

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Budget Committee

BILL: SPB 7104

INTRODUCER: For consideration by the Budget Committee

SUBJECT: Auditor General

DATE: March 13, 2011

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Hawkins	Meyer, C.		Pre-meeting
2.				
3.				
4.				
5.				
6.				

I. Summary:

Senate Proposed Bill 7104 amends statutes to update and streamline the scope of audits performed by the Auditor General. Streamlining audit functions and eliminating outdated requirements will allow the Auditor General to focus on audit priorities and absorb budget reductions planned for Fiscal Year 2011-2012.

This bill substantially amends the following sections of the Florida Statutes: 11.40(3), 11.45, 25.075, 28.35, 218.31, 273.05, 1002.36, 1009.53

This bill repeals the following sections of the Florida Statutes: 195.096, 365.173(3), and 943.173(3)

II. Present Situation:

The Auditor General is the auditor required by s. 2, Art. III of the State Constitution and is appointed by the Legislature to audit the public records of the State.

The Auditor General's work plan is comprised primarily of financial audits and operational audits. Financial audits are performed pursuant to the requirements of Florida law and the Federal government. Section 11.45, F.S. and various other sections of law also require the Auditor General to conduct operational audits of specific state entities or programs either on an annual, biennial, or triennial basis. In addition, the Auditor General routinely covers operational audit topics in its audits of colleges and district school boards. Operational audits are variable

scope audits designed to measure legal compliance and examine internal controls over high-risk areas of government operations. The scope of operational audits is determined by legislative direction via statutory requirements, proviso language, and actions by the Joint Legislative Auditing Committee as well as a risk assessment performed by the Auditor General.

Along with other state government functions, the Auditor General has absorbed budget reductions in the last four fiscal years resulting in a decrease in the number of audit professionals employed. While absorbing budget reductions, the Auditor General has adjusted the scope of operational audits, as necessary, to correlate the work plan established in law to available resources.

The requirement to conduct operational audits of entities or programs on an annual or biennial basis imposes some limitation on the Auditor General's discretion to utilize available audit resources to address areas of government operations determined to be of highest risk. Additional flexibility to address areas of highest risk can be provided by amending applicable provisions of law to require operational audits at least every three years, thereby allowing for more frequent audits of high risk entities and less frequent (at least once every three years) audits of low risk entities. Such additional flexibility will also better enable the Auditor General to complete special audits directed by the Legislature.

A summary of sections of the Florida Statutes relating to functions performed by the Auditor General which are affected by this bill are as follows:

Section 11.45, F.S.: The duties of the Auditor General are specified in s. 11.45, F.S. Section 11.45(1), F.S., includes definitions for the types of audits the Auditor General performs - financial, operational, and performance. Section 11.45(2), F.S., provides the duties of the Auditor General, including audits to be performed on an annual basis or on a less frequent basis.

Section 25.075, F.S.: Subsection (3) requires the Auditor General to audit the reports made to the Supreme Court in accordance with the uniform case reporting system.

Section 28.35, F.S.: Subsection (5)(a) requires the Florida Clerks of Court Operations Corporation to submit annual audited financial statements to Auditor General and requires the Auditor General to conduct an annual audit of the corporation's operations.

Section 195.096, F.S.: Subsection (7) requires the Auditor General to conduct a triennial performance audit of the Department of Revenue's administration of the ad valorem tax laws.

Section 218.31, F.S.: Subsection (17) provides a definition of financial audit that is consistent with the definition in s. 11.45(1), F.S.

Section 273.05, F.S.: Subsection (5) requires state agency records for property certified as surplus to comply with rules issued by the Auditor General. While legislative changes in 2006 transferred the responsibility for tangible personal property rules to the Chief Financial Officer, this statute has not been revised.

Section 365.173, F.S.: Subsection (3) requires the Auditor General to conduct an annual audit of the Emergency Communications Number E911 System Fund.

Section 943.25, F.S.: Subsection (3) requires the Auditor General, as part of his or her audit of courts, to ascertain that certain assessments have been collected and remitted and audit the expenditures of the trust funds.

Section 1002.36, F.S.: Subsection (3) requires the Auditor General to conduct annual audits of the accounts and records of the Florida School for the Deaf and Blind.

Section 1009.53, F.S.: Subsection (5)(c) requires each institution that receives money through the Florida Bright Futures Scholarship Program to prepare an annual report that includes an annual financial audit.

III. Effect of Proposed Changes:

Section 1 amends s. 11.45, F.S., to:

- Clarify the definition of “financial audit” to conform with applicable auditing standards by specifying that, when applicable, the scope of financial audits encompasses the additional activities necessary to establish compliance with the Single Audit Act Amendments of 1996 and other applicable federal law.
- Clarify the objectives of an “operational audit” and specify that operational audits are conducted in accordance with government auditing standards.
- Make technical changes regarding the title reference to State colleges.
- Clarify the requirement for the Auditor General to conduct financial audits of the district school boards in counties that have populations of 150,000 or more once every three years by a technical correction of the specified population to coincide with s. 11.45(2)(d), F.S., which provides for annual audits of district school boards that have populations of less than 150,000.
- Change the required frequency of operational audits of state agencies and state universities from at least every two years to at least every three years.
- Require operational audits of state colleges, district school boards, the Florida Clerks of Court Operations Corporation, water management districts, and the Florida School for the Deaf and the Blind to be conducted at least every three years. Audits of the Florida School for the Deaf and the Blind and the Florida Clerks of Court Operations Corporation are currently required annually.

