



**Council Auditor’s Office 2013/14 Annual Report
Special Report #755
Executive Summary**

Authority

The position of the Council Auditor is established by Section 5.10 of the Charter of the Consolidated Government of the City of Jacksonville. The Council Auditor is appointed by the City Council and is the Director of the Council Auditor's Office, a department of the legislative branch of the consolidated government. The Council Auditor is responsible for conducting a continuous internal audit of the fiscal operations of the consolidated government and all independent agencies. Audits are selected based on risk factors, reported problems in an area, or at the request of City Council. The Council Auditor’s Office conducts legislative review and performs other forms of research as Council Committees, the Council President or individual Council Members may request. The office is also tasked with developing specifications to be included in the request for proposal for outside audit services and assisting in the selection of an outside audit firm for the City’s annual independent audit.

Our Product

Audit

We issued five performance audit reports and two attestations. In total, we identified 30 Findings, 14 Internal Control Weaknesses, and 8 Opportunities for Improvement in our audits and attestations aimed at improving the City’s operations and protecting the City’s assets. The performance audits identified \$107,679 in lost revenues that could potentially be recovered. Additionally, the staff assisted the external auditors on the audits of the City and JEA.

Legislation

We reviewed approximately 570 legislative bills. This included extensive work on 3 bills that will save the City an estimated \$6 million over three years. Additionally, the staff is responsible for reviewing the proposed budget for the City and its Independent Authorities.

Special Projects

We issued seven special reports and conducted numerous other special projects throughout the year. We also reviewed the submission of audits for City Grant recipients.

Annual Expenditures

	FY 12/13 Expenditures	FY 13/14 Estimated Expenditures
Salaries	\$ 1,424,172	\$ 1,469,245
Pension	271,273	359,637
Other Employee Benefits	146,365	153,904
Internal Service Charges	56,229	76,556
Other Operating Expense	24,250	33,847
Total	\$ 1,922,289	\$ 2,093,189



Council Auditor's Office

Annual Report FY 2013/14

October 28, 2014

Special Report #755

ANNUAL REPORT

MISSION AND GOALS	1
Charter Authority of the City Council Auditor	1
Our Mission	1
Statement of Values.....	2
OUR WORK PRODUCTS	2
Audit Function.....	2
Special Project Function	4
Legislative Function	5
OFFICE OPERATIONS.....	10
Our Structure	10
Staffing	10
Expenditures.....	11
PROFESSIONAL DEVELOPMENT	11
Summary	11
Continuing Education	11
Professional Associations	11
Quality Assurance	11
REPORTS RELEASED IN FISCAL YEAR 2013/2014.....	Exhibit A
SUMMARY OF REPORTS.....	Exhibit B
LEGISLATION REQUIRING SIGNIFICANT REVIEW IN FISCAL YEAR 2013/2014.....	Exhibit C
CITY COUNCIL AUDITOR'S OFFICE STAFF.....	Exhibit D

OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



October 28, 2014

Special Report #755

Honorable Members of the City Council
Jacksonville, Florida

The annual report of the City Council Auditor's Office of Jacksonville, Florida for the fiscal year ended September 30, 2014 is presented for your review. This report provides a description of the mission and goals of the Council Auditor's Office and an explanation as to the types of work performed.

The office issued 14 reports, in addition to many special projects and numerous hours reviewing legislation and attending meetings of City Council and its committees. A summary of the reports, along with highlights of significant legislation, is included. The Council Auditor's Office also provided staff time to assist in the audits of the City and JEA.

In addition to issuing reports, performing special projects and reviewing legislation, more than 6,700 staff hours were spent from July through September 2014 reviewing the proposed 2014/2015 budgets for the City and its Independent Agencies, preparing handouts with recommendations, and researching numerous questions for Council Members.

MISSION AND GOALS

Charter Authority of the City Council Auditor

The position of the Council Auditor is established by Section 5.10 of the Charter of the Consolidated Government of the City of Jacksonville. The Council Auditor is appointed by the City Council and is the Director of the Council Auditor's Office, a department of the legislative branch of the consolidated government. The Council Auditor is responsible for conducting a continuous internal audit of the fiscal operations of the consolidated government and all independent agencies. Audits are selected based on risk factors, reported problems in an area, or at the request of City Council. The Council Auditor's Office conducts legislative review and performs other forms of research as Council Committees, the Council President or individual Council Members may request. The office is also tasked with developing specifications to be included in the request for proposal (RFP) for outside audit services and assisting in the selection of an outside audit firm for the City's annual independent audit.

Our Mission

The mission of the Council Auditor's Office is to improve the accountability and effectiveness of local government by actively providing independent and informative services to the City Council and the citizens of Jacksonville. The City Council, Mayor, Independent Agencies and the public

need timely, objective, and accurate information regarding the efficiency and effectiveness of the operations of the City and its Independent Agencies. We seek to accomplish our mission by evaluating department and program performance.

