

STATE OF FLORIDA AUDITOR GENERAL

AUDITOR SELECTION

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Auditor General

Auditor Selection

- Legal Requirements
- Nonmandatory Guidance
- Select Auditor General Questions and Answers
- Sample Auditor Selection Findings

Legal Requirements

Section 218.391, Florida Statutes, contains requirements for selecting auditors to conduct annual financial audits pursuant to Section 218.39, Florida Statutes.

- Auditor Selection Committee:
 - Established by the governing body of each county, municipality, special district, district school board, charter school, and charter technical center.
 - Purpose is to assist governing body in selecting auditor for annual financial audit required by Section 218.39, Florida Statutes; however, the committee may serve other audit oversight purposes.
 - Chapter 2019-15, Laws of Florida, replaced “audit committee” with “auditor selection committee” in recognition that an audit committee serves other functions beyond selecting an auditor.

Legal Requirements

- Auditor Selection Committee Composition:
 - County: At a minimum, each of the elected county officers, or their respective designees, and one member of the board of county commissioners or designee.
 - Municipality, special district, district school board, charter school, charter technical career centers: One member must be governing body member, who shall serve as chair.
 - Membership Prohibitions:
 - Employee of governmental entity.
 - Chief Executive Officer (CEO).
 - Chief Financial Officer (CFO)
 - However, an employee, CEO, or CFO may serve in advisory capacity.

Legal Requirements

- Auditor Selection Committee duties:
 - Establish factors to use for the evaluation of audit services to be provided by a certified public accounting (CPA) firm duly licensed under Chapter 473, Florida Statutes, and qualified to conduct audits in accordance with government auditing standards (GAS). Factors shall include, but are not limited to:
 - Ability of personnel
 - Experience.
 - Ability to furnish required services.
 - Other factors as may be determined by the committee.
 - Publicly announce requests for proposals (RFP). Public announcements must include, at a minimum, brief description of audit and indicate how interested firms can apply for consideration.

Legal Requirements

- Provide interested firms with RFP, which shall include information on how RFP are to be evaluated (i.e., selection criteria) and other information necessary for the firm to prepare a proposal.
- Evaluate proposals provided by qualified firms. Compensation cannot be the predominant factor used to evaluate proposals.
- Rank and recommend in order of preference no fewer than 3 firms deemed to be most highly qualified. If less than 3 firms respond to RFP, committee shall rank and recommend that responses it does receive.

Legal Requirements

- Select one of the firms recommended by the committee and negotiate a contract using one of the following methods:
 - If compensation is not an RFP factor, the governing body (note: selection responsibility now passes from committee to governing body) shall negotiate a contract with first-ranked firm.
 - If governing body is unable to negotiate a satisfactory contract with the firm, negotiations with that firm shall be formally terminated.
 - Governing body then moves to next highest ranked firm (as ranked by committee).
 - Governing body may reopen formal negotiations with any of the three top-ranked firms but may not negotiate with more than one firm at a time.
 - If compensation is an RFP factor, governing body shall select the highest-ranked firm or must document in its public records the reason for not selecting.

Legal Requirements

- The governing body may negotiate a contract with any of the three recommended firms using an alternative negotiation method for which compensation is not the sole or predominant selection factor.
- For any negotiations, the governing body may allow a designee to conduct negotiations on its behalf.
- The method used by governing body to select a firm recommended by the committee and to negotiate a contract with such firm must ensure that the agreed-upon compensation is reasonable to satisfy the requirements of Section 218.39, Florida Statutes, and needs of governing body.
- If the governing body is unable to negotiate a satisfactory contract with any of the recommended firms, the committee shall recommend additional firms and continue negotiations, in accordance with Section 218.391, Florida Statutes, until an agreement is reached.

Legal Requirements

- Procurement of audit services shall be evidenced by a written contract.
 - Contract must embody all provisions and conditions of the procurement of audit services.
 - Engagement letter signed by both parties constitutes a contract.
 - Written contract, at a minimum, must include provisions that require:
 - Specified services to be provided and fees or other compensation for such services.
 - Invoices for fees or other compensation be submitted in sufficient detail to demonstrate compliance with terms of the contract.
 - Specified contract period, including renewals, and conditions under which the contract may be terminated or renewed.
 - Contracts may be renewed.
 - Renewals may be done without use of auditor selection procedures.
 - Renewals shall be in writing.

