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## Council Auditor's Office 2014/15 Annual Report Special Report #771 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 eight performance audit reports and one attestation. In total, we identified 59 Findings, 32 Internal Control Weaknesses, and 33 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 \$629,260 in lost revenues, \$230,581 in overpaid costs, and over \$200,000 in future costs that could be avoided. Additionally, the staff assisted the external auditors on the audits of the City and JEA, saving the City approximately \$100,000 as a result.

#### Legislation

We reviewed approximately 650 legislative bills. During our review we identified one error in particular which benefited the City \$155,922. This is in addition to the countless other issues identified that are not as easily quantifiable. Additionally, the office is responsible for reviewing the proposed budget for the City and its Independent Authorities. Our review of the Mayor's Proposed Budget resulted in recommendations that increased revenues by \$482,971 and reduced expenditures by \$1,476,910, which created savings totaling \$1,959,881.

#### 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 and reviewed the annual Recapture of funds to the General Fund, which resulted in the General Fund Recapture increasing by \$558,277, to a total of \$2,631,249.



**Council Auditor's Office**

**Annual Report FY 2014/15**

**December 4, 2015**

**Special Report #771**

**ANNUAL REPORT**

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



December 4, 2015

Special Report #771

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, 2015 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 16 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 external financial audits of the City and JEA.

In addition to issuing reports, performing special projects and reviewing legislation, more than 6,200 staff hours were spent from July through September 2015 reviewing the proposed 2015/2016 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 14,100 hours (or 38%) of the overall time of our office in FY 2014/2015. 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 2014/15 reports and Exhibit B for a brief summary of the FY 2014/15 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.<sup>1</sup> 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 eight performance audits during FY 2014/15. These eight reports identified 59 findings, 32 internal control weaknesses, and 33 opportunities for improvement. The performance audits identified \$629,260 in lost revenues, \$230,581 in overpaid costs, and over \$200,000 in future costs that could be avoided. Additionally, these audits identified several process changes that could reduce costs and made multiple recommendations to address deficient system controls, such as those surrounding payroll to City employees, which is a significant portion of the City's operating costs.*

### **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.<sup>2</sup>

#### Results

*We issued one attestation during FY 2014/15, which was required by Florida Statutes.*

### **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.

Our office informed several large and mid-size audit firms that the City was interested in obtaining their RFP for the City's annual independent audit. As a result, we received responses

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

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

from five different firms. The proposals were independently rated by a Council Member and two staff members within the Council Auditor's Office. Pursuant to Ordinance 2015-334-E, Carr, Riggs and Ingram (CRI), LLC, was approved to be the new external auditor and as such to perform the independent audit of the City for FY 2014/15, 2015/16 and 2016/17, along with two additional one-year renewal options. The award to CRI was \$275,000 for the period ended September 30, 2015, a savings of \$31,301 over the fee of \$306,301 for the September 30, 2014 engagement. However, this initial fee for the September 30, 2014 engagement was subsequently raised to a total of \$380,801 due to an increase in the scope (\$7,500) and various timing delays (\$67,000) by the City. Taking these increases into account, the award to CRI for the period ended September 30, 2015 resulted in a savings to the City of \$105,801.

The Council Auditor's Office also provides staff to assist with the audit work performed on both the City and JEA's annual financial audits. Two of our staff members provided a total of 600 hours to assist McGladrey, LLP with the annual financial statement audit and the preparation of the Management Letter for the City. Pursuant to Ordinance 2015-255-E, our office provided an additional 72 hours of assistance above the 600 hours included in the contract due to new services outside of the scope of the original contract. In addition, two of our staff members provided a total of 136 hours to assist Ernst & Young, LLP with the financial audit of JEA.

#### Results

*By providing assistance to the external auditors, we reduced the cost of the contracts by approximately \$100,000 and provided staff valuable information and training for future audit work. In addition, by issuing a new request for proposal for the audit contract we saved over \$30,000 annually.*

#### **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 4,000 hours (or 11%) of the overall time of our office. See Exhibit A for a listing of FY 2014/15 reports and Exhibit B for a summary of the FY 2014/15 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 2014/15. One of these special reports resulted in five 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.

