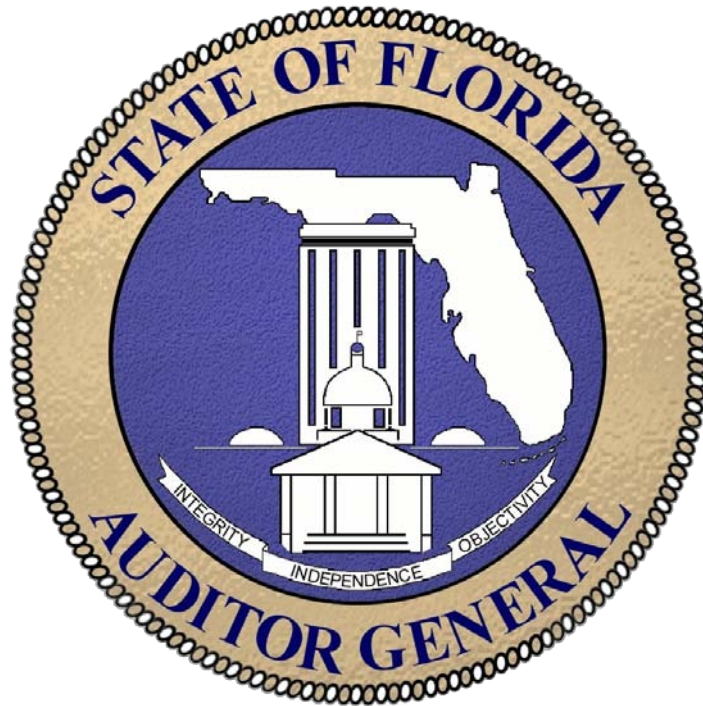


**RULES
OF THE
AUDITOR GENERAL**



**CHAPTER 10.550
LOCAL GOVERNMENTAL ENTITY AUDITS
EFFECTIVE 9-30-10**

RULES OF THE AUDITOR GENERAL
CHAPTER 10.550

TABLE OF CONTENTS

<u>Rule Section</u>	<u>Description</u> _____	<u>Page No.</u>
	PREFACE TO RULES	-iii-
10.551	PURPOSE	1
10.552	RULES OF CONSTRUCTION	2
10.553	PUBLICATIONS INCORPORATED BY REFERENCE	3
10.554	DEFINITIONS	4
10.556	SCOPE OF THE ANNUAL FINANCIAL AUDIT AND <i>FLORIDA SINGLE AUDIT ACT</i> AUDIT	10
10.557	AUDIT REPORT	12
10.558	DELIVERY OF AUDIT REPORT AND AUDITEE'S RESPONSE	17
10.559	EFFECTIVE DATE	18

PREFACE TO RULES

Audits of certain "local governmental entities" are required by Florida Statutes. These various statutes may (and certain of the statutes do) describe who or what is to be audited; describe when, where, how, and by whom the audits are to be made; and require that certain standards and procedures be followed.

Certain of these statutes use various terms that may have common meanings. However, a number of these terms such as "State single audit," "financial audit," "management letter," "county agency," and "local governmental entity" have statutory definitions. When defined by statute, the statutory definitions prevail over other definitions.

Auditors are cautioned that, in general, these Rules neither repeat nor paraphrase the statutory provisions. Hence, knowledge of statutory provisions is the responsibility of individual auditors.

These Rules are intended to and do implement, interpret, or make specific certain statutory provisions that are within the authority of the Auditor General to implement, interpret, or make specific. However, the Rules are not intended to supersede, nor do the Rules impinge on, the authority of the Board of Accountancy in the regulation of the practice of accountancy as authorized by Chapter 473, Florida Statutes.

These Rules are intended to implement the provisions of Section 218.39, Florida Statutes, which prescribes the requirements for financial audits, and Section 215.97, Florida Statutes, which prescribes the requirements for *Florida Single Audit Act* audits. Where applicable, the contents of the audit report required by Rule 10.557(3) to be submitted by each local governmental entity shall include the reports and related financial information required for an audit conducted pursuant to the Federal *Single Audit Act Amendments of 1996*, as well as the reports and information specified for financial and *Florida Single Audit Act* audit reports. It is the intent of these Rules that the auditor shall combine required reports and schedules to the extent possible under these laws and shall avoid including duplicate findings in the various reports, schedules, and management letter.

