

## **GENERAL**

### **1. When are the audits conducted?**

Audits are conducted each calendar year on the preceding calendar year's quarterly compensation reports. The random selection of Lobbying Firms for an audit typically occurs in late February. If the regular Legislative Session is scheduled to end in May, the audits generally occur between May 1 and June 30. If the regular Legislative Session is scheduled to end in March, the audits may begin earlier such as in mid-March.

### **2. Our CPA firm is interested in being added to the list of CPA firms available to perform these engagements. What can we do to be included?**

Nothing at this time. The six CPA firms currently available to perform the engagements responded to a RFP issued by the Legislature in late 2018. CPA firms may have another opportunity to respond to a RFP in 2022, subject to the approval of the President of the Senate and the Speaker of the House of Representatives.

### **3. Are these engagements considered audits?**

Technically, no. Although [Chapter 11.40\(3\), Florida Statutes](#), refers to an audit, the type of work to be performed does not meet the definition of an audit under professional auditing standards. An agreed-upon procedures (AUP) engagement is a type of attestation engagement; the use of this type of engagement in lieu of an audit was worked out in cooperation with the Florida Board of Accountancy. The use of the term "audit" throughout these FAQs is used in the general sense.

### **4. How are the Lobbyist Registration System and the Compensation Reporting System linked?**

- All of the principals that the lobbying firm's lobbyists have registered for during a quarter are automatically populated on the firm's compensation report.
- If a registration is cancelled during a quarter, the principal will populate on that quarter's compensation report, but it will not appear on future compensation reports.
- If a principal was not populated on a compensation report, that means there was not a registration.

**5. What are common “misconceptions” regarding how the Lobbyist Registration System and the Compensation Reporting System interact?**

Many lobbying firms assume that the two systems interact with each other to a greater extent than they do. This has resulted in a number of audit findings. Some of the “misconceptions” include:

- That there is *one* log-in credential for both systems IF the lobbyist and the lobbying firm are one and the same, i.e., an independent contract lobbyist who is both a registered lobbyist AND a lobbying firm. There are two (2) *separate* and *unique* log in credentials: one for the lobbyist registration account and one for the lobbying firm compensation reporting account.
- That correcting information on a compensation report also *updates* the lobbyist’s registration information. It does not. For example, if a principal’s business address or email address changed *after* the registration became effective, the lobbyist is required by rule to *amend the address in the lobbyist’s registration account within 15 days of the change*. In the meantime, the address on the compensation report can be changed so that the filed report reflects the correct address.
- That a principal which was not automatically populated on the compensation report but was added by the lobbying firm can be removed. A principal *cannot be removed* from the report once it has been filed - even if it was added *inadvertently*.
- That a principal which was not populated on a compensation report was added to the report means the lobbyist is registered for the principal. That is *incorrect*. The lobbyist(s) must still register for the principal in the lobbyist’s registration account. However, with regard to fourth quarter compensation reports, new registrations cannot be submitted after December 31.

**6. If a lobbying firm has more than one lobbyist, what should the lobbyists keep in mind as they register to lobby the Executive Branch and/or the Legislative Branch?**

- All of the lobbyists associated with the same lobbying firm must register using the *identical name, address, and e-mail address of the lobbying firm*. The email address provided *must* be for the person who will be responsible for filing compensation reports (i.e., owner, senior partner, or officer of the lobbying firm).
- If more than one lobbyist with a lobbying firm is registering for the same principal, they must type the principal’s name *identically*. Even the simplest

difference (i.e., omission of a period) will cause a problem when automatically populating principals for the compensation report.

- 7. I was a contract lobbyist for a principal when I registered, but I am now lobbying as an in-house salaried employee of the principal. What do I need to do?**

You must “disassociate” from the lobbying firm by amending your registration in the lobbyist’s registration account. Once logged in to the registration account, click on the tile “Effective Registrations,” click on the principal name (the registration details will display), scroll down to “Lobbying Firm,” and click on the option “Remove.” Note: a compensation report must still be filed for each quarter during which you had a lobbying firm associated with your registration. If, during the same quarter, you were both a contract lobbyist and an employee of the principal, report *only* the compensation provided or owed to you as a contract lobbyist on that quarter’s compensation report.

- 8. I was an in-house salaried employee of a principal and received a W-2 at the time I registered to lobby, but now I am a contract lobbyist for the same principal. What do I need to do?**

You must “associate” a lobbying firm with your registration. Log in to the registration account, click on the tile “Effective Registrations,” click on the principal name (the registration details will display), scroll down to “List your lobbying firm(s) associated with this principal,” associate with your lobbying firm, and provide the required information (firm’s name, firm’s business address, firm’s phone number, and email address for the person responsible for the submission of the compensation reports). Even if you are a sole proprietor, you must associate a lobbying firm with your registration. Note: a compensation report must be filed for each quarter during which you had a lobbying firm associated with your registration. If, during the same quarter, you were both an employee of the principal and a contract lobbyist, report *only* the compensation provided or owed to you as a contract lobbyist on that quarter’s compensation report.

