

**REVIEW OF NONPROFIT, FOR-PROFIT,
AND OTHER ENTITY AUDIT REPORTS
FOR THE FISCAL YEARS ENDED
OCTOBER 1, 2014,
THROUGH SEPTEMBER 30, 2015**

Pursuant to
Section 215.97(11)(f), Florida Statutes (2015)



Sherrill F. Norman, CPA
Auditor General

The team leader was Brian J. Hartsfield, CPA, and the review was supervised by Derek H. Noonan, CPA.

Please address inquiries regarding this report to Michael J. Gomez, CPA, Audit Manager, by e-mail at mikegomez@aud.state.fl.us or by telephone at (850) 412-2881.

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State of Florida Auditor General

Claude Pepper Building, Suite G74 • 111 West Madison Street • Tallahassee, FL 32399-1450 • (850) 412-2722

REVIEW OF NONPROFIT, FOR-PROFIT, AND OTHER ENTITY AUDIT REPORTS FOR THE FISCAL YEARS ENDED OCTOBER 1, 2014, THROUGH SEPTEMBER 30, 2015

Pursuant to Section 215.97(11)(f), Florida Statutes (2015)

SUMMARY

The Florida Single Audit Act (FSAA)¹ requires nonstate entities that receive State financial assistance to carry out State projects and meet the FSAA audit threshold to provide for a Florida single audit. Audit reports are required to be submitted to us within 45 days after delivery of the audit report to the auditee but no later than 9 months after the end of the auditee's fiscal year.²

As of May 20, 2016, 255 nonprofit, for-profit, and other entities that met the FSAA audit threshold had submitted reports to us for the fiscal years ended October 1, 2014, through September 30, 2015. Pursuant to State law,³ we reviewed a sample of 60 of the 255 audit reports for compliance with selected significant matters and found that the information was generally presented in accordance with generally accepted accounting principles (GAAP), generally accepted government auditing standards (GAGAS), the FSAA, Department of Financial Services (DFS) rules,⁴ and Rules of the Auditor General.⁵ However, we noted:

Finding 1: Audits of three entities were performed by three different 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 2: Seven entities submitted audit reports to us after the 9-month deadline. Additionally, although 16 entities submitted audit reports to us by the 9-month deadline, the reports were not submitted within 45 days of the audit report delivery to the auditee.

Finding 3: Our review of the 60 sampled audit reports disclosed certain instances of noncompliance with GAGAS, the FSAA, DFS rules, and Rules of the Auditor General requirements. For example, for 11 of the 58 applicable reports we reviewed, auditors incorrectly identified the dollar threshold in the schedule of findings and questioned costs to distinguish Type A and Type B State projects. Also, for 7 of the 21 applicable reports we reviewed, auditors did not include an independent auditor's management letter or indicate in the schedule of findings and questioned costs that a management letter was not required.

¹ Section 215.97, Florida Statutes. (All references to the Florida Statutes are to the 2014 statutes unless otherwise noted.)

² Section 10.657(2), Rules of the Auditor General. (All references to the Rules of the Auditor General are to those rules effective September 30, 2014, unless otherwise noted.)

³ Section 215.97(11)(f), Florida Statutes (2015).

⁴ DFS Rules, Chapter 69I-5, Florida Administrative Code.

⁵ Chapters 10.550 and 10.650, Rules of the Auditor General. 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.

BACKGROUND

The Florida Single Audit Act (FSAA)⁶ requires each nonstate entity that expends a total amount of State financial assistance, as defined by State law,⁷ equal to or in excess of the \$500,000 audit threshold in any fiscal year shall have a Florida single audit in accordance with the FSAA.

State law⁸ and Department of Financial Services (DFS) rules⁹ establish several requirements that independent certified public accountants (CPAs) must follow when conducting Florida single audits of nonprofit, for-profit, and other entities.

To assist auditors in complying with the requirements of generally accepted government auditing standards, and applicable laws, rules, and regulations, we developed rules¹⁰ and audit report review guidelines that provide, among other things, procedural guidance for CPAs to follow to ensure compliance with FSAA requirements. These rules and guidelines are made available on our Web site.

State law¹¹ 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 1: Certified Public Accountant Licenses

Pursuant to State law¹² and Rules of the Auditor General,¹³ Florida Single Audit Act (FSAA) audits must be performed by independent certified public accountants licensed pursuant to State law.¹⁴ State law requires individuals or firms that practice public accountancy within the State to hold active licenses certified by the Florida Board of Accountancy (Board). Pursuant to State law,¹⁵ the Department of Business and Professional Regulation (DBPR) is to license any applicant who the Board certifies is qualified to practice public accounting.

Based on information provided to us by Board staff, we determined that 3 of the 255 FSAA audits submitted to us, as of May 20, 2016, were performed by three different firms that did not hold an active or temporary license issued by the Board as of the date of the auditor's report on the financial statements. All three firms had previously possessed active or temporary licenses, and renewed their licenses

⁶ Section 215.97(2)(a), Florida Statutes.

⁷ Section 215.97(2)(q), Florida Statutes.