Statement of Values

- We expect excellence in the services we provide: excellence achieved through motivated personnel upon whose abilities, initiative, and creativity we depend.
- We are committed to sustaining a work environment that provides opportunities for personal growth, and supports innovation and change as essential to achieving our vision in a rapidly changing world.
- We expect the development of new ideas and enhancements in our ability to perform and work effectively at all levels of the organization.
- We value our relationships with others.
- We demonstrate integrity and honesty in all facets of our work.

OUR WORK PRODUCTS

Our office performs three essential functions: audits, special projects, and legislative review. These three areas combine to allow us to provide the best value we can to the citizens of Duval County.

Audit Function

Overview

The audit function of the office conducts performance audits in accordance with Generally Accepted Governmental Auditing Standards (GAGAS), attestations in accordance with the American Institute of Certified Public Accountants (AICPA) and/or GAGAS, and assists the external auditors with the City's Comprehensive Annual Financial Report (CAFR) and JEA's Annual Financial Report. Audit work accounted for over 13,200 hours (or 34%) of the overall time of our office in FY 2013/2014. The standards that we utilize require due professional care in conducting audits, professionally qualified staff, independence, adequate supervision and planning of audit work, reporting of audit results, and periodic review of the office by outside professionals. This enhances the quality of our work product which enables the user agency to place greater reliance on our work.

We select areas to audit based on several factors. We consider areas that provide services to the government and community that may have potential for improvement in the areas of economy and efficiency. Areas at risk for the misuse of assets or resources are more likely to be selected for audit. We also consider areas with a high volume of complaints or concerns identified by the City Council, Mayor, and management. The length of time since the last audit is also considered. Appropriate staff is assigned to the audit based on individual staff qualifications and the number of staff needed to conduct the audit. See Exhibit A for a listing of the FY 2013/14 reports and Exhibit B for a brief summary of the FY 2013/14 reports.

The Municipal Code requires the offices of the Clerk of Court, Property Appraiser, Sheriff, Supervisor of Elections, and Tax Collector to be audited by the Council Auditor's Office no less than once every five years. The office is in compliance with this requirement.

Performance Audits

A performance audit is an engagement that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria.¹ This type of auditing may also include steps to determine if the City is in compliance with contracts, laws, regulations and procedures. The benefit of audit work is not always quantifiable. Performance audits result in recommendations that will improve resource utilization, reduce the risk of loss or abuse of assets, increase productivity, and correct wasteful practices. Audit recommendations can improve services to the public by making programs more effective and efficient.

Results

We issued five performance audits during FY 2013/14. These five reports identified 29 findings, 13 internal control weaknesses, and 6 opportunities for improvement. These performance audits identified \$107,679 in lost revenues that could potentially be recovered.

Attestations

Attestation engagements can cover a broad range of financial or nonfinancial objectives about the subject matter or assertion, depending on the users' needs. GAGAS incorporates by reference the AICPA's Statements on Standards for Attestation Engagements (SSAE). The AICPA's standards recognize attestation engagements that result in an examination, a review, or an agreed-upon procedures report on a subject matter or on an assertion about a subject matter that is the responsibility of another party.²

Results

We issued two attestations during FY 2013/14, both of which were required by Florida Statutes. We identified 1 finding, 1 internal control weakness and 2 opportunities for improvement during this work.

External Auditors

The Council Auditor's Office is tasked with engaging an outside audit firm to perform the City's annual independent audit. Pursuant to Section 102.116 of the Jacksonville Municipal Code, the Council Auditor's Office establishes the specifications to be included in the request for proposal (RFP) for the City's independent audit, assists in the ranking and selection of an outside audit firm and negotiates the formal fee and contract terms.

The Council Auditor's Office also provides staff to assist in the audit work performed on both the City and JEA's annual financial audits. Three of our staff members provided a total of 600 hours to assist McGladrey, LLP with the annual financial statement audit and the preparation of

¹ Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 2012), p.17.

² Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 2012), p.16.

the Management Letter for the City. In addition, two of our staff members provided a total of 160 hours to assist Ernst & Young, LLP with the financial audit of JEA.

Results

By providing this assistance, we reduced the cost of the contracts by over \$90,000 and provided staff valuable information and training for future audit work.

Special Project Function

The special project function releases special reports, which are typically in response to a request by a Council Member or involve a project substantially less in scope than an audit conducted in accordance with GAGAS. This area accounts for over 4,400 hours (or 11%) of the overall time of our office. See Exhibit A for a listing of FY 2013/14 reports and Exhibit B for a summary of the FY 2013/14 reports.

Special Reports

The Council Auditor's Office performs other reviews to fulfill the City Charter and Ordinance Code requirements of providing the City Council with reports of financial analysis and information pertaining to the operations of the City and its Independent Agencies. As a part of this effort, the Council Auditor compiles and reviews quarterly financial reports from the City and its Independent Agencies and presents reports thereon. The majority of our special project work products are not summarized in formal numbered reports.

Results

We issued seven numbered special reports in FY 2013/14. Two of these special reports resulted in six findings and seven opportunities for improvement. The remaining reports were prepared to provide information to City Council and the citizens of Jacksonville regarding the City's financial position and our office's work.