9. What other related information is available for our lobbying firm to review?

SOURCE	COMMENTS
<b><i>Florida Statutes</i></b>	
<a href="#"><u>Section 11.40(3)</u></a> : Legislative Auditing Committee	Requires audits of lobbying firm quarterly compensation reports; requires Joint Legislative Auditing Committee to facilitate the audits.
<a href="#"><u>Section 11.045</u></a> : Lobbying before the Legislature; registration and reporting; exemptions; penalties	Primary statute related to Legislative Branch registration and compensation reporting.
<a href="#"><u>Section 11.0455</u></a> : Electronic filing of compensation reports and other information	Requires Legislative Branch lobbying firms to file compensation electronically.
<a href="#"><u>Section 11.047</u></a> : Contingency fees; prohibition; penalties	Prohibits contingency fees with the exception of claims bills.
<a href="#"><u>Section 112.3215</u></a> : Lobbying before the executive branch or the Constitution Revision Commission; registration and reporting; investigation by commission	Primary statute related to Executive Branch registration and compensation reporting.
<a href="#"><u>Section 112.32155</u></a> : Executive Branch electronic filing of compensation reports	Requires Executive Branch lobbying firms to file compensation electronically.
<a href="#"><u>Section 112.3217</u></a> : Contingency fees; prohibition; penalties	Prohibits contingency fees with the exception of claims bills.
<b>Rules</b>	
<a href="#"><u>Joint Rules of the Florida Legislature</u></a> Joint Rule One: Lobbyist Registration and Compensation Reporting	Rules adopted by the Senate and the House of Representative to implement the statutory requirements related to Legislative Branch lobbyist registration and compensation.
<a href="#"><u>Rules of the Florida Senate</u></a> Rule 9.8 – Lobbyist expenditures and compensation Senate Rules Appendix A; Part Two - Compensation	Rules adopted by the Senate related to lobbying firm compensation.

SOURCE	COMMENTS
<a href="#">The Rules of the Florida House of Representatives</a> Rule Seventeen – Ethics and Conduct of Lobbyists	Rules adopted by the House related to lobbyists.
Florida Administrative Code <a href="#">Rule Chapter 34-12</a> : Executive Branch Lobbyist Registration	Rules adopted by the Commission on Ethics to implement statutory requirements related to Executive Branch lobbyist registration and compensation.
<b>FAQs and Other Information</b>	
<a href="#">FAQs for Lobbyists Before the Florida Legislature</a>	Provides answers to registration and compensation related questions for Legislative and Executive Branch lobbyists, respectively.
<a href="#">FAQs for Lobbyists before Executive Branch Agencies</a>	
<a href="#">Published Legislative Conduct Opinions</a>	Provides advisory/informal opinions of the Office of Legislative Services General Counsel related to Lobbyist Registration.
<b>Joint Legislative Auditing Committee (Committee) Material</b>	
<a href="#">Guidelines for Attestation Services Relating to Quarterly Lobbying Firm Compensation Reports</a>	Adopted by the Committee, as required by Section 11.40, <i>Florida Statutes</i> , to govern random audits. The Committee amended the Guidelines on December 12, 2019.
<a href="#">Committee Website</a>	Provides access to a summary of recent activities related to the audits. Links to meeting packets include the findings reported in prior audits.

The purpose of these FAQs is to address areas that may not clearly be explained in the above references, or are commonly missed or misunderstood.

## COMPENSATION REPORTING AND DOCUMENTATION FOR LOBBYISTS

*Note: Please review [FAQs for Lobbyists before the Florida Legislature](#) and [FAQs for Lobbyists before Executive Branch Agencies](#) for guidance regarding compensation reporting.*

### **10. I am not certain if I am required to file a compensation report. What should I do?**

Only lobbying firms are required to file compensation reports. It is not advisable to file a compensation report “in an abundance of caution.” Each year certain individuals/organizations, who are not lobbying firms, do so. For example, lobbyists for state agencies and lobbyists who are employees of the principal (i.e., they receive a W-2 rather than a 1099) are not lobbying firms and should not report compensation for that work on a quarterly compensation report. When they do, they are included in the population used to select lobbying firms for an audit.

In certain situations, a lobbyist may be both a contract lobbyist for one or more principals *and* an employee of another principal. In such cases, he or she should file quarterly compensation reports, but report *only* the compensation received as a contract lobbyist. Any compensation received as an employee should *not* be reported.

### **11. I am a lobbyist that is expected to represent a principal only during the Legislative Session; however, I am paid a monthly fee over a 12-month period. How do I report the compensation?**

The definition of compensation in ss. 11.045(1)(b) [Legislative Branch Lobbying] and 112.3215(1)(c) [Executive Branch Lobbying], *Florida Statutes*, is a payment, distribution, loan, advance, reimbursement, deposit, salary, fee, retainer, or anything of value provided or owed to a lobbying firm, directly or indirectly, by a principal for any lobbying activity.

The determination as to when compensation is owed should be based on the verbal or written agreement between a lobbying firm and a principal.

Compensation should be reported when it is owed or has been provided by the principal, whichever occurs earlier. For example:

- If the compensation is owed monthly, you should report the compensation in the month it is owed, not when the payment is actually provided by the principal (unless the payment is provided before it is owed). This would generally mean that each quarterly compensation report would include one-fourth of the annual amount.
- If the compensation is owed or has been provided at the beginning of the year, you should report the full annual amount on the first quarterly compensation report. You would not report any compensation from this principal for the remainder of the year, even if you are receiving monthly payments.
- If the compensation is owed at the conclusion of the Legislative Session, when you have completed your work, you should report the monthly payments provided to you by the principal for the first quarter (one-fourth of the annual amount) and the balance of the compensation owed (three-fourths of the annual amount) for the second quarter (Note: This assumes that the Legislative Session is held from March to May. If it is held from January to March, all compensation would be reported for the first quarter). You would not report any compensation from this principal for the remainder of the year, even though you are receiving a monthly payment.

