

By Representative Healey

1 A bill to be entitled
 2 An act relating to planning and budgeting;
 3 repealing s. 216.349, F.S., relating to
 4 financial review of grants and aids
 5 appropriations; creating s. 216.3491, F.S.;
 6 creating the Florida Single Audit Act;
 7 providing legislative intent; providing
 8 purpose; providing definitions; providing for
 9 duties of the Executive Office of the Governor;
 10 providing for duties of the Comptroller;
 11 providing for duties of certain state agencies;
 12 providing for duties of recipients and
 13 subrecipients of awards; providing for
 14 requirements of certain audits; providing for
 15 duties of independent auditors; providing for
 16 duties of the Auditor General; providing for
 17 the application of the section; amending s.
 18 265.2861, F.S.; deleting a cross reference in
 19 conformance to the act; providing an effective
 20 date.

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 22 Be It Enacted by the Legislature of the State of Florida:
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24 Section 1. Section 216.349, Florida Statutes, is
 25 repealed.

26 Section 2. Section 216.3491, Florida Statutes, is
 27 created to read:

28 216.3491 Florida Single Audit Act; short title;
 29 legislative purpose; definitions; duties of state agencies;
 30 financial assistance; audit; independent auditor.--
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1 (1) This section shall be known as the "Florida Single
2 Audit Act."

3 (2) The objective of the section is to establish state
4 audit and accountability requirements for state financial
5 assistance provided to nonstate entities. The Legislature is
6 aware that federal financial assistance passed-through the
7 state to nonstate entities is subject to mandatory federal
8 audit requirements. The Legislature also recognizes that
9 significant amounts of state financial assistance are provided
10 to nonstate entities to carry out state projects and
11 heretofore have not been subject to state audit requirements
12 that parallel federal audit requirements. It is the intent of
13 this section that state audit and accountability requirements,
14 to the extent possible, must parallel the federal audit
15 requirements.

16 (3) The purposes of this section are to:

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

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

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

26 (d) Provide for identification of state financial
27 assistance transactions in the appropriations act, state
28 accounting records, and recipient organization records.

29 (e) Promote improved coordination and cooperation
30 within and between affected state agencies making state awards
31 and nonstate entities receiving state awards.

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

4 (4) As used in this section:

5 (a) "Audit threshold" means the amount to use in
6 determining when a "state single audit" of a nonstate entity
7 shall be conducted in accordance with this section. Each
8 nonstate entity that expends a total amount of state awards
9 equal to or in excess of \$300,000 in any fiscal year of such
10 nonstate entity shall be required to have a state single audit
11 for such fiscal year in accordance with the requirements of
12 this section. Every 2 years the Auditor General, after
13 consulting with the Executive Office of the Governor, the
14 Comptroller, and all state agencies that provide state
15 financial assistance to nonstate entities, shall review the
16 amount for requiring audits under this section and may adjust
17 such dollar amount consistent with the purpose of this
18 section.

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

23 (c) "Catalog of State Financial Assistance" means a
24 listing of all major state projects and other state projects.
25 The Catalog of State Financial Assistance shall be issued by
26 the Executive Office of the Governor after conferring with the
27 Comptroller and all state agencies that provide financial
28 assistance to nonstate entities. The Catalog of State
29 Financial Assistance shall include for each listed state
30 project: the responsible state agency; standard state project
31 number identifier; official title; legal authorization;

1 description of the state project including objectives,
2 restrictions, application and awarding procedures, and other
3 relevant information determined necessary.

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

12 (e) "Federal financial assistance" means financial
13 assistance from federal sources passed through the state and
14 provided to nonstate entities to carry out a federal program.
15 For purposes of this section, federal financial assistance
16 includes all types of federal assistance as defined in
17 applicable United States Office of Management and Budget
18 Circulars.

19 (f) "For-profit organization" means any organization
20 or individual which received a state award, but is not a local
21 governmental entity or a nonprofit organization.

22 (g) "Independent auditor" means an external state or
23 local government auditor or a certified public accountant who
24 meets the independence standards.

