

**REVIEW OF NONPROFIT, FOR-PROFIT,
AND OTHER ENTITY AUDIT REPORTS
PREPARED BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
PURSUANT TO THE
FLORIDA SINGLE AUDIT ACT
FOR ENTITIES WITH
FISCAL YEARS ENDED OCTOBER 31, 2008,
THROUGH SEPTEMBER 30, 2009**



This review was coordinated by Kathryn A. Brewer, CPA, and the project was supervised by Marilyn Rosetti, CPA. Please address inquiries regarding this report to Marilyn D. Rosetti, CPA, Audit Manager, by e-mail at marilynrosetti@aud.state.fl.us or by telephone at (850) 487-9031.

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REVIEW OF NONPROFIT, FOR-PROFIT, AND OTHER ENTITY AUDIT REPORTS PREPARED BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
PURSUANT TO THE *FLORIDA SINGLE AUDIT ACT*

FOR ENTITIES WITH FISCAL YEARS ENDED OCTOBER 31, 2008, THROUGH SEPTEMBER 30, 2009

SUMMARY

Our review of a sample of the 323 financial reporting packages (audit reports) submitted pursuant to Section 215.97, Florida Statutes¹, the *Florida Single Audit Act (FSAA)*, by entities that met the *FSAA* audit threshold disclosed that the audit reports were generally presented in accordance with generally accepted government auditing standards (*Government Auditing Standards* issued by the Comptroller General of the United States); generally accepted accounting principles; Department of Financial Services Rules, Chapter 69I-5, Florida Administrative Code; and Rules of the Auditor General². However, we noted some instances in which reports were not prepared in accordance with all applicable requirements, or were not otherwise conducted in accordance with the *FSAA*, as follows:

Finding No. 1: Contrary to Sections 10.558(3) and 10.657(2), Rules of the Auditor General, 62 (19.2 percent) of the 323 entities that submitted an audit report did not indicate in correspondence accompanying the audit report the date the audit report was delivered. This information is necessary to demonstrate compliance with the audit report submission requirement.

Finding No. 2: Audits of 14 entities were performed by 10 different auditors who did not hold active licenses or temporary permits issued by the Florida Board of Accountancy as of the date of the auditors' reports on the financial statements.

Finding No. 3: Our review of a sample of 60 audit reports disclosed instances of apparent noncompliance with certain reporting requirements relating to submission and presentation of certain auditors' reports and schedules.

BACKGROUND

Section 215.97(2)(a), Florida Statutes, provides that each nonstate entity that expends a total amount of State financial assistance (as defined by Section 215.97(2)(q), Florida Statutes) equal to or in excess of the audit threshold in any fiscal year shall have a State single audit for such fiscal year in accordance with the *FSAA*. Sections 215.97(9) and (10) Florida Statutes, Chapters 10.550 and 10.650, Rules of the Auditor General, and Chapter 69I-5, Florida Administrative Code, provide auditing requirements and standards that independent auditors are to follow for *FSAA* audits, and describe the contents and filing deadlines for the audit reports. Chapter 10.550, Rules of the Auditor General, prescribes *FSAA* auditing and reporting standards for local governmental entities that meet the definition in Section 215.97(2)(j), Florida Statutes, but are not local governmental entities as defined for purposes of Section 218.39, Florida Statutes. Such entities are referred to as "other entities" in this report. Chapter 10.650, Rules of the Auditor General, prescribes *FSAA* auditing and reporting standards for nonprofit and for-profit organizations.

Section 215.97(11)(f), Florida Statutes, requires us to perform ongoing reviews of a sample of financial reporting packages (hereinafter referred to as "audit reports") submitted pursuant to the *FSAA* to determine compliance with the reporting requirements of the *FSAA* and related rules.

¹ All references to the Florida Statutes are to the 2008 statutes unless otherwise noted.

² All references to the Rules of the Auditor General are to those rules effective September 30, 2008, unless otherwise noted.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Documentation of Date of Delivery of Audit Reports

Sections 10.558(3) and 10.657(2), Rules of the Auditor General, require that audit reports submitted pursuant to Section 215.97(8)(g), Florida Statutes, be submitted to us within 45 days after delivery of the audit report to the auditee, but no later than 9 months (for nonprofit and for-profit entities) or 12 months (for other entities) after the end of the auditee's fiscal year. The rules also require that the auditee indicate in correspondence accompanying the audit report the date the audit report was delivered.

