and the officers thereof: authority, board, branch, bureau, commission, department, division, institution, office, officer, or public corporation, as the case may be, except any such agency or unit within the legislative branch of state government other than the Florida Public Service Commission.

(2) DUTIES.—The Auditor General shall:

(a) Conduct audits of records and perform related duties as prescribed by law, concurrent resolution of the Legislature, or as directed by the Legislative Auditing Committee.

(b) Annually conduct a financial audit of state government.

(c) Annually conduct financial audits of all universities and district boards of trustees of community colleges.

(d) Annually conduct financial audits of the accounts and records of all district school boards in

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counties with populations of fewer than 150,000, according to the most recent federal decennial statewide census.

(e) Through fiscal year 2008-2009, annually conduct an audit of the Wireless Emergency Telephone System Fund as described in s. 365.173.

(f) Annually conduct audits of the accounts and records of the Florida School for the Deaf and the Blind.

(g) At least every 2 years, conduct operational audits of the accounts and records of state agencies and universities. In connection with these audits, the Auditor General shall give appropriate consideration to reports issued by state agencies' inspectors general or universities' inspectors general and the resolution of findings therein.

(h) At least every 2 years, conduct a performance audit of the local government financial reporting system, which, for the purpose of this chapter, means any statutory provisions related to local government financial reporting. The purpose of such an audit is to determine the accuracy, efficiency, and effectiveness of the reporting system in achieving its goals and to make recommendations to the local governments, the Governor, and the Legislature as to how the reporting system can be improved and how program costs can be reduced. The Auditor General shall determine the scope of such audits. The local government financial reporting system should provide for the timely, accurate, uniform, and cost-effective accumulation of financial and other information that can be used by the members of the Legislature and other appropriate officials to accomplish the following goals:

1. Enhance citizen participation in local government;
2. Improve the financial condition of local governments;
3. Provide essential government services in an efficient and effective manner; and
4. Improve decisionmaking on the part of the Legislature, state agencies, and local government officials on matters relating to local government.

(i) Once every 3 years, conduct performance audits of the Department of Revenue's administration of the ad valorem tax laws as described in s. 195.096.

(j) Once every 3 years, conduct financial audits of the accounts and records of all district school boards in counties with populations of 125,000 or more, according to the most recent federal decennial statewide census.

(k) Once every 3 years, review a sample of each state agency's internal audit reports to determine compliance with current Standards for the Professional Practice of Internal Auditing or, if appropriate, government auditing standards.

(l) Conduct audits of local governmental entities when determined to be necessary by the Auditor General, when directed by the Legislative Auditing Committee, or when otherwise required by law. No later than 18 months after the release of the audit report, the Auditor General shall perform such appropriate followup procedures as he or she deems necessary to determine the audited entity's progress in addressing the findings and recommendations contained within the Auditor General's previous report. The Auditor General shall provide a copy of his or her determination to each member of the audited entity's governing body and to the Legislative Auditing Committee.

The Auditor General shall perform his or her duties independently but under the general policies established by the Legislative Auditing Committee. This subsection does not limit the Auditor General's discretionary authority to conduct other audits or engagements of governmental entities as authorized in subsection (3).

(3) **AUTHORITY FOR AUDITS AND OTHER ENGAGEMENTS.**—The Auditor General may, pursuant to his or her own authority, or at the direction of the Legislative Auditing Committee, conduct audits or other engagements as determined appropriate by the Auditor General of:

(a) The accounts and records of any governmental entity created or established by law.

(b) The information technology programs, activities, functions, or systems of any governmental entity created or established by law.

(c) The accounts and records of any charter school created or established by law.

(d) The accounts and records of any direct-support organization or citizen support organization created or established by law. The Auditor General is authorized to require and receive any records from the direct-support organization or citizen support organization, or from its independent auditor.

(e) The public records associated with any appropriation made by the Legislature to a nongovernmental agency, corporation, or person. All records of a nongovernmental agency, corporation, or person with respect to the receipt and expenditure of such an appropriation shall be public records

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and shall be treated in the same manner as other public records are under general law.