⁸ Section 215.97(9) and (10), Florida Statutes.

⁹ DFS Rules, Chapter 69I-5, Florida Administrative Code.

¹⁰ Chapters 10.550 and 10.650, Rules of the Auditor General.

¹¹ Section 215.97(11)(f), Florida Statutes.

¹² Section 215.97(8)(f), Florida Statutes.

¹³ Chapters 10.554(1)(c) and 10.654(1)(b), Rules of the Auditor General.

¹⁴ Section 473.308, Florida Statutes.

¹⁵ Section 473.308(1), Florida Statutes.

subsequent to audit report dates. We informed Board staff of the three firms, which may be subject to disciplinary actions as prescribed by State law.¹⁶

Recommendation: All entities contracting for FSAA audits should verify through the DBPR that auditors hold active or temporary licenses certified by the Board.

Finding 2: Audit Report Submission Requirements

Rules of the Auditor General¹⁷ require that audit reports submitted to us pursuant to State law¹⁸ be submitted within 45 days after delivery of the audit report to the auditee, but no later than 9 months after the end of the auditee's fiscal year. The rules also require the auditee to indicate in correspondence accompanying the audit report the date the audit report was delivered.

Our review of the FSAA audit reports we received from the 255 entities as of May 20, 2016, disclosed that:

- Seven entities submitted audit reports to us after the 9-month deadline (8 to 128 days late). **EXHIBIT A** to this report includes a listing of the 7 entities.
- Although 16 entities submitted audit reports to us by the 9-month deadline, the entities submitted the reports 53 to 225 days after the delivery of the audit report to the auditee. **EXHIBIT B** includes a listing of the 16 entities.

Timely audits are necessary to ensure that management and those charged with governance are promptly informed of control deficiencies and FSAA noncompliance. Additionally, timely filed audit reports provide for timely review by appropriate State oversight agencies.

Recommendation: Audited entities should ensure that audit reports are timely completed and submitted in accordance with State law.

Finding 3: Completeness

To determine the extent to which they complied, for selected significant matters, with generally accepted accounting principles (GAAP), generally accepted government auditing standards (GAGAS), the FSAA, Department of Financial Services (DFS) rules,¹⁹ and Rules of the Auditor General²⁰ we performed completeness reviews of a sample of 60 of the 255 the nonprofit, for-profit, and other entity audit reports that met the FSAA audit threshold and were submitted to us by May 20, 2016.

Most of the 60 audit reports subjected to our review included audited financial statements, schedules, and notes thereto; the required independent auditor's reports on the financial statements and on internal

¹⁶ Section 473.323, Florida Statutes.

¹⁷ Sections 10.558(3) and 10.657(2), Rules of the Auditor General.

¹⁸ Section 215.97(8)(g), Florida Statutes.

¹⁹ DFS Rules, Chapter 69I-5, Florida Administrative Code.

²⁰ Chapters 10.550 and 10.650, Rules of the Auditor General.

control over financial reporting and compliance; and other information required by GAAP, GAGAS, the FSAA, DFS rules,²¹ and Rules of the Auditor General.²² However, we also noted that:

- For 11 of the 58 applicable reports we reviewed, auditors incorrectly identified the dollar threshold in the schedule of findings and questioned costs to distinguish Type A and Type B State projects.
- For 7 of the 21 applicable reports we reviewed, auditors did not include an independent auditor's management letter or, alternatively, indicate in the schedule of findings and questioned costs that a management letter was not required.
- For 6 of the 21 applicable reports we reviewed, entities did not disclose on the schedule of expenditures of State financial assistance subtotals of expenditures by catalog of State financial assistance number.
- For 4 of the 6 applicable reports we reviewed, auditors did not include a summary schedule of prior audit findings or, alternatively, indicate that the schedule was not required.
- For 3 of the 58 applicable audit reports we reviewed, auditors did not include a statement that the audit was made in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.
- For 3 of the 60 applicable reports we reviewed, entities did not include notes describing the significant accounting policies used in preparing the schedule of expenditures of State financial assistance.

EXHIBIT C to this report provides a summary of the deficiencies and noncompliance that we noted.

Recommendation: Audited entities and their auditors should ensure that audit reports contain information presented in accordance with applicable requirements.

OBJECTIVES, SCOPE, AND METHODOLOGY

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 Florida Single Audit Act (FSAA) threshold:

- Complied with generally accepted accounting principles (GAAP), generally accepted governmental auditing standards (GAGAS), Department of Financial Services (DFS) rules,²³ and Rules of the Auditor General,²⁴ and
- Were prepared by independent certified public accountants (CPAs) properly licensed by the Florida Board of Accountancy.

The scope of this project included a review of a sample of 60 of the 255 audit reports submitted to us as of May 20, 2016, for nonprofits, for-profits, and other entities that met the FSAA audit threshold for fiscal years ended October 1, 2014, through September 30, 2015. The results of our review of audit reports of local governmental entities, as defined in State law,²⁵ related to FSAA reporting requirements, will be the subject of a separate report.