Special Projects

The Council Auditor's Office performs many special projects that do not result in a report. These are typically small requests initiated by a Council Member. The nature of these projects typically relates to the gathering of information, which also assists the office with gaining an understanding of all City operations and properly compiling a risk assessment of the City.

Follow-up Reviews

The Council Auditor's Office conducts follow-up reviews to determine the progress made in addressing findings and recommendations identified in previously issued audit reports. These reviews are performed periodically and are substantially less in scope than an audit conducted in accordance with GAGAS.

City Grants

Per Chapter 118 of the Jacksonville Municipal Code, the Council Auditor's Office is tasked with overseeing the proper submission of annual audits and financial reports by agencies which receive City of Jacksonville grant funding. In addition to assuring that the audits and financial reports are submitted by the appropriate deadlines, the Council Auditor's Office also reviews the

audits and financial reports and confirms that City funding is properly disclosed in each of them. The Council Auditor's Office has the authority to remove entitlement of grant funding from an agency that does not follow the provisions of Chapter 118. In practice, the Council Auditor's Office has maintained a "non-compliance list," which includes all agencies that have committed infractions which have not yet been resolved. The Council Auditor's Office may reinstate entitlement upon the correction of most infractions by the agency.

Results

During FY 2013/14, fifteen organizations were added to the non-compliance list. As of September 30, 2014, two of these fifteen organizations remained on the non-compliance list, while the others were removed after reporting requirements were fulfilled. Payments were withheld for non-compliant organizations until these organizations demonstrated compliance with the requirements of Municipal Code Chapter 118.

Ad Hoc Financial Impact Statement Committee

The City Charter requires the Council Auditor to chair a five member ad hoc committee charged with delivering, within 30 days' notice, an up to 75 word financial impact estimate of the increase or decrease of any revenues or costs to the City resulting from the implementation of any proposed straw ballot or charter amendment.

Results

The committee held six meetings in February 2014 to consider the August 2014 straw ballot regarding an independent library taxing district. Due to legal constraints, the committee's statement did not provide informative insight to the voters and passed by a vote of three to two with the City's CFO and the Council Auditor dissenting.

Legislative Function

Overview

The legislative review function provides an examination of legislation for all of the Council Committees, with the exception of the Land Use and Zoning Committee, and attends all City Council meetings. It is the role of this team to provide transparency and accountability to each legislative bill that is reviewed. The legislative review function accounted for over 13,000 hours (or 34%) of the overall time of our office in FY 2013/14, which includes over 6,700 hours related to the annual budget. The following more specifically describes the scope of work performed by each group.

Legislative Review

The legislative review function is performed by staff members in order to provide Council Members with information regarding areas of potential improvement, full disclosure of financial impacts, errors requiring correction and other possible outcomes of pending legislation to assist Council Committees in their decision-making process. Some of the general categories of legislation reviewed are capital project approval and appropriation, grant contracts and appropriations of funds, lease agreements, fair share assessments, and redevelopment agreements. Refer to Exhibit C for a summary of significant legislation that was reviewed during FY 2013/14.

Results

The legislative review process provides City Council Members with information and research that adds to the resources available for their decision making process. During FY 2013/14, we reviewed approximately 570 legislative bills. Over the course of FY 2013/14, our office reviewed bills that were heavily debated within the City Council. Several of these bills are detailed below.

Ordinance 2013-683-E reformed the City government related to the maintenance of right of ways, City owned landscaping and mowing in order to address blight problems throughout the City. The legislation appropriated funds totaling \$1,972,461, and transferred funds totaling \$10,074,433 from other City departments, for the creation of a new Division of Mowing and Maintenance within Public Works. Our office spent numerous hours reviewing the bill, answering Council Member questions, and attending meetings of the Special Ad Hoc Committee on Jacksonville's Neighborhood Blight, which is explained in further detail on page 10. This legislation was substituted, amended, and after months of debate, ultimately enacted by the City Council.

Resolution 2014-89-W would have expressed the Council's support for a state bill that would have created an Independent Library Taxing District (ILTD). Our office spent numerous hours reviewing the bill, attending meetings and answering questions regarding the potential impact of creating an ILTD. As a result of our review, we communicated the following concerns to the City Council:

- *There was no specific date outlined in which the library system would begin independent operations. Also, the City would still have to fund the operations of the library in FY 2014/15, as ad valorem revenue would not be collected by the ILTD until November/December 2015. The City would have to fund the ILTD's operations until that time. All terms of a transition would need to be negotiated between the City and the ILTD through an interlocal agreement.*
- *Given that the ILTD would have been operating the library system in City-owned buildings, the City would have had to determine whether to sell or lease the buildings to the ILTD, or arrange some other method. The City would also have had to negotiate a rate for the use of both real and personal property owned by the City.*
- *The proposal did not require ILTD to use any existing central City services (accounting, Human Resources, procurement, information technology, etc.). If ILTD did decide to utilize these services, it would have had to enter into an interlocal agreement with the City. If the ILTD were to provide these services on its own, a transition period would have been needed where the City provided these services until ILTD could put the appropriate staff and systems in place to perform these functions.*
- *If the City were to transfer any of its assets to ILTD, this would have had to be outlined in an interlocal agreement.*
- *At the time the bill was considered, the City had \$95 million of outstanding debt from the Better Jacksonville Plan, as well as other debt, related to the library. Annual debt service on these obligations was approximately \$8 million per year. An interlocal agreement would have been needed to outline any transfer of this debt to ILTD.*

