STATE OF FLORIDA
AUDITOR GENERAL

FLORIDA SINGLE AUDIT ACT
QUESTIONS AND ANSWERS

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TABLE OF CONTENTS

Page

Preface ……ii

Topic

Implementation 1

Applicability..... 1

Audit Requirements 2

State Financial Assistance..... 8

Recipients/Subrecipients and Vendors 11

Type A and Type B Project Determination/Risk Assessment..... 15

Compliance Testing 17

Reporting Requirements..... 18

Schedule of Expenditures of State Financial Assistance..... 22

Filing Requirements..... 26

Audit Costs 27

State Awarding Agency Responsibilities..... 27

FSAA Rules and Regulations…….....……30

Illustrative Audit Documents..... 30

PREFACE

The purpose of this questions and answers document is to provide clarifications and additional working guidance to those participating in Florida Single Audit Act audits. This document was prepared to address questions raised by State agencies, non-State entities, and auditors since the inception of the Act. Additionally, this document has been exposed for comment to State agencies and various professional associations representing non-State entities and auditors.

Many of the answers to the questions included in this document are based on interpretations of statutory and other regulatory provisions. However, this document is not authoritative and is not legally binding on State agencies or non-State entities, although it does, in many instances, cite laws and regulatory provisions with which such State agencies and non-State entities are required to comply. This document is not intended to impinge on or supersede the provisions of the Florida Single Audit Act (Section 215.97, Florida Statutes); Department of Financial Services Rules, Chapter 69I-5, Florida Administrative Code; or Chapters 10.550 and 10.650, Rules of the Auditor General.

Implementation

1. What is the Florida Single Audit Act and what was its effective date?

In 1998, the Florida Legislature enacted the Florida Single Audit Act (Chapter 98-91, Laws of Florida) to establish uniform State audit requirements for non-State entities receiving State financial assistance. Originally, this legislation was codified as Section 216.3491, Florida Statutes; however, the Act has since been amended and renumbered as Section 215.97, Florida Statutes. The Act was effective for non-State entity fiscal years beginning on or after July 1, 2000 (i.e., for fiscal years ending on or after June 30, 2001). For most local governmental entities, this means the Act was effective for the fiscal year ended September 30, 2001.

2. What State organizations are responsible for implementing the Florida Single Audit Act and where can information be found regarding implementation of the Act?

The Act establishes responsibilities for the Executive Office of the Governor, Department of Financial Services (DFS), the Auditor General, the various State awarding agencies, and the coordinating agencies. The DFS has established DFS Rules, Chapter 69I-5, Florida Administrative Code, to provide guidance to State awarding agencies, non-State entities, and independent auditors, including a prescribed format for the Schedule of Expenditures of State Financial Assistance. The Auditor General has promulgated rules (Chapters 10.550 and 10.650, Rules of the Auditor General) that are intended to implement the provisions of Section 215.97, Florida Statutes, which prescribe the requirement for Florida Single Audit Act audits and describe the contents and the filing deadlines for the financial reporting package. These rules, the Florida Single Audit Act, and other guidance can be accessed through the following Web sites:

- Department of Financial Services - https://apps.fldfs.com/fsaa/
- Auditor General – https://flauditor.gov/pages/fsaa.html

Applicability

3. What entities are subject to the Florida Single Audit Act (i.e., what is a non-State entity)?

A non-State entity, for purposes of the Florida Single Audit Act, is a local governmental entity, higher education entity, nonprofit organization, or for-profit organization that receives State financial assistance (see question 28 and the related answer). Local governmental entity means a county (taken as a whole), municipality, special district, or any other entity, excluding a district school board, charter school, Florida College System institution, or public university, however styled, which independently exercises any type of governmental function within the State of Florida. Higher education entity means a Florida College System institution or a State university, as those terms are defined in Section 1000.21, Florida Statutes. Nonprofit organization means any corporation, trust, association, cooperative, or other organization that is operated primarily for scientific,

educational service, charitable, or similar purpose in the public interest; is not organized primarily for profit; uses net proceeds to maintain, improve, or expand the operations of the organization; and has no part of its income or profit distributable to its members, directors, or officers. For-profit organization means any organization or sole proprietor that is not a local governmental entity or a nonprofit organization. Non-State entities include local governmental entities, higher education entities, and nonprofit and for-profit organizations in other states and countries. Non-State entities do not include Federal agencies, other state governments, and governments of other countries.

4. Are local governmental entities in states other than Florida subject to the Florida Single Audit Act?

No. Such governments are not considered to be "local" to the State of Florida.

5. Are direct-support and citizen-support organizations as defined by Chapter 10.700, Rules of the Auditor General, subject to the Florida Single Audit Act?

Yes. Direct-support and citizen-support organizations are considered to be nonprofit organizations as defined by Section 215.97(2)(m), Florida Statutes, and are not otherwise exempted from the Florida Single Audit Act.

6. Is the Florida Single Audit Act identical to the Federal Single Audit Act?

No. The Florida Single Audit Act is intended to closely parallel the Federal Single Audit Act, but the acts are not identical. For example, the Federal Single Audit Act does not apply to for-profit organizations while the Florida Single Audit Act does. Also, the Federal Single Audit Act establishes a time frame of 9 months for local governments to submit report packages while the Florida Single Audit Act does not establish a time frame (the time frame is established by the Auditor General). There are other differences between these acts, which non-State entities and auditors should be aware of to ensure compliance with both.

Audit Requirements

7. When is an audit required pursuant to the Florida Single Audit Act and what determines whether a State single audit or project-specific audit is required?

Each non-State entity that expends $750,000 or more of State financial assistance in a fiscal year is required to have a State single audit for such fiscal year in accordance with the requirements of the Florida Single Audit Act. Higher education entities are exempted under Section 215.97(8)(o), Florida Statutes; however, the Act does apply to subrecipients of higher education entities. If only one State project is involved in a non-State entity's fiscal year, the non-State entity may elect to have only a project-specific audit of the State project for that fiscal year. A State single audit means an audit of a non-State entity's financial statements and State financial assistance conducted in accordance with the auditing standards as stated in Sections 10.556(1) and 10.655(1), Rules of the Auditor General, as applicable. Pursuant to Section 215.97(11), Florida Statutes, the scope of a project-specific

audit is similar to that of a State single audit except that it does not include an audit of the financial statements.

8. During the current fiscal year audit, the auditors discover that prior fiscal year expenditures of State financial assistance were not identified as such for purposes of determining whether a non-State entity's expenditures of State financial assistance exceeded the Florida Single Audit Act threshold for the prior fiscal year. If the non-State entity did not provide for an audit in accordance with the Act for the prior fiscal year, what actions should be taken?

The prior fiscal year expenditures of State financial assistance previously unidentified should be added to total expenditures of State financial assistance previously reported for the prior fiscal year to determine if the threshold was exceeded. If so, the non-State entity should take appropriate action to provide for an audit for the prior fiscal year in accordance with the Act. Also, see question 84 and the related answer.

9. Is a project-specific audit in accordance with Section 215.97(11), Florida Statutes, permissible for a non-State entity that receives Federal awards and State financial assistance?

Yes, if the non-State entity received and expended Federal awards/State financial assistance related to only one Federal program and one State project (as defined by Section 215.97(2)(u), Florida Statutes) during the fiscal year.

10. A non-State entity that receives State financial assistance from only one State project realizes well after the audit period report filing deadline that a Florida Single Audit Act audit was required for the prior fiscal year as well as the current fiscal year. Is it acceptable to produce a 2-year project-specific audit to satisfy the audit requirement for both years?

No. Section 215.97(8)(e), Florida Statutes, provides that audits shall be performed annually and Section 215.97(8)(a), Florida Statutes, specifies that each non-State entity that meets the audit threshold requirements, in a fiscal year, shall have a State single audit conducted for such fiscal year.

11. In determining whether an audit is required under the Florida Single Audit Act (i.e., whether a non-State entity expended at least $750,000 of State financial assistance in a fiscal year), should the non-State entity's fiscal year, or the State awarding agency's fiscal year (July 1 through June 30), be used?

The non-State entity's fiscal year should be used (see Section 215.97(2)(a), Florida Statutes).

12. Must a Florida Single Audit Act audit be done in accordance with *Government Auditing Standards* published by the Comptroller General of the United States?

Yes. See Sections 10.551(4) and 10.651(4), Rules of the Auditor General.

13. If a State program has specific statutory audit requirements and is also considered a State project as defined by Section 215.97, Florida Statutes (the Florida Single Audit Act), with which statute should the audit comply?