Note: *Do not double report any compensation.* If you report compensation on a quarterly compensation report that is owed to your lobbying firm, *do not* report it again if paid in a later quarter if previously reported on an earlier quarter.

**12. Our lobbying firm performs lobbying services for a principal throughout the year; however, the principal pays us in a lump sum at the beginning of the year. How should this payment be reported on the quarterly compensation reports?**

The total payment from the principal would be reported, in the correct dollar range, on the first quarter's compensation report. The compensation reported from this principal would then be reported as \$0 on the remaining quarters' compensation reports.

**13. Our lobbying firm has a contract with a principal to lobby both the legislative branch and the executive branch. We are paid \$15,000 per month. The contract does not provide any specifics as to the percentage of time we are to spend on each branch. For our quarterly compensation report, should we report \$45,000 on both our legislative branch report and on our executive branch report or should we report \$45,000 for one branch and report \$0 for the other branch?**

Neither is correct, assuming that your lobbying firm did indeed conduct lobbying activity with both the legislative branch and the executive branch during that quarter. First, you should determine the amount of time the lobbyists in your lobbying firm spent on legislative branch lobbying services and on executive branch lobbying services for the principal. As stated in section C. of the [Guidelines](#) (pp. 4-6), any reasonable, fact-based method of calculation is acceptable; some examples of such methods are included in the *Guidelines*. Documentation must be maintained to support the calculation(s). *Do not double report the compensation you have been provided (or are owed)*. The total your lobbying firm reports for both the executive branch and the legislative branch should equal the total amount you have been provided (or are owed) during the quarter. If any of the \$15,000 monthly fee was for non-lobbying services, then that amount should be deleted from the compensation amount reported on the quarterly compensation report.

**Example A: Varying lobbying amounts for the Executive and Legislative Branches and Non-Lobbying Services**

Time Period	Services Provided	Compensation to be Reported	Allocation		Amount to be Reported	
			Executive	Legislative	Executive	Legislative
Month 1	only for Florida legislative branch lobbying	\$15,000	0%	100%	\$0	\$15,000
Month 2	2/3 for Florida executive branch lobbying and 1/3 for non-lobbying services	\$10,000 (after \$5,000 for non-lobbying services removed)	100%	0%	\$10,000	\$0
Month 3	1/2 for Florida executive branch lobbying and 1/2 for Florida legislative branch lobbying	\$15,000	50%	50%	\$7,500	\$7,500
Total		<u>\$40,000</u>			<u>\$17,500</u>	<u>\$22,500</u>

Therefore, compensation reported for the principal would be “\$10,000 to \$19,999” on the Executive Branch quarterly compensation report and “\$20,000 to \$29,999” on the Legislative Branch quarterly compensation report.

If a reasonable allocation method has not been utilized and documented or if your preference is to use the assumption noted in section VI.C.4. of the

*Guidelines* (pp. 11-12), then the compensation should be equally split (50-50) between the executive branch and legislative branch lobbying services.

**Example B:** Equal lobbying amounts for the Executive and Legislative Branches

Time Period	Services Provided	Compensation to be Reported	Allocation		Amount to be Reported	
			Executive	Legislative	Executive	Legislative
Month 1	1/2 for Florida executive branch lobbying and 1/2 for Florida legislative branch lobbying	\$15,000	50%	50%	\$7,500	\$7,500
Month 2	1/2 for Florida executive branch lobbying and 1/2 for Florida legislative branch lobbying	\$15,000	50%	50%	\$7,500	\$7,500
Month 3	1/2 for Florida executive branch lobbying and 1/2 for Florida legislative branch lobbying	\$15,000	50%	50%	\$7,500	\$7,500
Total		<u>\$45,000</u>			<u>\$22,500</u>	<u>\$22,500</u>

Assuming the \$45,000 received during the quarter was only for Florida executive branch and Florida legislative branch lobbying services pursuant to the agreement between your lobbying firm and the principal, then “\$20,000 to \$29,999” would be reported as compensation from the principal on both the Executive Branch quarterly compensation report and the Legislative Branch quarterly compensation report. If any of the \$15,000 monthly fee was for non-lobbying services, then that amount should be deleted from the compensation to be reported and the remainder of the compensation should be equally split and reported on each quarterly compensation report in the applicable category.

**14. Is the compensation to be reported on a cash basis or accrual basis?**

Per [Joint Rule 1.4\(1\)\(c\)](#) and Commission on Ethics [Rule 34-12.400\(3\), Florida Administrative Code](#), the accrual basis is to be used.

However, because the compensation report is a compliance report, there may be instances in which the amount of compensation required to be reported by *Florida Statutes* is in conflict with what would be required to be reported in accordance with professional accounting standards. In such cases, compensation

should be reported when it is owed or has been provided by the principal, whichever occurs earlier.

