

By the Committee on Governmental Operations and
 Representatives Healey and Rodriguez-Chomat

1 A bill to be entitled
 2 An act relating to state financial
 3 accountability; providing intent and findings;
 4 creating s. 216.3491, F.S.; providing purposes
 5 of the act; providing definitions; providing
 6 duties of the Executive Office of the Governor,
 7 the Comptroller, and state agencies that award
 8 state funds to nonstate agencies to carry out
 9 state projects; providing conditions on
 10 nonstate agencies' receipt of state funds;
 11 requiring recipients and subrecipients of state
 12 funds to obtain audits; prescribing standards
 13 for such audits; prescribing duties of
 14 auditors; providing for access to records;
 15 prescribing duties of the Auditor General;
 16 repealing s. 216.349, F.S., relating to
 17 financial review of grants and aids
 18 appropriations; amending s. 265.2861, F.S., to
 19 conform; providing applicability; providing an
 20 effective date.

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 22 Be It Enacted by the Legislature of the State of Florida:

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 24 Section 1. The intent of this act is to establish
 25 state audit and accountability requirements for state
 26 financial assistance provided to nonstate entities. The
 27 Legislature finds that federal financial assistance passed
 28 through the state to nonstate entities is subject to mandatory
 29 federal audit requirements. The Legislature also recognizes
 30 that significant amounts of state financial assistance are
 31 provided to nonstate entities to carry out state projects and

1 heretofore have not been subject to state audit requirements
2 that parallel federal audit requirements. It is the intent of
3 this act that state audit and accountability requirements, to
4 the extent possible, parallel the federal audit requirements.

5 Section 2. Section 216.3491, Florida Statutes, is
6 created to read:

7 216.3491 Florida Single Audit Act.--

8 (1) The purposes of the section are to:

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

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

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

18 (d) Provide for identification of state financial
19 assistance transactions in the appropriations act, state
20 accounting records, and recipient organization records.

21 (e) Promote improved coordination and cooperation
22 within and between affected state agencies making state awards
23 and nonstate entities receiving state awards.

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

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

28 (a) "Audit threshold" means the amount to use in
29 determining when a state single audit of a nonstate entity
30 shall be conducted in accordance with this section. Each
31 nonstate entity that expends a total amount of state awards

1 equal to or in excess of \$300,000 in any fiscal year of such
2 nonstate entity shall be required to have a state single audit
3 for such fiscal year in accordance with the requirements of
4 this section. Every 2 years the Auditor General, after
5 consulting with the Executive Office of the Governor, the
6 Comptroller, and all state agencies that provide state
7 financial assistance to nonstate entities, shall review the
8 amount for requiring audits under this section and may adjust
9 such dollar amount consistent with the purpose of this
10 section.

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

15 (c) "Catalog of State Financial Assistance" means a
16 listing of all major state projects and other state projects.
17 The Catalog of State Financial Assistance shall be issued by
18 the Executive Office of the Governor after conferring with the
19 Comptroller and all state agencies that provide state
20 financial assistance to nonstate entities. The Catalog of
21 State Financial Assistance shall include for each listed state
22 project: the responsible state agency; standard state project
23 number identifier; official title; legal authorization; and
24 description of the state project, including objectives,
25 restrictions, application and awarding procedures, and other
26 relevant information determined necessary.

27 (d) "Financial reporting package" means the nonstate
28 entities' financial statements, Schedule of State Financial
29 Assistance, auditor's reports, management letter, auditee's
30 written responses or corrective action plan, correspondence on
31 follow-up of prior years' corrective actions taken, and such

1 other information determined by the Auditor General to be
2 necessary and consistent with the purposes of this section.

3 (e) "Federal financial assistance" means financial
4 assistance from federal sources passed through the state and
5 provided to nonstate entities to carry out a federal program.
6 "Federal financial assistance" includes all types of federal
7 assistance as defined in applicable United States Office of
8 Management and Budget circulars.

9 (f) "For-profit organization" means any organization
10 or individual that received a state award but is not a local
11 governmental entity or a nonprofit organization.

12 (g) "Independent auditor" means an external state or
13 local government auditor or a certified public accountant who
14 meets the independence standards.

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

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

22 (i) "Local governmental entity" means a county agency,
23 municipality, or special district or any other entity (other
24 than a district school board or community college), however
25 styled, which independently exercises any type of governmental
26 function.