Question 1: Which of the following cannot serve on an auditor selection committee?

- A. Governing body chair
- B. Retired CPA residing in community
- C. Finance Director

Nonmandatory Guidance

- Auditor Selection Committees Composition and Size ^a
 - Ideally, all members of the committee should possess or obtain a basic understanding of governmental financial reporting and auditing.
 - Committee should also have access to services of at least one financial expert.
 - For governmental entities experiencing difficulty in acquiring financial expertise, alternative means of acquiring such expertise include, but are not limited to:
 - Obtaining assistance from another governmental entity's CFO.
 - Engaging an independent financial professional.
 - Providing a training program to committee members, including such topics as objectives of internal control, accounting, auditing, and financial reporting, to assist in making sound judgments.

^a Source: GFOA Best Practices, which refer to "audit committees;" however, the same concepts apply to "auditor selection committees." 11

Nonmandatory Guidance

- To ensure the committee's independence and effectiveness, no governing body member who exercises managerial responsibilities that fall within the scope of the audit should serve as a member.
- Committee should have sufficient members for meaningful discussion and deliberation, but not so many as to impede efficient operation.
 - As general rule, a minimum of three members is recommended.
 - Size may be constrained based upon availability of individuals who possess the desired skills and willingness to commit to perform effectively as a member, particularly regarding smaller governmental entities.
- Committee members should be educated regarding both the role of the committee and their personal responsibility as members, including their duty to exercise an appropriate level of professional skepticism.

Nonmandatory Guidance

- Committee Responsibilities ^a
 - Formal establishment of committee by charter, enabling resolution, or other appropriate legal means.
 - Committee size.
 - Definitions of committee responsibilities.
 - Qualifications for committee members.
 - Committee independence requirements. GFOA recommends that auditors report directly to committee.

^a Source: GFOA Best Practices, which refer to “audit committees;” however, the same concepts apply to “auditor selection committees.” 13

Nonmandatory Guidance

- Additional Committee Responsibilities - Should the committee be assigned audit oversight responsibilities in addition to auditor selection (i.e., the auditor selection committee also functions as an audit committee):
 - Committee should have access to the reports of any internal auditors, as well as access to any internal audit work plans. ^b
 - Committee should publish the results of its work in an annual written report to the governing body. ^b

^b Source: GFOA publication, *Governmental Accounting, Auditing, and Financial Reporting* (“Blue Book”), which refers to “audit committees;” however, the same concepts apply to “auditor selection committees.”

Nonmandatory Guidance

- Committee should monitor activity during the audit to: ^c
 - Determine whether the audit is progressing on schedule.
 - Immediately correct potential problems identified during audit.
 - Difficulties gathering information or contacting key personnel.
 - Potential fraud, waste, or abuse.
 - Circumstances that could result in a modified opinion.
- Committee should review audit reports, independent accountant reports, and management letters to gain a thorough understanding of problems identified by the auditor to provide the background necessary to resolve the problems. ^c

Nonmandatory Guidance

- Auditor Evaluation ^c
 - First step in subsequent audit procurement and identifying and recommending needed improvements in the auditor's performance.
 - Committee should periodically meet with management to discuss auditor's performance, including the auditor's:
 - Ability to meet deadlines.
 - Compliance with other contractual provisions.
 - Competence and cooperativeness of staff.
 - Thoroughness and reasonableness of audit adjustments, findings, and recommendations.

Nonmandatory Guidance

- Audit Proposal Evaluation Factors:
 - GFOA Best Practices: “The audit procurement process should be structured so that the principal factor in the selection of an independent auditor is the auditor’s ability to perform a quality audit.”
 - GFOA Handbook Suggestions:
 - Audit Firm Qualifications
 - Meets applicable independence requirements.
 - Firm license to practice in Florida.
 - Key personnel have received adequate continuing professional education.
 - Satisfactory completion of a quality control review (peer review) within the past three years.
 - History of performing quality audits.