- (f) State financial assistance provided to any nonstate entity as defined by s. 215.97.
 - (g) The Tobacco Settlement Financing Corporation created pursuant to s. 215.56005.
 - (h) Any purchases of federal surplus lands for use as sites for correctional facilities as described in s. 253.037.
 - (i) Enterprise Florida, Inc., including any of its boards, advisory committees, or similar groups created by Enterprise Florida, Inc., and programs. The audit report may not reveal the identity of any person who has anonymously made a donation to Enterprise Florida, Inc., pursuant to this paragraph. The identity of a donor or prospective donor to Enterprise Florida, Inc., who desires to remain anonymous and all information identifying such donor or prospective donor are confidential and exempt from the provisions of s. 119.07(1) and s. 24(a), Art. I of the State Constitution. Such anonymity shall be maintained in the auditor's report.
 - (j) The Florida Development Finance Corporation or the capital development board or the programs or entities created by the board. The audit or report may not reveal the identity of any person who has anonymously made a donation to the board pursuant to this paragraph. The identity of a donor or prospective donor to the board who desires to remain anonymous and all information identifying such donor or prospective donor are confidential and exempt from the provisions of s. 119.07(1) and s. 24(a), Art. I of the State Constitution. Such anonymity shall be maintained in the auditor's report.
 - (k) The records pertaining to the use of funds from voluntary contributions on a motor vehicle registration application or on a driver's license application authorized pursuant to ss. 320.023 and 322.081.
 - (l) The records pertaining to the use of funds from the sale of specialty license plates described in chapter 320.
 - (m) The transportation corporations under contract with the Department of Transportation that are acting on behalf of the state to secure and obtain rights-of-way for urgently needed transportation systems and to assist in the planning and design of such systems pursuant to ss. 339.401-339.421.
 - (n) The acquisitions and divestitures related to the Florida Communities Trust Program created pursuant to chapter 380.
 - (o) The Florida Water Pollution Control Financing Corporation created pursuant to s. 403.1837.
 - (p) The school readiness system, including the early learning coalitions, created under s. 411.01.
 - (q) The Florida Special Disability Trust Fund Financing Corporation created pursuant to s. 440.49.
 - (r) Workforce Florida, Inc., or the programs or entities created by Workforce Florida, Inc., created pursuant to s. 445.004.
 - (s) The corporation defined in s. 455.32 that is under contract with the Department of Business and Professional Regulation to provide administrative, investigative, examination, licensing, and prosecutorial support services in accordance with the provisions of s. 455.32 and the practice act of the relevant profession.
 - (t) The Florida Engineers Management Corporation created pursuant to chapter 471.
 - (u) The Investment Fraud Restoration Financing Corporation created pursuant to chapter 517.
 - (v) The books and records of any permitholder that conducts race meetings or jai alai exhibitions under chapter 550.
 - (w) The corporation defined in part II of chapter 946, known as the Prison Rehabilitative Industries and Diversified Enterprises, Inc., or PRIDE Enterprises.
 - (x) The Florida Virtual School pursuant to s. 1002.37.
- (4) SCHEDULING AND STAFFING OF AUDITS.—
- (a) Each financial audit required or authorized by this section, when practicable, shall be made and completed within not more than 9 months following the end of each audited fiscal year of the state agency or political subdivision, or at such lesser time which may be provided by law or concurrent resolution or directed by the Legislative Auditing Committee. When the Auditor General determines that conducting any audit or engagement otherwise required by law would not be possible due to workload or would not be an efficient or effective use of his or her resources based on an assessment of risk, then, in his or her discretion, the Auditor General may temporarily or indefinitely postpone such audits or other engagements for such period or any portion thereof, unless otherwise directed by the committee.
 - (b) The Auditor General may, when in his or her judgment it is necessary, designate and direct any auditor employed by the Auditor General to audit any accounts or records within the authority of the Auditor General to audit. The auditor shall report his or her findings for review by the Auditor General,

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who shall prepare the audit report.

(c) The audit report when final shall be a public record. The audit workpapers and notes are not a public record; however, those workpapers necessary to support the computations in the final audit report may be made available by a majority vote of the Legislative Auditing Committee after a public hearing showing proper cause. The audit workpapers and notes shall be retained by the Auditor General until no longer useful in his or her proper functions, after which time they may be destroyed.

(d) At the conclusion of the audit, the Auditor General or the Auditor General's designated representative shall discuss the audit with the official whose office is subject to audit and submit to that official a list of the Auditor General's findings which may be included in the audit report. If the official is not available for receipt of the list of audit findings, then delivery is presumed to be made when it is delivered to his or her office. The official shall submit to the Auditor General or the designated representative, within 30 days after the receipt of the list of findings, his or her written statement of explanation or rebuttal concerning all of the findings, including corrective action to be taken to preclude a recurrence of all findings.