**15. Our lobbying firm has signed into our compensation reporting account to file our quarterly compensation report; however, the dropdown list of principals includes a duplicate name for one of our principals with minor typographical differences (for example, “ABC Enterprises, Inc.” and “ABC Enterprises”). What do we do?**

- ***To report compensation for the current quarter:*** Report all of the compensation that was provided or owed for this principal for this quarter under only one of the principal’s names (in this case, perhaps with the “Inc.”). The duplicate names populated on your compensation report because two or more lobbyists for your lobbying firm typed the principal’s name differently when they registered for the principal. You cannot fix this error for this quarter.
- ***To correct the error for future quarterly compensation reports:*** The lobbyist(s) who registered for the principal using the non-preferred name (in this case, perhaps *without* the “Inc.”) for the principal should submit a written statement to the Lobbyist Registration Office (Office) that clearly identifies and describes the error and request the Office to correct the error. As of November 2018, this kind of mistake is considered a “scrivener’s error,” which can be corrected by the Office at the written request of the lobbyist(s). All lobbyists who register for the same principal must ensure that they type the principal’s name identically to one another at the time of registration. The lobbyist registration account is very exact. Even the omission/deletion of a period will trigger the lobbyist registration account to generate “duplicate” principals in the lobbying firm’s compensation reporting account if the lobbyists typed a principal’s name differently from one another when they registered for the principal. If you have any questions, please contact the Office.

Please note, as long as compensation is correctly reported under only one principal, a duplicate principal on a compensation report will no longer be reported as a finding. This is based on a revision to the *Guidelines* in December 2019.

**16. Our lobbying firm mistakenly selected the wrong quarter when we created and submitted a compensation report. Can we amend the report to select the correct quarter?**

No. You must create a new report for the intended quarter.

**17. Our lobbying firm was provided or owed more than \$50,000 for a principal during a quarter. How is this amount reported?**

If the category “\$50,000 or more” is selected, the specific dollar amount of compensation must be reported, *rounded up or down*, to the nearest \$1,000.

**18. What should be included when reporting Total Compensation for All Principals?**

Total compensation should include the total amount your lobbying firm has been provided or is owed for lobbying either the Florida Legislature or the Florida Executive Branch, depending on the report you are filing.

**19. Our lobbying firm has subcontracted work for a principal to another lobbying firm. Or, our lobbying firm is performing subcontracted work for another lobbying firm. How do we report compensation in these situations?**

If your lobbying firm has subcontracted work for a principal *to* another lobbying firm, report the entire amount of compensation that you are provided or owed by the principal for the quarter on the compensation report. The entire amount is reported by your lobbying firm even if all or a portion of it is provided or owed to the other lobbying firm for the quarter.

If your lobbying firm has an agreement to perform subcontracted work for a principal *for* another lobbying firm, report the entire amount that you are provided or owed by the lobbying firm for this principal for the quarter on your firm’s compensation report and disclose the lobbying firm that subcontracted the work to you.

For a detailed explanation, please refer to [\*FAQs for Lobbyists before The Florida Legislature\*](#).

**20. Our lobbying firm is in the process of completing our quarterly compensation report, but we believe there are some errors. Should we submit the draft report and correct the errors later?**

No. Some errors cannot be corrected once the report has been submitted. It is suggested that you *delete* the draft report and begin again. You may wish to contact the Lobbyist Registration Office for assistance. Although you can amend the compensation amounts reported once you submit the report, you will not be able to delete any principals that you may have inadvertently added once the report has been submitted.

Lobbying firms may wish to have a draft of the quarterly compensation report available during regular working hours, when staff of the Lobbyist Registration Office is available to provide assistance, rather than waiting until the report is due at 11:59 p.m.

**21. If our lobbying firm reported compensation that was owed to us by a principal on a quarterly compensation report, but it was never paid, do we report it on a later quarterly compensation report? When do we write off the debt?**

No. Report what your lobbying firm is provided or owed for the quarter. If it was reported as owed, but never paid you should not make an adjustment on any future compensation reports.

Your lobbying firm's debt write-off policies should be established in consultation with your own accountant/CPA. Although the write-off is not reported on the compensation report, documentation related to the write-off should be maintained. If your lobbying firm is audited and the audit period includes any write-offs, you are advised to provide such documentation to the auditors to support why the compensation amount that was previously reported as owed was adjusted or revised in your lobbying firm's financial records.

**22. Are agreements/contracts between lobbying firms and principals required to be in writing? If not, what do we need to do if we are selected for an audit?**

No, a written agreement or contract is not required. However, if your lobbying firm is selected for an audit, you should document the terms of any verbal agreements/contracts that were in effect for the calendar year under audit, and sign and date such statement. Such documentation should be provided to the CPA

firm prior to the start of audit fieldwork, along with any written contracts/agreements and other documentation requested by the CPA firm. If you fail to provide such documentation of verbal agreements/contracts, *prior to the start of audit fieldwork*, it will be reported as a finding. The contents of the written statement should contain information to satisfy what is required under section III. of the [Guidelines](#) (pp. 4-6).

Also, even if you have a written contract, but verbally agree to revisions after it has been signed, you should document any such revisions and provide the documentation to the CPA firm prior to the start of audit fieldwork. If, during the year being audited, you billed the principal (or were provided payment) for items or services (i.e., reimbursements) that were not listed in the contract, you should document such and provide an explanation.