We noted that for 62 (19.2 percent) of the 323 *FSAA* audit reports received, compared to 17.5 percent in the prior year, the entity did not indicate in correspondence accompanying the audit report the audit report delivery date (see Exhibit A). When entities do not provide the required information, compliance with the 45-day filing requirement is not demonstrated.

Recommendation: All entities should ensure that the correspondence accompanying the audit report indicates the audit report delivery date in accordance with Sections 10.558(3) and 10.657(2), Rules of the Auditor General.

Finding No. 2: Licensing of Auditors

Pursuant to Section 215.97(8)(f), Florida Statutes, and Chapters 10.550 and 10.650, Rules of the Auditor General, *FSAA* audits must be performed by independent certified public accountants (CPAs) licensed pursuant to Chapter 473, Florida Statutes. Chapter 473, Florida Statutes, requires individuals or firms that practice public accountancy within the State to hold active licenses issued by the Florida Board of Accountancy (Board). Based on information provided to us by Board staff, we determined that 14 of the 323 *FSAA* audits were performed by 10 different auditors who did not hold active licenses or temporary permits issued by the Board as of the dates of the auditors' reports on the financial statements. Information provided by Board staff indicated that:

- Five audits were performed by four out-of-state firms that did not have temporary permits in effect. Two of the firms, that performed three of the audits, had expired temporary permits whereas the Board indicated no record of the other two firms.
- One audit was performed by a firm that was licensed one month after the date of the auditor's report on the financial statements.
- Two audits were performed by a firm whose license was in a delinquent status on the dates of the respective auditor's reports on the financial statements.
- Four audits were performed by two audit firms that did not hold firm licenses.
- One audit was performed by a firm that did not hold a license; however the auditor's report on the financial statements was signed by an individual with an active license.
- One audit was performed by a firm that did not hold a firm license by the name indicated on the auditor's report on the financial statements; however, there was a licensed firm with a similar name and the same business address.

These auditors were identified to Board staff, and those that were previously licensed may be subject to disciplinary actions as determined by the Board pursuant to Section 473.323, Florida Statutes, whereas those that were not previously licensed may be subject to penalties prescribed in Section 455.228, Florida Statutes.

Recommendation: All entities contracting for audits should verify, through the Florida Department of Business and Professional Regulation, that auditors hold active licenses issued by the Florida Board of Accountancy.

Finding No. 3: Audit Report Reviews

We reviewed a sample of 60 nonprofit, for-profit, and other entity audit reports that met the *FSAA* audit threshold to determine: (1) whether the audit reports included the required financial statements, note disclosures, reports, and other items listed in Chapters 10.550 and 10.650, Rules of the Auditor General; and (2) the extent to which they complied, for selected significant matters, with generally accepted government auditing standards; generally accepted accounting principles; Department of Financial Services Rules, Chapter 69I-5, Florida Administrative Code; and Chapters 10.550 and 10.650, Rules of the Auditor General.

Our review indicated that, generally, the audit reports included the required financial statements, schedules, and notes thereto, and the required auditor's reports on the financial statements, schedules, and compliance and internal control. Additionally, the reports reviewed were generally presented in compliance with generally accepted government auditing standards; generally accepted accounting principles; Department of Financial Services Rules, Chapter 69I-5, Florida Administrative Code; and Chapters 10.550 and 10.650, Rules of the Auditor General. However, our review disclosed some instances of apparent lack of compliance with applicable reporting requirements. For example:

- The Report on Compliance and Internal Control Over Compliance Applicable to Each Major State Project did not cite the correct authority for the State Projects Compliance Supplement (the Department of Financial Services) for 36 (60 percent) of the 60 reports reviewed.
- The Schedule of Expenditures of State Financial Assistance did not include subtotals of State financial assistance expenditures for each individual State project for 19 (73.1 percent) of the 26 applicable reports reviewed.
- The dollar threshold used by the auditor to distinguish Type A and Type B Projects, as stated on the Schedule of Findings and Questioned Costs, was not properly determined in the manner required by Department of Financial Services Rule 69I-5.008, Florida Administrative Code, for 18 (32.1 percent) of 56 applicable reports reviewed.