Both statutory provisions should be complied with to the extent possible (i.e., to the extent that such statutory language is not inconsistent). Instances in which conflicting statutory provisions exist should be handled on a case-by-case basis with the assistance of the State awarding agency's legal counsel.

14. How will non-State entities and their auditors determine whether a non-State entity expended $750,000 or more of State financial assistance in a fiscal year?

The primary source for determining the amount of State financial assistance expended by a non-State entity is the non-State entity's accounting records. However, information is available from the DFS that may provide additional assurances as to the completeness and accuracy of the State financial assistance expended as reported in the non-State entity's accounting records. Non-State entities and their auditors can determine amounts disbursed by the State to the non-State entity by accessing the Vendor Payment History located on the DFS Division of Auditing Web site at http://flair.dbf.state.fl.us/dispub2/cvnhphst.htm (the vendor ID number will be required to obtain this information). Although amounts disbursed for a particular State project cannot be obtained from the DFS Web site, this information can be obtained by e-mailing a request to floridasingleauditconfirmations@myflorida.com. While the amount disbursed by the State to a non-State entity is not the relevant factor in determining whether a Florida Single Audit Act audit is required (see question 20 and the related answer), this information will assist non-State entities and their auditors in determining whether the non-State entity received State financial assistance and, if so, whether the amount received was sufficient to allow for the possibility that a Florida Single Audit Act audit may be required. In determining whether a non-State entity expended $750,000 or more of State financial assistance, non-State entities and their auditors will also need to be aware of State financial assistance received from other non-State entities or received in the form of property, food commodities, tax credits, etc., that would not be included in the disbursement information provided by the DFS.

15. How should auditors determine which projects to test as major projects pursuant to DFS Rule 69I-5.008, Florida Administrative Code, when a non-State entity does not classify expenditures by the Catalog of State Financial Assistance (CSFA) number, and the vendor payment history obtained from the DFS does not match the entity records?

The auditor could request information directly from the respective State agencies. However, if the applicable State agencies are unable to provide such information, the auditor could utilize the non-State entity's records to determine how much State financial assistance was **received** from each State agency for each State project and the applicable CSFA numbers. The auditor should also attempt to identify the nature and amount of expenditures relative to the State project(s) and verify whether the projects have been audited in previous years. It is the non-State

entity's responsibility to identify the amounts **expended** under each project. If the non-State entity's records are not sufficient to show this breakdown, the deficiency should be included as an audit finding in the audit report. If all else fails, the auditor may classify all expenditures as major projects and ensure that 50 percent of the total State financial assistance expenditures are audited to comply with Section 215.97(10)(d), Florida Statutes, and DFS Rule 69I-5.008, Florida Administrative Code.

16. If a non-State entity receives funding from a State awarding agency that includes both Federal through State awards and State financial assistance, how will the entity determine what portion of the funding is Federal awards vs. State financial assistance?

Pursuant to Section 215.97(5)(a), Florida Statutes, State awarding agencies are required to provide recipients with information needed to comply with the Florida Single Audit Act. Accordingly, the State awarding agency should identify, in the contract or grant agreement, what portion of the funding is Federal awards vs. State financial assistance. In addition, the contract or agreement should specify the applicable Catalog of Federal Domestic Assistance (CFDA) and Catalog of State Financial Assistance (CSFA) project numbers. If the contract or agreement does not provide sufficient details of the funding provided, the State awarding agency should be requested to provide this information.

17. A non-State entity, pursuant to a contract with a State agency, receives and expends resources totaling $850,000 for the same project, of which $550,000 is State funding and $300,000 is pass-through funding from the Federal Government. What amount should be used to determine whether the $750,000 Florida Single Audit Act threshold was exceeded?

Pursuant to Section 215.97(2)(r), Florida Statutes, State financial assistance does not include Federal awards (received directly or indirectly from the Federal Government). Only the portion of funding that represents State financial assistance should be used to determine whether the $750,000 Florida Single Audit Act threshold was exceeded (see questions 29 and 33 and the related answers).

18. A non-State entity receives State financial assistance under three different contracts for the same major State project (i.e., same CSFA number). In determining audit coverage under the Florida Single Audit Act, should the non-State entity's external auditor select all of the contracts pertaining to the major State project selected?

Yes. DFS Rules 69I-5.008 and 69I-5.009, Florida Administrative Code, establish criteria for the selection of State projects for audit. These rules are explicit that the independent auditor's selection for audit is based on the auditor's analysis of State projects, not individual contracts.

19. What basis should be used in determining whether a non-State entity expended at least $750,000 of State financial assistance, and should amounts encumbered be considered in making this determination?

Non-State entities that are required to provide for a State single audit as defined by the Florida Single Audit Act are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP), which require use of the accrual or modified accrual basis of accounting. Accordingly, the same basis of accounting should be used in determining whether a non-State entity expended at least $ $750,000 of State financial assistance. Consistent with GAAP, it would not be appropriate to include encumbrances in making this determination.

20. If a non-State entity receives State financial assistance on a cost reimbursement basis, should the determination of whether the non-State entity expended at least $750,000 of State financial assistance be made based on when the entity is reimbursed or when the entity incurred the expenditures?

Consistent with DFS Rule 69I-5.004(2)(a), Florida Administrative Code, which provides that the determination of State financial assistance expended should be based on when the related activity occurs, the determination should be based on when the non-State entity incurred the expenditures for which it is receiving reimbursement.

21. How are "expenditures of State financial assistance" determined under contracts that are fixed-price performance-based?

Consistent with DFS Rule 69I-5.004(2)(a), Florida Administrative Code, the amount of State financial assistance expended should be based on when the related activity occurs. Generally, the activity pertains to actions taken by the non-State entity to achieve the purposes of the contracts or grant agreements. Fixed-price performance-based contracts may represent payments to vendors for goods or services, in which case the State resources received would not be considered State financial assistance subject to the Florida Single Audit Act (see questions 36 through 39 and the related answers). In those instances, in which such contracts are entered into with a non-State entity, the non-State entity's accounting records should identify expenditure/expense transactions associated with the contract.

22. What are the Florida Single Audit Act requirements when the only type of State resources received by a non-State entity are loans or loan guarantees?

DFS Rule 69I-5.004(2)(b), Florida Administrative Code, prescribes the requirements for determining the value of State financial assistance expended under loan programs. Pursuant to that Rule, loans and loan guarantees, the proceeds of which were received and expended in prior years, are not considered State financial assistance for the current year if the laws, rules, and provisions of contracts or grant agreements pertaining to such loans and loan guarantees impose no continuing compliance requirements other than to repay the loans. Thus, any such loans and loan guarantees would be excluded in determining whether a non-State entity is required to have a Florida Single Audit Act audit.

23. For non-State entities that have been determined to have expended at least $750,000 of State financial assistance, is a Florida Single Audit Act audit required even if the State awarding agency(s) has done some monitoring for compliance and has issued a report to the non-State entity regarding the results of such monitoring efforts?

Yes. Audits, reviews, and monitoring efforts by State awarding agencies cannot substitute for an audit required under the Florida Single Audit Act. However, reports on such monitoring efforts may be useful to auditors in conducting risk assessments of State projects.

24. Can State awarding agencies require non-State entities that expend less than $750,000 of State financial assistance in a fiscal year to provide for an audit or attestation engagement?

If a non-State entity expended less than $750,000 of State financial assistance in a fiscal year, the non-State entity is not required to provide for an audit as prescribed by the Florida Single Audit Act. However, the State awarding agency is not explicitly precluded from requiring an audit or attestation engagement other than that provided for in the Florida Single Audit Act.

25. Can State awarding agencies require non-State entities that expend less than $750,000 of State financial assistance in a fiscal year to submit an attestation signed by the head of the non-State entity indicating that the State financial assistance was spent according to the agreement and all pertinent laws and rules?

Yes. Pursuant to Section 215.97(8)(b), (c), and (d), Florida Statutes, the State awarding agency may impose such a requirement in a written agreement between the State awarding agency and the non-State entity.

26. Can the Florida Single Audit Act requirements be waived for State projects that will only be in existence for 1 or 2 years?

No. The length or duration of a project has no bearing on its inclusion within the Catalog of State Financial Assistance or whether it is subject to the Florida Single Audit Act. Prior to the Act, many short duration programs were not audited. The Florida Single Audit Act is intended to provide accountability for all State financial assistance regardless of project duration.

