

By Senator Burt

16-262A-98

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

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

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

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

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

8 216.3491 Florida Single Audit Act.--

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

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

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

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

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

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

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

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

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

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

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

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

28 (d) "Financial reporting package" means the nonstate  
29 entities' financial statements, Schedule of State Financial  
30 Assistance, auditor's reports, management letter, auditee's  
31 written responses or corrective action plan, correspondence on

1 follow-up of prior years' corrective actions taken, and such  
2 other information determined by the Auditor General to be  
3 necessary and consistent with the purposes of this section.

4 (e) "Federal financial assistance" means financial  
5 assistance from federal sources passed through the state and  
6 provided to nonstate entities to carry out a federal program.

7 "Federal financial assistance" includes all types of federal  
8 assistance as defined in applicable U.S. Office of Management  
9 and Budget circulars.

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

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

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

20 1. Effectiveness and efficiency of operations.

21 2. Reliability of financial operations.

22 3. Compliance with applicable laws and regulations.

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

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

1 agencies that make state awards and shall consider the amount  
2 of state project expenditures or expenses or inherent risks.  
3 Each major state project shall be audited in accordance with  
4 the requirements of this section.

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

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

10 2. Is not organized primarily for profit;

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

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

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

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

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

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

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

29 (q) "State financial assistance" means financial  
30 assistance from state resources, not including federal  
31 financial assistance, provided to nonstate entities to carry

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

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

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

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

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

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, 1999.

31           Section 6. This act shall take effect July 1, 1999.



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SENATE SUMMARY

Creates the Florida Single Audit Act to provide a streamlined mechanism for auditing state funds provided to nonstate entities to carry out state projects in a manner that as closely as possible parallels federal auditing requirements.