**23. As part of our contract with a principal, our lobbying firm provides both lobbying and non-lobbying services. We are paid a flat amount per month. How do we document the method and any percentages used to allocate the compensation between the two types of services?**

First, you should determine the amount of time the lobbyists in your lobbying firm spent on lobbying services (both legislative and executive, as applicable) and on non-lobbying services for the principal. As stated in section III. of the [Guidelines](#) (pp. 4-6), any reasonable, fact-based method of calculation is acceptable; some examples of such methods are included in the *Guidelines*. Documentation must be maintained to support the calculation(s).

Any portion of the monthly fee that is attributable to non-lobbying services should be deleted from the compensation to be reported and the remainder of the compensation should be split and reported on each quarterly compensation report based on any split between legislative branch and executive branch lobbying services performed. *Do not double report the compensation you have been provided (or are owed)*. The total your lobbying firm reports for both the executive branch and the legislative branch should equal the total amount you have been provided (or are owed) less the amount for non-lobbying services.

## CLARIFICATION FOR CPA FIRMS

*In this series of questions, the work to be performed is referred to by the technically correct term, agreed-upon procedures (AUP), rather than audit.*

**24. A lobbying firm only filed a quarterly compensation report for the fourth quarter; however, it lobbied and received compensation throughout the year? Should we report a finding?**

Most likely yes. However, first you should ask some questions to the lobbying firm as to why it filed only one compensation report. For example, if the lobbying firm changed its name during the calendar year, there could possibly be a system issue that needs to be reviewed before proceeding with further audit fieldwork. Contact Committee staff if assistance is needed.

**25. The name of one of the lobbying firms is slightly different than what is in the lobbyist registration system (i.e., the name in the system is plural, and the actual name is not plural). The Lobbyist Registration Form and the quarterly compensation reports all have the same lobbying firm name.**

**(1) Should a finding be reported?**

**(2) What lobbying firm name should be used in the AUP report?**

(1) No; (2) Use the correct name. Note: The lobbying firm can sign into the system and modify the name at any time.

**26. The Registration Form(s) for the lobbyist(s) of the lobbying firm were not provided. Why?**

Prior to 2015, registrations were submitted on paper forms. In 2015, online registration was implemented, and registration by paper was abolished. The respective calendar year's [\*Registered Executive Lobbyist Directory\*](#) and [\*Registered Legislative Lobbyist Directory\*](#) reflect the effective registrations that are online.

**27. Is there an “Authorization” for a lobbyist to register to represent the principal?**

Yes. For registrations that were submitted from 2006 through 2014 and subsequently renewed annually without any revisions, the authorization is a paper

form, which is titled “Authorization to Represent the Principal.” Since 2015, registrations and authorizations have been submitted electronically. The screen shot of the electronic authorization is titled “Registration Details.” Either a photocopy of the paper authorization or a screen shot of the electronic authorization (however it was submitted) will be provided prior to the start of the Agreed-Upon Procedures (AUP) engagement.

**28. Are verbal agreements acceptable for lobbying firms to have with their principals? If yes, when should the CPA firm report such as a finding?**

Yes, verbal agreements are acceptable. However, the lobbying firm should document the terms of any verbal contract/agreement and provide such documentation to the CPA firm *prior to* the start of audit fieldwork. If the lobbying firm’s records do not include the written statement and it is not provided to the CPA firm at the time such documentation is requested prior to the start of audit fieldwork, a finding should be included in the AUP report for each such instance. This applies to the original agreement and any modification(s) that occur afterwards.

**29. What documentation should we expect to see for \$0 compensation?**

The AUPs require: (1) a schedule of contracted compensation to be prepared by principal, noting the payment schedule for all compensation; (2) those amounts to be verified to supporting documentation; (3) the verified amounts to be compared to the quarterly compensation reports in order to verify that the correct range was selected on the applicable quarterly report; and (4) any differences be resolved and explanations documented. While some quarters may accurately include \$0 compensation for the principal, the yearly compensation, by quarter, will have been verified. If the lobbying firm reports \$0 compensation for a principal on all four quarterly reports for the year, then a written explanation from the lobbying firm should be obtained.

**30. If an amended compensation report is filed by a lobbying firm, at what point would a finding regarding such be included in the AUP report?**

(1) Do not report as a finding if the amended compensation report is filed before the CPA firm begins audit fieldwork (i.e., can be corrected after the date the compensation reports are provided to the CPA firm by Committee staff).

(2) Report as a finding if the compensation report is amended as a result of an issue with such report that is pointed out to the lobbying firm by the CPA firm.

**31. What documentation obtained from a lobbying firm to support the compensation reported needs to be retained for the workpapers?**

Copies of all original and amended compensation reports are required to be included in both the AUP report [section VI.C.8.) of the [Guidelines](#)] and in the workpapers. In addition, sufficient documentation to support all findings in the AUP report needs to be included in the workpapers.

**32. An employee of one of the lobbying firm’s principals registered as a lobbyist for the principal and erroneously indicated he or she is affiliated with the lobbying firm. However, this individual is not an employee of the lobbying firm.**

**Lobbying firm staff stated that the “association” by the principal’s employee with the lobbying firm is just a mistake due to a misunderstanding of the requirement for disclosing a lobbying firm.**

**Should this be reported as a finding?**

Most likely no; however, please contact Committee staff to discuss specifics.