Nonmandatory Guidance

- Technical qualifications – Two main categories, expertise/experience and audit approach, for allocating points (GFOA recommends point value ranges) in point-based allocation procurement:
 - Past experience and performance on comparable government engagements.
 - Quality of audit firm’s professional personnel to be assigned to the engagement and quality of the firm’s management support personnel.
 - Experience with specific Federal and State grant programs.
 - Information technology expertise.
 - Adequacy of proposed staffing plan (staff levels and planned hours).
 - Adequacy of sampling techniques.
 - Adequacy of analytical procedures.
 - Audit-specific requirements. For example, a government with a defined benefit local pension plan may require one or more members of the audit team to have actuarial expertise.

Question 2: Contracts must include provisions requiring all of the following except:

- A. Name of CPA firm managing partner.
- B. Detailed Invoices to evidence contract compliance.
- C. Finite contract period, including renewals.

Nonmandatory Guidance

- Use and elements of an RFP
 - GFOA Blue Book states that an effective RFP serves two purposes:
 - To provide sufficient information to potential auditors to determine whether their particular experience and resources would be a good match for the engagement.
 - To elicit sufficient information from responding audit firms to assess their ability to perform a high-quality governmental audit.
 - Public Announcement for Audit Services: To achieve the benefits of a competitive selection process, it is critical that there be sufficient responses by qualified audit firms to the RFP.
 - The method selected should provide sufficient time for the potential responders to prepare an appropriate response. The National Institute for Public Procurement (NIGP) indicates that potential service providers should be given a minimum of 14 to 30 days to prepare bids or proposals.^d

^d Source: *Public Procurement Guide for Elected and Senior Government Officials*.

Nonmandatory Guidance

- To promote competition, the method of noticing the RFP should be designed to reach as many potential providers of audit services as possible. Methods of solicitation:
 - Advertisement in local newspapers.
 - Notice in a publication of the state society of certified public accountants.
 - Inquiries of other entities in the same region.
 - Direct mailing to audit firms.

The Auditor General maintains a database of local government audit reports received, including the names of the audit firms that conducted the audits. The database may be useful for identifying and reaching potential audit firms.

Nonmandatory Guidance

- GFOA-recommended RFP elements to be considered in designing an RFP (select as appropriate):
 - How proposals will be evaluated. RFP should clearly state the selection factors:
 - The relative weights of the evaluation factors, particularly with respect to qualifications and price, when price is considered as one of the evaluation factors.
 - A statement that price will not be the sole or predominant factor to assure that highly qualified firms will receive appropriate consideration and to discourage the submission of proposals with unrealistically low prices by less qualified firms.
 - Auditor qualifications that are mandatory for all proposers.
 - Particular qualifications that will be considered more favorably (e.g., experience with particular grant programs).

Nonmandatory Guidance

- Procedures to be followed in the proposal process. The prospective proposers who will be incurring the cost of preparing and presenting a proposal will need specific information as to how to respond to the RFP.
 - The appropriate format to use in making the proposal.
 - Identification of a contact person.
 - Whether there will be a pre-proposal conference.
 - Information regarding the submission of proposed prices (i.e., audit fees), such as the form or timing of submission of the proposed audit fee or the level of detail required to support the proposed audit fee (e.g., number of hours x level of staff at set rate per hour).
 - Other aspects of the proposal process, including submission deadlines, consideration of late proposals, and notification of evaluation and auditor selection results.

Nonmandatory Guidance

- Brief description of the entity and its accounting systems and financial reporting structures. Prospective proposers require information that will provide a basis for determining the type and amount of resources that will be needed to perform the audit.
- General description of the entity, including:
 - The entity's fiscal year.
 - Services the entity provides its citizens.
 - Organizational chart and key personnel.
 - Size of the entity (e.g., geographic area, number of employees, total budget or payroll).
 - The entity's documented policies and procedures

Nonmandatory Guidance

- Fund structure and basis of accounting.
- Involvement in Federal awards programs and State financial assistance projects.
- Description of pension plans.
- Information regarding component units and joint ventures.
- Magnitude of financial operations.
- Scope of information systems, including networking, software vendors, and major applications.
- Existence, size, and scope of the internal audit function.
- Contact person for access to prior audit information.

