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Board of Accountancy
2610 NW 43rd Street, Suite 1-A
Gainesville, FL 32606

Dear Board Members:

This is to request your ruling on a question I have concerning independence under Chapter 473.315 of the Florida Statutes and Rule 61H1.21.001 (1) (b) 1. of the Florida Administrative Code. The circumstances surrounding my question are :

A Florida CPA firm, which is incorporated as a professional association, leases all of its employees, including the shareholders, from a professional leasing company.

The professional leasing company has requested that the Firm perform their annual financial statement audit.

The Firm's amounts to approximately 2% of the leasing company's total revenue.

The services provided to the Firm by the leasing company include: 1) payroll processing including the handling of all payroll processing including the handling of all payroll taxes and reports; 2) health insurance paid for by the employee and the Firm; 3) a Section 125 cafeteria plan; 4) a 401(k) plan; and 5) drug screening and "human resources" functions.

The Firm determines who is hired and supervises all employees. In addition, the Firm determines who is terminated and sets compensation for all leased employees.

There is no long term contract between the Firm and the professional leasing company and the relationship can be canceled at any time.

The questions is: Would the firm be considered independent under the

Rule cited above?

There is no commitment between the Firm and the professional leasing company other than to write periodic paychecks for the Firm's employees and remit the payroll taxes, and that arrangement can be canceled at any time. It is not a true employer-employee arrangement under Rule 61H1-21.001 (b) 1. but rather a vendor customer arrangement. Although not specifically addressed in the rules, it appears that the relationship described above would be similar to that outlined in Rule 61H1-21.001 (7) relating to loans from financial institutions.

In the case above, the relationship is not material to either party and is conducted through the normal course of the leasing company's business.

It is our opinion that the Firm would be considered independent in the situation discussed above.

Your answer to the above question will be greatly appreciated.

Very truly yours,

Gordon, Niles & Company, P.A.
Certified Public Accountants

T. Kipp Gordon, CPA