Sections 215.97(2)(a) and 215.97(8)(a), Florida Statutes, provide that each nonstate entity that expends a total amount of state financial assistance equal to or in excess of \$500,000 in any fiscal year of such nonstate entity shall be required to have an audit for such year in accordance with the Florida Single Audit Act.

Section 218.31(1), Florida Statutes, defines a local governmental entity, for purposes of Section 218.39, Florida Statutes, to mean a county agency, municipality, or special district but not a housing authority established under Chapter 421, Florida Statutes. Section 215.97(2)(j), Florida Statutes, defines a local governmental entity, for purposes of the *Florida Single Audit Act*, to include, in addition to a county as a whole, municipality, and special district, any other entity (other than a district school board, charter school, community college, or public university) that independently exercises any type of governmental function within the State. Entities required to have audits in accordance with the *Florida Single Audit Act* 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, shall comply with these rules except that the management letter is required to include only the items prescribed by Rule 10.554(1)(i)4. and 5., and the scope of such audits shall not be required to include the use of financial condition assessment procedures as prescribed by Rule 10.556(7).

***Note: All statutory references are to the 2010 Florida Statutes.**

History: New 06-30-92
 Last Amended 09-30-10

10.551 PURPOSE

- (1) Local governmental entities located in Florida are, in general, required by Florida law (Section 218.39, Florida Statutes) to have an annual "financial audit." Under the Federal *Single Audit Act Amendments of 1996* and United States Office of Management and Budget (OMB) *Circular No. A-133*, a local governmental entity may also be required to have an annual audit of Federal awards.
- (2) The Comptroller General of the United States has adopted professional auditing standards for the audit of entities, including "local governmental entities," receiving Federal awards. These standards are contained in the publication entitled *Government Auditing Standards* (July 2007 Revision), and amendments thereto.
- (3) Under the *Florida Single Audit Act* (Section 215.97, Florida Statutes) and Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, *Schedule of Expenditures of State Financial Assistance*, a local governmental entity may also be required to have an annual audit of State financial assistance. The audit threshold defined in Rule 10.554(1)(b) applies to audits of State financial assistance. Under Florida law, a local governmental entity "financial audit" would include an audit of State financial assistance.
- (4) The Auditor General has adopted the auditing standards set forth in *Government Auditing Standards* (July 2007 Revision) as the standards for auditing local governmental entities pursuant to Florida law. Hence, the same auditing standards are applicable to Federal awards audits, State financial assistance audits, and financial audits required by Florida law and should eliminate duplication of audit activity.
- (5) There are statutory differences between Federal and Florida audit requirements as to what is to be audited. There may also be differences in the way similar terms are defined in Federal law and Florida law. Auditors must preserve these distinctions.
- (6) The purpose of these Rules is to implement, interpret, or make specific various provisions of Sections 11.45, 215.97, and 218.39, Florida Statutes.
- (7) These Rules will also form the basis of the review of local governmental entity audit reports and financial reporting packages pursuant to Sections 11.45(7)(b) and 215.97(11)(f), Florida Statutes.

General Authority and Law Implemented - Sections 11.45 and 215.97, Florida Statutes.

History: New 08-01-86

Last Amended 09-30-09

10.552 **RULES OF CONSTRUCTION**

- (1) Applicable provisions of Florida law and expressed provisions of these Rules shall prevail over conflicting provisions of material incorporated by reference.

- (2) Audits of non-Federal resources shall be guided by Florida law and these Rules, and audits of Federal awards shall be guided by Federal law and applicable provisions of Florida law.

General Authority and Law Implemented - Sections 11.45 and 215.97, Florida Statutes.

History: New 08-01-86

 Last Amended 09-30-08

10.553 PUBLICATIONS INCORPORATED BY REFERENCE

For purposes of these Rules, the following material is incorporated by reference and shall be followed when applicable.

