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## OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY

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Inspector General  
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### External Auditor Selection Procedures

**SB 7014 amended section 218.391, FL Statutes, Auditor Selection Procedures, effective July 1, 2019.**

Our Contract Oversight and Evaluations Division regularly reviews the procedures local governments within the OIG's jurisdiction use to select an external auditor to conduct the financial audit required by section 218.39, Florida Statutes, to ensure local government compliance with statutory provisions. We have found numerous instances in which local governments in Palm Beach County have not followed the Auditor Selection Procedures outlined in section 218.391. The following information is provided to enhance awareness of statutory provisions and to prevent unintentional missteps in selecting an External Auditor to conduct annual financial audits.

#### Annual Financial Audit

Section 218.39 requires certain local governmental entities that have not been notified by the first day of the fiscal year that a financial audit will be performed by the Auditor General to have an annual financial audit of its accounts and records completed within nine months after the end of its fiscal year by an independent certified public accountant retained by it and paid from public funds.



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### Auditor Selection Procedures

Section 218.391 sets forth the procedures for establishing an auditor selection committee that will assist the local governmental entity with selecting an auditor to conduct the financial audit. Section 218.391(2) was amended, effective July 1, 2019, to address the membership of the auditor selection committee:

- 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 s. 1(d), Art. VIII of the State Constitution or their respective designees and one member of the board of county commissioners or its designee.
- The auditor selection committee for a municipality or special district must consist of at least three members. One member of the auditor selection committee must be a member of the governing body, who shall serve as the chair of the committee.
- An employee, a chief executive officer, or a chief financial officer of the county, municipality, or special district may not serve as a member of the auditor selection committee, except in an advisory capacity.

The procedure outlining the auditor selection committee's role in assisting the local governmental entity in selecting an auditor to conduct the annual financial audit is relatively unchanged by SB 7014. Section 218.391(3)(a) through (e) provides that the auditor selection committee shall:

- a) Establish factors to use for the evaluation of audit services to be provided by a certified public accountant meeting the requirements specified in this section. Such factors shall include, but are not limited to, ability of personnel, experience, ability to furnish the required services, and such other factors as may be determined by the committee to be applicable to its particular requirements.
- b) Publicly announce requests for proposals, which must include, at a minimum, a brief description of the audit and indicate how interested firms can apply for consideration.
- c) Provide interested firms with a request for proposal. The RFP shall include information on how proposals are to be evaluated and other information the committee determines is necessary for a firm to prepare a proposal.
- d) Evaluate proposals provided by qualified firms. If cost is one of the factors established by the committee, it shall not be the sole or predominant factor used to evaluate proposals.
- e) Rank and recommend in order of preference no fewer than three firms deemed to be the most highly qualified considering the factors established by the committee. If fewer than three firms respond, the committee shall recommend the firm it deems most highly qualified.



It is noteworthy that the Florida Attorney General stated in AGO 2012-31 that an “audit committee’s statutorily prescribed function to exercise its discretion to create a request for proposals [per section 218.391] may not be delegated to a subordinate or other entity, absent statutory authorization.”

Furthermore, Chapter 2019-15, Laws of Florida, amended section 218.391 to state in subsection (9) that “if the entity fails to select the auditor in accordance with the requirements of subsections (3) through (6), the entity must again perform the auditor selection process in accordance with this section to select an auditor to conduct audits for subsequent fiscal years.”

### **Summary**

Section 218.391 has changed prescriptive statutory requirements that must be followed when selecting an external auditor. It is imperative that local governments take a proactive approach to establishing an auditor selection committee as required by section 218.931, as amended effective July 1, 2019. Also, keep in mind that the audit committee’s statutorily prescribed function to exercise its discretion to create a request for proposals cannot be delegated.

### **Recommendation**

We recommend that local governments review their procurement ordinances, policies, and practices and take appropriate actions necessary to comply with Florida statutes.