(e) The Auditor General shall provide the successor independent certified public accountant of a district school board with access to the prior year's working papers in accordance with the Statements on Auditing Standards, including documentation of planning, internal control, audit results, and other matters of continuing accounting and auditing significance, such as the working paper analysis of balance sheet accounts and those relating to contingencies.

(5) PETITION FOR AN AUDIT BY THE AUDITOR GENERAL.—

(a) The Legislative Auditing Committee shall direct the Auditor General to make an audit of any municipality whenever petitioned to do so by at least 20 percent of the registered electors in the last general election of that municipality pursuant to this subsection. The supervisor of elections of the county in which the municipality is located shall certify whether or not the petition contains the signatures of at least 20 percent of the registered electors of the municipality. After the completion of the audit, the Auditor General shall determine whether the municipality has the fiscal resources necessary to pay the cost of the audit. The municipality shall pay the cost of the audit within 90 days after the Auditor General's determination that the municipality has the available resources. If the municipality fails to pay the cost of the audit, the Department of Revenue shall, upon certification of the Auditor General, withhold from that portion of the distribution pursuant to s. 212.20(6)(d)6. which is distributable to such municipality, a sum sufficient to pay the cost of the audit and shall deposit that sum into the General Revenue Fund of the state.

(b) At least one registered elector in the most recent general election must file a letter of intent with the municipal clerk prior to any petition of the electors of that municipality for the purpose of an audit. Each petition must be submitted to the supervisor of elections and contain, at a minimum:

1. The elector's printed name;
2. The signature of the elector;
3. The elector's residence address;
4. The elector's date of birth; and
5. The date signed.

All petitions must be submitted for verification within 1 calendar year after the audit petition origination by the municipal electors.

(6) REQUEST BY A LOCAL GOVERNMENTAL ENTITY FOR AN AUDIT BY THE AUDITOR GENERAL.—Whenever a local governmental entity requests the Auditor General to conduct an audit of all or part of its operations and the Auditor General conducts the audit under his or her own authority or at the direction of the Legislative Auditing Committee, the expenses of the audit shall be paid by the local governmental entity. The Auditor General shall estimate the cost of the audit. Fifty percent of the cost estimate shall be paid by the local governmental entity before the initiation of the audit and deposited into the General Revenue Fund of the state. After the completion of the audit, the Auditor General shall notify the local governmental entity of the actual cost of the audit. The local governmental entity shall remit the remainder of the cost of the audit to the Auditor General for deposit into the General Revenue Fund of the state. If the local governmental entity fails to comply with paying the remaining cost of the audit, the Auditor General shall notify the Legislative Auditing Committee. The committee shall proceed in accordance with s. 11.40(5).

(7) AUDITOR GENERAL REPORTING REQUIREMENTS.—

(a) The Auditor General shall notify the Legislative Auditing Committee of any local governmental

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entity, district school board, charter school, or charter technical career center that does not comply with the reporting requirements of s. 218.39. The committee shall proceed in accordance with s. 11.40(5).

(b) The Auditor General, in consultation with the Board of Accountancy, shall review all audit reports submitted pursuant to s. 218.39. The Auditor General shall request any significant items that were omitted in violation of a rule adopted by the Auditor General. The items must be provided within 45 days after the date of the request. If the governmental entity does not comply with the Auditor General's request, the Auditor General shall notify the Legislative Auditing Committee. The committee shall proceed in accordance with s. 11.40(5).

(c) The Auditor General shall provide annually a list of those special districts which are not in compliance with s. 218.39 to the Special District Information Program of the Department of Community Affairs.

(d) During the Auditor General's review of audit reports, he or she shall contact those units of local government, as defined in s. 218.403, that are not in compliance with s. 218.415 and request evidence of corrective action. The unit of local government shall provide the Auditor General with evidence of corrective action within 45 days after the date it is requested by the Auditor General. If the unit of local government fails to comply with the Auditor General's request, the Auditor General shall notify the Legislative Auditing Committee. The committee shall proceed in accordance with s. 11.40(5).