Nonmandatory Guidance

- Known weaknesses in the entity's internal control structure. Prospective proposers will want to be made aware of significant known internal control deficiencies. This could be accomplished by providing the proposers with a copy of the prior year external audit report (including financial statements, auditor's reports, and management letters), prior year adjusting entries, and the status of prior audit report findings (corrected or uncorrected). It may also be useful to provide proposers recent relevant internal audit reports.
- Anticipated implementation problems arising from new authoritative pronouncements.
- Principal contacts inside and outside the entity, for example:
 - CEO.
 - CFO.
 - Auditor selection or audit committee members.
 - Internal audit director.
 - Grants management personnel.

1. Question 3: The Auditor General:

- A. Resolves auditor complaints about auditor selection.
- B. Maintains a listing of local government audit firms.
- C. Selects local government auditors.

Nonmandatory Guidance

- Auditor's specific reporting responsibilities/level of assurance to be required of the auditor for each type of information contained within the report. For example:
 - The audit of the financial statements of a component unit by another audit firm.
 - Federal or State Single Audit.
 - Determination of compliance with specific legal requirements, such as a report based on an examination conducted in accordance with *AICPA Professional Standards* pursuant to Auditor General Rules.
 - Management letter requirements pursuant to Auditor General Rules.
 - Annual Comprehensive Financial Report (ACFR); optional in Florida.
 - Other required supplementary information or supplementary information.

Nonmandatory Guidance

- Auditing standards required for the engagement, i.e., *Government Auditing Standards* (GAS). The RFP might include a statement to this effect to avoid any misunderstanding.
- The type and amount of assistance available from the entity. Entities can sometimes reduce the cost of their audits by providing certain assistance to the auditor.
 - The GFOA Handbook refers to various types of assistance including internal audit support, clerical support, and preparation of schedules.
 - A statement might be included acknowledging that the entity is responsible for preparing draft financial statements.

Nonmandatory Guidance

- Required audit timetable and deliverables. The GFOA Handbook recommends that RFP include the latest acceptable dates for the following:
 - Entrance conference.
 - Completion of interim fieldwork.
 - Completion of year-end fieldwork.
 - Submission of audit adjustments and draft findings.
 - Exit conference.
 - Issuance of reports.

Nonmandatory Guidance

- Additional services required of the auditor. Auditors often provide additional services beyond audit services; however, because GAS limits the ability of auditors to provide nonaudit services to an audit client, careful consideration should be given to the restrictions on such services prior to including them in the RFP. Examples of nonaudit services:
 - Assistance in preparing and filing data collection form for Federal single audits.
 - Assistance in preparing and filing annual financial report (AFR) with the Florida Department of Financial Services (DFS).

Nonmandatory Guidance

- Logistics Information.
 - Onsite workspace availability.
 - Internet access.
 - Accounting system access.
 - Protocols for provision of paper and electronic records and security requirements for such.
 - Copier/scanner access.
- Additional audit work procedures to be followed and fee basis applicable to such work. Examples of such work:
 - Additional major Federal or State programs noted during single audit.
 - Auditor assistance in preparing financial statements and notes, RSI, and SI, thereto (provided that GAS-required safeguards are in place for such nonaudit services).

Nonmandatory Guidance

- GFOA recommends that the RFP indicate that the audit scope can only be broadened with the entity's consent and that proposers indicate how the fee for additional work would be determined.
- Audit Firm Qualifications Information.
 - Overall size of firm.
 - Location and number of professional staff to perform engagement.
 - Identification and qualification of audit team members, including:
 - Names and government audit experience of the partner in charge and any other partners who will be assigned review and quality control functions.
 - Names of managers and other supervisory personnel assigned to engagement and amount of government audit experience.
 - Certification, licensure, and CPE training for each of the above.
 - Professional association membership (ex. AICPA, FICPA, FGFOA, GFOA, AGA) of each of the above.
 - Background and qualifications of other assigned staff.