27. Is there a requirement that the same audit firm perform both the financial statement audit and the State single audit? If different firms are allowed, how will the reporting be affected? For example, should the schedule of findings and questioned costs disclose that the financial statements were audited by other auditors?

The Florida Single Audit Act does not require that the same firm perform both the financial statement audit and the State single audit. If different firms are used, the auditors for each engagement should be careful to communicate to management the scope of their work. In such instances, the firm performing the State single

audit may express a separate opinion on the Schedule of Expenditures of State Financial Assistance in accordance with AU-C Section 805, *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement*, and the opinion may be dated subsequent to the opinion on the financial statements. In addition, the firm performing the State single audit should reference in the schedule of findings and questioned costs that the auditor's report and opinion on the financial statements, and report on compliance and internal control based on the audit of the financial statements (if the financial audit was performed in accordance with *Government Auditing Standards*), were prepared by other auditors. (See question 66 and the related answer.)

State Financial Assistance

28. What is State financial assistance as contemplated by the Florida Single Audit Act?

State financial assistance is defined by Section 215.97(2)(r), Florida Statutes, as financial assistance from State resources to non-State entities to carry out a State project. The various classes or types of State financial assistance are prescribed in DFS Rule 69I-5.004, Florida Administrative Code.

29. Can State financial assistance include Federal-through-State resources or State matching of Federal awards?

No. By the definition provided by Section 215.97(2)(r), Florida Statutes, State financial assistance does not include Federal financial assistance or State matching provided by State agencies for Federal programs.

30. How should non-State entities and their auditors determine whether resources received from a State agency or pass-through entity are considered to be State financial assistance as contemplated by the Florida Single Audit Act?

Non-State entities or their auditors should take the following steps to determine whether resources received from a State agency or pass-through entity are considered to be State financial assistance:

- Review the contract or agreement, or other correspondence received from the State agency or pass-through entity, pertaining to the State resources received. Section 215.97(5)(a), Florida Statutes, requires State awarding agencies to provide recipients with information (e.g., the Catalog of State Financial Assistance project number and description) needed to comply with the Florida Single Audit Act. Pass-through entities have an obligation to do the same for subrecipients. Normally, this will be accomplished by including appropriate language in the contract or agreement. Sample language for use by State awarding agencies and pass-through entities in entering into agreements and contracts with recipients and subrecipients of Federal awards and/or State financial assistance is available on the DFS Web site at https://apps.fldfs.com/fsaa/links.aspx. Ideally, State agencies or pass-

through entities providing State resources to non-State entities will clearly indicate in contracts or agreements, or otherwise, whether such resources represent State financial assistance subject to the Act.

- If State agencies or pass-through entities providing State resources do not clearly indicate whether such resources represent State financial assistance subject to the Act, non-State entities and their auditors may review the Catalog of State Financial Assistance (CSFA) to determine whether there are any State projects listed that appear to be related to the State resources received by the non-State entity. State agencies are required to use a State Project Determination Checklist (Form DFS-A2-PD) to evaluate the applicability of the Act to a State program (the Checklist is available on the DFS Web site at https://apps.fldfs.com/fsaa/links.aspx). If the Act is determined to be applicable (i.e., the State program represents a State project), a CSFA number is assigned and the project is added to the CSFA. Each State agency is required to annually certify the accuracy and completeness of its State projects included in the CSFA. The CSFA, which is available at https://apps.fldfs.com/fsaa/catalog.aspx, provides a descriptive listing of all State projects identified to date. The CSFA Web page allows users to search the CSFA by State awarding agency, subject, or applicant type, or to view all projects.

- If uncertainty still remains after searching the CSFA, non-State entities and their auditors should contact the appropriate State agency or pass-through entity to inquire as to whether the resources received are considered to be State financial assistance as contemplated by the Act. If the resources received are considered to be State financial assistance, the State agency or pass-through entity should be able to provide a CSFA number for the State project or an explanation as to why there is no CSFA number. Non-State entities or their auditors may want to obtain a written response from the State agency or pass-through entity.

31. For non-State entities that receive State resources but are unable to determine whether such resources are considered to be State financial assistance as contemplated by the Florida Single Audit Act, even after reviewing the Catalog of State Financial Assistance (CSFA) and the contract, should the non-State entities and their auditors assume that the resources received are not subject to the Act?

No. It is possible that State resources received by a non-State entity may represent State financial assistance associated with a State project but not be identified as such in the contract or in the CSFA. The Florida Single Audit Act State Project Determination Checklist (see answer to question 30) helps ensure that State resources associated with a State project are identified as such and that a CSFA number is assigned to the State project. However, there may be instances in which State resources associated with a State project that has not yet been assigned a CSFA number should be treated as State financial assistance if the non-State entity is timely notified of such by the State awarding agency. If a non-State entity or their auditor is unsure about whether State resources received are considered to be

State financial assistance as contemplated by the Act, it is advisable that the non-State entity or their auditor contact the appropriate State agency to obtain clarification.

32. What should a non-State entity that receives State resources from a State agency or pass-through entity do if it is unable to determine whether such resources are considered State financial assistance even after making inquiry of the State agency or pass-through entity?

If the contract or agreement with the State agency or pass-through entity does not indicate whether the resources received are State financial assistance, it is appropriate for the non-State entity to request clarification from the State agency or pass-through entity. If the State agency or pass-through entity is unable to provide clarification, then it is reasonable for the non-State entity to proceed with the understanding that the resources received do not represent State financial assistance. The non-State entity should document its request and the inability of the State agency or pass-through entity to provide the requested clarification.

33. A non-State entity receives resources from a State agency in relation to a Federal program, whereby the non-State entity agrees to provide one-half of the non-Federal share and the other half is to be paid by the State agency. The wording in the agreement between the non-State entity and the State agency indicates that this is "cost sharing" and does not use the term "State matching." Is the State portion considered State matching?

This situation appears to involve State matching for Federal programs, which would not be subject to the Florida Single Audit Act. However, the non-State entity should consult with the appropriate State agency regarding this question.

34. Are resources provided to a non-State entity for student financial aid considered to be State financial assistance as contemplated by the Florida Single Audit Act?

Possibly. If a non-State entity receives resources from the State that are used to provide student financial assistance, and the resources are not Federal awards and are not used for State matching of Federal programs, such resources may be considered to be State financial assistance (see question 31 and the related answer).

35. Are State resources received by a non-State entity as part of a State agency's efforts to comply with a Federal program compliance requirement regarding maintenance of effort considered to be State financial assistance as contemplated by the Florida Single Audit Act?

Possibly. Maintenance of effort (MOE) is frequently required in Health and Human Services Federal programs. It is basically a requirement for States to maintain State support of programs at a certain level. The premise is that Federal resources should supplement, not supplant State (programs) projects. A non-State entity may receive resources from a State agency as part of the State agency's effort to comply with a Federal program compliance requirement regarding MOE. The resources

received may be considered State financial assistance depending on several factors, including whether or not the State maintenance of effort requirements differ from the Federal requirements and are to be audited in the same manner as State matching pursuant Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as applicable. This determination will be made by State agencies for State projects using the State Project Determination Checklist (Form DFS-A2-PD) (see question 31 and the related answer).

36. If State resources are provided by a State agency to a non-State entity through a fixed-price performance-based contract, are such resources considered to be State financial assistance as contemplated by the Florida Single Audit Act?

Possibly, although payments made pursuant to fixed-price performance-based contracts (i.e., contracts that provide for a fixed fee per unit of service and/or require the non-State entity to provide a deliverable) may represent payments to vendors for goods or services, which are exempt from the Florida Single Audit Act (see question 21 and the related answer).

Recipients/Subrecipients and Vendors

37. If State resources are not awarded to a recipient or subrecipient, but instead are used to pay a vendor for services rendered, is the vendor subject to the requirements of the Florida Single Audit Act?

No. State resources used to buy goods or services from vendors are outside the scope of the Florida Single Audit Act. In every instance in which a State agency contracts with a third party regarding the use of State resources, and in every instance in which a recipient or subrecipient uses State financial assistance to pay third parties, it will be necessary to determine whether the third parties are recipients/subrecipients or vendors.

38. How will a State agency make a determination as to whether a recipient/subrecipient or vendor relationship exists?

This determination should be made in accordance with DFS Rule 69I-5.006, Florida Administrative Code, by the State agency at the time the contract or agreement is entered into. The Florida Single Audit Act Checklist for Non-State Organizations - Recipient/Subrecipient vs. Vendor Determination (Form DFS-A2-NS) is used to make this determination. State agencies, recipients, and subrecipients are required to complete, and retain in their records, the Checklist to evaluate the applicability of the Florida Single Audit Act to any non-State entities to which they provide State resources to assist in carrying out a State project. The Checklist is available at https://apps.fldfs.com/fsaa/links.aspx

39. Are recipients/subrecipients required to complete the Checklist for Non-State Organizations – Recipient/Subrecipient vs. Vendor Determination (Form DFS-A2-NS)?

