



COUNTY AUDITOR

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February 2, 2011

To: Mayor and Members, Board of County Commissioners
From: Evan A. Lukic, County Auditor
Subject: Policy Requiring Audited Financial Statements from Nonprofit Organizations

Recommendation:

We recommend that the County's requirement for annual audited financial statements from nonprofit organizations (NPOs) be limited to NPOs that receive funding of \$25,000 or more for general operating program support for which there is no clearly identifiable deliverable or service provided. This policy change would:

1. Provide consistent audit thresholds for NPOs receiving funds from the County.
2. Eliminate the NPO audit requirement for reimbursement type support.
3. Continue the NPO audit requirement for general operating program support.

Should the Board adopt our recommendation, Section 1.11.bb.1. of the Administrative Code would need to be amended as follows and all other references to NPO audited financial statements in the Administrative Code should be brought into conformity:

1. Nonprofit organizations which receive ~~\$5,000.00~~ \$25,000 or more from the Board for general operating program support shall provide an annual audited financial statement consisting of a statement of financial position, statement of activity and a statement of cash flows. The audit of the financial statements shall be performed in accordance with generally accepted auditing standards by an independent certified public accountant.

Please note the above relates only to grants funded by the County and does not apply to the audit requirements of any state and federal grant programs.

Basis for recommendation:

Current County policy requires all NPOs which receive funding of \$5,000 or more to provide an annual audited financial statement. We have identified five variations to this policy within the Administrative Code: three variations increase the dollar threshold to \$25,000; one exempts recipients of design art program funding from the audit requirement entirely; and one expands the policy to include governmental entities receiving in excess of \$5,000 in cultural grants.

Broward County Board of County Commissioners

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The County provides two basic types of grant programs: reimbursement support to fund specific projects and general operating program support to fund general operating expenses.

For reimbursement type support, County staff review and verify completion of the specific project before disbursement of the funds in the same manner as payments for goods and services to for-profit organizations. In these cases, a subsequent audit to verify proper use of the funds is not necessary.

Disbursement for general operating program support grants are not associated with specific deliverables and are therefore not readily subject to verification prior to payment. The County should continue to require NPOs receiving such operational funding to provide an annual audited financial statement.

Administrative Code References:

Section 1.11.bb. of the Administrative Code requires the County Administrator to ensure that all nonprofit organizations which receive \$5,000 or more from the Board provide an annual audited financial statement. The \$5,000 threshold was established in 2000 (Resolution 2000-449) with the intent to reduce the cost to NPOs of providing audited financial statements.

We have identified five variations to this policy in the Administrative Code:

- Human Services Department Grant Funding. Audited financial statements are not required from Recipients/Organizations which receive less than \$25,000 in any one (1) County fiscal year [Administrative Code Section 23.9.a.3.(a)].
- Broward County Historic Preservation Challenge Grant Funding. Audited financial statements are not required from nonprofit organizations which receive less than \$25,000 [Administrative Code Section 29.22.d.2].
- Broward Cultural Council Grant Funding. Audited financial Statements are not required for nonprofit organizations which receive less than \$25,000 [Administrative Code Section 29.17.c.2.].
- Broward Cultural Council Grant Funding. Grantees receiving only design art program funding in any one fiscal year are exempt from providing annual certified financial statement for that fiscal year, but must document expenditures in accordance with grant agreement(s) [Administrative Code Section 29.17.c.3].
- Broward Cultural Council Grant Funding. Governmental entities receiving in excess of \$5,000 in cultural grants are required to submit audited financial statements. [Administrative Code Section 29.17.c.1.]

EAL/ng

cc: Bertha Henry, County Administrator
Andrew Meyers, Interim County Attorney