As of November 2018, this kind of mistake is considered a “scrivener’s error,” which can be corrected by the Lobbyist Registration Office at the lobbyist’s written request. After the error has been corrected, the employee’s name and registration will not be reflected in the Lobbying Firm Directory or the Lobbyist Directory.

**33. During the AUP engagement, we noted that one of our lobbying firm’s principals has contracted with a third-party entity to process and pay all of its accounts payable transactions. As a result, the compensation checks provided to the lobbying firm by this principal have the third-party entity’s name on them rather than the principal’s name. Should this be reported as a finding?**

No, unless the third-party entity meets the definition of a lobbying firm and the situation is actually a subcontractor relationship. You should request

documentation to verify the contractual relationship between the principal and the third-party entity is to provide bill paying services. [See section VI.C.3. of the [Guidelines](#).]

**34. What should the CPA firm do if the lobbying firm is not willing to sign the representation letter?**

Professional standards require the CPA firm to “make inquiries of the responsible party about, and seek oral responses to, the matters in” the written representation letter, when the ‘engaging party’ is not the ‘responsible party.’ For the AUP engagements, the ‘engaging party’ is the Florida Legislature and the ‘responsible party’ is the lobbying firm subject to audit.

If the lobbying firm has not signed the representation letter within seven days of the request to do so, the CPA firm should:

1. Provide to the Legislature’s Contract Manager any specific information/concerns provided by the lobbying firm as to why it is refusing to sign representation letter
2. If not yet known, make inquiries as to why the lobbying firm is refusing to sign the letter
3. Request and document oral responses to the matters in the representation letter
4. Include a finding in AUP report

[See section VI.C.5. of the [Guidelines](#).]

[Paragraphs .31-.32 of AT-C Section 215, *Agreed-Upon Procedure Engagements, Codification of Statements on Standards for Attestation Engagements (Number 18)*, As of January 2019, AICPA]

**35. Should the Appendix to the AUP report include only the quarterly compensation reports for the branch (Executive vs. Legislative) for which the CPA firm is engaged?**

Yes. While the lobbying firm may have received compensation for both executive branch and legislative branch lobbying services, only include the quarterly compensation reports for the branch for which the CPA firm is engaged to perform the AUP engagement.

**36. Does the Committee need to review a draft of the AUP report prior to issuance?**

No. However, Committee staff are available to review a draft of the report if a CPA firm has questions or concerns regarding potential findings.

**37. If there is a finding, should the CPA firm request that the lobbying firm provide a written response to the finding and include such response as an attachment to the AUP report? This would be consistent with the way auditors usually are required to handle audit findings in governmental audit reports.**

A written response from the lobbying firm regarding a finding is optional. AUP Step C.6 states to inquire if the lobbying firm would like to provide a written statement. If such a statement is provided, it may either be included as a paragraph below the applicable finding or an appendix to the report.

The requirement for a written response from the entity applies to governmental audits. It is not applicable to this AUP engagement and is not included as part of the procedures. The lobbying firms are not governmental entities.

**38. How should the CPA firm handle the distribution of the AUP reports?**

Please submit an electronic copy of each report to Committee staff once completed; after all AUP reports are completed, please provide Committee staff with bound copies of each AUP report. For legislative branch reports, provide three copies and for executive branch, provide two copies. Committee staff will distribute all of the reports to the Speaker and the President or the Chair of the Commission on Ethics, as appropriate, at one time.

**39. AUP Step C.3.f), states “Prepare a schedule to document the results and notes to describe the procedures performed and the records utilized.” Does the schedule need to be included in the AUP report or is it just for the audit workpapers?**

The schedule is for the audit workpapers and is not to be included in the AUP report.

**40. How should the CPA firm bill for the AUP engagement, actual hours spent or the maximum authorized?**

Actual hours.

**41. How is travel time compensated?**

There is no provision for the payment of travel time.

**42. A partner or other audit staff in the CPA firm's office that is selected to perform an AUP engagement has performed tax work for the lobbying firm and/or a lobbyist in the lobbying firm. Is there an independence issue?**

There is not an independence issue as long as none of the key personnel assigned to the AUP engagement or the managing partner of the CPA firm's office have performed any of the tax work for the lobbying firm or lobbyist.

**43. Is there any provision in the contract prohibiting a CPA firm from performing other work for a lobbying firm for a specified period of time *after* an AUP engagement has been completed?**

The contract does not include such a prohibition. However, any professional staff working on those additional services would not be independent to perform the AUP engagements going forward.

## LOBBYING FIRMS SELECTED FOR AN AUDIT

### Possible Exemptions

- 44. My lobbying firm has been selected for an audit. Although I filed compensation reports for the year in question, I reported \$0 total compensation for each of the quarterly reports that I filed. Does this exempt my lobbying firm from the audit?**

No. The fact that you reported \$0 compensation for the entire year does not exempt your lobbying firm. The CPA firm that performs your engagement will confirm the amount of compensation that you were provided or owed for the year, based on the records that you provide.

Please note, if no form of compensation is anticipated or received, you may wish to review Question #1 of the [FAQs For Lobbyists Before the Florida Legislature](#) and Question #1 [FAQs for Lobbyists before Executive Branch Agencies](#).