Recipients/subrecipients are responsible for complying with the provisions of the Florida Single Audit Act. This would include making a subrecipient vs. vendor

determination with respect to the non-State entities to which they pass State resources. The Checklist includes a statement that recipients and subrecipients must use the Checklist. DFS Rule 69I-5.006(2), Florida Administrative Code, requires recipients and subrecipients that provide State financial assistance to non-State organizations to complete the Checklist and retain it in their records.

40. Who is responsible for ensuring that recipients/subrecipients properly complete the Checklist for Non-State Organizations – Recipient/Subrecipient vs. Vendor Determination (Form DFS-A2-NS)?

State awarding agencies are responsible for notifying recipients of the requirements of the Florida Single Audit Act (see Section 215.97(5)(a), Florida Statutes) and recipients and subrecipients are responsible for notifying subrecipients of the requirements of the Act (see Section 215.97(7)(a), Florida Statutes). This notification should include informing the recipient/subrecipient as to the required use of the Checklist to make a subrecipient vs. vendor determination. State awarding agencies, recipients, and subrecipients have an implicit responsibility to monitor a recipient's or subrecipient's compliance with the terms of the contract or agreement and the Act, which should include completing the Checklist with respect to non-State entities to which they pass State resources. For those recipients and subrecipients that are audited, the State agency, recipient, or subrecipient should review audit reports prepared in accordance with the Act as part of their monitoring responsibilities. Auditors should be alert for instances in which a recipient or subrecipient did not comply with contract or agreement provisions requiring the use of the Checklist.

41. The bottom of the second page of the Checklist for Non-State Organizations – Recipient/Subrecipient vs. Vendor Determination (Form DFS-A2-NS) indicates that it is possible to have a contractual agreement with a non-State organization under Chapter 287, Florida Statutes, and still consider the non-State organization a recipient under the Florida Single Audit Act. What is the significance of this statement?

This statement was intended to clarify that any non-State organization that enters into a contract with a State agency under Chapter 287, Florida Statutes, may potentially be considered a recipient under the Florida Single Audit Act. State agencies should look at the substance of such contracts in completing the Checklist. A State agency may treat a non-State organization as a vendor providing contractual services with respect to some State resources it provides the organization but may treat the same organization as a recipient with respect to other State resources it provides the organization.

42. Will contracts and agreements between State agencies and non-State entities be required to indicate whether a recipient or vendor relationship exists, and if the contract or agreement does not indicate that State financial assistance is involved, can it be assumed that a vendor relationship exists?

No. Pursuant to Section 215.97(5)(a), Florida Statutes, State awarding agencies are required to provide recipients with information needed to comply with the requirements of the Act. However, State agencies are not specifically required to indicate in the contract or agreement whether a recipient or vendor relationship exists. If a contract or agreement states that an audit is required if the non-State

entity expends at least $750,000 of State financial assistance, this would indicate a recipient/subrecipient relationship. However, it should not be assumed that a vendor relationship exists if the contract or agreement does not indicate that State financial assistance is involved or that an audit is required. If the contract or agreement is not clear as to whether a recipient or vendor relationship exists, the non-State entity should consult with the State agency.

43. What should a non-State entity do if the State agency(s) has not indicated in the contract whether a recipient or vendor relationship exists and has not made such a determination using the Checklist for Non-State Organizations - Recipient/Subrecipient vs. Vendor Determination (Form DFS-A2-NS)?

The non-State entity should request that the State agency(s) make this determination. If the State agency does not comply with this request, the non-State entity should make the determination using the Checklist and ask the State agency(s) whether it concurs with the determination. If the non-State entity is still unable to resolve the matter, they should notify the DFS, Bureau of Auditing, by telephone at (850) 413-3060.

44. What should a non-State entity or their auditor do if they do not concur with a State agency's or pass-through entity's determination of whether the non-State entity is a recipient/subrecipient or vendor?

The non-State entity or their auditor should contact the State agency or pass-through entity and request clarification as to the basis for the State agency's or pass-through entity's conclusion. If a State agency does not respond to this request, or if the non-State entity or their auditor is otherwise unable to resolve the matter, the non-State entity or their auditor should notify the DFS, Bureau of Auditing, by telephone at (850) 413-3060.

45. What are a recipient's responsibilities regarding State financial assistance passed to a subrecipient?

Section 215.97(7), Florida Statutes, addresses the responsibilities of a recipient that passes State financial assistance on to a subrecipient. A subrecipient passing State financial assistance on to another subrecipient would have the same responsibilities.

46. If a subrecipient is also a component unit of a recipient and is included within the recipient's reporting entity for a Florida Single Audit, is the subrecipient exempt from the audit requirements of the Florida Single Audit Act?

No. There is no provision in the Act that provides for a subrecipient that is a component unit of a recipient to satisfy the Florida Single Audit Act requirement by being audited as part of the recipient's reporting entity. If the subrecipient is a non-State entity and has expended $750,000 or more of State financial assistance in a fiscal year, regardless of the source, it is subject to the Florida Single Audit Act audit requirements.

47. Are recipients that are blended component units of the State of Florida excluded from the audit requirements of the Florida Single Audit Act?

No. There is no provision in the Act to exempt component units of the State of Florida from the audit requirements of the Act. Therefore, the question of whether the recipient entity is a component unit of the State of Florida should have no bearing on whether the entity is required to have an audit under the Act.

48. Certain entities such as district school boards are not subject to the Florida Single Audit Act because they do not meet the definition of "non-State entity" as defined in Section 215.97(2)(n), Florida Statutes. Would entities that receive State resources from district school boards or similar entities be considered subrecipients and subject to the Florida Single Audit Act?

No, entities that receive State resources from a district school board are not subject to the Florida Single Audit Act.

49. Are higher education entities and their subrecipients subject to the Florida Single Audit Act?

Higher education entities, defined in Section 215.97(2)(h), Florida Statutes, as a Florida college system institution or a State university, are non-State entities and thus subject to the Florida Single Audit Act. Such entities are not required to obtain a State single audit because they are exempt from the requirements of paragraph (2)(a) and subsection (8) of the Florida Single Audit Act by Section 215.97(8)(o), Florida Statutes. However, a subrecipient that receives State financial assistance from a higher education entity is not exempt from the Florida Single Audit Act and must comply with all applicable audit requirements.

50. If a recipient/subrecipient provides $750,000 or more of State financial assistance to a State agency, is that State agency a subrecipient and therefore required to provide for a Florida Single Audit Act audit? If not, does the recipient/subrecipient have a responsibility to obtain assurance that the State financial assistance was properly expended?

The State agency would not be considered to be a subrecipient under the Florida Single Audit Act. The Act does not address what the recipient/subrecipient's responsibilities would be in this situation; however, to be consistent with the spirit of the Act, the recipient/subrecipient should take appropriate steps to ensure that the State agency uses the resources for a purpose consistent with the purpose for which the State financial assistance was provided to the recipient/subrecipient.

Type A and Type B Project Determination/Risk Assessment

51. What are Type A and Type B projects?

The auditor is required to use a risk-based approach to determine which State projects are major State projects. This risk-based approach must include consideration of the amount of State project expenditures and the inherent risk of the State project and requires identification of State projects as Type A or Type B projects as defined by DFS Rule 69I-5.008, Florida Administrative Code.

52. How are Type A and Type B projects determined?

DFS Rule 69I-5.008, Florida Administrative Code, establishes the criteria for identifying Type A and Type B projects. The Rule was recently amended in February 2019. According to DFS Agency Addressed Memoranda (No. 16, 2018-19), dated February 19, 2019, the amended criteria for determining major State projects are effective for fiscal years ending January 31, 2019, and thereafter.

For fiscal years ending prior to January 30, 2019:

- For auditees with expenditures of State awards between $300,000 and $1,000,000, Type A projects are defined as the larger of $100,000 or 30 percent of total State awards expended.
- For auditees with expenditures of State awards exceeding $1,000,000, Type A projects are defined as the larger of $300,000 or 3 percent of total State awards expended.

