

By January 1, 2013, the CFO must adopt charts of accounts that:

- Require specific enterprise-wide data;
- Permit additional agency-specific data;
- Require uniform data codes for expenditures and revenues by state, local government, and educational entities to the greatest extent possible; and
- Require at least two additional levels of specificity on the expenditure of public funds to the extent possible.

The updated charts of accounts will be applicable for fiscal years beginning on or after July 1, 2013.

The CFO must update the charts of accounts biennially, and must adopt procedures for the approval and publication of the charts of accounts.

This bill creates an unnumbered section of the Florida Statutes.

II. Present Situation:

The Florida Accounting Information Resource System

The Florida Accounting Information Resource System (FLAIR) is one of the subsystems of the Florida Financial Management Information System established in s. 215.93, F.S. The Department of Financial Services (DFS) is the functional owner of FLAIR, which must include the following functions:

- Accounting and reporting so as to provide timely data for producing financial statements for the state in accordance with generally accepted accounting principles.
- Auditing and settling claims against the state.

According to the FLAIR Procedures Manual:

To conform with GASB Statement No. 1, General Principles Section 1800, a chart of State Standard codes has been developed for the State of Florida which classifies Organizational structures, Budget Entities, Internal Budget Indicators, Funds, General Ledger Codes, Object Codes, Appropriation Categories, and State Programs. It also provides for other classifications as they are required. The Florida Accounting Information Resource System further provides for fund accounting, budgetary accounting, financial accounting and legal compliance with the statutes of the State of Florida.¹

Local Government Annual Financial Reports

Section 218.32 (1), F.S., requires that local governments submit to DFS an Annual Financial Report covering their operations for the preceding fiscal year. DFS makes available to local

¹ FLAIR Procedures Manual, chapter 2, page 1, available on March 5, 2010 at:
<http://www.myfloridacfo.com/aadir/docs/FLAIRProceduresCh.1-7.pdf>

governments an electronic filing system that accumulates the financial information reported on the annual financial reports in a database and makes that information available to the public in an electronic format.

In order to improve government accountability by making financial information reported by Florida's local governments more comparable, thereby enabling local taxpayers and local policy makers to better understand and evaluate local government service delivery and operations, all local governmental entities are required to use accounting principles, such as the Uniform Accounting System Chart of Accounts when completing their Annual Financial Report.

Submission of the annual report depends on whether or not the local government entity is required to have an annual audit; if no audit is required the deadline is April 30 of each year, and if an audit is required the deadline is no later than 12 months after the end of the fiscal year. If DFS does not receive a completed annual financial report from a local government entity within the required period, DFS must notify the Legislative Auditing Committee, which must schedule a hearing.

If the Legislative Auditing Committee determines that an entity should be subject to further state action, the committee must:

- In the case of a local government entity or a district school board, direct the Department of Revenue and the Department of Financial Services to withhold any funds not pledged for bond debt service satisfaction until the local government entity or the district school board is in compliance. The committee must specify the date that action will begin and both departments must receive notification 30 days before the date the withheld funds would normally be distributed.²
- In the case of a special district, the committee must notify the Department of Community Affairs and the department must offer assistance to the special district. If the district continues in noncompliance, the department must petition the circuit court in Leon County for a writ of certiorari, and the court must award attorney costs and court fees to the prevailing party.³
- In the case of a charter school or charter technical career center, the committee must notify the appropriate sponsoring entity that may terminate the charter.⁴

Local Government Accounting Practices and Procedures

Section 218.33(2), F.S., requires each local governmental entity to follow uniform accounting practices and procedures as promulgated by rule of DFS to assure the use of proper accounting and fiscal management by such units. The rules must include a uniform classification of accounts.

² Section 11.40(5), F.S.

³ See s. 189.421(3), F.S.

⁴ See s. 11.40(5), F.S.

Local Government Annual Financial Audit Reports

Section 218.39, F.S., provides that if a local government will not be audited by the Auditor General, the local government must provide for an annual financial audit to be completed within 12 months after the end of the fiscal year. The audit must be conducted by an independent certified public accountant retained by the entity and paid for from public funds. The entities are:

- Each county, district school board, charter school, or charter technical center;
- Each city with revenues or expenditures and expenses of more than \$250,000;
- Each special district with revenues or expenditures and expenses of more than \$100,000;
- Each city with revenues or expenditures and expenses between \$100,000 and \$250,000 that has not been audited within the 2 preceding fiscal years; and
- Each special district with revenues or expenditures and expenses between \$50,000 and \$100,000 that has not been audited within the 2 preceding fiscal years.

Uniform Records and Accounts – Education

Pursuant to s. 1010.01, F.S., the financial records and accounts of each school district, community college, and other institution or agency under the supervision of the State Board of Education must be prepared and maintained as prescribed by law and rules of the State Board of Education. The financial records and accounts of each state university under the supervision of the Board of Governors must be prepared and maintained as prescribed by law and rules of the Board of Governors.

Rules of the State Board of Education and rules of the Board of Governors must incorporate the requirements of law and accounting principles generally accepted in the United States, and the rules must include a uniform classification of accounts.

Each state university must annually file with the Board of Governors financial statements prepared in conformity with accounting principles generally accepted by the United States and the uniform classification of accounts prescribed by the Board of Governors.

Required financial accounts and reports must include provisions that are unique to each of the following: K-12 school districts, community colleges, and state universities, and must provide for the data to be reported to the National Center of Educational Statistics and other governmental and professional educational data information services as appropriate.