25 (h) "Internal control over state projects" means a
26 process, affected by an entity's management and other
27 personnel, designed to provide reasonable assurance regarding
28 the achievement of objectives in the following categories:

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

1 (i) "Local governmental entity" means a county agency,
2 municipality, or special district or any other entity, other
3 than a district school board or community college, however
4 styled, that independently exercises any type of governmental
5 function.

6 (j) "Major state project" means any state project
7 meeting the criteria as stated in the guidelines of the
8 Executive Office of the Governor. Such criteria shall be
9 established after consultation with the Comptroller and
10 appropriate state agencies that make state awards and shall
11 consider the amount of state project expenditures/expenses
12 and/or inherent risks. Each major state project shall be
13 audited in accordance with the requirements of this section.

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

16 1. Is operated primarily for scientific, educational
17 service, charitable, or similar purpose in the public
18 interest.

19 2. Is not organized primarily for profit.

20 3. Uses net proceeds to maintain, improve, or expand
21 the operations of the organization.

22 4. No part of its income or profit is distributable to
23 its members, directors, or officers.

24 (l) "Nonstate entity" means a local governmental
25 entity, nonprofit organization, or for-profit organization
26 that receives a state award.

27 (m) "Recipient" means a nonstate entity that receives
28 a state award directly from a state awarding agency.

29 (n) "Schedule of State Financial Assistance" means a
30 document prepared in accordance with the guidelines of the
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1 Comptroller and included in each financial reporting package
2 required by this section.

3 (o) "State award" means state financial assistance
4 provided to a nonstate entity to carry out a state project.

5 (p) "State awarding agency" means the state agency
6 that provided state financial assistance to the nonstate
7 entity for purposes of carrying out a state project.

8 (q) "State financial assistance" means financial
9 assistance from state resources, not including federal
10 financial assistance, provided to nonstate entities to carry
11 out a state project. For purposes of this section, state
12 financial assistance includes all types of state assistance as
13 stated in the guidelines of the Executive Office of the
14 Governor established in consultation with the Comptroller and
15 appropriate state agencies that make state awards. It includes
16 state awards made directly by state awarding agencies or
17 indirectly by recipients of state awards or subrecipients. It
18 does not include procurement contracts, under state awards,
19 used to buy goods or services from vendors. Audits of such
20 procurement contracts with vendors are outside of the scope of
21 this section. Also, audits of contracts to operate state
22 government owned and contractor operated facilities are
23 excluded from the audit requirements of this section.

24 (r) "State matching" means state awards provided to
25 nonstate entities to be used to meet federal financial
26 participation matching requirements of federal programs.

27 (s) "State project" means all state awards to a
28 nonstate entity assigned a single state project number
29 identifier in the Catalog of State Financial Assistance.

30 (t) "State Projects Compliance Supplement" means a
31 document issued by the Executive Office of the Governor, in

1 consultation with the Comptroller and all state agencies that
2 make state awards. The State Projects Compliance Supplement
3 shall identify each major state project and other state
4 projects, the significant compliance requirements, eligibility
5 requirements, matching requirements, suggested audit
6 procedures, and other relevant information determined
7 necessary.

8 (u) "State project-specific audit" means an audit of
9 one state project in accordance with the requirements of this
10 section.

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

15 (w) "Subrecipient" means a nonstate entity that
16 receives a state award through another nonstate entity, but
17 does not include an individual who receives state financial
18 assistance through such state awards.

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

24 (5) The Executive Office of the Governor shall:

25 (a) Upon conferring with the Comptroller and all state
26 agencies that make state awards, promulgate guidelines
27 necessary to provide appropriate guidance to state awarding
28 agencies, recipients and subrecipients, and independent
29 auditors of state financial assistance relating to the
30 requirements of this section, including:

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1 1. The types or classes of financial assistance
2 considered to be state financial assistance that would be
3 subject to the requirements of this section. This would
4 include guidance to assist in identifying when the state
5 agency/recipient has contracted with a vendor rather than with
6 a recipient/subrecipient.

7 2. The criteria to be use for identifying a major
8 state project.

9 3. The criteria to use in selecting state projects for
10 audit based on inherent risk.