- *We brought several employee issues to the Council's attention:*
 - *The City would have needed to determine which library employees had civil service reversion rights and to which positions they would revert. All other library employees would have been terminated from the City.*
 - *City Council approval, and possibly State action would have been needed to allow existing City employees who became employees of ILTD to be admitted into the City's General Employee Pension Plan. However, ILTD may have wanted to establish its own pension plan or participate in the Florida Retirement System (FRS).*
 - *The City would have needed to pay all terminated employees for their unused vacation time, and possibly compensatory time. Using January 31, 2014 as a sample date, we estimated that the payout for this would cost approximately \$1.3 million, although this was just an estimate and dependent on many factors.*
 - *If the City had terminated library employees, it would have been possible that the employees file for unemployment compensation through the State. It was not possible to estimate the City's future liability, but this would have been a cost the City would be required to fund.*
- *The City self-insures its real and personal property. As long as the City continued to own the property that would be used by the ILTD, the City would be responsible for insuring it. It was recommended that the City seek reimbursement from the ILTD through an interlocal agreement for these insurance costs. There may have needed to be changes to the coverage since the City would be allowing a third-party to use its facilities.*
- *If the City were to allow the ILTD to utilize its facilities, the City would have needed to ensure that it was sufficiently protected from any negligence of the ILTD through an indemnity clause, although ownership of the facilities would always place a level of responsibility on the City.*
- *The proposal stated the trustee board of the ILTD would manage, administer, operate, supervise, oversee, and maintain all library facilities and services, programs, and functions for the benefit of district residents. However, it would still have needed to be determined whether the City would maintain the facilities with Public Works staff and be reimbursed by the ILTD, or whether this function would be performed by ILTD on its own. This would include routine maintenance, capital repairs and landscaping/mowing. This would have needed to be addressed in an interlocal agreement. Additionally, current contracts between the City and providers of such services would have needed to be examined for possible early termination if the ILTD decided to perform these functions on its own.*
- *Any utility costs would have likely been charged to the City until any assets were transferred to the library system. In that case, these costs would have needed to be reimbursed by ILTD. This reimbursement would have needed to be addressed in an interlocal agreement.*

The City Council ultimately voted to withdraw 2014-89. In addition, on August 26, 2014, the citizens of Duval County voted to reject a straw ballot asking the public if they supported the establishment of an Independent Library Taxing District.

Ordinances 2014-282-E, 2014-283-E, & 2014-284-E authorized City garbage hauler contract amendments in accordance with Ordinance Code Section 382. The City's garbage hauler contracts are managed within the Solid Waste Enterprise Fund which is funded in part by the Solid Waste User Fee. A rate review of each hauler is required to occur every three years and pursuant to each garbage hauler contract, staff from the Council Auditor's Office participates on the Rate Review Team. One step of the review process includes examining each hauler's prior years audited financials in addition to an expense proposal for the ensuing fiscal year. The expenses are reviewed for allowable line items and then negotiated as to reasonable necessary amounts with each contract hauler. Due to Council Auditor staff participation, a total savings of \$1,691,805 was identified within the haulers' proposed expenses. A negotiated mark-up on expenses is applied to expenses plus Consumer Price Index adjustments are applied in the two fiscal years following a rate review. The overall savings to citizens, as a result of the Council Auditor staff participation, is a total reduction in the Solid Waste Division's budget of an estimated \$6,065,335 over a three year period.

Bill 2014-386 pertains to Chapter 121 (Police and Firefighters Pension Plan). The bill would create a new category of member known as a "Group II Member" based upon a date of hire on or after October 1, 2014. The bill also revises the contribution percentages of existing Police and Fire Pension Plan members, outlines the mutual obligations of the City and the Police and Fire Pension Fund Board of Trustees in addressing the unfunded liability, and outlines the investment authority of the Police and Fire Pension Fund Board of Trustees. The bill outlines the qualifications for future executive administrators of the Police and Fire Pension Fund. The bill would outline the pension benefits extended to Group I and Group II members, and would establish the backdrop program of pension benefits extended to Group II members. The bill creates a new part pertaining to the Financial Investment and Advisory Committee, as well as a new part pertaining to ethics, fiduciary responsibilities and best practices. The bill also amends the Charter of the City of Jacksonville, and approves the 2014 retirement reform agreement. Despite being deferred for an extended period of time, our office has devoted considerable resources to the review of this bill. As of the issuance date of this report, the Council recently held one meeting as a committee of the whole to begin the review of the bill for final action.