For fiscal years ending on and subsequent to January 31, 2019:

- For auditees with expenditures of State awards between $750,000 and $2,500,000, Type A projects are defined as the larger of $300,000 or 30 percent of total State awards expended.
- For auditees with expenditures of State awards exceeding $2,500,000, Type A projects are defined as the larger of $750,000 or 3 percent of total State awards expended.

State projects not identified as Type A projects are considered Type B projects.

53. How are Type B projects identified as major projects?

DFS Rule 69I-5.008(5), Florida Administrative Code, requires risk assessment of Type B projects as follows:

For fiscal years ending prior to January 30, 2019:

- For auditees with expenditures of State awards of $300,000 to $1,000,000, risk assessments are required for Type B projects that exceed the larger of $50,000 or 10 percent of total State awards expended.
- For auditees with expenditures of State awards that exceed $1,000,000, risk assessments are required for Type B projects that exceed the larger of $100,000 or 1 percent of total State awards expended.

For fiscal years ending on or subsequent to January 30, 2019:

- For auditees with expenditures of State awards of $750,000 to $2,500,000, risk assessments are required for Type B projects that exceed the larger of $100,000 or 10 percent of total State awards expended.
- For auditees with expenditures of State awards that exceed $2,500,000, risk assessments are required for Type B projects that exceed the larger of $250,000 or 1 percent of total State awards expended.

54. How Many Type B projects are required to be audited as major projects?

DFS Rule 69I-5.008(6), Florida Administrative Code, requires the independent

auditor to audit the following Type B projects as major projects:

- At least one half of the Type B projects identified as high risk except the auditor is not required to audit more high-risk Type B projects than the number of low-risk Type A projects; or
- One high risk Type B project for each low-risk Type A project.

Additional Type B projects may need to be selected to provide audit coverage of at least 50 percent of total State awards expended.

55. A non-State entity receives and expends State financial assistance from several State projects, all of which are determined to be high-risk Type A projects. Should all of these projects be selected for audit, or only enough of the projects to meet 50 percent of the total expenditures of State financial assistance?

DFS Rule 69I-5.008(6), Florida Administrative Code, requires that all Type A projects be selected for audit, except those determined to be low-risk. This is the case regardless of the percentage of total State financial assistance expenditures that the Type A project expenditures represent. The 50 percent audit coverage stated in DFS Rule 69I-5.008(6)(c), Florida Administrative Code, is to ensure that the total State financial assistance expenditures associated with the Type A and Type B projects audited meet the 50 percent audit coverage requirement of Section 215.97(10)(d), Florida Statutes.

56. For Federal Single Audit Act audits, audit coverage may be reduced for low-risk auditees. Can there be a low-risk auditee under the Florida Single Audit Act?

No. There is no such provision under the Florida Single Audit Act. However, DFS Rule 69I-5.008(4) and (5), Florida Administrative Code, provides guidance on how to assess projects as high-risk or low-risk. The determination of which projects are high-risk vs. low-risk affects the auditor's identification of major projects.

57. DFS Rule 69I-5.008(6), Florida Administrative Code, discusses how identification of a Type A or Type B project as low-risk affects the minimum number of major projects the auditor must audit. If a non-State entity's State projects were all determined to be low-risk Type A and Type B projects, and one Type A project was selected for testing that meets the 50 percent audit coverage rule, is that sufficient, or should the other low-risk Type A projects be tested as well?

If the expenditures for the project selected for testing make up at least 50 percent of the entity's total State financial assistance expenditures for the fiscal year, that is sufficient audit coverage in accordance with DFS Rule 69I-5.008(6), Florida Administrative Code.

58. If a Type A project was audited as a State project-specific audit during the previous year, can it be considered a low risk Type A project in the subsequent year if it is the initial audit under the Florida Single Audit Act?

No. Pursuant to DFS Rule 69I-5.008(4), Florida Administrative Code, to be considered low risk, a Type A project must have been audited as a major State project in at least one of the two most recent audit periods. Therefore, there will be no low risk Type A projects the first year that a Florida Single Audit Act audit is conducted because no project will have been audited under the Florida Single Audit Act in the prior year.

59. DFS Rule 69I-5.008(4), Florida Administrative Code, provides that for a Type A State project to be considered low-risk, it should have been audited as a major State project in at least one of the two most recent audit periods and, in the most recent audit period, should have had no "reportable audit findings." What is the meaning of "reportable audit findings"?

DFS Rules do not define the term "reportable audit findings." However, the term "reportable audit findings" should be interpreted to mean any findings reported in the auditor's reports or schedule of findings and questioned costs relating to State financial assistance. It will also include any findings in the management letter that could have a significant impact on a State project.

Compliance Testing

60. For Federal Single Audit Act audits, there is a Compliance Supplement that provides guidance as to compliance testing. Is there a Compliance Supplement for Florida Single Audit Act audits?

Yes. The DFS State Projects Compliance Supplement Web page at https://apps.fldfs.com/fsaa/compliance.aspx allows users to search by State awarding agency, Catalog of State Financial Assistance (CSFA) number, or State project title. Compliance Supplement Part Six provides guidance on how to identify applicable compliance requirements for State projects that are not specifically listed in the Compliance Supplement.

61. Does the State Projects Compliance Supplement include compliance requirements for all State projects?

No. However, Compliance Supplement Part Six provides guidance on how to identify compliance requirements and design tests of compliance for State projects not included in the Compliance Supplement.

62. The Federal Single Audit Act Compliance Supplement includes a step to trace the amounts reported on Federal grant award reports prepared by State agency recipients to the State agency recipients' accounting records. Are similar requirements included in the Florida Single Audit Act Compliance Supplement?

Yes. The specific requirements for reporting are unique to each State project and are found in the laws, rules, and provisions of contracts or agreements pertaining to the project. For projects listed in the State Projects Compliance Supplement,

these specific requirements are in Part Four. For projects not listed in the Compliance Supplement, a determination must be made as to whether the required reports are supported by applicable accounting or performance records and fairly presented in accordance with project requirements (see Compliance Supplement Part Three, item H).

63. Some non-State entities may be required to have an audit in accordance with both the Federal and Florida Single Audit Acts. If a non-State entity receives resources in the form of Federal through State awards and State financial assistance, both of which qualify as a major program/project and for which the compliance requirements are identical, can they be audited using the same compliance test procedures?

The auditor could use the same compliance test procedures for both the major Federal program and the major State project. However, the auditor should ensure that sufficient coverage is provided for both the Federal program and State project. For example, the auditor, when sampling expenditures, should ensure that a sufficient (i.e., representative) sample of expenditures is selected for both the Federal program and State project.

Reporting Requirements

64. What information should be included in the financial reporting package?

Sections 10.557(3) and 10.656(3), Rules of the Auditor General, for local governments and for nonprofit and for-profit organizations, respectively, specify what the financial reporting package is to include. In accordance with *Government Auditing Standards* published by the Comptroller General of the United States, the financial reporting package must include an auditor's report on internal control and compliance based on an audit of the financial statements (see Sections 10.557(3)(b) and 10.656(3)(b), Rules of the Auditor General, for local governments and for nonprofit and for-profit organizations, respectively). This report may be combined with the auditor's report on compliance and internal control applicable to major Federal programs and/or State projects (see Exhibit A or Exhibit AA, as applicable). However, care should be taken to ensure that all required items are included in the combined report.

65. If the audit discloses no findings that are required to be reported in the auditor's report on compliance and internal control, management letter, schedule of findings and questioned costs, schedule of prior audit findings, or corrective action plan, must the financial reporting package include these items?

All financial reporting packages must include the auditor's report on compliance and internal control and a schedule of findings and questioned costs. In accordance with Section 10.656(3)(d)5., Rules of the Auditor General, if no summary schedule of prior audit findings is required because there were no prior audit findings related to State projects, the auditor must indicate so in the schedule of findings and questioned costs. If no corrective action plan is required because there were no findings required to be reported under the Florida Single Audit Act, this should be stated in the schedule of findings and questioned costs as well. Also, pursuant to Section 10.656(3)(e), Rules of the Auditor General, if there are no items

related to State financial assistance required to be reported in the management letter, auditors of nonprofit and for-profit organizations, in lieu of preparing a management letter, may state in the schedule of findings and questioned costs that there are no findings required to be reported in the management letter pursuant to Section 10.654(1)(e), Rules of the Auditor General. All local governmental entity financial reporting packages must include a management letter.

66. Should the Report on Compliance and Internal Control Over Compliance Related to Major State Projects be dated with the same date as the other reports (auditor's report on the financial statements, and report on internal control and compliance)?