(e) The Auditor General shall notify the Governor or the Commissioner of Education, as appropriate, and the Legislative Auditing Committee of any audit report reviewed by the Auditor General pursuant to paragraph (b) which contains a statement that a local governmental entity, charter school, or district school board has met one or more of the conditions specified in s. 218.503. If the Auditor General requests a clarification regarding information included in an audit report to determine whether a local governmental entity, charter school, or district school board has met one or more of the conditions specified in s. 218.503, the requested clarification must be provided within 45 days after the date of the request. If the local governmental entity, charter school, or district school board does not comply with the Auditor General's request, the Auditor General shall notify the Legislative Auditing Committee. If, after obtaining the requested clarification, the Auditor General determines that the local governmental entity, charter school, or district school board has met one or more of the conditions specified in s. 218.503, he or she shall notify the Governor or the Commissioner of Education, as appropriate, and the Legislative Auditing Committee.

(f) The Auditor General shall annually compile and transmit to the President of the Senate, the Speaker of the House of Representatives, and the Legislative Auditing Committee a summary of significant findings and financial trends identified in audit reports reviewed in paragraph (b) or otherwise identified by the Auditor General's review of such audit reports and financial information, and identified in audits of district school boards conducted by the Auditor General. The Auditor General shall include financial information provided pursuant to s. 218.32(1)(e) for entities with fiscal years ending on or after June 30, 2003, within his or her reports submitted pursuant to this paragraph.

(g) If the Auditor General discovers significant errors, improper practices, or other significant discrepancies in connection with his or her audits of a state agency or state officer, the Auditor General shall notify the President of the Senate, the Speaker of the House of Representatives, and the Legislative Auditing Committee. The President of the Senate and the Speaker of the House of Representatives shall promptly forward a copy of the notification to the chairs of the respective legislative committees, which in the judgment of the President of the Senate and the Speaker of the House of Representatives are substantially concerned with the functions of the state agency or state officer involved. Thereafter, and in no event later than the 10th day of the next succeeding legislative session, the person in charge of the state agency involved, or the state officer involved, as the case may be, shall explain in writing to the President of the Senate, the Speaker of the House of Representatives, and to the Legislative Auditing Committee the reasons or justifications for such errors, improper practices, or other significant discrepancies and the corrective measures, if any, taken by the agency.

(h) The Auditor General shall transmit to the President of the Senate, the Speaker of the House of Representatives, and the Legislative Auditing Committee by December 1 of each year a list of statutory and fiscal changes recommended by the Auditor General. The Auditor General may also transmit recommendations at other times of the year when the information would be timely and useful for the Legislature.

(8) RULES OF THE AUDITOR GENERAL.—The Auditor General, in consultation with the Board of Accountancy, shall adopt rules for the form and conduct of all financial audits performed by independent

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certified public accountants pursuant to ss. 215.981, 218.39, 1001.453, 1004.28, and 1004.70. The rules for audits of local governmental entities, charter schools, and district school boards must include, but are not limited to, requirements for the reporting of information necessary to carry out the purposes of the Local Governmental Entity, Charter School, and District School Board Financial Emergencies Act as stated in s. 218.501.

(9) TECHNICAL ADVICE PROVIDED BY THE AUDITOR GENERAL.—The Auditor General may provide technical advice to:

(a) The Department of Education in the development of a compliance supplement for the financial audit of a district school board conducted by an independent certified public accountant.

(b) Governmental entities on their financial and accounting systems, procedures, and related matters.

(c) Governmental entities on promoting the building of competent and efficient accounting and internal audit organizations in their offices.