Budget Review

The Council Auditor's Office is also responsible for reviewing the proposed budgets for the City and its Independent Agencies. This review entails an extensive analysis of revenue and expenditures on a line item basis, along with statistical calculations and a review of material changes in funding for expenditures. Our staff interacts with the Budget Office, City Departments and Independent Agencies to complete our analysis and obtain answers to questions regarding budget requests. Approximately 6,700 staff hours were spent from July through September 2014 reviewing the 2014/2015 budget proposals. A report is prepared annually outlining the Mayor's and Independent Agencies' proposed budgets and City Council actions regarding those budgets.

Results

Based on our review of the Mayor's Proposed Budget, we brought several concerns to the attention of the Council. Listed below are some of the concerns we raised:

- We questioned the practice of transferring \$37,713,068 from the General Fund/General Services District (S/F 011) to fund operating costs. The Council took actions to reduce the transfer down to \$7,116,924, of which \$4,000,000 was to be utilized to pay the capital cost of new vehicles.*
- During the budget review process, we raised questions as to the drastic increase in banking fund borrowing to \$230 million. If approved, this amount would have been the largest single year of banking fund authorization since the banking fund was established. The Finance Committee decided that any new borrowing should be on an absolute need basis and went further to reduce the prior year authorizations. The amount of new banking fund borrowing was ultimately reduced to \$46,266,092.*
- We questioned the budgeted funding levels of the City pension plans. Specifically, we felt the budgeted contribution for the Police and Fire Pension Fund was a net \$11 million less than the amount needed based on the practice of contributing on the greater of the dollar or percentage amount stated in the most recent actuarial report. The Finance Committee originally agreed with our recommendation, while simultaneously reducing the addition of new officers and collective bargaining amounts which lessened the pension issue to a net \$7.1 million. In the end, the committee reversed its decision, acknowledging that the City will most likely have to utilize the City Budget Stabilization Account that is maintained by the Police and Fire Pension Fund in order to cover these amounts. During the budget hearings, the Council Auditor stated his concerns regarding the deliberate underfunding of the pension fund contribution versus payroll appropriations. If the Council approves proposed Ordinance 2014-386 as introduced, funds will not be available in the City Budget Stabilization Account.*

To assist the Committee in finding additional cuts after its initial review of the budget, we compiled a listing of all operational increases from the prior year Council Approved Budget. Based on this listing, the Committee cut an additional \$4,623,299 from the General Fund/General Services District Budget.

Assistance to Special and Ad Hoc Committees

The Council Auditor's staff attends special committee meetings to provide background information and aid committee members in their review and deliberations on tasks assigned to the committee. Staff participated in meetings associated with the Better Jacksonville Plan, the Duval County Tourist Development Council, the Taxation, Revenue, and Utilization of Expenditures (TRUE) Commission, as well as various special committees noted below.

The Audit Subcommittee of the City Council Finance Committee was created to study City government performance and to review audits and reports about City finances and operations. The subcommittee meets on an as needed basis to receive information from the Council Auditor and the City's independent auditor. This provides the opportunity for the subcommittee to discuss the reports and ask questions of Council Auditor's staff and the agency staff addressed in the report.

We attended the St. Johns River Ferry Commission meetings where we answered questions and provided guidance related to establishing a budget, making deposits, recording and tracking revenues and expenses, and paying the contractor.

Council Auditor reports are forwarded to the TRUE Commission for their review. Council Auditor staff attend the TRUE Commission meetings to answer questions regarding each report released as well as providing answers to TRUE Commission questions or requests for information. The TRUE Commission provides recommendations and feedback to the Council President at their discretion.

The Courthouse Oversight Special Committee was created to ensure oversight of all expenditures, change orders, and efficiencies that might be found during the courthouse construction process.

The Special Ad Hoc Committee on Jacksonville's Neighborhood Blight was formed during FY 2013/14. The special ad hoc committee was charged with examining the status of neighborhoods in Jacksonville as it relates to blight and the City's response and responsibility for improvement. The Council Auditor's Office attended numerous meetings of this special ad hoc committee throughout the year.

OFFICE OPERATIONS

Our Structure

Our office is structured in the most effective method for internal audit independence in that we report directly to the City Council. Given the unique nature of functions our office performs, our office is recognized as a model organization and from time to time we are contacted by other jurisdictions who want to better understand our operation.

Staffing

As part of the original FY 2013/2014 budget, the office was authorized to fill 19 full-time positions. Positions include the Council Auditor, an Assistant Council Auditor, 16 auditors and one administrative assistant (refer to Exhibit D). All auditors have degrees in accounting, including several with graduate degrees. The audit staff members are Certified Public Accountants (CPAs) or in the process of preparing for or taking the CPA exam. Audit staff members are encouraged to obtain a CPA license.

Expenditures

The Council Auditor's Office had expenditures of approximately \$2.09 million in fiscal year 2013/14, as detailed below:

Annual Expenditures

	FY 12/13 Expenditures	FY 13/14 Estimated Expenditures*
Salaries	\$ 1,424,172	\$ 1,469,245
Pension	271,273	359,637
Other Employee Benefits	146,365	153,904
Internal Service Charges	56,229	76,556
Other Operating Expense	24,250	33,847
Total	\$ 1,922,289	\$ 2,093,189

**Please note that the amounts for FY 2013/14 are pending the final close out of the City's Annual Financial Audit.*

PROFESSIONAL DEVELOPMENT

Summary

The work of the Council Auditor's Office requires professionals with high standards of integrity, independence, and conduct. Principles are established as a guide for development and improvement of the employee's professionalism. The Council Auditor's Office emphasizes professional development to improve our skills, effectiveness and efficiency. The office provides required continuing education, encourages professional certification, and supports staff involvement in professional associations.