- (1) *Codification of Governmental Accounting and Financial Reporting Standards* as promulgated by the Governmental Accounting Standards Board (GASB) effective for the fiscal year ended September 30, 2010.
- (2) *Codification of Statements on Auditing Standards* as promulgated by the American Institute of Certified Public Accountants effective for the fiscal year ended September 30, 2010.
- (3) *Government Auditing Standards* (July 2007 Revision) published by the Comptroller General of the United States, and amendments thereto, effective for the fiscal year ended September 30, 2010.
- (4) *Audit and Accounting Guide -- State and Local Governments* promulgated by the American Institute of Certified Public Accountants effective for the fiscal year ended September 30, 2010.
- (5) *Audit and Accounting Guide -- Health Care Organizations* promulgated by the American Institute of Certified Public Accountants effective for the fiscal year ended September 30, 2010.
- (6) *Audit Guide – Government Auditing Standards and Circular A-133 Audits* promulgated by the American Institute of Certified Public Accountants, effective for the fiscal year ended September 30, 2010.
- (7) The Federal *Single Audit Act Amendments of 1996*, Public Law 104-156 (31 U.S.C.A., ss. 7501 to 7507).
- (8) United States OMB *Circular No. A-133* effective for the fiscal year ended September 30, 2010.
- (9) *Accounting Standards Codification* as promulgated by the Financial Accounting Standards Board (FASB), effective for the fiscal year ended September 30, 2010.
- (10) Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, *Schedule of Expenditures of State Financial Assistance*.

General Authority and Law Implemented - Sections 11.45 and 215.97, Florida Statutes.

History: New 08-01-86
Last Amended 09-30-10

10.554

DEFINITIONS

- (1) As used in these Rules, the term:
- (a) "Affidavit" means the affidavit required by Section 163.31801, Florida Statutes, for local governmental entities that adopted an impact fee by ordinance or resolution.
 - (b) "Audit threshold" means the threshold amount used to determine when a State single audit or a project-specific audit of a nonstate entity shall be conducted in accordance with Section 215.97, Florida Statutes. Each nonstate entity that expends a total amount of State financial assistance equal to or in excess of \$500,000 in any fiscal year of such nonstate entity is required to have a State single audit, or a project-specific audit, for such fiscal year in accordance with the requirements of Section 215.97, Florida Statutes. [Section 215.97(2)(a), Florida Statutes]
 - (c) "Auditor" means an independent certified public accountant licensed pursuant to Chapter 473, Florida Statutes, and retained and paid by a local governmental entity to perform an audit pursuant to Sections 218.39(1) and 215.97(8), Florida Statutes.
 - (d) "County agency" means a board of county commissioners or other legislative and governing body of a county, however styled, including that of a consolidated or metropolitan government, a clerk of the circuit court, a separate or ex officio clerk of the county court, a sheriff, a property appraiser, a tax collector, a supervisor of elections, or any other officer in whom any portion of the fiscal duties of the above are under law separately placed. [Section 11.45(1)(b), Florida Statutes]
 - (e) "County audit report" means a single document that includes a financial audit of the county as a whole and, for each county agency other than a board of county commissioners, an audit of its financial accounts and records, including reports on internal controls and compliance, management letters, and financial statements as required by Rule 10.557. In addition, if a board of county commissioners elects to have a separate financial audit of its financial accounts and records, such separate audit shall be in the manner required by these rules, and included in the county audit report. [Section 218.39(2), Florida Statutes.]
 - (f) "Deteriorating financial condition" means a circumstance determined as of the fiscal year end that significantly impairs a local governmental entity's ability to generate enough revenues to meet its expenditures without causing a condition described in Section 218.503(1), Florida Statutes, to occur.
 - (g) "Generally accepted accounting principles" means those generally accepted accounting principles, as defined by the *GASB Codification of Governmental Accounting and Financial Reporting Standards*, Section 1000 *The Hierarchy of Generally Accepted Accounting Principles*.
 - (h) "Government auditing standards" means those audit standards set forth in the publication *Government Auditing Standards* (July 2007 Revision), issued by the Comptroller General of the United States.

- (i) "Management letter" means a statement of the auditor's comments and recommendations. This letter must be prepared and included as a part of each audit report pursuant to Section 218.39(4), Florida Statutes, and Rule 10.557(3). Unless otherwise required to be reported in the auditor's report on internal control and compliance or schedule of findings and questioned costs (see Rule 10.554(1)(l)), the management letter shall include, but not be limited to:
1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report not otherwise addressed in the auditor's report pursuant to Rule 10.557(3)(b)2.
 2. A statement as to whether or not the local governmental entity complied with Section 218.415, Florida Statutes, regarding the investment of public funds.
 3. Any recommendations to improve the local governmental entity's financial management.
 4. Violations of provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential.
 5. For matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:
 - a. Violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse.
 - b. Deficiencies in internal control that are not significant deficiencies.
 6. The name or official title and legal authority for the primary government and each component unit of the reporting entity as defined in publications cited in Rule 10.553, unless disclosed in the notes to the financial statements. Legal authority includes the general law, special acts, ordinances, resolutions, or other means by which the local governmental entity was created and is governed. For county agencies, legal authority disclosure shall include a reference to a county charter, if applicable.
 7. For counties as a whole, municipalities, and special districts only:
 - a. A statement as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. [See also Rule 10.558(1)]
 - b. A statement as to whether or not the financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual

financial audit report for the current audit period and, if not, explanations of any significant differences.

- c. The following information regarding the auditor's application of financial condition assessment procedures pursuant to Rule 10.556(7):
 - 1) A statement that the auditor applied financial condition assessment procedures pursuant to Rule 10.556(7).
 - 2) If a deteriorating financial condition(s) is noted, a statement that the local governmental entity's financial condition is deteriorating and a description of conditions causing the auditor to make this conclusion. If the auditor has reported that the local governmental entity has met one or more of the conditions specified in Section 218.503(1), Florida Statutes (see a., above), this statement shall indicate whether such condition(s) resulted from a deteriorating financial condition(s). Findings regarding deteriorating financial conditions shall be prepared in accordance with Rule 10.557(4)(d).
- d. If appropriate, a statement indicating the failure of a special district that is a component unit of a county, municipality or special district, to provide the financial information necessary to a proper reporting of the component unit within the audited financial statements of the county, municipality, or special district. [Section 218.39(3)(b), Florida Statutes]

8. For clerks of the courts only, a statement as to whether or not the clerk of the courts complied with the requirements of Sections 28.35 and 28.36, Florida Statutes.

Note: A Compliance Supplement is available on the Auditor General Web site to assist auditors with this requirement.

- (j) "Pass-through entity" means a local governmental entity that provides State financial assistance to a subrecipient to carry out a State project.
- (k) "Schedule of Expenditures of State Financial Assistance" means a schedule prepared in accordance with the requirements of Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, *Schedule of Expenditures of State Financial Assistance*.
- (l) "Schedule of Findings and Questioned Costs relating to State Financial Assistance" means a schedule prepared by the auditor and included as part of each audit report submitted pursuant to Section 215.97(8)(g), Florida Statutes. The schedule shall include:
 - 1. A summary of the auditor's results, which shall include:
 - a. The type of report the auditor issued on the financial statements of the auditee (i.e., unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion);

- b. Where applicable, a statement that significant deficiencies or material weaknesses in internal control were disclosed by the audit of the financial statements;
 - c. A statement as to whether the audit disclosed any noncompliance that was material to the financial statements of the auditee;
 - d. Where applicable, a statement that significant deficiencies or material weaknesses in internal control over major State projects were disclosed by the audit;
 - e. The type of report the auditor issued on compliance for major State projects (i.e., unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion);
 - f. A statement as to whether the audit disclosed any audit findings that the auditor was required to report under Rule 10.557;
 - g. An identification of major State projects; and
 - h. The calculated dollar threshold used to distinguish between Type A and Type B projects as described in Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, *Schedule of Expenditures of State Financial Assistance*.
2. Findings relating to the financial statements that are required to be reported in accordance with government auditing standards.
3. Findings and questioned costs for State financial assistance, which shall include audit findings as described in Rule 10.554(1)(l)4.
- a. Audit findings (e.g., internal control findings, compliance findings, questioned costs, or fraud) that relate to the same issue shall be presented as a single finding. Where practical, audit findings shall be organized by State awarding agency or pass-through entity.
 - b. Audit findings reported under (l)2. and (l)3.a. of this subsection, shall clearly indicate whether they relate to the financial statements and State financial assistance, respectively, and shall be reported in a manner that avoids duplication of findings within the schedule.
4. The following audit findings:
- a. Deficiencies in internal control over major State projects that are determined to be a material weakness either individually or in combination. Material weaknesses may include reportable conditions in internal controls that are referred to in Section 215.97(8)(i), Florida Statutes. The auditor's determination of whether a deficiency in internal control is a material weakness is in relation to a type of compliance requirement for a major State

project or an audit objective identified in the compliance supplement.