Nonmandatory Guidance

- Circumstances under which staff may change. GFOA recommends that RFP clearly set forth:
 - Circumstances in which audit staff may be changed.
 - Need for new staff to meet the same level of qualifications as staff identified in RFP response.
 - Entity's right to approve or reject any such replacements.
- Requirement for auditors to furnish a formal statement that audit staff assigned to the audit are independent with respect to the audit in accordance with GAS.
- References from other entity clients.
- Most recent peer review and whether the review included government audits.
- Status of any disciplinary actions against firm by Federal or State regulators.

Question 4: Section 218.391. Florida Statutes, requires:

- A. Competitive auditor selection.
- B. Mandatory auditor rotation.
- C. Audits approved at public meeting before filing with AG.

Nonmandatory Guidance

- Anticipated Audit Approach, for example:
 - The extent of sampling techniques.
 - Approach for gaining an understanding of internal controls.
 - Approach for identifying which laws, rules, and regulations should be tested for compliance.
- Requirements applicable to working papers and cooperation with other auditors.
 - Working paper retention period.
 - Working paper accessibility to Federal and State cognizant agencies, other auditors (for group audits), and successor auditors.
- Policy toward joint proposals or use of subcontracting.
 - GFOA Handbook recommends that any subcontracting after the audit contract is awarded be subject to the entity's right to approve or reject subcontracting firms.
 - If joint proposals or subcontracting is allowed, the RFP should request proposers to identify the firm that will serve as the principal auditor.

Nonmandatory Guidance

- Right to reject proposals, demand additional information, and use unsuccessful proposals. GFOA recommends that RFP indicate that entity:
 - Retains the right to reject any or all proposals.
 - Retains the right to request additional information from proposers, and failure to provide such could result in rejection of proposal.
 - Reserves the right to retain proposals and use ideas from them.
 - Is not obligated in any manner to reimburse firms for the costs incurred in connection with the RFP response.
- Any additional language necessary to meet requirements of applicable laws and regulations.

Nonmandatory Guidance

- Use and Elements of Audit Services Contract
 - Engagement letter can serve as contract; however, it does not relieve the need to include all provisions constituting a good contract between the entity and the auditor.

Nonmandatory Guidance

- Contract elements:
 - Services to be provided: In addition to contract language required by law and *AICPA Professional Standards* requirements, the AICPA suggests elaborating on the scope of the audit to include reference to applicable legislation, regulations, GAS, and ethical and other pronouncements of professional bodies to which the auditor adheres, for example, additional work required by Auditor General Rules.
 - Invoice detail
 - If the contract identifies certain employees for which the firm will be paid at specified hourly rates, the contract should require invoices that indicate the numbers of hours worked by each employee and the agreed upon rates.
 - If the contract provides for reimbursement of certain actual costs, the contract should require invoices be accompanied by receipts or other documentation to evidence that the costs were actually incurred and were related to the audit.
 - Contract period, Renewals, and Termination

Nonmandatory Guidance

- GFOA recommends contract periods of at least 5 years.
 - Maximize continuity and minimize potential disruption by frequent auditor changes.
 - Reduced audit costs by spreading audit “start-up” costs over several years.
 - Appropriate contract length is up to the entity; however, the intent of auditor selection pursuant to State law is to ensure the selection of a qualified auditor and satisfactory audit effort. Consequently, entities should avoid establishing excessive contract periods.

Nonmandatory Guidance

- Additional GFOA-recommended contract elements:
 - Auditor independence assertion.
 - Language describing actions to be performed in the event of a disagreement as to whether certain procedures are within the scope of the contract.
 - Auditor's sole liability for claims arising from auditor's engagement performance.
 - Provisions to assure the availability of the auditor's services to aid the entity in the defense of claims that may arise as to the result of the audit work.
 - Language concerning opportunities for socially and economically disadvantaged individuals (if required by law or regulation).
 - Clarification of auditor's duty to maintain confidentiality of sensitive information.
 - Termination provisions and procedures for implementing.