Continuing Education

Government Auditing Standards require that our staff complete at least 80 hours of continuing education every two years, including 24 hours in subjects directly related to the government environment or government auditing. Auditors who are CPAs must also complete the 80 hours every two years to retain their active status as Florida CPAs. The professional staff is in compliance with these provisions.

Professional Associations

The Council Auditor and other staff members are members of organizations such as the Association of Local Government Auditors, the Florida Government Finance Officers Association, and the Government Finance Officers Association. Some staff members are also members of the American Institute of Certified Public Accountants, the Association of Certified Fraud Examiners and the Institute of Internal Auditors.

Quality Assurance

In compliance with Government Auditing Standards, the Council Auditor's Office undergoes an external quality control review once every three years by an organization not affiliated with the

Council Auditor's Office. We participate in the peer review program of the Association of Local Government Auditors through which our office had a peer review and was found to be in compliance with the Government Auditing Standards in March 2012. This peer review covered all audits and attestations performed in accordance with Governmental Auditing Standards between January 1, 2009 and December 31, 2011.

We appreciate the strong support given to us by the City Council. We look forward to continuing to work on finding ways to improve our City and its Independent Agencies.

Respectfully submitted,

Kirk A. Sherman, CPA
Council Auditor

EXHIBIT A

All reports are public record and are available to the public in our office or on our web site at www.coj.net/City-Council/Council-Auditor.aspx

REPORTS RELEASED IN FISCAL YEAR 2013/2014

Performance Audits

Report No. 747	Audit of Indirect Cost Allocation	April 2014
Report No. 749	Audit of JTA Accounts Payable	May 2014
Report No. 751	Fire and Rescue Department – Ambulance Billing and Inventory Audit	June 2014
Report No. 752	Mayor’s Travel Audit	July 2014
Report No. 754	Tax Collector Audit 2014 – Collection and Remittance of City Funds	September 2014

Attestations

Report No. 744	Report on Statement of County Funded Court-Related Functions, Section 29.0085 Florida Statutes	January 2014
Report No. 746	Sheriff’s Investigative Fund 2012	February 2014

Special Reports

Report No. 741	Council Auditor’s Annual Report for FY 2012/13	October 2013
Report No. 742	Budget Summary for FY 2013/14	October 2013
Report No. 743	Quarterly Summary for the Twelve Months Ended September 30, 2013	December 2013
Report No. 745	Quarterly Summary for the Three Months Ended December 31, 2013	February 2014
Report No. 748	Quarterly Summary for the Six Months Ended March 31, 2014	May 2014
Report No. 750	Jacksonville Sunshine Law Compliance Review	May 2014
Report No. 753	Quarterly Summary for the Nine Months Ended June 30, 2014	August 2014

EXHIBIT B
SUMMARY OF REPORTS

Performance Audits

Audit of Indirect Cost Allocation

Report #747 – April 2014

In recent years, there has been debate regarding the amounts of indirect costs allocated to various areas during the City's annual budget hearings. Therefore, we felt it was important to audit the indirect cost study to gain a better understanding of it and identify any potential issues.

Significant Issues:

- There were no written policies and procedures that existed to assist individuals in compiling and reviewing the information that is utilized by the consultant to prepare the studies.
- There were numerous issues with the information utilized for the cost drivers to allocate costs from the various Business Units to the beneficiaries of the services.
- There did not appear to be a uniform methodology utilized to determine which areas would be allocated indirect costs.

Audit of JTA Accounts Payable

Report #749 – May 2014

We performed an accounts payable audit of the Jacksonville Transportation Authority (JTA) since we have recently performed similar audits of the City and some of its Independent Agencies based on our risk assessment.

Significant Issues:

- We noted various segregation of duties problems within JTA's accounts payable and check disbursement processes.
- Pooled cash accounting was not being utilized, which could simplify the banking operations of JTA.
- Payments of invoices were not always occurring within a timely manner as required by Florida Statutes.
- Bank reconciliations were not being performed within a timely manner.

Fire and Rescue Department – Ambulance Billing and Inventory Audit

Report #751 – June 2014

This audit was performed based on the materiality of ambulance revenues derived from our risk assessment/audit plan on City-wide revenues, along with previous audits performed relative to Fire Rescue inventory.

Significant Issues

- Lack of contract oversight related to the billing company that handles ambulance transports.
- Approximately \$107,000 in potential revenue was not billed out.
- The Jacksonville Fire and Rescue Department's (JFRD) Tactical Support Facility does not have an inventory system.