- b. Deficiencies in internal control over major State projects that are determined to be significant deficiencies. Significant deficiencies may include reportable conditions in internal controls that are referred to in Section 215.97(8)(i), Florida Statutes. The auditor's determination of whether a deficiency in internal control is a significant deficiency is in relation to a type of compliance requirement for a major State project or an audit objective identified in the compliance supplement.
- c. Material noncompliance with laws, regulations, and provisions of contracts or grant agreements related to a major State project. The auditor's determination of whether a noncompliance with laws, regulations, or provisions of contracts or grant agreements is material for the purpose of reporting an audit finding in this schedule is in relation to a type of compliance requirement for a major State project or an audit objective identified in the compliance supplement.
- d. Known questioned costs that are greater than \$10,000 for a type of compliance requirement for a major State project. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor shall also report known questioned costs when likely questioned costs are greater than \$10,000 for a type of compliance requirement for a major State project. In reporting questioned costs, the auditor shall include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.
- e. Known questioned costs that are greater than \$10,000 for a State project that is not audited as a major State project. Except for audit follow-up, the auditor is not required to perform audit procedures for such a State project; therefore, the auditor will normally not find questioned costs for a project that is not audited as a major State project. However, if the auditor does become aware of questioned costs for a State project that is not audited as a major State project (e.g., as part of audit follow-up or other audit procedures) and the known questioned costs are greater than \$10,000, then the auditor shall report this as an audit finding.
- f. The circumstances concerning why the auditor's report on compliance for major State projects is other than an unqualified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs relating to State financial assistance.

- g. Known fraud affecting a major State project, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs relating to State financial assistance. This does not require the auditor to make an additional reporting when the auditor confirms that the fraud was reported outside of the auditor's reports under the direct reporting requirements of government auditing standards.
 - h. Instances where the results of auditor follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee in accordance with Rule 10.557(3)(d)5. materially misrepresents the status of any prior audit finding.
- (m) "Summary Schedule of Prior Audit Findings" means a schedule that reports the status of any audit findings included in the prior audit's schedule of findings and questioned costs relating to State financial assistance. The summary schedule shall also include audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected or no longer valid or not warranting further action.
1. When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken.
 2. When audit findings were not corrected or were only partially corrected, the summary schedule shall describe the planned corrective action as well as any partial corrective action taken.
 3. When corrective action taken is significantly different from corrective action previously reported in a corrective action plan, the summary schedule shall provide an explanation.
 4. When the auditee believes the audit findings are no longer valid or do not warrant further action, the reasons for this position shall be described in the summary schedule. A valid reason for considering an audit finding as not warranting further action is that two years have passed since the audit report in which the finding occurred was submitted to the State awarding agency and the State awarding agency or pass-through entity is not currently following up with the auditee on the audit finding.

10.556 SCOPE OF THE ANNUAL FINANCIAL AUDIT AND *FLORIDA SINGLE AUDIT ACT* AUDIT

- (1) It is the intent of these Rules to make "government auditing standards" applicable in the State of Florida to audits of local governmental entities required to be audited pursuant to Section 218.39(1) or 215.97, Florida Statutes.
- (2) The scope of a "financial audit" shall include:
 - (a) An examination of financial statements to express an opinion on the fairness with which they present financial position, and changes in financial position, in conformity with generally accepted accounting principles.
 - (b) An examination to determine whether operations are properly conducted in accordance with legal and regulatory requirements.
 - (c) An examination of any additional financial information necessary to comply with generally accepted accounting principles.
- (3) For entities other than county agencies, the financial statements referred to in subparagraph (2)(a), above, are basic financial statements as identified by Section 2200.102(b) of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. In addition, the basic financial statements should be accompanied by: (1) management's discussion and analysis, as identified by Section 2200.102(a) of the GASB *Codification of Governmental Accounting and Financial Reporting Standards* and (2) other required supplementary information, as identified by Section 2200.102(c) of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*.
- (4) For the separate audits of boards of county commissioners and other county agencies (see Rule 10.554(1)(d)), the financial statements referred to in subparagraph (2)(a), above, are the fund financial statements (GASB Statement 34, paragraphs 6b(2) and 63 through 112), except that the reconciliations referred to in GASB Statement 34, paragraphs 77, 85, 90, and 104, are not required. If a county agency elects to present government-wide financial statements (GASB Statement 34, paragraph 6b(1)), in addition to the required fund financial statements, the reconciliation required by GASB Statement 34, paragraph 77, shall be presented for the individual county agency.
- (5) The scope of the audit shall also include any additional activities necessary to establish compliance with the term "financial statement audit" as defined and used in *Government Auditing Standards* (July 2007 Revision).
- (6) When applicable, the scope of the audit shall encompass the additional activities necessary to establish compliance with the Federal *Single Audit Act Amendments of 1996*, Public Law 104-156 (31 U.S.C.A., ss. 7501 to 7507); United States OMB *Circular No. A-133*; other applicable Federal law; and the *Florida Single Audit Act*.