11 (b) Be responsible for coordinating the initial
12 preparation and subsequent revisions of the Catalog of State
13 Financial Assistance after consultation with the Comptroller
14 and all state agencies that award state financial assistance
15 to nonstate entities.

16 (c) Be responsible for coordinating the initial
17 preparation and subsequent revisions of the State Projects
18 Compliance Supplement, after consultation with the Comptroller
19 and all state agencies that award state financial assistance
20 to nonstate entities.

21 (6) The Comptroller shall:

22 (a) Make enhancements to the state's accounting
23 systems to provide for the:

24 1. Recording of state financial assistance and federal
25 financial assistance appropriations and expenditures as
26 separate categories within the state awarding agencies'
27 operating funds.

28 2. Recording of state project number identifiers, as
29 provided in the Catalog of State Financial Assistance, for
30 state awards.

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1 3. Establishment and recording of an identification
2 code for each financial transaction, including state agencies'
3 awards of state financial assistance and federal financial
4 assistance, as to the corresponding type of organization that
5 is party to the transaction, other governmental agencies,
6 nonprofit organizations, and for-profit organizations.

7 (b) Upon conferring with the Executive Office of the
8 Governor and all state agencies that make state awards,
9 promulgate guidelines necessary to provide appropriate
10 guidance to state awarding agencies, recipients and
11 subrecipients, and independent auditors of state financial
12 assistance relating to the format for the Schedule of State
13 Financial Assistance.

14 (c) Perform any inspections, reviews, investigations,
15 or audits of state financial assistance considered necessary
16 in carrying out the Comptroller's legal responsibilities for
17 state financial assistance or to comply with the requirements
18 of this section.

19 (7) Each state agency that makes state awards shall:

20 (a) Provide, for each state award to a recipient,
21 information needed by the recipient to comply with the
22 requirements of this section, including:

23 1. The audit and accountability requirements for state
24 projects as stated in this section and applicable guidelines
25 of the Executive Office of the Governor, guidelines of the
26 Comptroller, and rules of the Auditor General.

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

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

6 (b) Require the recipient, as a condition of receiving
7 state financial assistance, to allow the state awarding
8 agencies, the Comptroller, and the Auditor General to have
9 access to the recipient's records and the recipient's
10 independent auditor's working papers as may be necessary for
11 complying with the requirements of this section.

12 (c) Notify the recipient that the provisions of this
13 section do not limit the authority of the state awarding
14 agency to conduct or arrange for the conduct of additional
15 audits or evaluations of state financial assistance, nor limit
16 the authority of any state agency inspector general, the
17 Auditor General, or other state official.

18 (d) Receive one copy of each financial reporting
19 package prepared in accordance with the requirement of this
20 section.

21 (e) Review the recipient financial reporting package,
22 including the management letters and corrective action plans,
23 to the extent necessary to determine whether timely and
24 appropriate corrective action has been taken with respect to
25 audit findings and recommendations pertaining to state awards
26 made by the state agency.

27 (8) As a condition of receiving state financial
28 assistance, each recipient that provides state financial
29 assistance to subrecipients shall:
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1 (a) Provide, for each state award to a subrecipient,
2 information needed by the subrecipient to comply with the
3 requirements of this section, including:

4 1. Identification of the state awarding agencies.

5 2. The audit and accountability requirements for state
6 projects as stated in this section and applicable guidelines
7 of the Executive Office of the Governor, guidelines of the
8 Comptroller, and rules of the Auditor General.

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

14 4. Information from the State Projects Compliance
15 Supplement including the significant compliance requirements,
16 eligibility requirements, matching requirements, and suggested
17 audit procedures, and other relevant information determined
18 necessary.

19 (b) Review the subrecipient audit reports, including
20 the management letters, to the extent necessary to determine
21 whether timely and appropriate corrective action has been
22 taken with respect to audit findings and recommendations
23 pertaining to state awards made by the state agency.

24 (c) Perform such other procedures as specified in
25 terms and conditions of the written agreement with the state
26 awarding agency including any required monitoring of the
27 subrecipients use of state financial assistance through onsite
28 visits, limited scope audits, or other specified procedures.

