

**REVIEW OF NONPROFIT, FOR-PROFIT, AND OTHER  
ENTITY AUDIT REPORTS PREPARED BY  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
PURSUANT TO THE  
*FLORIDA SINGLE AUDIT ACT*  
FOR FISCAL YEARS ENDED OCTOBER 31, 2011,  
THROUGH SEPTEMBER 30, 2012**

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This review was coordinated by Kathryn A. Brewer, CPA, and the project was supervised by David T. Ward, CPA. Please address inquiries regarding this report to Marilyn D. Rosetti, CPA, Audit Manager, by e-mail at [marilynrosetti@aud.state.fl.us](mailto:marilynrosetti@aud.state.fl.us) or by telephone at (850) 412-2881.

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**SUMMARY**

Our review of a sample of the 280 financial reporting packages (audit reports) submitted pursuant to Section 215.97, Florida Statutes<sup>1</sup>, 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 General<sup>2</sup>. 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:** Audits of two entities were performed by two different out-of-state firms that did not hold active or temporary licenses certified by the Florida Board of Accountancy as of the date of the auditors' reports on the financial statements.

**Finding No. 2:** 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 \$500,000 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 audit reports submitted pursuant to the *FSAA* to determine compliance with the reporting requirements of the *FSAA* and related rules.

**FINDINGS AND RECOMMENDATIONS**

**Finding No. 1: 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 licensed pursuant to Chapter 473,

<sup>1</sup> All references to the Florida Statutes are to the 2011 statutes unless otherwise noted.

<sup>2</sup> All references to the Rules of the Auditor General are to those rules effective September 30, 2011, unless otherwise noted.

Florida Statutes. Chapter 473, Florida Statutes, requires individuals or firms that practice public accountancy within the State to hold active licenses certified by the Florida Board of Accountancy (Board) to the Florida Department of Business and Professional Regulation. Based on information provided to us by Board staff, we determined that 2 of the 280 *FSAA* audits were performed by two out-of-state firms that did not hold active or temporary licenses issued by the Board as of the dates of the auditors' reports on the financial statements.

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.

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

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### **Finding No. 2: Audit Report Reviews**

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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:

- Totals of amounts expended for each State project, for which multiple award amounts with the same catalog of State financial assistance number were reported on the schedule of expenditures of State financial assistance, were not provided on the schedule for 7 (44 percent) of 16 applicable reports reviewed.
- The dollar threshold identified in the schedule of findings and questioned costs to distinguish Type A and Type B State projects was calculated incorrectly for 11 (19 percent) of 58 applicable reports reviewed.

Summaries of the above and other deficiencies disclosed by our review are included as Exhibit A. The exceptions disclosed by our review relate to the auditor's report on compliance and internal control over compliance applicable to each major State project, the schedules of expenditures of State financial assistance, and the schedules of findings and questioned costs.

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**Recommendation:** All entities should ensure that auditors' reports and schedules are 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.

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**OBJECTIVES, SCOPE, AND METHODOLOGY**

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

- 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 280 audit reports for nonprofits, for-profits, and other entities that met the *FSAA* audit threshold submitted to us as of July 5, 2013, for fiscal years ending October 31, 2011, through September 30, 2012. 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.

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**AUTHORITY**

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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

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**EXHIBIT A**  
**FSAA NONPROFIT, FOR-PROFIT, AND OTHER ENTITY AUDIT REPORT REVIEWS**  
**SUMMARY OF DEFICIENCIES**  
**FOR FISCAL YEARS ENDED OCTOBER 31, 2011, THROUGH SEPTEMBER 30, 2012**

Description of Deficiencies	Number of Reports to which Criteria Applied	Total Current Year Number (1)	Percent (2)
<b>Auditor's Report on Compliance and Internal Control Over Compliance Applicable to Each Major State Project</b>			
Report on compliance and internal control over compliance cites the Executive Office of the Governor, rather than the Florida Department of Financial Services as the authority for the State projects compliance supplement.	60	26	43
<b>Schedule of Expenditures of State Financial Assistance</b>			
Contract or grant number for each State project not included.	60	10	17
Total of amounts expended for each State project, for which multiple awards with the same catalog of State Financial Assistance number were reported on the schedule of expenditures of State financial assistance, not included.	16	7	44
Notes describing the significant accounting policies used in preparing the schedule of expenditures of State financial assistance not included.	60	5	8
<b>Schedule of Findings and Questioned Costs</b>			
A statement as to whether any findings related to State financial assistance projects were disclosed by the audit, not included.	60	5	8
Dollar threshold identified in the schedule of findings and questioned costs to distinguish Type A and Type B State projects not calculated correctly.	58	11	19

- 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.