Not necessarily. The report on compliance with requirements that could have a direct and material effect on each major State project and internal control over compliance should be dated at the time when the auditor has obtained sufficient appropriate audit evidence to support the audit of compliance. In cases where some of the work to satisfy the State compliance supplement requirements was done subsequent to the work on the financial statements (e.g., the State single audit is performed by an auditor different from the auditor that performed the audit on the financial statements), the FSAA auditor should perform subsequent events procedures from the date of the report on the financial statements to the date of the report on State project requirements compliance in accordance with AU-C Section 560, *Subsequent Events*.

67. If the non-State entity is required to have an audit in accordance with both the Federal Single Audit Act and the Florida Single Audit Act, can the various reports and schedules required to comply with the Federal Single Audit Act be modified to satisfy the Florida Single Audit Act requirements?

Yes. DFS Rule 69I-5.003(1), Florida Administrative Code, requires that the schedule of expenditures of State financial assistance be combined with the schedule of expenditures of Federal awards. Additionally, Chapters 10.550 and 10.650, Rules of the Auditor General, provide that the auditor should combine required reports and schedules and avoid including duplicate findings in the various reports, schedules, and management letter. Exhibits A through D are examples of the auditor's report on compliance applicable to major Federal programs and State projects and internal control, management letter, schedule of findings and questioned costs, and summary schedule of prior audit findings. The examples are based on the assumption that the non-State entity was subjected to both a Federal and Florida Single Audit. However, the examples can be easily adapted for just a Florida Single Audit by deleting language related to the Federal Single Audit.

68. If a non-State entity has a project-specific audit pursuant to Section 215.97(8)(a), Florida Statutes, what must the financial reporting package consist of?

Pursuant to Section 215.97(11)(d), Florida Statutes, auditors conducting project-specific audits must report on the results of such audits consistent with the requirements of the State single audit and must issue a management letter as prescribed in the Rules of the Auditor General. Accordingly, the financial reporting package for a project-specific audit should include all the items prescribed by the Rules of the Auditor General for a State single audit, except that financial

statements and notes thereto, an auditor's report on the financial statements, and an auditor's report on internal control and compliance based on an audit of the financial statements are not required. Exhibits A through D, or AA through DD, as applicable, illustrate the reports, management letter, and schedules that should be included in the financial reporting package for a project-specific audit.

69. The example auditor's report (shown as Exhibit A or Exhibit AA, as applicable) requires a statement that the use of the report is restricted to certain specified parties. Does this mean that the auditor's report is not available for distribution to the public?

No. The restricted report language is included in the example auditor's reports to be consistent with AU-C Section 905, *Alert that Restricts the Use of the Auditor's Written Communication*. However, pursuant to Florida's public records law, financial reporting packages prepared and submitted to a State agency or the Auditor General pursuant to the Florida Single Audit Act are public records and their distribution is not limited.

70. Regarding the summary schedule of prior audit findings, which must address the status of findings included in the prior audit schedule of findings and questioned costs, does the prior audit finding need to be repeated in its entirety or is it sufficient to make reference to the prior audit finding in the prior audit report (e.g., by reference to a finding number or paragraph number)?

For prior audit findings that have been corrected, reference to the prior audit finding in the prior audit report is sufficient. For prior audit findings that have not been corrected, the finding should be repeated in its entirety in the current year schedule of findings and questioned costs, and the current year summary schedule of prior audit findings may refer to the current year schedule of findings and questioned costs rather than repeating the prior year finding in its entirety.

71. Are management's responses to State single audit findings required to be included along with the audit findings presented in the schedule of findings and questioned costs?

Pursuant to Section 10.557(3)(e)6, or 10.656(3)(d)6, Rules of the Auditor General, the audit report must include a corrective action plan as required by Section 215.97(8)(i), Florida Statutes, which states that for any significant audit findings relating to state financial assistance, including material noncompliance with individual state project compliance requirements or reportable conditions in internal controls of the non-State entity, the non-State entity shall submit as part of the financial reporting package a plan for corrective action to eliminate such audit findings or a statement describing the reasons that corrective action is not necessary. The corrective action plan need not be presented in the schedule of findings and questioned costs but should address each finding.

72. For Federal Single Audit Act audits, a "data collection form" is required. Is a data collection form required for Florida Single Audit Act audits?

No. The Florida Single Audit does not include a provision for a data collection form.

73. A non-State entity that has an office in Florida, but has its headquarters in a state other than Florida, is required to have a State single audit in accordance with Florida Single Audit Act, which must include a financial statement audit. Would an organizational-wide financial statement audit of the entity suffice, or would a financial statement audit of the Florida office be required?

The Act does not specifically address this question. Unless the State awarding agency indicates otherwise, an organizational-wide financial statement audit of the non-State entity would suffice with respect to the requirement for audited financial statements.

74. If an audit firm is conducting a State single audit of a recipient that passed State financial assistance on to a subrecipient, and the audit firm determines that the subrecipient's audit report is substandard (i.e., not in accordance with the Florida Single Audit Act), should this be included as an audit finding in the recipient's audit report?

Pursuant to Section 215.97(7)(b), Florida Statutes, a recipient that provides State financial assistance to a subrecipient must review the subrecipient's audit reports to the extent necessary to determine whether timely and appropriate corrective action has been taken with respect to audit findings and recommendations pertaining to the State financial assistance provided, and perform such other procedures as specified in terms and conditions of the written agreement with the State awarding agency including any required monitoring of the subrecipients use of State financial assistance through onsite visits, limited scope audits, or other specified procedures. This statutory requirement clearly provides that the recipient has a responsibility to monitor the subrecipient's compliance with the Florida Single Audit Act. Consistent with this responsibility, the recipient should use the subrecipient's audit report to assess the subrecipient's compliance with the Act, and a substandard subrecipient audit report may inhibit the recipient's ability to do this. Findings related to inadequate monitoring of subrecipients should be included in the recipient's schedule of findings and questioned costs, or in the auditor's management letter if the finding does not meet the criteria for inclusion in the schedule of findings and questioned costs. Note: Section 215.97(7), Florida Statutes, prescribes recipient responsibilities but does not specifically address whether such responsibilities apply to subrecipient pass-through entities. However, consistent with the spirit of the Act, these same responsibilities should apply to subrecipients that pass on State financial assistance to other subrecipients.

Schedule of Expenditures of State Financial Assistance

75. What information should be included on the schedule of expenditures of State financial assistance?

DFS Rule 69I-5.003, Florida Administrative Code, specifies the information that should be included on the schedule of expenditures of State financial assistance. The notes to the schedule should describe the significant accounting policies used in preparing the schedule.

76. Is the schedule of expenditures of State financial assistance considered part of the required supplementary information pursuant to GAAP, and where should the schedule be located in the audit report?

The schedule of expenditures of State financial assistance is not required supplementary information per generally accepted accounting principles (GAAP). It is considered to be supplementary information that is required by Section 215.97, Florida Statutes. There is no required location in the audit report for the schedule, but it is usually included in a section of the report labeled "Other Compliance," "Other Reports," or "Single Audit" and it generally follows the required auditor reports, financial statements and notes thereto, and the GAAP-required supplementary information.

77. Under the Federal Single Audit Act, grants with similar CFDA numbers are allowed to be clustered as a single Federal program. Is there a similar requirement for State projects?

No. Section 215.97(2)(u), Florida Statutes, defines "State project" to mean all State financial assistance to a non-State entity assigned a single State project number identifier in the Catalog of State Financial Assistance. Also, DFS Rule 69I-5.003(1)(a), Florida Administrative Code, requires the schedule of expenditures of State financial assistance to list individual State projects, by State agency. The State projects should be identified by the appropriate CSFA number and contract or grant number.

78. In the determination of expenditures of State financial assistance, should the expenditures of two different State grants (with different CSFA numbers) received for different phases of the same job be combined as one total in the determination of a Type A or B project?

No. By definition, a State project includes all State financial assistance assigned to a single State project number identifier in the Catalog of State Financial Assistance. As such, grants with different CSFA numbers should be treated as different State projects. The respective State projects would then be classified as Type A or B projects in accordance with DFS Rule 69I-5.008, Florida Administrative Code.

79. If an entity receives Federal awards and State financial assistance, and is required to provide for both a Federal and a Florida single audit, should the expenditures of Federal awards and State financial assistance be reported on separate schedules of expenditures of Federal awards and State financial assistance, or on a combined schedule?

DFS Rule 69I-5.003, Florida Administrative Code, allows the schedules of expenditures of Federal awards and State financial assistance to be either reported in separate schedules or combined.

