

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 365 w/CS Direct Support Organizations and Citizen Support Organizations  
**SPONSOR(S):** Ross  
**TIED BILLS:** None **IDEN./SIM. BILLS:** SB 1036

---

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>State Administration</u>	<u>5 Y, 0 N w/CS</u>	<u>Brazzell</u>	<u>Everhart</u>
2) _____	_____	_____	_____
3) _____	_____	_____	_____
4) _____	_____	_____	_____
5) _____	_____	_____	_____

---

**SUMMARY ANALYSIS**

Direct-support organizations (DSO's) and citizen support organizations (CSO's) are non-profit entities that are authorized to assist state government in the performance of activities that benefit the public. This bill amends the audit requirements to require only those DSO's and CSO's expending more than \$100,000 annually to have an annual financial audit of their accounts and records by an independent certified public accountant. The bill also provides that only those DSO's and CSO's for the Department of Environmental Protection expending more than \$300,000 annually have audits; it also requires DEP to establish guidelines for their organizations and conduct reviews of those with expenditures below the threshold.

This bill does not appear to have a fiscal impact on state or local governments.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

**STORAGE NAME:** h0365a.sa.doc  
**DATE:** March 18, 2003

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. DOES THE BILL:

- |                                      |   |                             |   |
|--------------------------------------|---|-----------------------------|---|
| 1. Reduce government?                | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/>            |
| 2. Lower taxes?                      | Yes <input type="checkbox"/>            | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. Expand individual freedom?        | Yes <input type="checkbox"/>            | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/>            | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families?                 | Yes <input type="checkbox"/>            | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

Not applicable

#### B. EFFECT OF PROPOSED CHANGES:

##### Background

Direct-support organizations (DSO's) and citizen support organizations (CSO's) are non-profit entities that are authorized to assist state government in the performance of activities that benefit the public; DSO's are typically authorized by statute, while CSO's are creations of private citizens which must meet statutory requirements. For instance, DSO's and CSO's provide assistance to museums, state parks, and state commissions; examples of their activities are raising funds, funding research, supporting and operating programs, and purchasing and providing items of historical or other value. The total number of DSO's and CSO's is not available.

Currently many DSO's and CSO's administered by state agencies must pay for an annual financial audit of their accounts and records by an independent certified public accountant (CPA) regardless of the organizations' assets or level of expenditure. (Requirements differ for those DSO's and CSO's administered by universities, district boards of trustees of community colleges, and district school boards and for CSO's for the Department of Environmental Protection with expenditures less than \$100,000.)

Prior to 2001, the Florida Statutes contained individual, varying requirements for audits for DSO's. For instance, s. 288.1226, F.S., required the Florida Commission on Tourism's DSO (the Florida Tourism Industry Marketing Corporation) to conduct an audit by an independent CPA regardless of its expenditures, while s. 570.903, F.S., provided that the Department of Agriculture and Consumer Services' DSO's with less than \$25,000 in assets may be audited by the department rather than an independent CPA. Section 960.002, F.S., regarding the direct-support organization to assist victims of adult and juvenile crime, required an audit to be submitted in accordance with rules established by the Governor. After 2001, in order to have uniform requirements, the law required that DSO's administered by state agencies (except those administered by certain educational organizations, which had differing requirements) must provide for an annual financial audit of their accounts and records by an independent CPA regardless of their assets or level of expenditure.

From 1996 to 2001, only those CSO's with annual expenditures greater than \$100,000 had an auditing requirement. That year, the \$100,000 threshold was removed because drafters believed that all affected entities had expenditures exceeding that amount, and thus the law required all CSO's to have an annual audit by an independent certified public accountant. The Department of Environmental Protection has a number of CSO's. According to DEP, over half of their 90 CSO's spend \$25,000 per year and only three spend more than \$100,000. A provision currently in law that exempts DEP's CSO's with \$100,000 or less in expenditures from audit requirements expires July 1, 2003; after this date, absent statutory change, all of their CSO's will be required to provide for an audit by an independent

CPA. After 2001, those CSO's not exempted must provide for an annual financial audit of their accounts and records by an independent CPA regardless of their assets or level of expenditure.

For comparison, DSO's for district school boards expending more than \$100,000 must provide for an audit by an independent CPA. DSO's for universities, regardless of expenditures, must provide for an audit by an independent CPA in accordance with rules established by the Auditor General and the university board of trustees. DSO's established by community college boards of trustees must comply with conditions relating to certifications set by the boards, which must provide for audit review and oversight by the boards. The bill would not change requirements for DSO's for these organizations.

### **Effect of Bill**

The bill amends the audit requirements established in s. 215.981, F.S., for direct-support organizations (DSO's) and citizen support organizations (CSO's) administered by state agencies other than universities, district boards of trustees of community colleges, and district school boards, requiring that only those CSO's and DSO's expending more than \$100,000 annually must have an annual financial audit of their accounts and records by an independent certified public accountant. Additionally, only those CSO's and DSO's for the Department of Environmental Protection with expenditures greater than \$300,000 are required to have an independent audit. The DEP must establish accounting and financial management guidelines for its DSO's and CSO's and, furthermore, annually conduct operational and financial reviews of a number of such organizations with expenditures below the threshold amount.

#### **C. SECTION DIRECTORY:**

Section 1 amends s. 215.981, F.S., to require only certain direct-support organizations and citizen support organizations with expenditures greater than \$100,000 to provide for an audit by an independent certified public accountant, except that only DSO's and CSO's for the Department of Environmental Protection with expenditures greater than \$300,000 must provide for an audit. This section also requires DEP to establish accounting and financial management guidelines for its DSO's and CSO's and annually conduct reviews of a number of such organizations with expenditures below the threshold.

Section 2 provides an effective date of July 1, 2003.

## **II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

#### **A. FISCAL IMPACT ON STATE GOVERNMENT:**

1. Revenues: None.
2. Expenditures: None.

#### **B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

1. Revenues: None.
2. Expenditures: None.

**C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:** This bill may result in fewer audits conducted by privately-owned accounting firms. The Joint Legislative Auditing Committee estimates that a typical audit for a CSO would cost between \$1,500 and \$5,000. Those CSO's and DSO's which would be exempt from auditing would be relieved of the expense and able to use those funds for other purposes.

D. FISCAL COMMENTS: None.

### III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision: None.

2. Other: None.

B. RULE-MAKING AUTHORITY: None.

C. DRAFTING ISSUES OR OTHER COMMENTS: None.

### IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

HB 365 was amended by the Committee on State Administration on March 17, 2003. This amendment reduces the threshold from \$300,000 to \$100,000 for direct-support organizations and citizen support organizations for all state agencies other than certain education-related entities, with the exception of DSO's and CSO's for the Department of Environmental Protection, which retain a \$300,000 threshold. The DEP is to implement guidelines for its DSO's and CSO's and conduct operational and financial reviews of a number of those DSO's and CSO's below the threshold each year. This bill was reported favorably with a committee substitute.