29 (d) Require subrecipients, as a condition of receiving
30 state financial assistance, to permit the independent auditor
31 of the recipient, the state awarding agencies, the

1 Comptroller, and the Auditor General to have access to the
2 subrecipient's records and the subrecipient's independent
3 auditor's working papers as may be necessary to comply with
4 the requirements of this section.

5 (9) Each recipient or subrecipient of state financial
6 assistance shall obtain an audit which complies with the
7 following:

8 (a) Each nonstate entity that receives state awards
9 and meets audit threshold requirements, in any fiscal year of
10 the nonstate entity, as stated in the rules of the Auditor
11 General shall have a "state single audit" conducted for such
12 fiscal year in accordance with the requirements of this
13 section, and in accordance with such additional requirements
14 established in guidelines of the Executive Office of the
15 Governor, guidelines of the Comptroller, and rules of the
16 Auditor General. If only one state project is involved in a
17 nonstate entity's fiscal year, the nonstate entity may elect
18 to require only a state project-specific compliance audit of
19 the state project for that fiscal year.

20 (b) Each nonstate entity that receives state awards
21 and does not meet the threshold requirements, in any fiscal
22 year of the nonstate entity, as stated in this law or the
23 rules of the Auditor General shall be exempt for such fiscal
24 year from the "state single audit" requirements of this
25 section. However, such nonstate entity must meet terms and
26 conditions specified in the written agreement with the state
27 awarding agency.

28 (c) Regardless of the amount of the state award, the
29 provisions of this section shall not exempt a nonstate entity
30 from compliance with provisions of law relating to maintaining
31 records concerning state awards to such nonstate entity or

1 allowing access and examination of those records by the state
2 awarding agency, the Comptroller, or the Auditor General.

3 (d) Audits conducted pursuant to this section shall be
4 performed annually.

5 (e) Audits conducted pursuant to this section shall be
6 conducted by independent auditors in accordance with auditing
7 standards as stated in rules of the Auditor General.

8 (f) Upon completion of the audit as required by this
9 section, a copy of the recipient's financial reporting package
10 shall be filed with the state awarding agency and the Auditor
11 General. Upon completion of the audit as required by this
12 section, a copy of the subrecipient's financial reporting
13 package shall be filed with the recipient that provided the
14 state financial assistance. The financial reporting package
15 shall be filed in accordance with the rules of the Auditor
16 General.

17 (g) All financial reporting packages prepared pursuant
18 to the requirements of this section shall be available for
19 public inspection.

20 (h) If an audit conducted pursuant to this section
21 discloses any significant audit findings relating to state
22 financial assistance including material noncompliance with
23 individual major state project compliance requirements, or
24 reportable conditions in internal controls of the nonstate
25 entity, the nonstate entity shall submit as part of the audit
26 package to the state awarding agency a plan for corrective
27 action to eliminate such audit findings or a statement
28 describing the reasons that corrective action is not
29 necessary.

30 (i) An audit conducted in accordance with this section
31 shall be in addition to any audit of federal awards required

1 by the Federal Single Audit Act and other federal laws and
2 regulations. To the extent that such federally required audits
3 provide the state awarding agency with information it requires
4 to carry out its responsibilities under state law or other
5 guidance, a state agency shall rely upon and use that
6 information.

7 (j) The provision of this section does not prohibit
8 the state awarding agency from including terms and conditions
9 in the written agreement requiring additional assurances that
10 state awards meet the applicable requirements of laws, rules,
11 and other compliance guidelines.

12 (10) The independent auditor when conducting a state
13 single audit of recipients or subrecipients shall:

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

17 (b) Determine whether state awards shown on the
18 Schedule of State Financial Assistance are presented fairly in
19 all material respects in relation to the nonstate entity's
20 financial statements taken as a whole.

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

23 1. Obtain an understanding of internal controls.

24 2. Assess control risk.

25 3. Perform tests of controls unless the controls are
26 deemed to be ineffective.

27 4. Determine whether the nonstate entity has internal
28 controls in place to provide reasonable assurance of
29 compliance with the provisions of laws, rules, and other
30 guidelines pertaining to state awards that have a material
31 effect on each major state project.