80. If a non-State entity receives both Federal awards and State financial assistance, how is this presented on a combined schedule of expenditures of Federal awards and State financial assistance?

The expenditures should be shown on different lines under the appropriate headings with a Catalog of Federal Domestic Assistance number shown for the

Federal portion and a Catalog of State Financial Assistance number shown for the State portion (see example of a combined schedule in DFS Rule 69I-5.003, Florida Administrative Code).

81. DFS Rule 69I-5.003, Florida Administrative Code, requires that the schedule of expenditures of State financial assistance include total State financial assistance transferred to subrecipients for each State project. Will this information be required for a combined schedule of expenditures of Federal awards and State financial assistance?

The combined schedule should include total State financial assistance transferred to subrecipients for each State project, and amounts transferred to subrecipients should be included under both the Expenditure and Transfer to Subrecipient columns illustrated in DFS Rule 69I-5.003, Florida Administrative Code. Uniform Guidance requires that the schedule of expenditures of Federal awards include, to the extent practical, the total amount provided to subrecipients from each Federal program. If it is practical for the non-State entity to determine this information for Federal programs, the information should be shown on the combined schedule. If this information for Federal programs is not reported on the combined schedule, it may be desirable to add a footnote to the combined schedule explaining that this information is presented for State financial assistance but not for Federal awards.

82. Since State financial assistance does not include State matching provided for Federal programs, should State matching be reported on the schedule of expenditures of State financial assistance or on a combined schedule of expenditures of Federal awards and State financial assistance?

State matching provided for Federal programs should not be shown on a schedule of expenditures of State financial assistance. However, on a combined schedule of expenditures of Federal awards and State financial assistance, the State matching may be shown under the Federal awards section of the schedule or as "other State funds."

83. For Federal Single Audit Act audits, auditees are expected to be able to reconcile amounts presented in the financial statements to related amounts on the schedule of expenditures of Federal awards (see Section 7.05 of the AICPA's Audit and Accounting Guide – *Government Auditing Standards and Single Audits*). What are auditee and auditor responsibilities regarding amounts reported on the schedule of expenditures of State financial assistance?

Non-State entities that receive State financial assistance should be able to reconcile amounts presented in the financial statements to related amounts on the schedule of expenditures of State financial assistance. Further, non-State entities should document, in the accounting records, the use of any State financial assistance received. This should be done in a manner that demonstrates how amounts received reconcile to amounts reported as expended on the schedule. Auditors must obtain reasonable assurance that amounts reported on the schedule are fairly stated in all material respects in relation to the financial statements in accordance with Sections 10.557(3)(e)2. and 10.656(3)(d)2., Rules of the Auditor General. Such reasonable assurance may include verifying that the amount of

State financial assistance received by the non-State entity reconciles to amounts reported as expended on the schedule.

84. A non-State entity has been awarded State financial assistance and incurs expenditures during the current fiscal year related to a State project for which it is to be reimbursed in the subsequent fiscal year. Should the amount of these expenditures be reported on the non-State entity's schedule of expenditures of State financial assistance for the current fiscal year?

The schedule of expenditures of State financial assistance should include expenditures of any State projects for which the non-State entity is eligible for reimbursement. This is consistent with DFS Rule 69I-5.004(2)(a), Florida Administrative Code, which provides that the determination of when State financial assistance is expended should be based on when the activity occurs (the activity pertains to events that require the non-State entity to comply with contracts or agreements, such as expenditure transactions associated with grants). For example, if a non-State entity is awarded a $100,000 grant on a reimbursement basis, and incurs $80,000 of eligible expenditures related to that grant during the 2015-16 fiscal year, the non-State entity should report $80,000 as State financial assistance expended related to that grant on its schedule of expenditures of State financial assistance for the 2015-16 fiscal year regardless of when it is actually reimbursed the $80,000 (this example is based on the assumption that the schedule is prepared on a GAAP basis).

85. For Federal single audits, Uniform Guidance does not prescribe the basis of accounting for the schedule of expenditures of Federal awards and, accordingly, the schedule may be prepared on a basis of accounting different than that used for the financial statements (see Sections 7.19 and 17.20 of the AICPA's Audit and Accounting Guide – *Government Auditing Standards and Single Audits*). Is this also the case for the schedule of expenditures of State financial assistance?

DFS Rule 69I-5.003, Florida Administrative Code, which prescribes the format of the schedule of expenditures of State financial assistance, does not specify the basis of accounting for the schedule. However, non-State entities are encouraged to prepare the schedule of expenditures of State financial assistance on the same basis used to prepare the financial statements and may be required to do so by State awarding agencies. If the non-State entity does prepare the schedule using a basis of accounting other than that used to prepare the financial statements, they must be able to reconcile the amounts presented on the schedule to the amounts presented on the financial statements.

86. For State projects whereby the contract or agreement states that the non-State entity will be reimbursed for a percentage of expenditures related to the project, what dollar amount should be reported on the schedule of expenditures of State financial assistance, the total amount of qualifying expenditures or only the percentage that will be reimbursed?

Since the non-State entity is being reimbursed for a percentage of expenditures, the amount of State financial assistance reported as expended on the schedule should be based on the percentage that will be reimbursed.

87. If a non-State entity is to receive State financial assistance on a cost-reimbursement basis by virtue of two or more contracts or agreements from different State awarding agencies or pass-through entities related to the same project, how should the expenditures for a particular fiscal year be allocated among the contracts and agreements?

Unless specified by the State awarding agencies or pass-through entities, it would be the non-State entity's responsibility to consult with the appropriate State awarding agency or pass-through entity and allocate the expenditures using a reasonable allocation basis. One method would be to make the allocation based on the contract or agreement award amounts. For example, if agreements A, B, and C are for $150,000, $150,000, and $300,000, respectively, the recipient would allocate 25 percent of the expenditures to agreements A and B, and 50 percent to agreement C.

88. A non-State entity receives $1,000,000 under a contract or agreement based on units of service provided by the non-State entity, but the non-State entity incurs $1,200,000 in allowable costs related to providing those units of service. What amount should be reported as total expenditures on the schedule of expenditures of State financial assistance?

The actual expenditures should be reported on the schedule of expenditures of State financial assistance to the extent they do not exceed the award amount. In the example provided, total expenditures of $1,000,000 should be reported on the schedule of expenditures of State financial assistance.

89. How should expenditures of State projects that have not been assigned a CSFA number be reported on the schedule of expenditures of State financial assistance?

DFS Rule 69I-5.003, Florida Administrative Code, requires State projects to be listed by agency and include an identifying contract or grant number. The expenditures should be reported on the schedule under a heading labeled "Other State Financial Assistance," and the notes to the schedule should include an explanation that a CSFA number has not yet been assigned. (See question 31 and the related answer.)

Filing Requirements

90. What is the time frame for the submittal of local governmental entities' Florida Single Audit Act audit financial reporting packages?

Pursuant to Section 10.558(3), Rules of the Auditor General, the financial reporting package must be delivered to the State awarding agencies and the Auditor General within 45 days after delivery of the financial reporting package to the auditee, but no later than 9 months after the local governmental entity's fiscal year end. This is consistent with the Federal Single Audit Act time frame.

91. What is the time frame for the submittal of nonprofit and for-profit organizations' Florida Single Audit Act audit financial reporting packages?

Pursuant to Section 10.657(2), Rules of the Auditor General, the financial reporting package must be delivered to the State awarding agencies and the Auditor General within 45 days after delivery of the financial reporting package to the nonprofit or for-profit organization, but no later than 9 months after the organization's fiscal year end. This is consistent with the Federal Single Audit Act time frame.

92. Is there a "clearing house" similar to the U.S. Census Bureau Federal Audit Clearinghouse for Federal Single Audit documents or do Florida Single Audit Act audit financial reporting packages need to be filed with each State awarding agency?

There is no provision for a "clearing house" in the Florida Single Audit Act. Pursuant to Sections 10.558(2) and 10.657(1), Rules of the Auditor General, copies of a State financial assistance recipient's financial reporting package must be submitted to the recipient organization, State awarding agencies, and the Auditor General. Copies of a subrecipient's financial reporting package must be submitted to the recipient organization that provided the State financial assistance.

93. If there are no findings to be reported in the auditor's report on compliance and internal control, schedule of findings and questioned costs, or management letter, must a financial reporting package still be filed or is notification that there were no findings to be reported sufficient?

The financial reporting package must be filed regardless of whether or not there are any findings. However, see question 65 and the related answer regarding situations where there are no findings to be included in the management letter for a nonprofit or for-profit organization.