Summaries of the above and other deficiencies disclosed by our review, with comparative prior year information, are shown on Exhibit B. The exceptions disclosed by our review relate to submission and presentation of auditors' reports, the Schedules of Expenditures of State Financial Assistance, and the Schedules of Findings and Questioned Costs.

Recommendation: All entities should continue to ensure that auditors' reports and schedules are submitted and presented in accordance with Section 215.97, Florida Statutes; Department of Financial Services Rules, Chapter 69I-5, Florida Administrative Code; and Chapters 10.550 and 10.650, Rules of the Auditor General.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this project were to determine whether the audit reports for nonprofits, for-profits, and other entities that met the *FSAA* threshold submitted to us:

- Appeared to comply with generally accepted government auditing standards; generally accepted accounting principles; Section 215.97, Florida Statutes, and related rules; and
- Were prepared by independent certified public accountants properly licensed by the Florida Board of Accountancy.

The scope of this project included a review of a sample of 60 of the 323 audit reports for nonprofits, for-profits, and other entities that met the *FSAA* audit threshold submitted to us as of September 21, 2010, for fiscal years ending October 31, 2008, through September 30, 2009. The results of our reviews of audit reports of local government entities as defined in Section 218.39, Florida Statutes, as they relate to *FSAA* reporting requirements, will be the subject of a separate report.

Our review of audit reports was conducted in accordance with applicable generally accepted government auditing standards. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our review objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our review objectives.

Our desk review (i.e., a review that does not include an examination of the auditors' working papers) was necessarily limited to the contents of the audit reports submitted to us and did not extend to a determination of whether the auditors followed all generally accepted government auditing standards in the actual conduct of the audits. Therefore, the review cannot be used as the basis for determining the extent of the entities' compliance with applicable laws, rules, or contractual requirements. Likewise, our desk review would not disclose whether the auditor reported all instances of noncompliance or reportable internal control deficiencies noted during the audit, or whether certain required financial disclosures were completely omitted from the audit report.

AUTHORITY

Pursuant to the provisions of Section 215.97(11)(f), Florida Statutes, I have directed that this report be prepared to present the results of our review of nonprofit, for-profit, and other entity audit reports prepared by independent certified public accountants and submitted pursuant to Section 215.97, Florida Statutes.



David W. Martin, CPA
Auditor General

EXHIBIT A
NONPROFIT, FOR-PROFIT, AND OTHER ENTITIES
FOR WHICH CORRESPONDENCE DID NOT INDICATE
WHEN THE AUDIT REPORT WAS DELIVERED TO THE ENTITY
FOR FISCAL YEARS ENDING OCTOBER 31, 2008, THROUGH SEPTEMBER 30, 2009

ENTITY NAME
Apalachee Regional Planning Council
Associated Marine Institutes
Bayview Center for Mental Health, Inc.
Big Bend Community Based Care, Inc.
Boley Centers, Inc.
BP Finance, Inc.
Brandon Community Advantage Center, Inc.
Broward County Community Development Corporation
Center for Family & Child Enrichment, Inc.
Childnet, Inc. d/b/a Childnet
Community Services Council of Brevard County, Inc.
Community Solutions, Inc. & Subsidiaries
David Lawrence Mental Health Center, Inc.
Drug Abuse Foundation of Palm Beach County, Inc.
Drug Abuse Treatment Association, Inc.
Early Learning Coalition of Indian River, Martin and Okeechobee Counties, Inc.
Early Learning Coalition of Okaloosa and Walton Counties
Embry-Riddle Aeronautical University, Inc.
Family Central, Inc.
First Step of Sarasota, Inc.
Florida Baptist Children's Homes
Florida Council Against Sexual Violence, Inc.
Florida Council on Compulsive Gambling, Inc.
Florida Institute of Technology, Inc.
Florida Mobile Home Relocation Corporation
Florida Sports Foundation, Inc.
Florida Unit of Recording For The Blind & Dyslexic, Inc.
H. Lee Moffitt Cancer Center & Research Institute, Inc.
Habitat for Humanity of Lee County, Inc.
Harbor Behavioral Health Care Institute, Inc.
Henderson Mental Health Center
Hope and Help Center of Central Florida, Inc.
House of Hope, Inc.
Juvenile Services Program, Inc.
Kids in Distress, Inc.
Lakeview Center, Inc.