- (7) The scope of the audit shall include the use of financial condition assessment procedures in determining whether deteriorating financial conditions exist pursuant to Section 218.39(5), Florida Statutes. The auditor may use the financial condition assessment procedures developed by the Auditor General or appropriate alternative financial condition procedures. Financial condition assessment procedures developed by the Auditor General are available on the Auditor General Web site. The financial condition assessment shall be done as of the fiscal year end; however, the auditor shall give consideration to subsequent events, through the date of the audit report, that could significantly impact the local governmental entity's financial condition.

General Authority and Law Implemented - Sections 11.45 and 215.97, Florida Statutes.

History: New 08-01-86

Last Amended 09-30-10

10.557 **AUDIT REPORT**

- (1) To the extent possible, the auditor shall combine required reports and schedules and shall avoid including duplicate findings in the various reports, schedules, and management letter.
- (2) Each audit report shall comply with the applicable reporting standards as contained in the publications referenced in Rule 10.553.
- (3) Each audit report submitted pursuant to Sections 218.39(8) and 215.97(8)(g), Florida Statutes, and this Chapter, must be a single document and contain at least the following:
 - (a) A table of contents.
 - (b) The auditor's reports on:
 1. The basic financial statements as described in Rule 10.556(3) and (4), as applicable. The report shall include at a minimum:
 - a. A statement as to whether the basic financial statements are presented in accordance with generally accepted accounting principles;
 - b. Expressions of opinions regarding the financial statements or an assertion to the effect that an opinion(s) cannot be expressed including the reasons therefor; and
 - c. A statement that the audit was conducted in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* (July 2007 Revision), issued by the Comptroller General of the United States.
 2. Internal control and compliance. The report must include at a minimum:
 - a. The scope of the auditor's testing of internal control over financial reporting;
 - b. The scope of the auditor's testing of compliance with laws, regulations, and provisions of contracts or grant agreements; and
 - c. The auditor's findings and recommendations resulting from those tests, including (1) material weaknesses in internal control; (2) significant deficiencies in internal control; (3) instances of fraud and illegal acts unless inconsequential to the financial statements; and (4) violations of provisions of contracts or grant agreements, or abuse, that could have a material effect on the financial statements.
 - (c) Any other auditor's reports and related financial information required pursuant to the Federal *Single Audit Act Amendments of 1996*, Public Law 104-156

(31 U.S.C.A., ss. 7501 to 7507); United States OMB *Circular No. A-133*; and other applicable Federal law.

- (d) For counties as a whole, municipalities, and special districts, auditor's reports and related financial information required pursuant to the *Florida Single Audit Act* and these Rules as described below. These reports and information may be combined with the similar reports and information required by the Federal *Single Audit Act Amendments of 1996* or OMB *Circular No. A-133*; however, the State financial assistance and related findings shall be clearly distinguished from the Federal awards and related findings in such reports and information. *Florida Single Audit Act* reports and related financial information shall include:
1. A schedule of expenditures of State financial assistance prepared in accordance with Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, *Schedule of Expenditures of State Financial Assistance*. This schedule shall be included on the schedule of expenditures of Federal awards, where applicable.
 2. A report that includes an opinion (or disclaimer of opinion) as to whether the schedule of expenditures of State financial assistance is presented fairly in all material respects in relation to the financial statements taken as a whole. This report shall include the elements prescribed by the American Institute of Certified Public Accountants *Audit Guide – Government Auditing Standards and Circular A-133 Audits*, modified as appropriate to apply to an audit conducted in accordance with the *Florida Single Audit Act* and these Rules.
 3. A report on internal control related to major State projects and on compliance with laws, regulations, and provisions of contracts or grant agreements, noncompliance with which could have a material effect on a major State project. This report shall describe the scope of testing of internal control and the results of those tests and shall include an opinion (or disclaimer of opinion) as to whether the auditee complied with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on a major State project. Where applicable, this report shall refer to the separate schedule of findings and questioned costs relating to State financial assistance (see Rule 10.554(1)(l)). The report shall include the elements prescribed by the American Institute of Certified Public Accountants *Audit Guide – Government Auditing Standards and Circular A-133 Audits*, modified as appropriate to apply to an audit conducted in accordance with the *Florida Single Audit Act* and these Rules.
 4. A schedule of findings and questioned costs relating to State financial assistance (see Rule 10.554(1)(l)).
 5. A summary schedule of prior audit findings, unless there were no prior audit findings to be reported on, in which case the auditor shall so indicate in the schedule of findings and questioned costs (see Rule 10.554(1)(m)).