1 (d) Determine whether each major state project
2 complied with the provisions of laws, rules, and other
3 guidelines as identified in the State Projects Compliance
4 Supplement, or otherwise identified by the state awarding
5 agency, that have a material effect on each major state
6 project. When major state projects are less than 50 percent of
7 the nonstate entity's total expenditures for all state awards,
8 the auditor shall select and test additional state projects as
9 major state projects as necessary to achieve audit coverage of
10 at least 50 percent of the expenditures for all state awards
11 to the nonstate entity. Additional state projects needed to
12 meet the 50 percent requirement may be selected on an inherent
13 risk basis as stated in the guidelines of the Executive Office
14 of the Governor.

15 (e) Report on the results of any audit conducted
16 pursuant to this section in accordance with the guidelines of
17 the Executive Office of the Governor, guidelines of the
18 Comptroller, and rules of the Auditor General. Audit reports
19 shall include summaries of the auditor's results regarding the
20 nonstate entity's financial statements, Schedule of State
21 Financial Assistance, internal controls, and compliance with
22 laws, rules, and other compliance guidance.

23 (f) A management letter as prescribed in the rules of
24 the Auditor General.

25 (g) Upon notification by the nonstate entity, make
26 available the working papers relating to the audit conducted
27 pursuant to the requirements of this section to the state
28 awarding agency, Comptroller, and/or the Auditor General for
29 review or copying.

30 (11) The Auditor General shall:
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1 (a) Have the authority to audit state financial
2 assistance provided to any nonstate entity when determined
3 necessary by the Auditor General, or when directed by the
4 Legislative Auditing Committee.

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

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

10 (d) Provide technical advice upon request of the
11 Comptroller, Executive Office of the Governor, and state
12 agencies relating to financial reporting and audit
13 responsibilities contained in this section.

14 (e) Receive one copy of each financial reporting
15 package prepared in accordance with the requirements of this
16 section.

17 (f) Perform ongoing reviews of a sample of financial
18 reporting packages filed pursuant to the requirements of this
19 section to determine compliance with the reporting
20 requirements of this section and applicable guidelines of the
21 Executive Office of the Governor, guidelines of the
22 Comptroller, and rules of the Auditor General.

23 (12) The provisions of this section shall be effective
24 for any nonstate entity's fiscal year which begins on or after
25 July 1, 1998.

26 Section 3. Paragraph (f) of subsection (2) of section
27 265.2861, Florida Statutes, 1996 Supplement, is amended to
28 read:

29 265.2861 Cultural Institutions Program; trust fund.--

30 (2) CULTURAL INSTITUTIONS PROGRAM.--

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1 (f) Each organization shall cause an annual postaudit
2 or independent attestation of its financial accounts, ~~as~~
3 ~~specified in s. 216.349,~~ to be conducted by an independent
4 certified public accountant. The annual audit report must be
5 submitted to the Department of State for review. The
6 department may require and receive from the recipient
7 institution, or from its independent auditor, any detail or
8 supplemental data relative to the operation of such
9 institution.

10 Section 4. This act shall take effect July 1, 1997.

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12 HOUSE SUMMARY

13 Creates the Florida Single Audit Act to:

- 14 1. Establish uniform state audit requirements for
15 state financial assistance provided by state agencies to
16 nonstate agencies to carry out state projects.
17 2. Promote sound financial management, including
18 effective internal controls, with respect to state
19 financial assistance administered by nonstate agencies.
20 3. Promote audit economy and efficiency by relying,
21 to the greatest extent possible, on already required
22 audits of federal financial assistance provided to
23 nonstate entities.
24 4. Provide for identification of state financial
25 assistance transactions in the appropriations act,
26 accounting records, and recipient organization records.
27 5. Promote improved coordination and cooperation
28 within and between affected state agencies making state
29 awards and nonstate entities receiving state awards.
30 6. Ensure, to the maximum extent possible, that
31 state agencies monitor, utilize, and followup on audits
of state financial assistance provided to nonstate
entities.

See bill for details.