94. Why do Sections 10.558(3), and 10.657(1), Rules of the Auditor General require that one paper copy and one electronic copy of the financial reporting package be submitted?

The electronic copy is a "public record copy" available for inspection by the Auditor General, legislative staff, and the general public, and will be posted to the Auditor General's Web site. The paper copy is for Auditor General review purposes pursuant to Section 215.97(12)(f), Florida Statutes, as Auditor General staff often make notations on paper copies of financial reporting packages as part of the desk review process.

Audit Costs

95. Can a non-State entity use State financial assistance to pay for a Florida Single Audit Act audit?

Yes. Pursuant to Section 215.97(8)(k), Florida Statutes, the cost of audits pursuant to the Florida Single Audit Act are allowable charges to State projects. However, any charges to State projects should be limited to those incremental costs incurred as a result of the Florida Single Audit Act audit requirements in relation to other

audit requirements. The non-State entity should allocate such incremental costs to all State projects for which it expended State financial assistance.

96. How should incremental audit costs incurred as a result of a Florida Single Audit Act audit be allocated to all State projects as required by Section 215.97(8)(k), Florida Statutes?

Section 215.97(8)(k), Florida Statutes, does not specify the manner in which the costs should be allocated. The non-State entity should allocate the incremental costs using a reasonable allocation method.

State Awarding Agency Responsibilities

97. If a State awarding agency requires a non-State entity that expended less than $750,000 of State financial assistance in a fiscal year to have an audit or attestation engagement other than that provided for in the Florida Single Audit Act, does the State awarding agency have to provide the non-State entity with funding to pay for the audit or attestation engagement?

No. If a State awarding agency requires a non-State entity that expended less than $750,000 of State financial assistance in a fiscal year to have an audit or attestation engagement, the State awarding agency is not explicitly precluded from requiring the non-State entity to pay for the audit or attestation engagement. However, pursuant to Section 215.97(8)(n), Florida Statutes, State awarding agencies that provide State financial assistance to non-State entities and conduct or arrange for audits of State financial assistance that are in addition to the audits conducted under the Florida Single Audit Act, including audits of non-State entities that do not meet the audit threshold requirements, shall, consistent with other applicable law, arrange for funding the full cost of such additional audits. In determining whether such costs are allowable charges to a State project, State awarding agencies should review any statute or proviso language that relates to the project. If administrative services are included within this language, the audit or attestation engagement costs could probably be charged to the project. If the statute or proviso language only discusses direct project expenditures, the cost of the audit or attestation engagement probably cannot be charged to the project.

98. Pursuant to DFS Rule 69I-5.004, Florida Administrative Code, State financial assistance includes tax credits and refunds issued/paid to taxpayers for public purposes authorized by State law. If such taxpayers provide for an audit conducted in accordance with the Florida Single Audit Act, or are subjected to a self-audit, certified audit, or a Department of Revenue (DOR) tax audit related to a tax credit or refund, can the taxpayer, pursuant to the Act, obtain additional resources from the State for some portion of the cost of the audit?

No. Section 215.97(8)(k), Florida Statutes, allows the non-State entity (i.e., taxpayer) to use the tax credit or refund to pay for an audit conducted in accordance with the Florida Single Audit Act. However, the Act does not authorize the State to provide additional credit or refund amounts, or other additional resources, to compensate the taxpayer for any portion of the cost of an audit conducted in accordance with the Act, or the cost of a self-audit, certified audit, or DOR tax audit.

The taxpayer and DOR or other State awarding agency are responsible for coordinating audit scopes to ensure that there is no duplication of audit efforts that would give standing to a taxpayer claim to additional compensation.

99. The Federal Single Audit Act provides for the use of cognizant or oversight agencies to improve efficiency in following up on findings included in audit reports. Does the Florida Single Audit Act provide for cognizant/oversight agencies?

Yes. Section 215.97(6), Florida Statutes, establishes that the State coordinating agency has responsibility to review the recipient's financial reporting package to identify audit findings and recommendations that are not specific to a particular State awarding agency and determine whether timely and appropriate corrective action is taken. Section 215.97(2)(d), Florida Statutes, defines the "State coordinating agency" as the awarding agency that provide the predominant amount of State financial assistance expended by a recipient, as determined by the recipient's schedule of expenditures of State financial assistance.

100. Section 215.97(5)(e), Florida Statutes, provides that each State awarding agency shall review the recipient's financial reporting package to determine whether timely and appropriate corrective action has been taken with respect to audit findings and recommendations pertaining to State financial assistance provided by the State awarding agency. Which organizational unit (Inspector General/Internal Audit, program administration, etc.) within the State awarding agency is responsible for these duties?

Pursuant to Section 215.97(5)(f), Florida Statutes, the State awarding agency is to designate an organizational unit within the agency to be responsible for reviewing financial reporting packages. The State awarding agency should make this determination based on input received from the agency's program administration, audit, financial, legal, and other appropriate staff.

101. If the State awarding agency, in reviewing a recipient's State single audit report, determines that the recipient's financial statements or schedule of expenditures of State financial assistance has not been properly prepared, should the State awarding agency contact the recipient or the auditor regarding the necessary corrections?

This is for the State awarding agency to determine and should be addressed in the recipient's contract or agreement.

102. The Florida Single Audit Act established additional responsibilities that could result in increased workload for some State awarding agencies. To help minimize the increased workload, should State awarding agencies establish a central point within each agency to coordinate reviews of recipient financial reporting packages?

Yes. Section 215.97(5)(f), Florida Statutes, requires the State awarding agency to designate an organizational unit within the agency to be responsible for reviewing financial reporting packages. If the State awarding agency is not the coordinating agency, it must communicate to the coordinating agency its approval of the recipient's corrective action plan.

103. What is the responsibility of a State awarding agency under the Florida Single Audit Act if the agency provides resources to an entity that is not a non-State entity as contemplated by the Act and that entity passes the resources on to a non-State entity?

The State awarding agency has no responsibility under the Florida Single Audit Act as the resources do not constitute State financial assistance because such resources were provided to an entity that is exempt from the Act (see question 28 and the related answer).

104. What is the responsibility of a State awarding agency regarding updates to the Catalog of State Financial Assistance (CSFA)?

According to Section 215.97(4)(b) and (d), Florida Statutes, the DFS is responsible for coordinating revisions to the CSFA and Compliance Supplement, after consultation with the Executive Office of the Governor and State awarding agencies. Each State awarding agency should determine which unit within the State awarding agency will be responsible for coordinating with the DFS.

105. The State Project Determination Checklist (Form DFS-A2-PD) indicates that State maintenance of effort (MOE) resources may have contract stipulations that require such resources to be tested in accordance with Uniform Guidance and Federal program requirements. What is a State agency's responsibility with respect to ensuring that any MOE resources provided are properly used?

Over the years, some State projects have evolved to have requirements identical to those of the Federal program(s) with which the projects are associated. In these cases, assuming all stipulations in the State Project Determination Checklist (Form DFS-A2-PD) are met, MOE resources would be subject to a Federal single audit and not to the Florida Single Audit Act. However, MOE resources may not be tested in a Federal or State single audit because amounts expended are less than $750,000 or the MOE may be associated with a nonmajor Federal program/State project or may not be otherwise selected for testing. It is the State agency's responsibility to have monitoring activities that identify these situations and to tailor its monitoring of those non-State entities accordingly.

FSAA RULES AND REGULATIONS

Department of Financial Services Rules, Chapter 69I-5, Florida Administrative Code

Section 215.97, Florida Statutes, *Florida Single Audit Act*

ILLUSTRATIVE AUDIT DOCUMENTS

For Combined Reports Under the Uniform Guidance and the Florida Single Audit Act

Exhibit A – Independent Auditor's Report on Compliance and Internal Control

- **Exhibit A-1** - Unmodified Opinion with No Material Weaknesses or Significant Deficiencies
- **Exhibit A-2** - Unmodified Opinion with No Material Weaknesses, but With Significant Deficiencies
- **Exhibit A-3** - Unmodified Opinion with Material Weaknesses, and Significant Deficiencies

Exhibit B – Management Letter

- **Exhibit B-1** - Counties (Government-Wide), Municipalities, and Special Districts
- **Exhibit B-2** - County Constitutional Officers
- **Exhibit B-3** - Nonprofit and For-Profit Organizations

Exhibit C – Schedule of Findings and Questioned Costs

Exhibit D – Summary Schedule of Prior Audit Findings