History.—s. 6, ch. 67-470; s. 6, ch. 69-82; s. 1, ch. 72-6; ss. 1, 2, ch. 73-234; s. 1, ch. 75-122; s. 1, ch. 76-73; s. 1, ch. 77-102; s. 2, ch. 79-183; ss. 1, 3, 6, ch. 79-589; s. 1, ch. 81-167; s. 1, ch. 83-55; s. 1, ch. 83-106; s. 1, ch. 84-241; s. 1, ch. 85-80; s. 14, ch. 86-204; s. 2, ch. 86-217; s. 1, ch. 87-114; s. 4, ch. 89-87; s. 30, ch. 89-169; s. 9, ch. 90-110; s. 19, ch. 90-227; s. 65, ch. 91-45; s. 17, ch. 91-282; s. 2, ch. 91-429; s. 91, ch. 92-142; s. 136, ch. 92-279; s. 55, ch. 92-326; s. 15, ch. 94-249; s. 1309, ch. 95-147; s. 1, ch. 95-214; s. 1, ch. 95-380; s. 12, ch. 95-396; s. 26, ch. 96-318; s. 1, ch. 96-324; s. 21, ch. 97-96; s. 1, ch. 97-111; s. 1, ch. 97-255; s. 26, ch. 97-271; s. 3, ch. 99-333; s. 1, ch. 2000-151; s. 4, ch. 2000-264; s. 31, ch. 2000-355; s. 36, ch. 2000-371; s. 30, ch. 2001-140; s. 15, ch. 2001-266; s. 1, ch. 2002-1; s. 17, ch. 2002-22; s. 880, ch. 2002-387; s. 2, ch. 2004-305; s. 1, ch. 2004-331; s. 3, ch. 2004-484; s. 1, ch. 2005-171; s. 7, ch. 2006-190.

Note.—Former s. 11.186.

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215.97 Florida Single Audit Act.--

(1) The purposes of the section are to:

(a) Establish uniform state audit requirements for state financial assistance provided by state agencies to nonstate entities to carry out state projects.

(b) Promote sound financial management, including effective internal controls, with respect to state financial assistance administered by nonstate entities.

(c) Promote audit economy and efficiency by relying to the extent possible on already required audits of federal financial assistance provided to nonstate entities.

(d) Provide for identification of state financial assistance transactions in the state accounting records and recipient organization records.

(e) Promote improved coordination and cooperation within and between affected state agencies providing state financial assistance and nonstate entities receiving state assistance.

(f) Ensure, to the maximum extent possible, that state agencies monitor, use, and followup on audits of state financial assistance provided to nonstate entities.

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

(a) "Audit threshold" means the threshold amount used to determine when a state single audit or project-specific audit of a nonstate entity shall be conducted in accordance with this section. Each nonstate entity that expends a total amount of state financial assistance equal to or in excess of \$500,000 in any fiscal year of such nonstate entity shall be required to have a state single audit, or a project-specific audit, for such fiscal year in accordance with the requirements of this section. Every 2 years the Auditor General, after consulting with the Executive Office of the Governor, the Department of Financial Services, and all state awarding agencies, shall review the threshold amount for requiring audits under this section and may adjust such threshold amount consistent with the purposes of this section.

(b) "Auditing standards" means the auditing standards as stated in the rules of the Auditor General as applicable to for-profit organizations, nonprofit organizations, or local governmental entities.

(c) "Catalog of State Financial Assistance" means a comprehensive listing of state projects. The Catalog of State Financial Assistance shall be issued by the Department of Financial Services after conferring with the Executive Office of the Governor and all state awarding agencies. The Catalog of State Financial Assistance shall include for each listed state project: the responsible state awarding agency; standard state project number identifier; official title; legal authorization; and description of the state project, including objectives, restrictions, application and awarding procedures, and other relevant information determined necessary.

(d) "Coordinating agency" means the state awarding agency that provides the predominant amount of state financial assistance expended by a recipient, as determined by the recipient's Schedule of Expenditures of State Financial Assistance. To provide continuity, the determination of the predominant amount of state financial assistance shall be based upon state financial assistance expended in the recipient's fiscal years ending in 2006, 2009, and 2012, and every third year thereafter.

(e) "Financial reporting package" means the nonstate entities' financial statements, Schedule of Expenditures of State Financial Assistance, auditor's reports, management letter, auditee's written responses or corrective action plan, correspondence on followup of prior years' corrective actions taken, and such other information determined by the Auditor General to be necessary and consistent with the purposes of this section.

(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.

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

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

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

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

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

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

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

(q) "State financial assistance" means state resources, not including federal financial assistance and state matching on federal programs, provided to a nonstate entity to carry out a state project. "State financial assistance" includes the types of state resources stated in the rules of the Department of Financial Services established in consultation with all state awarding agencies. State financial assistance may be provided directly by state awarding agencies or indirectly by nonstate entities. "State financial assistance" does not include procurement contracts used to buy goods or services from vendors and contracts to operate state-owned and contractor-operated facilities.

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

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

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

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

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

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

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

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

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

(4) The Department of Financial Services shall:

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

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

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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 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.

(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.