Nonmandatory Guidance

- Stipulation for determining value of auditor's work if engagement terminates prior to completion.
- Requirement for entity and auditor to attempt to resolve disputes amicably.
- Requirement for formal notification to the other party in the event of a disagreement over the scope of the audit and how much notification should occur.
- Specifications for how contract terms can be waived or modified.
- Clarification that separate contract provisions are to stand alone so that failure to meet one provision does not nullify entire contract.
- Requirement for auditor to obtain and maintain professional liability insurance over the course of the engagement.
- Prohibition against the auditor delegating or subcontracting audit work without entity permission.

Select Q&A From Auditor General Guidance

Question: Are the auditor selection requirements of Section 218.391, Florida Statutes, to be applied whenever a local governmental entity (entity) contracts with a CPA firm for any audit services?

Answer: No. Section 218.391, Florida Statutes, applies only to contracting for the financial audit required by Section 218.39, Florida Statutes. However, the use of selection procedures provided for in Section 218.391, Florida Statutes, and other Federal, State, or local laws is advisable when contracting for any audit services.

Question: Is there a legal requirement or recommendation for mandatory rotation of auditors after a specified number of years or at the end of an audit services contract?

Answer: No. Unless the entity has established its own mandatory auditor rotation requirement, there is no legal requirement for the mandatory rotation of auditors. The current auditor may be included in the auditor selection process at the end of the current audit services contract.

1. Question 5: True or False: Piggybacking from another government's audit contract is allowable.

Select Q&A From Auditor General Guidance

Question: Section 218.391(4)(c), Florida Statutes, provides that a governing body may select a firm recommended by the auditor selection committee and negotiate a contract with one of the recommended firms using an appropriate alternative negotiation method. Which specific provisions of the law may be considered nonmandatory under this provision by the application of an alternative methodology?

Answer: Regardless of the negotiation method used, an entity's governing body must establish an auditor selection committee pursuant to Section 218.391(2), Florida Statutes, and the auditor selection committee must perform its functions in accordance with the requirements of Section 218.391(3), Florida Statutes. Regardless of the method used to select the audit firm, compensation may not be the sole or predominant factor used to select the firm (Section 218.391(3)(d) and (4)(c), Florida Statutes).

Select Q&A From Auditor General Guidance

Question: Can an entity select an auditor to conduct a financial audit pursuant to Section 218.39, Florida Statutes, by piggybacking off of another entity's audit contract?

Answer: No. Pursuant to Section 218.391(2), Florida Statutes, an entity seeking such audit services must establish an auditor selection committee and the committee must apply the auditor selection procedures prescribed by Section 218.391(3), Florida Statutes. This law does not include a provision that would allow for piggybacking, and an auditor selection committee's statutorily prescribed function may not be delegated to a subordinate or other entity absent statutory authorization (see Attorney General Opinion 2012-31).

Select Q&A From Auditor General Guidance

Question: Section 218.391(2)(a), Florida Statutes, provides that the auditor selection committee for a county must, at a minimum, consist of each of the county officers elected pursuant to the county charter or Article VIII, Section 1(d) of the State Constitution or their respective designees and one member of the board of county commissioners or its designee. May a county officer (i.e., clerk of the court, sheriff, property appraiser, tax collector, supervisor of elections, or any other such officer in whom any portion of the fiscal duties of the such officers are under law separately placed) designate an employee of the county officer to serve in place of the county officer on the county's auditor selection committee?

Answer: Pursuant to Section 218.391(2)(c), Florida Statutes, an employee of a county cannot serve on the county auditor selection committee. The term "employee" is not explicitly defined for purposes of applying this law; however, the term "county" as used in Section 218.391(2)(a), Florida Statutes, encompasses county officers and the board of county commissioners, indicating that the legislature intended the restriction imposed by Section 218.391(2)(c), Florida Statutes, to apply to employees of a county officer or of the board of county commissioners. Accordingly, a county officer may not designate an employee of a county officer to serve in place of the county officer on the county auditor selection committee. However, the employee may serve in an advisory capacity for the auditor selection committee.

Select Q&A From Auditor General Guidance

Question: A dependent special district exceeds the audit threshold established by Section 218.39, Florida Statutes, and must provide for a financial audit requirement. Although the district is audited as part of a county or municipality pursuant to Section 218.39(3)(a), Florida Statutes, the district opts to also provide for a separate financial audit. Does the district have to select the auditor for the separate financial audit in accordance with Section 218.391, Florida Statutes?