27 (j) "Major state project" means any state project
28 meeting the criteria as stated in the rules of the Executive
29 Office of the Governor. Such criteria shall be established
30 after consultation with the Comptroller and appropriate state
31 agencies that make state awards and shall consider the amount

1 of state project expenditures or expenses or inherent risks.
2 Each major state project shall be audited in accordance with
3 the requirements of this section.

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

6 1. Is operated primarily for scientific, educational
7 service, charitable, or similar purpose in the public
8 interest;

9 2. Is not organized primarily for profit;

10 3. Uses net proceeds to maintain, improve, or expand
11 the operations of the organization; and

12 4. Has no part of its income or profit distributable
13 to its members, directors, or officers.

14 (l) "Nonstate entity" means a local governmental
15 entity, nonprofit organization, or for-profit organization
16 that receives a state award.

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

19 (n) "Schedule of State Financial Assistance" means a
20 document prepared in accordance with the rules of the
21 Comptroller and included in each financial reporting package
22 required by this section.

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

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

28 (q) "State financial assistance" means financial
29 assistance from state resources, not including federal
30 financial assistance, provided to nonstate entities to carry
31 out a state project. "State financial assistance" includes all

1 types of state assistance as stated in the rules of the
2 Executive Office of the Governor established in consultation
3 with the Comptroller and appropriate state agencies that make
4 state awards. It includes state awards made directly by state
5 awarding agencies or indirectly by recipients of state awards
6 or subrecipients. It does not include procurement contracts,
7 under state awards, used to buy goods or services from
8 vendors. Audits of such procurement contracts with vendors are
9 outside of the scope of this section. Also, audits of
10 contracts to operate state government owned and contractor
11 operated facilities are excluded from the audit requirements
12 of this section.

13 (r) "State matching" means state awards provided to
14 nonstate entities to be used to meet federal financial
15 participation matching requirements of federal programs.

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

19 (t) "State Projects Compliance Supplement" means a
20 document issued by the Executive Office of the Governor, in
21 consultation with the Comptroller and all state agencies that
22 make state awards. The State Projects Compliance Supplement
23 shall identify each major state project and other state
24 projects, the significant compliance requirements, eligibility
25 requirements, matching requirements, suggested audit
26 procedures, and other relevant information determined
27 necessary.

28 (u) "State project-specific audit" means an audit of
29 one state project in accordance with the requirements of this
30 section.

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

5 (w) "Subrecipient" means a nonstate entity that
6 receives a state award through another nonstate entity, but
7 does not include an individual who receives state financial
8 assistance through such state awards.

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

14 (3) The Executive Office of the Governor shall:

15 (a) Upon conferring with the Comptroller and all state
16 agencies that make state awards, adopt rules necessary to
17 provide appropriate guidance to state awarding agencies,
18 recipients and subrecipients, and independent auditors of
19 state financial assistance relating to the requirements of
20 this section, including:

21 1. The types or classes of financial assistance
22 considered to be state financial assistance which would be
23 subject to the requirements of this section. This would
24 include guidance to assist in identifying when the state
25 agency or recipient has contracted with a vendor rather than
26 with a recipient or subrecipient.

27 2. The criteria for identifying a major state project.

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

30 (b) Be responsible for coordinating the initial
31 preparation and subsequent revisions of the Catalog of State

1 Financial Assistance after consultation with the Comptroller
2 and all state agencies that award state financial assistance
3 to nonstate entities.
4 (c) Be responsible for coordinating the initial
5 preparation and subsequent revisions of the State Projects
6 Compliance Supplement, after consultation with the comptroller
7 and all state agencies that award state financial assistance
8 to nonstate entities.
9 (4) The Comptroller shall:
10 (a) Make enhancements to the state's accounting system
11 to provide for the:
12 1. Recording of state financial assistance and federal
13 financial assistance appropriations and expenditures as
14 separate categories within the state awarding agencies'
15 operating funds.
16 2. Recording of state project number identifiers, as
17 provided in the Catalog of State Financial Assistance, for
18 state awards.
19 3. Establishment and recording of an identification
20 code for each financial transaction, including state agencies'
21 awards of state financial assistance and federal financial
22 assistance, as to the corresponding type or organization that
23 is party to the transaction (e.g., other governmental
24 agencies, nonprofit organizations, and for-profit
25 organizations).
26 (b) Upon conferring with the Executive Office of the
27 Governor and all state agencies that make state awards, adopt
28 rules necessary to provide appropriate guidance to state
29 awarding agencies, recipients and subrecipients, and
30 independent auditors of state financial assistance relating to
31 the format for the Schedule of State Financial Assistance.