²¹ DFS Rules, Chapter 69I-5, Florida Administrative Code.

²² Chapters 10.550 and 10.650, Rules of the Auditor General.

²³ DFS Rules, Chapter 69I-5, Florida Administrative Code.

²⁴ Chapters 10.550 and 10.650, Rules of the Auditor General.

²⁵ Section 218.39, Florida Statutes.

Our review of the nonprofit, for-profit, and other entity audit reports was conducted in accordance with applicable GAGAS. 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 review was necessarily limited to the contents of the audit reports submitted to us and did not extend to an examination of the CPAs' working papers or a determination of whether the auditors followed all GAGAS in the actual conduct of the audits. Because our review was limited to the content of the audit reports provided to us, our review cannot be used as the basis for determining the extent of the entities' compliance with applicable laws, rules, contractual requirements, or bond covenants. Likewise, our 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

Section 215.97(11)(f), Florida Statutes (2015), required the Auditor General to perform ongoing reviews of a sample of financial reporting packages filed pursuant to the Florida Single Audit Act to determine compliance with the reporting requirements of the Act and applicable rules of the Department of Financial Services and rules of the Auditor General. Pursuant to the provisions of Section 215.97(11)(f), Florida Statutes (2015), I have directed that this report be prepared to present the results of our review of nonprofit, for-profit, and other entity audit reports for the fiscal years ended October 1, 2014, through September 30, 2015.



Sherrill F. Norman, CPA
Auditor General

EXHIBIT A

**NONPROFIT, FOR-PROFIT, AND OTHER ENTITY
AUDIT REPORTS FOR FISCAL YEARS ENDED
OCTOBER 1, 2014, THROUGH SEPTEMBER 30, 2015
SUBMITTED AFTER 9-MONTH DEADLINE**

Number	Entity	Date Report Received	Number of Days Late
1	Central Florida Area Health Education Center, Inc.	04/12/2016	12
2	Florida College, Inc.	03/08/2016	8
3	Legal Aid Society of the Orange County Bar Association, Inc.	10/23/2015	23
4	Peaceful Paths, Inc.	04/18/2016	19
5	Senior Connection Center, Inc.	10/14/2015	14
6	Orchard Pond Greenway, Inc.	12/18/2015	79
7	Pensacola Bay Transportation Company, LLC.	02/05/2016	128

EXHIBIT B

**NONPROFIT, FOR-PROFIT, AND OTHER ENTITY
AUDIT REPORTS FOR FISCAL YEARS ENDED
OCTOBER 1, 2014, THROUGH SEPTEMBER 30, 2015
SUBMITTED MORE THAN 45 DAYS AFTER
REPORT WAS DELIVERED TO THE AUDITEE**

Number	Entity	Number of Days Audit Report	
		Submitted After Delivery to Auditee	Submitted Late
1	Area Agency on Aging of Central Florida d/b/a Senior Resource Alliance	63	18
2	Barry University & Subsidiaries	67	22
3	Big Bend Area Health Education Center, Inc.	147	102
4	Boys and Girls Clubs of Broward County, Inc. and Subsidiary	84	39
5	CSX Corporation	225	180
6	Embry-Riddle Aeronautical University, Inc.	171	126
7	Florida Association of Food Banks, Inc.	65	20
8	Family Resources, Inc.	73	28
9	Florida Council on Compulsive Gambling, Inc.	55	10
10	Florida Institute of Technology, Inc.	80	35
11	Northeast Florida Area Health Education Center, Inc.	140	95
12	Northwest Behavioral Health Services, Inc.	54	9
13	Northwest Florida Area Agency on Aging, Inc.	57	12
14	Professionals Resource Network, Inc.	53	8
15	Step Up for Students, Inc.	63	18
16	Warner University, Inc.	159	114

EXHIBIT C

SUMMARY OF DEFICIENCIES OR NONCOMPLIANCE NOTED IN REVIEWS OF NONPROFIT, FOR-PROFIT, AND OTHER ENTITY AUDIT REPORTS FOR THE FISCAL YEARS ENDED OCTOBER 1, 2014, THROUGH SEPTEMBER 30, 2015

Description of Deficiencies or Noncompliance	Number of Reports to Which Criteria Applied	Number of Reports with Deficiencies or Noncompliance	Percent
Auditor's Report on the Financial Statements The opinion on the financial statements did not include a statement that the audit was made in accordance with the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States.	58	3	5
Auditor's Management Letter The audit report did not include an independent auditor's management letter or, alternatively, indicate in the schedule of findings and questioned costs that a management letter was not required.	21	7	33
Schedule of Expenditures of State Financial Assistance Notes describing the significant accounting policies used in preparing the schedule were not included.	60	3	5
The schedule did not provide subtotals of expenditures of State financial assistance by catalog of State financial assistance number.	21	6	29
Schedule of Findings and Questioned Costs The dollar threshold used to distinguish Type A and Type B State projects was not correctly identified.	58	11	19
Summary Schedule or Prior Audit Findings The audit report did not include a summary schedule of prior audit for, alternatively, indicate that the schedule was not required.	6	4	67