

**REVIEW OF NONPROFIT, FOR-PROFIT,  
AND OTHER ENTITIES  
FINANCIAL REPORTING PACKAGES**

For Fiscal Years Ended October 1, 2016,  
Through September 30, 2017

Pursuant to Section 215.97(12)(f), Florida Statutes



Sherrill F. Norman, CPA  
Auditor General

The team leader was Tonya Gaines, and the audit 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](mailto:mikegomez@aud.state.fl.us) or by telephone at (850) 412-2881.

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

# REVIEW OF NONPROFIT, FOR-PROFIT, AND OTHER ENTITIES FINANCIAL REPORTING PACKAGES

For Fiscal Years Ended October 1, 2016, Through September 30, 2017

## SUMMARY

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The Florida Single Audit Act (FSAA)<sup>1</sup> requires each nonstate entity that receives State financial assistance and meets the FSAA audit threshold requirements to provide for a Florida single audit.<sup>2</sup> Upon completion of the audit, a financial reporting package is to be filed with the State awarding agencies and with us within 45 days after delivery of the financial reporting package to the auditee but no later than 9 months after the end of the auditee's fiscal year.<sup>3</sup> Among other things, the financial reporting package is to contain a nonstate entity's audited financial statements, schedule of expenditures of State financial assistance, independent auditor's reports, and management letter.

As of June 30, 2018, 240 nonprofit, for-profit, and other entities that met the FSAA audit threshold requirements had filed financial reporting packages with us for fiscal years ended October 1, 2016, through September 30, 2017. Pursuant to State law,<sup>4</sup> we reviewed a sample of 60 of the 240 financial reporting packages to determine compliance with applicable reporting requirements and found that the information provided was generally presented in accordance with generally accepted accounting principles, generally accepted government auditing standards (GAGAS), the FSAA, Department of Financial Services (DFS) rules,<sup>5</sup> and Auditor General rules.<sup>6</sup> However, we noted:

**Finding 1:** Contrary to State law, 25 financial reporting packages were not timely filed with us, including 8 financial reporting packages filed 7 to 233 days after the 9-month deadline and 17 others filed 56 to 202 days after delivery of the financial reporting package to the auditee.

**Finding 2:** The 60 sampled financial reporting packages did not always comply with applicable FSAA, DFS rules, and Auditor General rules requirements as:

- For 11 of the 58 applicable financial reporting packages, the auditors reported incorrect dollar thresholds for distinguishing Type A and Type B State projects on the schedule of findings and questioned costs because the thresholds were not calculated in accordance with DFS rules.<sup>7</sup>
- For 10 of the 20 applicable financial reporting packages, the auditors did not comply with the requirement in State law<sup>8</sup> and Auditor General rules<sup>9</sup> to include an independent auditor's management letter or, if there were no items related to State financial assistance required to be reported in a management letter, to indicate in the schedule of findings and questioned costs that a management letter was not required.

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<sup>1</sup> Section 215.97, Florida Statutes.

<sup>2</sup> Section 215.97(8)(a), Florida Statutes.

<sup>3</sup> Section 10.657(2), Rules of the Auditor General.

<sup>4</sup> Section 215.97(12)(f), Florida Statutes.

<sup>5</sup> DFS Rules, Chapter 69I-5, Florida Administrative Code (FAC).

<sup>6</sup> Chapter 10.550, Rules of the Auditor General for Local Governmental Entity Audits, and Chapter 10.650, Rules of the Auditor General for Florida Single Audit Act Audits of Nonprofit and For-Profit Organizations.

<sup>7</sup> DFS Rule 69I-5.008(2) and (3), FAC.

<sup>8</sup> Section 215.97(2)(e), Florida Statutes.

<sup>9</sup> Section 10.656(3)(e), Rules of the Auditor General

## **BACKGROUND**

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The Florida Single Audit Act (FSAA) requires each nonstate entity that expends a total amount of State financial assistance (SFA),<sup>10</sup> equal to or in excess of the \$750,000 audit threshold<sup>11</sup> to have a Florida single audit conducted in accordance with the FSAA.

State law<sup>12</sup> and Department of Financial Services (DFS) rules<sup>13</sup> 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 these requirements, generally accepted government auditing standards, and applicable laws, rules, and regulations, we developed rules<sup>14</sup> and other 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.

Upon completion of a Florida single audit, a financial reporting package is to be filed with the State awarding agency and us.<sup>15</sup> The financial reporting package is to be filed in accordance with Auditor General rules.<sup>16</sup> Pursuant to Auditor General rules,<sup>17</sup> each financial reporting package is to be a single document and contain, among other things, the entity's audited financial statements, schedules, and notes thereto; the independent auditor's report on the basic financial statements and report on internal control and compliance; a management letter with the auditor's comments and recommendations; and the auditor's reports and related financial information required pursuant to the FSAA and Auditor General rules including:

- A schedule of expenditures of SFA.
- A report that includes an opinion (or disclaimer of opinion) as to the fair presentation of the schedule of expenditures of SFA.
- A report on compliance, and on internal control over compliance, with major State project requirements.
- A schedule of findings and questioned costs.
- A summary schedule of prior audit findings, if applicable.
- A corrective action plan.