- 45. My organization has been selected for an audit, but we now believe that we mistakenly filed quarterly compensation report(s) and that we were *not* required to do so. Can we be exempt from the audit?**

Yes, this is possible if your organization is not a lobbying firm. Only lobbying firms are required to file quarterly compensation reports. If, for the entire year, your organization's registered lobbyist(s) was an employee of the organization and was not a contract lobbyist, quarterly compensation reports were not required to be filed. If this situation applies to your organization, please submit a statement to the Committee stating that the lobbyist(s) was an employee of the organization and provide documentation to support this statement. This documentation may include a pay stub, W-2, payroll report, etc. for the year in question. These documents may be redacted to the extent necessary to protect any personal information.

The population, used for the selection of lobbying firms for an audit, is the organizations that filed one or more quarterly compensation reports during the year. Any organization that is later determined to be a principal and not a lobbying firm, will be exempt from an audit and an alternate lobbying firm will be selected.

**46. Our lobbying firm was selected for an audit this year, but we were also selected and subject to an audit last year. Can we be exempt from the audit this year?**

No. The law does not provide for any exemptions. A number of lobbying firms have been subject to an audit for more than one year, and in some cases this has occurred in consecutive years.

**47. My lobbying firm was selected for an audit, but I have retired and did not register to lobby during the current calendar year. Can I be exempt from the audit?**

No. Even if you were an individual contract lobbyist (i.e., sole proprietor), as long as you were required to file one or more quarterly compensation reports during the previous calendar year, you are a candidate for an audit.

**What happens next?**

**48. Our lobbying firm was selected for an audit, what do we need to do?**

There is nothing you are required to do until you have been contacted by the Committee. You should receive an email notification of your selection within a day or two of when the selection occurs. You then will have an opportunity to disclose any scheduling issues that you may have with the engagement and provide additional contact information, if needed. Soon afterwards, usually within a week or two, you should receive a packet with instructions. At that point, you will be required to provide some information and a form to the Committee.

If you wish to begin preparing for the audit before you receive the packet, you may wish to review the [Guidelines](#) online. Suggested key areas to review include: (1) *Compensation Records to be Maintained* (p.4), and (2) *Agreed-Upon Procedures to be Performed* (p. 8).

**49. What will be included in the packet? What will we be required to do once we receive the packet?**

The packet includes a letter with instructions, [Guidelines](#), FAQs, a list of the CPA firms and their staff available to perform the engagements, and an Independence Statement.

You will have an opportunity to select one of the CPA firms. Once you do, you will need to complete the Independence Statement, have it notarized, and return it to the Committee's office.

The *Guidelines*, FAQs, and a list of the CPA firms is also available on the [Committee's website](#). The list of CPA firms provided in the packet will also include all staff members who are currently available to perform the engagements. The CPA firms may add and delete staff members at any time, with Committee staff approval.

## **50. How will the packets be sent?**

The packets are often sent by USPS Certified Mail/Return Receipt Requested. However, in the initial email you receive from the Committee staff, you will be asked if you prefer to receive the packet in another manner. Other options are to receive it electronically, by regular U.S. mail, or pick up the packet in the Committee's office in the Pepper Building (across Madison Street from the Knott Building).

Certified Mail is used so that Committee staff can, hopefully, document the date your lobbying firm receives the packet. This is important because this begins the 30-day window for your lobbying firm to select a CPA firm. Please promptly complete and return the green response card attached to the packet.

We understand that Certified mail does not work well for all lobbying firms. For example, the packets are usually sent during or near the Legislative Session. A lobbyist who is a sole proprietor lobbying firm may have a South Florida address, but be in Tallahassee for an extended period when the packets are sent. If you opt to receive the packet by regular mail or electronically, we request that you confirm receipt by email.

## **Selecting a CPA Firm**

### **51. Is our lobbying firm required to select a CPA firm for the engagement?**

No. You have 30 days to select a CPA firm from the date you receive your packet, but you are not required to do so. If you fail to make a selection within the 30 days, or prefer not to make a selection, the Committee staff will make a selection for you. If you prefer not to make a selection, please notify the Committee staff as soon as possible by email.

**52. How does my lobbying firm select a CPA firm? Do I need to contact the CPA firm I select?**

How you make your selection is entirely up to you. Each of the CPA firms is approved to perform the work and would welcome your engagement. You do not need to contact them to determine if they are willing to take on your engagement. If you wish to contact them to ask questions in order to make your decision, the Committee staff can provide you with the contact information for the Contract Manager for each CPA firm.

**53. One of the CPA firms has performed tax work for our lobbying firm (or for one of the lobbyist's personally), do we have to choose another CPA firm?**

Not necessarily. Committee staff suggest that you contact the CPA firm and ask if they can staff your engagement so that there is no independence issue.

Both your lobbying firm and the Key Personnel assigned to your engagement by the CPA firm must be independent of each other. Key Personnel includes partners and audit staff, but not clerical and other support staff. No such staff member of a CPA firm who has been involved in tax work for you, either personally or professionally, can be involved with this engagement.

The CPA firm will likely do what it can to accommodate your request, even if it requires adding additional personnel, which it can do with Committee approval. Both your lobbying firm and the CPA firm must sign an Independence Statement.

**54. Is it okay if staff of one or more of the CPA firms contacts our lobbying firm and offers to perform the audit for us?**

No. Solicitation is expressly forbidden. Please immediately report any contact initiated by a CPA firm to Committee staff, unless the CPA firm has been assigned to your engagement. Otherwise, CPA firms may only contact lobbying firms if they are responding to a request from the lobbying firm, for example to return a phone call or email.

