

April 3, 2002

Board of Accountancy
2610N.W. 43rd Street, Suite 1-A
Gainesville, FL 32606

Dear Board Members:

This is a request for your ruling on a question of independence under Chapter 473.315(3) of the Florida Statutes and Rule 61H 1.21.001(4)(c) of the Florida Administrative Code. The circumstances surrounding my question are as follows:

A Florida CP A provides bookkeeping, accounting and tax services for a Condominium Association (" Association"). The Association has several employees. Monthly homeowner maintenance receipts are deposited directly to a lockbox. The CP A makes some deposits and inter-account transfers on behalf of the Association as necessary. All disbursements are originated and executed by the Association through the use of a common software program which generates checks and an electronic file of disbursement data.

The CP A provides daily deposit and any transfer information electronically to the Association ..This information provides deposit control totals for the Association. Similarly, the CP A provides a monthly Bank reconciliation Report for each bank account.

Disbursement data is retrieved electronically from the Association by the CP A and combined with deposit information to create the Association monthly account records. The CP A provides monthly account details and Compiled Financial Statements for the monthly Association meetings and may offer pro-active guidance on financial matters such as financing options for vendor contracts.

My Question is as follows: Is the CP A independent to perform a Review of the Association's year-end financial statements?

Rule 61H 1.21.001(4) of the Florida Administrative Code states in part:

(c) The certified public accountant must not assume the role of employee or of management conducting the operations of the enterprise. For example, the certified public accountant shall not consummate transaction, have custody of assets or exercise authority on behalf of the client. The client must prepare the source documents on all transactions in sufficient detail to identify clearly the nature and amount of such transactions and maintain an accounting control over data processed by the certified public accountant such as control totals and document counts.

Although the CP A makes some deposits and inter-account transfers, their immateriality and infrequency do not constitute the custody of assets or the exercise of authority on behalf of the Association. Therefore, this activity does not rise to the level of the impairment of the CP A ' s independence. Further, CP A maintained deposit and disbursement accounting control totals, is a normal service provided in the industry.

The Association By-laws provide that the treasurer deposit all monies; keep full and accurate accounts of receipts and disbursements; and report on the financial condition of the Association. For practical purposes, the CP A performs these services which provides the Association with reliable cost-effective financial reports.

In my opinion, the CPA does not lack independence to perform a Review of the Association financial statements.

Thank you in advance for your consideration of this question.

Sincerely,

David C. Cranks, CPA