6. A corrective action plan as defined in Section 215.97(8)(i), Florida Statutes.
- (e) The "management letter" required by Sections 218.39(4), 215.97(9)(f), and 215.97(10)(d), Florida Statutes, and defined in Rule 10.554(1)(i). Separate management letters are required for the county as a whole and for each county agency for which a separate audit was conducted pursuant to Section 218.39(2), Florida Statutes. The management letter for the county as a whole shall include all the elements of a management letter as prescribed in Rule 10.554(1)(i), while the separate county agency management letters shall include all the elements of a management letter as prescribed in Rule 10.554(1)(i) except as otherwise indicated in Rules 10.554(1)(i)7. and 8. For those findings that are specific to a particular county agency, the management letter for the county as a whole may make reference to the separate county agency management letters rather than duplicating such findings included in the separate county agency management letters.
 - (f) A "management's discussion and analysis" as required by GASB Statement 34, paragraphs 6a and 8 through 11, except that the "management's discussion and analysis" is not required for the separate audits of county agencies (see Rule 10.554(1)(e)).
 - (g) The basic financial statements and other required supplementary information as described in Rules 10.556(3) and (4). Reporting options allowed by generally accepted accounting principles shall be applied consistently for the countywide and individual county agency financial statements, and among the county agencies within a particular county. The notes to the financial statements shall include the disclosures required by Section 2300 of the *GASB Codification of Governmental Accounting and Financial Reporting Standards*, except as provided in (h), below.
 - (h) The notes to the financial statements presented in the separate audits of county agencies may supplement rather than duplicate the notes to the financial statements included in the countywide financial statements. If a particular disclosure for a county agency is adequately presented in the notes to the countywide financial statements, disclosure may be made in the notes to the county agency financial statements by reference to the notes to the countywide financial statements. The notes to the financial statements of a county agency shall include disclosures related to capital assets and long-term liabilities, regardless of whether government-wide financial statements are presented for the county agency.
 - (i) Required supplementary information for separate audits of county agencies shall include a budgetary comparison schedule as required by Section 2200.182 and 2200.183 of the *GASB Codification of Governmental Accounting and Financial Reporting Standards* Statement 34, paragraphs 6c, 130, and 131, unless presented as part of the basic financial statements.
 - (j) The written statement of explanation or rebuttal required by Rule 10.558(1).
 - (k) For local governmental entities that adopted an impact fee by ordinance or resolution during the fiscal year, an "affidavit" signed and sworn to by the Chief Financial Officer before an officer authorized to administer oaths (e.g., notary

public), stating that the entity complied with the requirements of Section 163.31801, Florida Statutes.