EXHIBIT B
SUMMARY OF REPORTS

- The City's Information Technology Division (ITD) never completed the build-out of the Logistical Support Facility (LSF) Inventory System.
- The same person who has the ability to adjust inventory in the LSF system has physical access to the inventory.
- The LSF and Tactical Support Facility (TSF) inventory counts had discrepancies based on what was in the inventory records.
- There were no written policies and procedures for the LSF or TSF inventory components.
- The JFRD narcotics logs were not always compliant with the Department's Standard Operating Guidelines (SOG).

Mayor's Travel Audit

Report #752 – July 2014

This audit was initiated due to insufficient documentation on file for travel which our office discovered during our Purchasing Card (P-Card) Audit (Report #732).

Significant Issues:

- Prohibited payments were received from outside agencies to pay for travel.
- Travel paid for by non-prohibited organizations was not properly disclosed as gifts in a timely manner.
- Travel forms and documentation were missing, insufficient, inaccurate or not filed in a timely manner; public purpose for travel was vague or not noted. Travel was also not properly approved.
- Mode of travel was not always the most economical.
- The Mayor did not sign any of his travel forms with his full signature; additionally, several of the Mayor's travel forms did not have his initials on them.
- Trips were routinely cancelled and rescheduled, costing the City additional dollars; these cancellations were not formally tracked.
- Travel documentation was provided months after it was requested by our office.

Tax Collector Audit 2014 – Collection and Remittance of City Funds

Report #754 – September 2014

The Tax Collector Audit was performed to meet the requirements of Municipal Code Section 102.118, which requires the Council Auditor's Office to audit each of the constitutional officers at least once every five years.

Significant Issues:

- Some former employees still had access rights to the Tax Collector's receipts system.
- The Tax Collector allows for cash back in the event that a customer pays with a check, as long as the cash back amount is less than \$10. This is a violation of City policy.
- Tax Collector employees who cashed checks at the branches did not obtain proper branch manager approval in a few instances, cashed checks over \$50, and cashed more than one check per pay period – all in violation of Tax Collector policy.

EXHIBIT B
SUMMARY OF REPORTS

Attestations

Report on Statement of County Funded Court-Related Functions, Section 29.0085 Florida Statutes

Report #744 – January 2014

This attestation involves the City's compliance with Sections 29.008 and 29.0085 of the Florida Statutes, which detail the City's funding of court-related functions that are County requirements pursuant to State Law. The reports are prepared by the City's Accounting Division and certified by our office before being sent to the State.

Sheriff's Investigative Fund 2012

Report # 746 – February 2014

This attestation is required by Section 925.055(2) of the Florida Statutes. We examine and express an opinion on a schedule of Cash Receipts and Disbursements of the Criminal Investigative Fund of the Office of the Sheriff.

Special Reports

Council Auditor's Office Annual Report FY 2012/13

Report #741 – October 2013

This report provides a summary of the activities and accomplishments of the Council Auditor's Office during the fiscal year ended September 30, 2013.

Budget Summary for FY 2013/14

Report #742 – October 2013

The Budget Summary Report details the major points of the City Council approved budget for the FY 2013/14. It details the major changes that occurred from the Mayor's Proposed Budget to the approved budget and includes suggestions to create a better process for the following year.

Jacksonville Sunshine Law Compliance Review

Report #750 – May 2014

This report is a requirement of the Ordinance Code that states we must perform an annual review and report on Council notices, meeting locations, and minutes to determine whether the City Council is in compliance with the Jacksonville Sunshine Law Compliance Act.

Quarterly Summaries

Reports #743 (December 2013), #745 (February 2014), #748 (May 2014), & #753 (August 2014)

The City and Independent Agencies are required to submit to the Council Auditor's Office quarterly financial statements by specified dates. The Council Auditor's Office is tasked with compiling the information and submitting a report to the City Council. The purpose of these reports is to identify budget problems as early as possible to allow for corrective action.