1 (c) Perform any inspections, reviews, investigations,
2 or audits of state financial assistance considered necessary
3 in carrying out the Comptroller's legal responsibilities for
4 state financial assistance or to comply with the requirements
5 of this section.

6 (5) Each state agency that makes state awards shall:

7 (a) Provide for each state award to a recipient
8 information needed by the recipient to comply with the
9 requirements of this section, including:

10 1. The audit and accountability requirements for state
11 projects as stated in this section and applicable rules of the
12 Executive Office of the Governor, rules of the Comptroller,
13 and rules of the Auditor General.

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

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

25 (b) Require the recipient, as a condition of receiving
26 state financial assistance, to allow the state awarding
27 agency, the Comptroller, and the Auditor General access to the
28 recipient's records and the recipient's independent auditor's
29 working papers as necessary for complying with the
30 requirements of this section.

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

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

10 (e) Review the recipient financial reporting package,
11 including the management letters and corrective action plans,
12 to the extent necessary to determine whether timely and
13 appropriate corrective action has been taken with respect to
14 audit findings and recommendations pertaining to state awards
15 made by the state agency.

16 (6) As a condition of receiving state financial
17 assistance, each recipient that provides state financial
18 assistance to a subrecipient shall:

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

22 1. Identification of the state awarding agency.

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

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

1 4. 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) Review the subrecipient audit reports, including
7 the management letters, to the extent necessary to determine
8 whether timely and appropriate corrective action has been
9 taken with respect to audit findings and recommendations
10 pertaining to state awards made by the state agency.

11 (c) Perform such other procedures as specified in
12 terms and conditions of the written agreement with the state
13 awarding agency including any required monitoring of the
14 subrecipient's use of state financial assistance through
15 on-site visits, limited scope audits, or other specified
16 procedures.

17 (d) Require subrecipients, as a condition of receiving
18 state financial assistance, to permit the independent auditor
19 of the recipient, the state awarding agency, the Comptroller,
20 and the Auditor General access to the subrecipient's records
21 and the subrecipient's independent auditor's working papers as
22 necessary to comply with the requirements of this section.

23 (7) Each recipient or subrecipient of state financial
24 assistance shall obtain an audit that complies with the
25 following:

26 (a) Each nonstate entity that receives state awards
27 and meets audit threshold requirements, in any fiscal year of
28 the nonstate entity, as stated in the rules of the Auditor
29 General, shall have a state single audit conducted for such
30 fiscal year in accordance with the requirements of this act
31 and with additional requirements established in rules of the

1 Executive Office of the Governor, rules of the Comptroller,
2 and rules of the Auditor General. If only one state project is
3 involved in a nonstate entity's fiscal year, the nonstate
4 entity may elect to require only a state project-specific
5 compliance audit of the state project for that fiscal year.

6 (b) Each nonstate entity that receives state awards
7 and does not meet the threshold requirements, in any fiscal
8 year of the nonstate entity, as stated in this law or the
9 rules of the Auditor General is exempt for such fiscal year
10 from the state single audit requirements of this section.
11 However, such nonstate entity must meet terms and conditions
12 specified in the written agreement with the state awarding
13 agency.

14 (c) Regardless of the amount of the state award, the
15 provisions of this section do not exempt a nonstate entity
16 from compliance with provisions of law relating to maintaining
17 records concerning state awards to such nonstate entity or
18 allowing access and examination of those records by the state
19 awarding agency, the Comptroller, or the Auditor General.

20 (d) Audits conducted pursuant to this section shall be
21 performed annually.

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

25 (f) Upon completion of the audit as required by this
26 section, a copy of the recipient's financial reporting package
27 shall be filed with the state awarding agency and the Auditor
28 General. Upon completion of the audit as required by this
29 section, a copy of the subrecipient's financial reporting
30 package shall be filed with the recipient that provided the
31 state financial assistance. The financial reporting package

1 shall be filed in accordance with the rules of the Auditor
2 General.

3 (g) All financial reporting packages prepared pursuant
4 to the requirements of this section shall be available for
5 public inspection.

6 (h) If an audit conducted pursuant to this section
7 discloses any significant audit findings relating to state
8 financial assistance, including material noncompliance with
9 individual major state project compliance requirements or
10 reportable conditions in internal controls of the nonstate
11 entity, the nonstate entity shall submit as part of the audit
12 package to the state awarding agency a plan for corrective
13 action to eliminate such audit findings or a statement
14 describing the reasons that corrective action is not
15 necessary.