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<sup>10</sup> Section 215.97(2)(r), Florida Statutes, defines SFA as State resources, not including Federal financial assistance and State matching on Federal programs, provided to a nonstate entity to carry out a State project. SFA may be provided directly by State awarding agencies or indirectly by nonstate entities. SFA does not include procurement contracts used to buy goods or services from vendors and contracts to operate State-owned and contractor-operated facilities.

<sup>11</sup> Section 215.97(2)(a), Florida Statutes.

<sup>12</sup> Section 215.97(10) and (11), Florida Statutes.

<sup>13</sup> DFS Rules, Chapter 69I-5, FAC.

<sup>14</sup> 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, including those that meet the definition in Section 215.97(2)(k), Florida Statutes, but are not local governmental entities as enumerated in 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.

<sup>15</sup> Section 215.97(8)(g), Florida Statutes.

<sup>16</sup> Section 215.97(8)(h), Florida Statutes.

<sup>17</sup> Sections 10.557(3) and 10.656(3), Rules of the Auditor General.

State law<sup>18</sup> requires us to perform ongoing reviews of a sample of financial reporting packages filed with us pursuant to the FSAA to determine compliance with the reporting requirements of the FSAA and applicable rules. As of June 30, 2018, 240 nonprofit, for-profit, and other entities that met the FSAA audit threshold had filed financial reporting packages with us for fiscal years ended October 1, 2016, through September 30, 2017.

## ***FINDINGS AND RECOMMENDATIONS***

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### **Finding 1: Noncompliance - Financial Reporting Package Filing Requirements**

Auditor General rules<sup>19</sup> provide that financial reporting packages required to be filed pursuant to the Florida Single Audit Act (FSAA)<sup>20</sup> are to be filed with the State awarding agencies and us within 45 days after delivery of the financial reporting package to the auditee but no later than 9 months after the end of the auditee's fiscal year. The auditee is to indicate in correspondence accompanying the financial reporting package the date the financial reporting package was delivered to the auditee.

As of June 30, 2018, 240 nonprofit, for-profit, and other entities<sup>21</sup> that met the FSAA audit threshold requirements had filed financial reporting packages with us for fiscal years ended October 1, 2016, through September 30, 2017. However, 25 of those entities did not comply with the financial reporting package filing requirements. Specifically:

- 8 entities, listed on ***EXHIBIT A*** to this report, filed financial reporting packages with us 7 to 233 days after the 9-month deadline.
- 17 other entities, listed on ***EXHIBIT B*** to this report, filed financial reporting packages with us 56 to 202 days after the delivery of the financial reporting package to the auditee.

Timely audits are necessary to ensure compliance with Auditor General rules and that management and those charged with governance are promptly informed of control deficiencies and noncompliance with the FSAA. Additionally, timely filed financial reporting packages provide for timely review by the applicable State entities with oversight responsibilities.

**Recommendation: Audited entities should ensure that Florida single audits are timely conducted and that financial reporting packages are timely filed in accordance with State law.**

### **Finding 2: Financial Reporting Package Completeness**

To determine the extent to which the filed financial reporting packages 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,<sup>22</sup> and Auditor General

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<sup>18</sup> Section 215.97(12)(f), Florida Statutes.

<sup>19</sup> Sections 10.558(3) and 10.657(2), Rules of the Auditor General.

<sup>20</sup> Section 215.97(8)(g), Florida Statutes.

<sup>21</sup> For the purpose of our review, "other entities" are local governmental entities other than those enumerated in Section 218.39, Florida Statutes. The only other entity considered for this review project was the West Florida Regional Planning Council.

<sup>22</sup> DFS Rules, Chapter 69I-5, FAC.

rules,<sup>23</sup> we selected a sample of 60 of the 240 financial reporting packages we received as of June 30, 2018, and performed completeness reviews.

We found that most of the 60 financial reporting packages included audited financial statements, schedules, and notes thereto; the required independent auditor's reports on the basic financial statements and on internal control and compliance; and other information required by GAAP, GAGAS, the FSAA, DFS rules, and Auditor General rules. However, we also noted that:

- Auditors, for 11 of the 58 applicable financial reporting packages, reported incorrect dollar thresholds for distinguishing Type A and Type B State projects on the schedule of findings and questioned costs because the auditors did not calculate the thresholds in accordance with DFS rules.<sup>24</sup> As the DFS risk-assessment process requires auditors to consider the threshold in determining major State projects and selecting the State projects to audit, threshold miscalculations could cause auditors to overlook high-risk State projects, reducing the audit's effectiveness and accountability over the projects.
- Auditors, for 10 of the 20 applicable financial reporting packages, did not comply with the requirement in State law<sup>25</sup> and Auditor General rules<sup>26</sup> to include an independent auditor's management letter or, if there were no items related to State financial assistance required to be reported in a management letter, to indicate in the schedule of findings and questioned costs that a management letter was not required. Management letters communicate, of record, to those charged with governance, audit findings and recommendations to remedy the findings. If an auditor determines that a management letter is not required, a statement in the schedule of findings and questioned costs documents that determination for the financial reporting package user.