Answer: No. As the district is not required to provide for a separate financial audit pursuant to Section 218.39, Florida Statutes, it is not required to follow the auditor selection procedures prescribed by Section 218.391, Florida Statutes. However, the use of such selection procedures is advisable to help ensure selection of a qualified auditor and satisfactory audit effort.

Select Q&A From Auditor General Guidance

Question: A dependent special district exceeds the audit threshold established by Section 218.39, Florida Statutes, and must provide for a financial audit requirement. The district opts not to be audited as part of a county or municipality pursuant to Section 218.39(3)(a), Florida Statutes, but instead opts to provide for its own financial audit. Does the district have to select the auditor in accordance with Section 218.391, Florida Statutes?

Answer: Yes. As the district is required to provide for a financial audit pursuant to Section 218.39, Florida Statutes, it is required in this situation to follow the auditor selection procedures prescribed by Section 218.391, Florida Statutes.

Select Q&A From Auditor General Guidance

Question: A dependent special district does not exceed the audit threshold established by Section 218.39, Florida Statutes; however, the district opts to provide for a financial audit. Does the district have to select the auditor in accordance with Section 218.391, Florida Statutes?

Answer: No. As the district is not required to provide for a financial audit pursuant to Section 218.39, Florida Statutes, it is not required to follow the auditor selection procedures prescribed by Section 218.391, Florida Statutes. However, the use of such selection procedures is advisable to help ensure selection of a qualified auditor and satisfactory audit effort.

Question: A community redevelopment agency (CRA) exceeds the audit threshold established by Section 163.387(8), Florida Statutes, and must provide for its own financial audit. Does the CRA have to select the auditor in accordance with Section 218.391, Florida Statutes?

Answer: Yes. Chapter 2021-226, Laws of Florida, amended Section 218.39(1)(h), Florida Statutes, to include CRAs. Because Section 218.391, Florida Statutes, regarding auditor selection procedures applies to all audits conducted pursuant to Section 218.39, Florida Statutes, auditors conducting 2020-21 and subsequent fiscal year audits of CRAs must be selected pursuant to Section 218.391, Florida Statutes.

Select Q&A From Auditor General Guidance

Question: If compensation is 20 percent of the ranking criteria and all other factors are each less than 20 percent, is compensation then the predominant factor, or must it be predominant of all factors combined, i.e., greater than 50 percent of all combined?

Answer: “Predominant” is not defined in the law with respect to auditor selection. Certainly, weighting compensation at greater than 50 percent of all combined factors, would constitute “predominant.” Black’s Law Dictionary defines “predominant” as “Something greater or superior in power and influence to others, with which it is connected or compared.”

Select Q&A From Auditor General Guidance

Question: An auditor becomes concerned (e.g., through the process of responding to a request for proposal for audit services) that an entity may not be selecting an auditor to conduct a financial audit required by Section 218.39, Florida Statutes, in accordance with the requirements of Section 218.391(3)-(6), Florida Statutes. What should the auditor do?

Answer: The auditor should notify the entity's governing body of the concern. The entity may not be aware of the Section 218.391, Florida Statutes, auditor selection requirements or that its auditor selection process is not in accordance with that law. At a minimum, the auditor's notification should help ensure the entity's future compliance with Section 218.391, Florida Statutes. Also, depending on the timing of the auditor's notification, the entity may decide to reperform the auditor selection process. Auditors should also consider refraining from responding to a request for proposal for audit services from entities they know to be in violation of Section 218.391, Florida Statutes.

Question 6: My thoughts on auditor selection can best be described as:

- A. I can't wait to practice auditor selection!
- B. Why do you hate me? Please make it stop!
- C. My insomnia has been cured!

Sample Auditor Selection Findings

- Opa-locka (Report No. 2019-221) Finding No. 77
- North Miami (Report No. 2018-038) Finding No. 21
- Gulf Breeze (Report No. 2021-030) Finding No. 35

Questions?



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