- (4) Other reporting requirements:
- (a) Known fraud or other illegal acts that have occurred affecting a Federal award shall be included as an audit finding in the Schedule of Findings and Questioned Costs for Federal Awards, unless the auditor confirms the fraud was reported to appropriate officials outside of the auditor's report, as prescribed by United States OMB *Circular No. A-133*.
 - (b) If the auditor has reason to believe that fraud or other illegal acts have occurred, the auditor shall be guided by the procedures for notification described in *Government Auditing Standards* (July 2007 Revision).
 - (c) The financial statements included in the separate county agency audit report as described in Rule 10.557(3) are special purpose financial statements that do not constitute a complete presentation of a county but otherwise constitute financial statements prepared in conformity with generally accepted accounting principles. Separate financial statements prepared for the board of county commissioners shall include any component units of the board of county commissioners. Auditor's reports on county agency financial statements shall be prepared in accordance with the Codification of Statement on Auditing Standards, AU Section 623.22a, promulgated by the American Institute of Certified Public Accountants. All county agency audit reports shall be included in the county audit report submitted to the Auditor General pursuant to Sections 218.39(8) and 215.97(8)(g), Florida Statutes.
 - (d) Audit findings contained in reports, schedules, and management letters must include the following specific information:
 - 1. The criteria or specific requirement upon which the audit finding is based, including statutory, regulatory, or other citation.
 - 2. The condition found, including facts that support the condition identified in the audit finding.
 - 3. The cause, or the reason or explanation for the condition or the factor(s) responsible for the difference between the situation that exists (condition) and the required or desired state (criteria).
 - 4. The effect or potential effect (i.e., outcome or consequence) of the condition. This should include information to provide proper perspective for judging the prevalence and consequences of the audit finding, such as whether the audit finding represented an isolated instance or a systemic problem. Where appropriate, instances identified shall be related to the universe and the number of cases examined, and shall be quantified in terms of dollar value.
 - 5. Recommendations to prevent future occurrences of the deficiency identified in the audit finding.
 - 6. Views of responsible officials of the local governmental entity when there is disagreement with the audit findings, to the extent practical.

7. Reference numbers for each audit finding to allow for easy referencing of the audit findings during follow-up.
- (e) Audit findings included in the schedule of findings and questioned costs related to State financial assistance must include the following additional information:
1. State project identification including the Catalog of State Financial Assistance number and year, name of the State awarding agency, and name of any applicable pass-through entity. When any such information is not available, the auditor shall provide the best information available to describe the State financial assistance.
 2. Identification of questioned costs and how they were computed.

10.558 DELIVERY OF AUDIT REPORT AND AUDITEE'S RESPONSE

- (1) To promote uniformity in the conduct of financial audits and to provide the public with the auditee's explanations of corrective action designed to prevent recurrence of any findings in the auditor's reports and management letter, a written statement of explanation or rebuttal concerning the auditor's findings and recommendations, including corrective action to be taken, must be filed with the governing body of the local governmental entity within 30 days after delivery of the auditor's findings to be included in the auditor's reports or management letter prepared pursuant to Section 218.39(4), Florida Statutes. The written statement must include corrective actions taken, or to be taken, regarding one or more conditions reported by the auditor pursuant to Rule 10.554(1)(i)7.a., or a deteriorating financial condition(s) reported pursuant to Rule 10.554(1)(i)7.c. [See Sections 218.39(6) and 218.39(8), Florida Statutes.]
- (2) The auditor shall deliver a copy of the audit report to management, each member of the governing body of the local governmental entity, each member of an audit committee charged with governance as defined in Statement on Auditing Standards Nos. 103 and 114, and the head of the governing body of all component units included in the audit. Copies of a State financial assistance recipient's audit report shall be submitted to the recipient organization, State awarding agencies, and the Auditor General. Copies of a subrecipient's audit report shall be submitted to the recipient organization that provided the State financial assistance.
- (3) Copies of the audit report required to be submitted pursuant to Sections 218.39(8) and 215.97(8)(g), Florida Statutes, including the auditee's responses thereto, and the corrective action plans required for the Federal and *Florida Single Audit Act* audits, must be submitted to the Auditor General and State awarding agencies (if applicable) within 45 days after delivery of the audit report but no later than 12 months after the end of the fiscal year of the governmental entity. One paper copy and one electronic copy of the audit report shall be submitted to the Auditor General. The State awarding agencies, if applicable, will specify the number of copies and format of the audit report required to be submitted to them. The date that the audit report was delivered to the local governmental entity must be indicated by the local governmental entity in correspondence accompanying the audit report submitted to the Auditor General. [See Section 218.39(8), Florida Statutes]

General Authority and Law Implemented - Sections 11.45 and 215.97, Florida Statutes.

History: New 08-01-86

Last Amended 09-30-10

10.559 **EFFECTIVE DATE**

These Rules, as amended, shall take effect for fiscal years ending September 30, 2010, and thereafter.

General Authority and Law Implemented - Sections 11.45 and 215.97, Florida Statutes.

History: New 08-01-86
 Last Amended 09-30-10