- Eliminate the requirement for annual audits of the Wireless Emergency Telephone System Fund (s. 365.173, F.S.). The Wireless Emergency Telephone System Fund will be subject to audit based on the risk assessment of programs administered by the Department of Management Services.
- Change the required frequency of the performance audit of the local government financial reporting system from at least every 2 years to at least every 3 years.
- Consolidate ad valorem performance audit requirements of existing ss. 11.45(2)(i) and 195.096(7) to s. 11.45(2)(h), F.S.
- Add reference to s. 20.055(1)(a) in defining “state agency” for purposes of the requirement to review a sample of each state agency’s internal audit reports.
- Make technical changes regarding the Auditor General’s notification to local governmental entities.
- Eliminate the Auditor General’s authority to conduct audits of the Investment Fraud Restoration Financing Corporation created pursuant to chapter 517 as this entity no longer exists.
- Specify that the Auditor General annually compile and transmit to the President of the Senate, the Speaker of the House of Representatives, and the Legislative Auditing Committee a report that includes a projected 2-year work plan identifying the audit and other accountability activities to be undertaken.

Section 2 amends s. 25.075, F.S., to delete the requirement for the Auditor General to conduct audits of the caseload reports made by court clerks to the Supreme Court. The Auditor General has existing authority to audit the State Courts System and the judicial branch.

Section 3 amends s. 28.35 F.S., to delete obsolete requirements that the Florida Clerks of Court Operations Corporation submit an annual audited financial statement to the Auditor General and that the Auditor General conduct an annual audit of the operations of the corporation. The Corporation does not prepare separate financial statements, or provide for an audit of such, since it is now a part of State government.

Section 4 repeals s. 195.096(7), F.S., regarding the Auditor General’s triennial performance audit of the Department of Revenue’s administration of the ad valorem tax laws. A requirement for such audit is included in s. 11.45, F.S., and amendments proposed in Section 1 of the bill include the specified audit requirements.

Section 5 amends s. 218.31(17), F.S., regarding local governments, to clarify the definition of “financial audit” to conform with applicable auditing standards and specify that, when applicable, the scope of financial audits encompasses the additional activities necessary to establish compliance with the Single Audit Act Amendments of 1996 and other applicable federal law.

Section 6 amends s. 273.05(5), F.S., to transfer responsibility for tangible personal property rules from the Auditor General to the Chief Financial Officer in keeping with similar changes made in 2006 legislation.

Section 7 repeals s. 365.173(3), F.S., requiring an annual audit of the Wireless Emergency Telephone System. Operations regarding the Wireless Emergency Telephone System are subject to audit, when appropriate, as part of operational audits of the Department of Management Services.

Section 8 repeals s. 943.25(3), F.S., regarding requirement for the Auditor General, as part of his or her audit of courts, to ascertain that certain assessments (the “assessments” referred to are the \$3 additional court cost mandated by subsection 938.01(1), F.S., which is distributed to the Additional Court Cost Clearing Trust Fund) have been collected and remitted and eliminates the requirement to audit the expenditures of the trust funds. The collection of assessments and the expenditures of the trust funds are subject to audit, when appropriate, as part of operational audits of the applicable State agencies.

Section 9 amends s. 1002.36(3) F.S., to conform the frequency of the audit of the Florida School for the Deaf and the Blind to the frequency specified in s. 11.45, F.S.

Section 10 amends s. 1009.53(5)(c) F.S., to:

- Require an annual financial audit of only those institutions that expend Bright Futures Scholarship Program (Program) moneys in excess of \$100,000. Currently, entities that receive minimal funding are required to provide for an annual financial and compliance audit, which may not be cost effective.
- Change, for those institutions that expend Bright Futures Scholarship Program (Program) moneys in excess of \$100,000, the frequency of audit of the Bright Futures Scholarship Program from every year to every 2 years and provides that the audit include an examination of the institution’s administration of the program and accounting of the moneys for the Program since the last examination of the institution’s administration of the Program.
- Revise the due date of the audit from March 1 to 9 months after the end of the institution’s fiscal year.
- Specify that any institution that is not subject to an audit pursuant to this subsection shall attest annually, under penalty of perjury, that the Program moneys were used in compliance with law.
- Require that the attestation be in the form and manner determined by the Department of Education.

Section 11 reenacts s. 11.40(3), F.S., which references ss. 11.45(2) and (3), to incorporate the amendment made by this bill to s. 11.45., F.S.

Section 12 provides an effective date of July 1, 2011.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

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

None.

B. Private Sector Impact:**C. Government Sector Impact:**

Funds provided in the Senate Proposed Pill on General Appropriations provides a total of \$31.8 million for operations for the 2011-12 fiscal year compared to \$33.9 million for the previous fiscal year. The changes in the bill will enable the Auditor General to focus on audit priorities.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

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

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

None.

B. Amendments:

None.

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