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- (b) For any findings and recommendations identified pursuant to paragraph (a):
 1. Determine whether timely and appropriate corrective action has been taken.
 2. Promptly inform the state awarding agency, as provided in paragraph (5)(f), of actions taken by the recipient to comply with the approved corrective action plan.
- (c) Maintain records of followup actions taken for the use of any succeeding coordinating agency.
- (7) As a condition of receiving state financial assistance, each nonstate entity that provides state financial assistance to a subrecipient shall:
 - (a) Provide to each subrecipient information needed by the subrecipient to comply with the requirements of this section, including:
 1. Identification of the state awarding agency.
 2. The audit and accountability requirements for state projects as stated in this section and applicable rules of the Department of Financial Services and rules of the Auditor General.
 3. Information from the Catalog of State Financial Assistance, including the standard state project number identifier; official title; legal authorization; and description of the state project, including objectives, restrictions, and other relevant information.
 4. Information from the State Projects Compliance Supplement including the significant compliance requirements, eligibility requirements, matching requirements, and suggested audit procedures, and other relevant information determined necessary.
 - (b) Review the financial reporting package of the subrecipient, including the management letter and corrective action plan, to the extent necessary to determine whether timely and appropriate corrective action has been taken with respect to audit findings and recommendations pertaining to state financial assistance provided by a state awarding agency or nonstate entity.
 - (c) Perform any other procedures specified in terms and conditions of the written agreement with the state awarding agency or nonstate entity, including any required monitoring of the subrecipient's use of state financial assistance through onsite visits, limited scope audits, or other specified procedures.
 - (d) Require subrecipients, as a condition of receiving state financial assistance, to permit the independent auditor of the nonstate entity, the state awarding agency, the Department of Financial Services, and the Auditor General access to the subrecipient's records and the subrecipient's independent auditor's working papers as necessary to comply with the requirements of this section.
- (8) Each recipient or subrecipient of state financial assistance shall comply with the following:
 - (a) Each nonstate entity that meets the audit threshold requirements, in any fiscal year of the nonstate entity, stated in the rules of the Auditor General, shall have a state single audit conducted for such fiscal year in accordance with the requirements of this act and with additional requirements established in rules of the Department of Financial Services and rules of the Auditor General. If only one state project is involved in a nonstate entity's fiscal year, the nonstate entity may elect to have only a state project-specific audit.
 - (b) Each nonstate entity that does not meet the audit threshold requirements, in any fiscal year of the nonstate entity, stated in this law or the rules of the Auditor General is exempt for such fiscal year from the state single audit requirements of this section. However, such nonstate entity must meet terms and conditions specified in the written agreement with the state awarding agency or nonstate entity.
 - (c) If a nonstate entity has extremely limited or no required activities related to the administration of a state project, and only acts as a conduit of state financial assistance, none of the requirements of this section apply to the conduit nonstate entity. However, the nonstate entity that is provided state financial assistance by the conduit nonstate entity is subject to the requirements of this section.
 - (d) Regardless of the amount of the state financial assistance, this section does not exempt a nonstate entity from compliance with provisions of law relating to maintaining records concerning state financial assistance to such nonstate entity or allowing access and examination of those records by the state awarding agency, the nonstate entity, the Department of Financial Services, or the Auditor General.
 - (e) Audits conducted pursuant to this section shall be performed annually.
 - (f) Audits conducted pursuant to this section shall be conducted by independent auditors in accordance with auditing standards stated in rules of the Auditor General.
 - (g) Upon completion of the audit required by this section, a copy of the recipient's financial reporting package shall be filed with the state awarding agency and the Auditor General. Upon completion of the audit required by this section, a copy of the subrecipient's financial reporting package shall be filed with the nonstate entity that provided the state financial assistance and the Auditor General. The financial reporting package shall be filed in accordance with the rules of the Auditor General.
 - (h) All financial reporting packages prepared pursuant to this section shall be available for public inspection.

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(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
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

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summaries of the auditor's results regarding the nonstate entity's financial statements; Schedule of Expenditures of State Financial Assistance; internal controls; and compliance with laws, rules, and guidelines.

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

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

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

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

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

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

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

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

(11) The Auditor General shall:

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

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

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

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

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

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

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

Note.—Former s. 216.3491.