**Recommendation: Audited entities and their auditors should ensure that financial reporting packages contain all the required information presented in accordance with applicable laws and rules.**

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

Pursuant to Section 11.45, Florida Statutes, the Auditor General conducts audits of governmental entities and performs other engagements to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The objectives of this project were to determine whether the financial reporting packages filed with us for nonprofits, for-profits, and other entities that met the Florida Single Audit Act (FSAA) threshold:

- Complied with generally accepted accounting principles, generally accepted governmental auditing standards (GAGAS), the FSAA,<sup>27</sup> Department of Financial Services (DFS) rules,<sup>28</sup> and Auditor General rules.<sup>29</sup>

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<sup>23</sup> Chapters 10.550 and 10.650, Rules of the Auditor General.

<sup>24</sup> DFS Rule 69I-5.008(2) and (3), FAC.

<sup>25</sup> Section 215.97(2)(e), Florida Statutes.

<sup>26</sup> Section 10.656(3)(e), Rules of the Auditor General.

<sup>27</sup> Section 215.97, Florida Statutes.

<sup>28</sup> DFS Rules, Chapter 69I-5, FAC.

<sup>29</sup> Chapters 10.550 and 10.650, Rules of the Auditor General.

- 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 240 financial reporting packages filed with us as of June 30, 2018, for nonprofits, for-profits, and other entities that met the FSAA audit threshold for fiscal years ended October 1, 2016, through September 30, 2017. For the purpose of our review, “other entities” are local governmental entities other than those enumerated in Section 218.39, Florida Statutes. The results of our review of local governmental entity compliance with FSAA reporting requirements for the entities enumerated in Section 218.39, Florida Statutes, will be the subject of a separate report.

Our review of the financial reporting packages included in the scope of this project 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Our review was necessarily limited to the contents of the financial reporting packages filed with us and did not extend to an examination of the CPAs’ working papers or a determination of whether the auditors followed all applicable GAGAS in the actual conduct of the audits. Because our review was limited to the content of the financial reporting packages filed with 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.

## ***AUTHORITY***

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Section 215.97(12)(f), Florida Statutes, requires 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 Department of Financial Services rules and Auditor General rules. Pursuant to the provisions of State law, I have directed that this report be prepared to present the results of our review of nonprofit, for-profit, and other entity financial reporting packages for fiscal years ended October 1, 2016, through September 30, 2017.



Sherrill F. Norman, CPA  
Auditor General

## **EXHIBIT A**

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### **NONPROFIT, FOR-PROFIT, AND OTHER ENTITIES FINANCIAL REPORTING PACKAGES FILED AFTER 9-MONTH DEADLINE**

**FOR FISCAL YEARS ENDED OCTOBER 1, 2016, THROUGH SEPTEMBER 30, 2017**

<b>Entity</b>	<b>Package Received</b>	<b>Number of Days Late</b>
1 Monique Burr Foundation for Children, Inc.	05/21/2018	233
2 Tampa Family Health Centers, Inc.	03/08/2018	67
3 Liga Contra El Cancer, Inc.	11/10/2017	41
4 Clay County Council on Aging, Inc.	11/01/2017	38
5 St. Johns County Council on Aging, Inc.	10/29/2017	29
6 Bond Community Health Center, Inc.	04/09/2018	10
7 Senior Connection Center, Inc.	10/10/2017	10
8 Voices for Children Foundation, Inc.	04/06/2018	7



## EXHIBIT B

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**NONPROFIT, FOR-PROFIT, AND OTHER ENTITIES  
FINANCIAL REPORTING PACKAGES  
FILED MORE THAN 45 DAYS AFTER  
FINANCIAL REPORTING PACKAGE DELIVERED TO THE AUDITEE  
FOR FISCAL YEARS ENDED OCTOBER 1, 2016, THROUGH SEPTEMBER 30, 2017**

Entity	Number of Days Package	
	Filed After Delivery to Auditee	Filed Late
1 Citrus Research and Development Foundation	202	157
2 Florida Health Sciences Center	181	136
3 University of North Florida Foundation	177	132
4 Embry-Riddle Aeronautical University, Inc.	172	127
5 University of Florida Foundation, Inc.	167	122
6 University of South Florida Foundation Inc.	164	119
7 Florida State University Foundation, Inc.	138	93
8 Florida Atlantic University Foundation	124	79
9 David Lawrence Mental Health Center, Inc.	104	59
10 CareerSource Florida, Inc.	91	46
11 University of Central Florida Foundation, Inc.	89	44
12 Mid-Florida Area Agency on Aging, Inc.	77	32
13 Florida Institute of Technology	76	31
14 AMIKids Inc. f/k/a Associated Marine Institutes	68	23
15 Saluscare, Inc. f/k/a Lee Mental Health Center	68	23
16 Florida Institute for Human and Machine Cognition, Inc.	57	12
17 Navy Federal Credit Union	56	11