Cost Accounting and Reporting – School Districts

Each school district must account for expenditures of all state, local, and federal funds on a school-by-school and a district-aggregate basis in accordance with the manual developed by the Department of Education (DOE) or as provided by law.⁵ The DOE has incorporated into an administrative rule⁶ the Financial and Program Cost Accounting and Reporting for Florida Schools (Redbook 2001), which provides Florida school districts with a uniform chart of accounts for budgeting and financial reporting.

⁵ Section 1010.20(1), F.S.

⁶ Rule 6A-1.001, F.A.C.

The chart of accounts included in the Redbook is adapted from the United States Department of Education publication, *Financial Accounting for Local and State School Systems*, which establishes a comprehensive and uniform structure for reporting education fiscal data. The Florida chart of accounts was modified following the initial publication of the Federal manual in 1957 and the major revision of 1973. Subsequent Federal revisions in 1980 and 1990 have also been addressed to ensure compatibility in national statistical reports.⁷

Constitutional Duties of the Chief Financial Officer

Article IV, section 4(c) of the Florida Constitution provides that “the chief financial officer shall serve as the chief financial officer of the state, and shall settle and approve accounts against the state, and shall keep all state funds and securities.”

III. Effect of Proposed Changes:

The bill requires each state agency, by July 1, 2011, to maintain its financial data in a manner consistent with the applicable financial data management codes for the agency adopted by the CFO and in effect as of January 1, 2010.

Each local government, by July 1, 2011, must maintain its financial data in a manner consistent with the chart of accounts for local governments adopted by the CFO and in effect as of January 1, 2010.

Each educational entity, by July 1, 2011, must maintain its financial data in a manner consistent with the applicable common financial data management codes for such entity established by the Department of Education and in effect as of January 1, 2010.

Each entity of higher education, by July 1, 2011, must maintain its financial data in a manner consistent with the applicable common financial data management codes for such entity established by the Board of Governors and in effect as of January 1, 2010.

Each statutorily authorized entity must maintain its financial data in a manner consistent with the applicable common financial data management codes for such entity adopted by the CFO and in effect as of January 1, 2010.

By January 1, 2013, the CFO, after consulting with the state agencies, local governments, educational entities, and statutorily authorized entities affected, must adopt a chart of accounts that:

- Requires specific enterprise-wide data;
- Permits additional agency-specific data;
- Requires uniform data codes for expenditures and revenues by state, local government, and educational entities to the greatest extent possible; and
- Requires at least two additional levels of specificity on the expenditure of public funds to the maximum extent possible.

⁷ Financial and Program Cost Accounting and Reporting for Florida Schools (Redbook 2001), 1-1

Entities must comply with the CFO's charts of accounts in any fiscal year beginning on or after July 1, 2013.

Beginning January 1, 2014, the CFO must biennially update the charts of accounts, after receiving input from users.

The bill requires the CFO to adopt procedures regarding the approval and publication of the charts of accounts.

The bill also supplies definitions for "state agency," "local government," "educational entity," "entity of higher education," and "statutorily authorized entity."

Section 2 provides that this act fulfills an important state interest.

The bill provides that it takes effect on the same date that SJR 2204 takes effect.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

To the extent this bill requires cities and counties to expend funds to comply with the charts of accounts developed by the chief financial officer, the provisions of Section 18(a) of Article VII of the State Constitution may apply. If those provisions do apply, in order for the law to be binding upon the cities and counties, the legislature must find that the law fulfills an important state interest (see section 2) and one of the following relevant exceptions must apply:

- a. funds estimated at the time of enactment to be sufficient to fund such expenditures are appropriated;
- b. Counties and cities are authorized to enact a funding source not available for such local government on February 1, 1989, that can be used to generate the amount of funds necessary to fund the expenditures;
- c. the expenditure is required to comply with a law that applies to all persons similarly situated; or
- d. the law must be approved by two-thirds of the membership of each house of the legislature.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:**A. Tax/Fee Issues:**

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

Entities subject to the provisions of this bill may incur costs associated with changes in policies and equipment required to comply with the bill. The amount of those costs, if any, is currently unknown.

The Department of Financial Services has estimated that it will need 3 FTE and approximately \$205,000 in FY 2010-11 to implement this bill.

In addition, the Department of Financial Services has advised that, if modifications are needed to expand the field length or add a new field to FLAIR, programming costs could reach \$9,397,200.

VI. Technical Deficiencies:

None.

VII. Related Issues:

CS/SJR 2204 proposes the constitutional amendment providing the CFO with the constitutional authority for implementing the charts of accounts.

VIII. Additional Information:**A. Committee Substitute – Statement of Substantial Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Policy and Steering Committee on Ways and Means on March 19, 2010:

The CS divides educational entities into two categories – educational entities generally and entities of higher education. The educational entities initially must comply with the data management coding structure currently implemented by the Department of Education. Entities of higher education initially must comply with the data management coding structure currently implemented by the Board of Governors of the State University System.

The CS provides that the governmental entities must comply with the CFO's updated charts of accounts beginning in the entity's fiscal year which begins on or after July 1, 2013.

The CS also includes a legislative finding that this act fulfills an important state interest.

CS by Governmental Oversight and Accountability on March 10, 2010:

The CS adds a reference to SJR 2204 to clarify that the bill takes effect when SJR 2204 takes effect.

B. Amendments:

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