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218.39 Annual financial audit reports.—

(1) If, by the first day in any fiscal year, a local governmental entity, district school board, charter school, or charter technical career center has not been notified that a financial audit for that fiscal year will be performed by the Auditor General, each of the following entities shall have an annual financial audit of its accounts and records completed within 12 months after the end of its fiscal year by an independent certified public accountant retained by it and paid from its public funds:

- (a) Each county.
- (b) Any municipality with revenues or the total of expenditures and expenses in excess of \$250,000.
- (c) Any special district with revenues or the total of expenditures and expenses in excess of \$100,000.
- (d) Each district school board.
- (e) Each charter school established under s. 1002.33.
- (f) Each charter technical center established under s. 1002.34.
- (g) Each municipality with revenues or the total of expenditures and expenses between \$100,000 and \$250,000 that has not been subject to a financial audit pursuant to this subsection for the 2 preceding fiscal years.
- (h) Each special district with revenues or the total of expenditures and expenses between \$50,000 and \$100,000 that has not been subject to a financial audit pursuant to this subsection for the 2 preceding fiscal years.

(2) The county audit report shall be a single document that includes a financial audit of the county as a whole and, for each county agency other than a board of county commissioners, an audit of its financial accounts and records, including reports on compliance and internal control, management letters, and financial statements as required by rules adopted by the Auditor General. In addition to such requirements, if a board of county commissioners elects to have a separate audit of its financial accounts and records in the manner required by rules adopted by the Auditor General for other county agencies, such separate audit shall be included in the county audit report.

(3)(a) A dependent special district may make provision for an annual financial audit by being included within the audit of another local governmental entity upon which it is dependent. An independent special district may not make provision for an annual financial audit by being included within the audit of another local governmental entity.

(b) A special district that is a component unit, as defined by generally accepted accounting principles, of a local governmental entity shall provide the local governmental entity, within a reasonable time period as established by the local governmental entity, with financial information necessary to comply with this section. The failure of a component unit to provide this financial information must be noted in the annual financial audit report of the local governmental entity.

(4) A management letter shall be prepared and included as a part of each financial audit report.

(5) At the conclusion of the audit, the auditor shall discuss with the chair of each local governmental entity or the chair's designee, or with the elected official of each county agency or with the elected official's designee, or with the chair of the district school board or the chair's designee, or with the chair of the board of the charter school or the chair's designee, or with the chair of the charter technical career center or the chair's designee, as appropriate, all of the auditor's comments that will be included in the audit report. If the officer is not available to discuss the auditor's comments, their discussion is presumed when the comments are delivered in writing to his or her office. The auditor shall notify each member of the governing body of a local governmental entity, district school board, or charter school for which deteriorating financial conditions exist that may cause a condition described in s. 218.503(1) to occur if actions are not taken to address such conditions.

(6) The officer's written statement of explanation or rebuttal concerning the auditor's findings, including corrective action to be taken, must be filed with the governing body of the local governmental entity, district school board, charter school, or charter technical career center within 30 days after the delivery of the auditor's findings.

(7) The predecessor auditor of a district school board shall provide the Auditor General access to the prior year's working papers in accordance with the Statements on Auditing Standards, including documentation of planning, internal control, audit results, and other matters of continuing accounting and auditing significance, such as the working paper analysis of balance sheet accounts and those relating to contingencies.

(8) All audits conducted in accordance with this section must be conducted in accordance with the rules of the Auditor General promulgated pursuant to s. 11.45. All audit reports and the officer's written statement of explanation or rebuttal must be submitted to the Auditor General within 45 days after delivery of the audit report to the entity's governing body, but no later than 12 months after the end of the fiscal year.

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(9) Each charter school and charter technical career center must file a copy of its audit report with the sponsoring entity; the local district school board, if not the sponsoring entity; the Auditor General; and with the Department of Education.

(10) This section does not apply to housing authorities created under chapter 421.

(11) Notwithstanding the provisions of any local law, the provisions of this section shall govern.

History.—s. 65, ch. 2001-266; s. 924, ch. 2002-387; s. 28, ch. 2004-305; s. 2, ch. 2006-190.

218.391 Auditor selection procedures.—

(1) Each local governmental entity, district school board, charter school, or charter technical career center, prior to entering into a written contract pursuant to subsection (7), except as provided in subsection (8), shall use auditor selection procedures when selecting an auditor to conduct the annual financial audit required in s. 218.39.