EXHIBIT C
LEGISLATION REQUIRING SIGNIFICANT REVIEW IN FISCAL YEAR 2013/2014

- **2013-683:** An ordinance reforming the city government relating to the maintenance of right of ways, City owned landscaping and mowing in order to address blight problems throughout the City. Appropriating funds totaling \$1,972,461, as well as transferring funds totaling \$10,074,433 from other City departments, for the creation of a new Division of Mowing and Maintenance within Public Works.
- **2013-694:** An ordinance authorizing amendment number 12 to the lease between the City and the Jacksonville Jaguars for the construction of video board improvements at Everbank Stadium. The ordinance appropriated \$43,109,000 for the video board improvement project.
- **2013-820:** An ordinance reissuing the local option gas tax for a 20 year period beginning September 1, 2016 and continuing through August 31, 2036, as well as approving the allocation of the local option gas tax, the transportation ½ cent sales tax and the constitutional gas tax and interlocal agreement with JTA.
- **2014-64:** An ordinance approving a lease agreement between the City and Teach for America, Inc. for approximately 5,394 square feet of space on the sixth floor of the Ed Ball Building.
- **2014-89:** A resolution stating the Council’s support for local bill J-4, to be considered by the Duval County legislative delegation, which would create the Duval County Library District. The Council Auditor’s Office raised numerous concerns related to the establishment of an Independent Taxing District for the library. This bill was withdrawn.
- **2014-111:** A resolution concerning a labor and collective bargaining impasse between the City and the Laborers’ International Union of North America (LIUNA) for the 2012-2013, 2013-2014 and 2014-2015 fiscal years. As of the issuance date of this report, this bill was still pending.
- **2014-112:** A resolution concerning a labor and collective bargaining impasse between the City and the Communications Workers-America (CWA) for the 2012-2013, 2013-2014 and 2014-2015 fiscal years. As of the issuance date of this report, this bill was still pending.
- **2014-118:** An ordinance approving a development agreement between the City and Harmony Farms of Jacksonville, LLC for 285,000 square feet of shopping center uses on 40.088 acres of property located south of Collins Road, between I-295 and Rampart Road.
- **2014-185:** An ordinance revising the charter of the Jacksonville Housing Finance Authority.
- **2014-250:** A resolution commemorating the life and mourning the passing of Adam Mathews. Adam began his City career with the Council Auditor’s Office for five years before working for the Administration as an auditor, then moving to the Information Technology Division and becoming the City’s IT Security Officer.
- **2014-282:** An ordinance approving a second amendment to the agreement with Advanced Disposal Services, Jacksonville, LLC to set rates from the 2013 rate review commencing October 1, 2013 and setting fuel caps for fiscal years 2013-2014, 2014-2015 and 2015-2016.
- **2014-283:** An ordinance approving a first amendment to the agreement with Republic Services of Florida Limited Partnership d/b/a Southland Waste Systems of Jacksonville, to set rates from the 2013 rate review commencing October 1, 2013 and setting fuel caps for the fiscal years 2013-2014, 2014-2015 and 2015-2016.

EXHIBIT C
LEGISLATION REQUIRING SIGNIFICANT REVIEW IN FISCAL YEAR 2013/2014

- **2014-284:** An ordinance approving a first amendment to agreement with Waste Pro of Florida, Inc. to set rates from the 2013 rate review commencing October 1, 2013 and setting fuel caps for fiscal years 2013-2014, 2014-2015 and 2015-2016.
- **2014-289:** An ordinance regarding the re-organization of the Office of Economic Development (OED) and the creation of the Office of Sports & Entertainment.
- **2014-306:** An ordinance approving various changes to the Procurement Code, including creating the Jacksonville Procurement Awards Committee (JPAC). As of the issuance date of this report, this bill was still pending.
- **2014-331:** An ordinance appropriating \$97,728 from the Taye Brown Regional Park Fund to the Equestrian Center to provide funding for the transitional expenses of the center to Northeast Florida Equestrian Society/H.O.R.S.E. Therapies, Inc., and approving an operating licensing agreement.
- **2014-386:** An ordinance amending the Police & Firefighters Pension Plan, by creating a new Member Category and approving the 2014 Retirement Reform Agreement. As of this report's issuance date, the bill was still pending.
- **2014-409:** An ordinance appropriating \$13,436,410 from the miscellaneous revenue account (originally the Shipyard/Landmar/Trilegacy settlement account) to a Special Council Contingency – Capital Projects account for future appropriation by Council.
- **2014-560:** An ordinance appropriating \$2,595,723 from the Downtown Economic Development Fund to pay for projects and activities contained in the “BID Plan”, and adopting the Downtown Investment Authority Business Investment and Development Plan (“BID Plan”). As of the issuance date of this report, this bill was still pending.
- **2014-656:** A resolution honoring and thanking Assistant Council Auditor Janice Billy for her years of outstanding and dedicated service to the City upon the occasion of her retirement. Janice worked for the office from August 4, 1986 through her retirement on September 26, 2014.

EXHIBIT D

CITY COUNCIL AUDITOR'S OFFICE STAFF

Staff members as of September 30, 2014:

Kirk A. Sherman, CPA, Council Auditor
Kyle Billy, CPA, Assistant Council Auditor
Kim Taylor, CPA, Principal Auditor

Chedly Broche, CPA
Robert Campbell
Thomas Carter, CPA
Sean Costigan, CPA, CFE
Elena Korsakova, CPA
Edward Linsky
Carmen Martin, CPA
Brian Parks, CPA
Phillip Peterson, CPA
Andrew Phillips
Heather Reber, CPA
Jeff Rodda
Trista Straits, CPA
Aaron A. Wilkins

Administrative Assistant

Mary Fletcher

Staff member who retired during FY 2013/14:

Janice Billy, CPA, Assistant Council Auditor

Janice Billy worked in the Council Auditor's Office from August 4, 1986 until her retirement on September 26, 2014. At the time of her retirement, she was the Assistant Council Auditor, a position she had held since 2006. During her tenure, as honored by Council Resolution 2014-656-A, she was involved in many of the office's functions, including managing the legislative review function, assisting Council committees, overseeing the annual review of the Capital Improvement Plan, researching projects for Council members, auditing City Departments and Independent Agencies, monitoring Public Service Grant (PSG) recipients, and preparing the office's annual operating budget.