16 (i) An audit conducted in accordance with this section
17 is in addition to any audit of federal awards required by the
18 Federal Single Audit Act and other federal laws and
19 regulations. To the extent that such federally required audits
20 provide the state awarding agency with information it requires
21 to carry out its responsibilities under state law or other
22 guidance, a state agency shall rely upon and use that
23 information.

24 (j) This section does not prohibit the state awarding
25 agency from including terms and conditions in the written
26 agreement which require additional assurances that state
27 awards meet the applicable requirements of laws, regulations,
28 and other compliance rules.

29 (k) A state awarding agency that provides state awards
30 to nonstate entities and conducts or arranges for audits of
31 state awards that are in addition to the audits conducted

1 under this act shall, consistent with other applicable law,
2 arrange for funding the full cost of such additional audits.
3 (8) The independent auditor when conducting a state
4 single audit of recipients or subrecipients shall:
5 (a) Determine whether the nonstate entity's financial
6 statements are presented fairly in all material respects in
7 conformity with generally accepted accounting principles.
8 (b) Determine whether state awards shown on the
9 Schedule of State Financial Assistance are presented fairly in
10 all material respects in relation to the nonstate entity's
11 financial statements taken as a whole.
12 (c) With respect to internal controls pertaining to
13 each major state project:
14 1. Obtain an understanding of internal controls;
15 2. Assess control risk;
16 3. Perform tests of controls unless the controls are
17 deemed to be ineffective; and
18 4. Determine whether the nonstate entity has internal
19 controls in place to provide reasonable assurance of
20 compliance with the provisions of laws, regulations, and other
21 rules pertaining to state awards that have a material effect
22 on each major state project.
23 (d) Determine whether each major state project
24 complied with the provisions of laws, guidelines, and other
25 guidelines as identified in the State Projects Compliance
26 Supplement, or otherwise identified by the state awarding
27 agency, which have a material effect on each major state
28 project. When major state projects are less than 50 percent of
29 the nonstate entity's total expenditures for all state awards,
30 the auditor shall select and test additional state projects as
31 major state projects as necessary to achieve audit coverage of

1 at least 50 percent of the expenditures for all state awards
2 to the nonstate entity. Additional state projects needed to
3 meet the 50-percent requirement may be selected on an inherent
4 risk basis as stated in the rules of the Executive Office of
5 the Governor.

6 (e) Report on the results of any audit conducted
7 pursuant to this section in accordance with the rules of the
8 Executive Office of the Governor, rules of the Comptroller,
9 and rules of the Auditor General. Audit reports shall include
10 summaries of the auditor's results regarding the nonstate
11 entity's financial statements, Schedule of State Financial
12 Assistance, internal controls, and compliance with laws,
13 rules, and other compliance guidance.

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

16 (g) Upon notification by the nonstate entity, make
17 available the working papers relating to the audit conducted
18 pursuant to the requirements of this section to the state
19 awarding agency, Comptroller, or the Auditor General for
20 review or copying.

21 (9) The Auditor General shall:

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

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

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

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1 (d) Provide technical advice upon request of the
2 Comptroller, Executive Office of the Governor, and state
3 agencies relating to financial reporting and audit
4 responsibilities contained in this section.

5 (e) Be provided one copy of each financial reporting
6 package prepared in accordance with the requirements of this
7 section.

8 (f) Perform ongoing reviews of a sample of financial
9 reporting packages filed pursuant to the requirements of this
10 section to determine compliance with the reporting
11 requirements of this section and applicable rules of the
12 Executive Office of the Governor, rules of the Comptroller,
13 and rules of the Auditor General.

14 Section 3. Section 216.349, Florida Statutes, is
15 repealed.

16 Section 4. Paragraph (f) of subsection (2) of section
17 265.2861, Florida Statutes, is amended to read:

18 265.2861 Cultural Institutions Program; trust fund.--

19 (2) CULTURAL INSTITUTIONS PROGRAM.--

20 (f) Each organization shall cause an annual postaudit
21 or independent attestation of its financial accounts, ~~as~~
22 ~~specified in s. 216.349,~~ to be conducted by an independent
23 certified public accountant. The annual audit report must be
24 submitted to the Department of State for review. The
25 department may require and receive from the recipient
26 institution, or from its independent auditor, any detail or
27 supplemental data relative to the operation of such
28 institution.

29 Section 5. This act applies to any nonstate entity
30 fiscal year beginning on or after July 1, 2000.

31 Section 6. This act shall take effect July 1, 2000.