(2) The governing body of a charter county, municipality, special district, district school board, charter school, or charter technical career center shall establish an audit committee. Each noncharter county shall establish an audit committee that, at a minimum, shall consist of each of the county officers elected pursuant to s. 1(d), Art. VIII of the State Constitution, or a designee, and one member of the board of county commissioners or its designee. The primary purpose of the audit committee is to assist the governing body in selecting an auditor to conduct the annual financial audit required in s. 218.39; however, the audit committee may serve other audit oversight purposes as determined by the entity's governing body. The public shall not be excluded from the proceedings under this section.

(3) The audit committee shall:

(a) Establish factors to use for the evaluation of audit services to be provided by a certified public accounting firm duly licensed under chapter 473 and qualified to conduct audits in accordance with government auditing standards as adopted by the Florida Board of Accountancy. Such factors shall include, but are not limited to, ability of personnel, experience, ability to furnish the required services, and such other factors as may be determined by the committee to be applicable to its particular requirements.

(b) Publicly announce requests for proposals. Public announcements must include, at a minimum, a brief description of the audit and indicate how interested firms can apply for consideration.

(c) Provide interested firms with a request for proposal. The request for proposal shall include information on how proposals are to be evaluated and such other information the committee determines is necessary for the firm to prepare a proposal.

(d) Evaluate proposals provided by qualified firms. If compensation is one of the factors established pursuant to paragraph (a), it shall not be the sole or predominant factor used to evaluate proposals.

(e) Rank and recommend in order of preference no fewer than three firms deemed to be the most highly qualified to perform the required services after considering the factors established pursuant to paragraph (a). If fewer than three firms respond to the request for proposal, the committee shall recommend such firms as it deems to be the most highly qualified.

(4) The governing body shall inquire of qualified firms as to the basis of compensation, select one of the firms recommended by the audit committee, and negotiate a contract, using one of the following methods:

(a) If compensation is not one of the factors established pursuant to paragraph (3)(a) and not used to evaluate firms pursuant to paragraph (3)(e), the governing body shall negotiate a contract with the firm ranked first. If the governing body is unable to negotiate a satisfactory contract with that firm, negotiations with that firm shall be formally terminated, and the governing body shall then undertake negotiations with the second-ranked firm. Failing accord with the second-ranked firm, negotiations shall then be terminated with that firm and undertaken with the third-ranked firm. Negotiations with the other ranked firms shall be undertaken in the same manner. The governing body, in negotiating with firms, may reopen formal negotiations with any one of the three top-ranked firms, but it may not negotiate with more than one firm at a time.

(b) If compensation is one of the factors established pursuant to paragraph (3)(a) and used in the evaluation of proposals pursuant to paragraph (3)(d), the governing body shall select the highest-ranked qualified firm or must document in its public records the reason for not selecting the highest-ranked qualified firm.

(c) The governing body may select a firm recommended by the audit committee and negotiate a contract with one of the recommended firms using an appropriate alternative negotiation method for which compensation is not the sole or predominant factor used to select the firm.

(d) In negotiations with firms under this section, the governing body may allow a designee to conduct negotiations on its behalf.

(5) The method used by the governing body to select a firm recommended by the audit committee and negotiate a contract with such firm must ensure that the agreed-upon compensation is reasonable to satisfy the requirements of s. 218.39 and the needs of the governing body.

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(6) If the governing body is unable to negotiate a satisfactory contract with any of the recommended firms, the committee shall recommend additional firms, and negotiations shall continue in accordance with this section until an agreement is reached.

(7) Every procurement of audit services shall be evidenced by a written contract embodying all provisions and conditions of the procurement of such services. For purposes of this section, an engagement letter signed and executed by both parties shall constitute a written contract. The written contract shall, at a minimum, include the following:

(a) A provision specifying the services to be provided and fees or other compensation for such services.

(b) A provision requiring that invoices for fees or other compensation be submitted in sufficient detail to demonstrate compliance with the terms of the contract.

(c) A provision specifying the contract period, including renewals, and conditions under which the contract may be terminated or renewed.

(8) Written contracts entered into pursuant to subsection (7) may be renewed. Such renewals may be done without the use of the auditor selection procedures provided in this section. Renewal of a contract shall be in writing.

History.—s. 65, ch. 2001-266; s. 1, ch. 2005-32.