EXHIBIT A (CONTINUED)
NONPROFIT, FOR-PROFIT, AND OTHER ENTITIES
FOR WHICH CORRESPONDENCE DID NOT INDICATE
WHEN THE AUDIT REPORT WAS DELIVERED TO THE ENTITY
FOR FISCAL YEARS ENDING OCTOBER 31, 2008, THROUGH SEPTEMBER 30, 2009

ENTITY NAME (CONTINUED)
Lifestream Behavioral Center, Inc.
Lutheran Residences, Inc.
Lynn University
Manatee Children's Services, Inc.
Manatee County Rural Health Services, Inc.
Mental Health Care, Inc.
Mercy Hospital, Inc.
Miami Behavioral Health Center, Inc. & M.M.H.C. Holding Corporation
Mid-Florida Area Agency on Aging, Inc
National Alliance on Mental Illness of Collier County
New Horizons Community Mental Health Center, Inc.
Orlando Health, Inc.
Osceola Mental Health, Inc. d/b/a Park Place Behavioral Health Care
Passageway Residence of Dade County, Inc.
Piper Aircraft, Inc.
Psycho-Social Rehabilitation Center d/b/a Fellowship House
Redlands Christian Migrant Association, Inc.
River Region Human Services, Inc.
SMA Behavioral Health Services, Inc. (formerly known as ACT, Corp.)
Spectrum Programs, Inc.
Suncoast Center for Community Mental Health, Inc.
University Area Community Development Corp., Inc.
Urban Jacksonville, Inc.
Variety Children's Hospital d/b/a Miami Children's Hospital
Wal-Mart Stores East, LP
Wesley House Family Services, Inc.

EXHIBIT B
FSAA NONPROFIT, FOR-PROFIT, AND OTHER ENTITY AUDIT REPORT REVIEWS
SUMMARY OF DEFICIENCIES
FOR FISCAL YEARS ENDING OCTOBER 31, 2008, THROUGH SEPTEMBER 30, 2009

Description of Deficiencies	Number of Reports to which Criteria Applied	Total Current Year Number (1)	Percent (2)	Prior Year Percent
Audit Report Package				
The audit report submitted did not include documentation indicating the date that the auditor delivered the audit report to the auditee. (Section 10.657(2), Rules of the Auditor General)	323	99	30.7	17.5
The audit report was not submitted as a single document. (Section 10.656(3), Rules of the Auditor General)	60	4	6.7	5.0
Auditor's Report on Compliance and Internal Control Over Compliance Applicable to Each Major State Project				
Report on compliance and internal control over compliance applicable to each major State project did not cite the correct authority for the State Projects Compliance Supplement. (Section 215.97(2)(u) and (9), Florida Statutes)	60	36	60.0	78.3
Schedule of Expenditures of State Financial Assistance				
Schedule of Expenditures of State Financial Assistance did not include subtotals of State financial assistance expenditures for each individual State project. (Department of Financial Services Rule 69I-5.003(1)(c), Florida Administrative Code)	26	19	73.1	67.0 (3)
The Schedule of Expenditures of State Financial Assistance did not provide the CSFA number or other identifying number when the CSFA was not available. (Department of Financial Services Rule 69I-5.003(1)(c), Florida Administrative Code)	60	5	8.3	3.3 (4)
Schedule of Expenditures of State Financial Assistance did not include notes that describe the significant accounting policies used in preparing the Schedule. (Department of Financial Services Rule 69I-5.003(1)(f), Florida Administrative Code)	60	8	13.3	8.3
Schedule of Findings and Questioned Costs				
Schedule of Findings and Questioned Costs does not include a statement as to whether the audit disclosed any audit findings related to State financial assistance projects. (Section 10.654(1)(h)1.f., Rules of the Auditor General)	60	3	5.0	1.7 (4)
Dollar threshold identified in the Schedule of Findings and Questioned Costs to distinguish Type A and Type B State projects was not properly determined in the manner required by Department of Financial Services Rule 69I-5.008(2)(a) and (b), Florida Administrative Code.	56	18	32.1	26.3

- Notes:
- (1) Number of reports for which the deficiency was noted.
 - (2) Percentage of reports for which the deficiency was noted. The percentage is based on the number of reports to which the criteria was applied.
 - (3) The prior year percent reported differs from the percent reported in report No. 2010-076 because of a change in our review methodology.
 - (4) Percent not reported in prior year.

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