### **Independence Statement**

**55. I am the owner of a sole proprietor lobbying firm and do not have any clerical staff. The requirement to have the Independence Statement notarized causes a hardship for me due to my long hours at the Capitol during the Legislative Session. Are there any other options?**

Yes. Both the Committee and the Lobbyist Registration Office have a notary on staff.

If you contact the Committee office at 850-487-4110 or [jlac@leg.state.fl.us](mailto:jlac@leg.state.fl.us), a time and location can be scheduled to notarize the form. You will need to know the name of the CPA firm that either you have selected or that the Committee staff has selected (if you choose not to make a selection), and bring your Driver License. Committee staff can provide the form if your copy is not readily available.

Alternately, you may contact the Lobbyist Registration Office at 850-922-4990 to determine when its notary will be available.

**56. How should we return the completed Independence Statement to the Committee?**

The preferred method is to scan it and send it electronically. You may send it to the staff member who has been in contact with you by email or to the Committee's address at [jlac@leg.state.fl.us](mailto:jlac@leg.state.fl.us). Alternately, you may send it by mail. You do not need to do both. The Committee does not need your original; however, you may wish to keep it for your records.

### **Preparing for the Audit**

**57. What do we need to do after our lobbying firm has selected or been assigned to a CPA firm and we have submitted our completed Independence Statement?**

There is nothing you are required to do until you are contacted by the CPA firm. Typically, the next steps occur in the following order:

- Committee staff works with the CPA firm to complete all paperwork and to provide all required information and documentation to the CPA firm.

- Committee staff will send a copy of the Engagement Letter to the lobbying firm once it has been executed. This is the agreement between the Legislature and the CPA firm.
- The CPA firm will contact the lobbying firm regarding records needed to complete the audit. Although Committee staff are available to answer questions, most communication going forward will be between the CPA firm and the lobbying firm.

The schedule for Legislative Session is taken into consideration when setting the audit schedule. The intent is to allow active lobbyists to complete their Session-related responsibilities before they are required to focus on the audit. CPA firms may contact lobbying firms before the completion of Legislative Session regarding records, but it is understood that lobbying firms may not have an opportunity to provide records until after Session has ended.

**58. After reading the guidelines and the responses to some of these questions, we realize that our lobbying firm has been incorrectly reporting some compensation for the calendar year for the audits. What should we do?**

If you have been recording compensation in your records in a manner different than described in the [Guidelines](#) and FAQs, it is recommended that your lobbying firm review its records and quarterly compensation report(s) filed for the period from January 1<sup>st</sup> (year of compensation being audited), forward to determine if any amended quarterly compensation reports need to be filed.

**59. When pulling together records to provide to the CPA firm, we noticed an error in our lobbying firm's compensation reporting. Is it too late to amend the report(s)?**

You may amend your quarterly compensation report(s) at any time. If the error is corrected before the CPA firm begins audit fieldwork, it will not be reported as a finding (assuming there are no other errors). If you have already provided records to the CPA firm and it has begun the procedures, it will be reported as an error (assuming it was an error).

**60. If I have incorrectly calculated lobbying verses non-lobbying activities or Legislative Branch verses Executive Branch lobbying for one or more principals, should I amend my compensation reports?**

Only if the correct amount falls in a different range than you previously reported.

**61. If a lobbying firm is selected for an audit of its legislative branch lobbying compensation reporting, will the CPA firm need to look at the lobbying firm's records related to executive branch compensation reporting?**

Not necessarily. If the records for legislative branch lobbying compensation reporting and executive branch lobbying compensation reporting are kept separately, there will be no need for the CPA firm to review the executive branch records. However, if some or all of the records are combined, the CPA firm will need to review all records that include information related to legislative branch lobbying compensation. You may wish to review sections III.F. and VI.C.4. of the [Guidelines](#) for additional information.

**62. Will the CPA firm only look at my lobbying firm's compensation amount during an audit?**

No. Section VI.C. of the [Guidelines](#) lists the exact procedures that the CPA firms must follow. For example, the CPA firm will confirm that each lobbyist associated with your lobbying firm is listed on the quarterly compensation reports and that a registration is in effect for each principal listed on quarterly compensation reports.

**63. A contract between a lobbying firm and a principal includes language related to the terms of service. Will the auditors verify that the lobbyist met such terms of service?**

No. The intent of the audit is to determine whether the compensation reported on the quarterly compensation reports filed by a lobbying firm is accurate and consistent with the terms of the contract. If there are differences, the auditors can request clarification in accordance with section VI.C.3. of the [Guidelines](#). Any issues related to the performance of a lobbyist is between the principal and the lobbying firm.

### **Scheduling Issues**

**64. I am the owner of a sole proprietor lobbying firm, do not have any staff, and will be traveling extensively during the period the audits are scheduled. What can I do?**

Most audits are performed without the need for CPA firm staff to meet at your office. As long as there is a way for you to provide the CPA firm with records (electronically, or by mail), and you will have phone/email access to answer any questions the CPA firm may have, there should not be an issue. There is no provision to waive an audit because of travel or other scheduling issues.

### **Who pays?**

**65. Is our lobbying firm required to pay for the cost of the audit?**

No. The engagements are paid for by the Legislature.