#### Results

*One special project that occurs every year is the annual Recapture of General Fund subsidies to General Fund Supported Funds or Sub-funds as outlined in Section 106.106(i), Ordinance Code. Our review this year resulted in the General Fund recapturing \$2,631,249. This was an increase of \$558,277 from the amount that was proposed by the Administration to be recaptured.*

### **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.

#### Results

*We followed up on eight audit reports during the fiscal year. We noted that 22 internal control weaknesses, 35 findings, and 20 opportunities for improvement which had been reported as issues during those eight audits had been addressed by the various departments. This left 13 internal control weaknesses and 11 findings that still need to be addressed and will be reassessed in future follow-ups.*

### **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 required deadlines, the Council Auditor's Office also reviews the audits and financial reports and confirms that City funding is properly disclosed. 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 2014/15, fifteen organizations were added to the non-compliance list. All organizations were removed once reporting requirements were fulfilled. In addition, one organization resolved non-compliance issues from the previous fiscal year and repaid the City funds owed from the prior year contract. 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 a 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 three meetings during 2014/15 to create four financial impact estimates regarding referendums in the two 2015 local elections.*

## **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 12,200 hours (or 33%) of the overall time of our office in FY 2014/15, which includes over 6,200 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 2014/15.

### 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 2014/15, we reviewed approximately 650 legislative bills. Over the course of FY 2014/15, our office reviewed bills that were heavily debated within the City Council. Several of these bills are detailed below.*

***Ordinance 2015-115-E approved a mobility fee contract with Atlantic North, LLC for the development of commercial space, multi-family dwelling units, and business hotel rooms in East Arlington. The legislation authorized the developer to construct certain roadway improvements in exchange for development credits used to offset this development and possible future developments. The proposed development was introduced to City Council with a calculated mobility fee of \$3,714,057. Through our legislative review, we found a mathematical error that corrected the mobility fee to \$3,869,979 – an increase of \$155,922 in the City’s favor.***

***Ordinance 2015-304-E** amended the Police and Fire Pension Plan to address an unfunded actuarial accrued liability (UAAL) that was in excess of \$1.6 billion. To achieve pension reform, multiple facets of the Plan were altered including creating a new category of members known as “Group II Members” who are hired on or after the effective date of this ordinance. Retirement benefits were altered for Group II Members as compared to Group I Members (those employed prior to the effective date), while also requiring an increase in the member contribution percentages for both groups of members. The ordinance also changed some retirement benefits for current members of the Plan based on years of service as of the effective date of the ordinance.*

*Another facet designed to address the UAAL is required additional unfunded liability payments from the City to be matched by the Police and Fire Pension Fund (PFPF) from an established reserve based on an established payment schedule over the next 13 fiscal years with the option of an additional payment in year 14. Failure to make these additional payments results in a decreased match from the PFPF.*

*This ordinance also prevents the PFPF Board from engaging in the determination of pension benefits and leaves the negotiations and modifications of pension benefits to elected City officials and the bargaining units going forward.*

***Ordinance 2015-340-E** amended the Mortgage Foreclosure Regulation section of the ordinance code (Chapter 179) to attempt to address vacant properties in the City. The legislation established new requirements for property inspections, increased registration fees, and a newly instituted annual fee. Regulations were implemented for when a property changes ownership in addition to establishing civil penalties and late fees for non-compliance. The estimated annual increase to the fund as the result of Council approving 2015-340-E was determined to be between \$2,400,000 and \$3,600,000 annually in the following fiscal year.*

***The Special Committee on Capital Improvement Projects** introduced multiple pieces of legislation throughout the Council year. This legislation began to clean up projects that had been completed for years, but had not been properly closed out. Also included, was the addressing of outstanding Better Jacksonville Projects that were not yet complete due to outstanding condemnation issues, tree mitigation requirements, Art in Public Places obligations, etc. Separate legislation addressed projects that were complete and had residual funding and those funds were returned to the account of origin for future appropriation. The priority of stormwater and roadway projects was also examined and available funding was re-directed to projects that were ready and able to move forward. A detailed listing of legislation that originated out of the CIP Committee can be seen on Exhibit C.*

### **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 6,200 staff hours were spent from July through

September 2015 reviewing the 2015/2016 budget proposals. A report is prepared annually outlining the Mayor's and Independent Agencies' proposed budgets and City Council actions regarding those budgets.

### Results

*The total City budget for FY 2015/16, including independent agencies, was approved by the City Council at \$4,787,948,226. Our review of the Mayor's Proposed Budget resulted in recommendations that increased revenues by \$482,971 and reduced expenditures by \$1,476,910, which created savings totaling \$1,959,881. These savings and other reductions identified by the Finance Committee were able to be utilized to help fund other initiatives of the City Council, such as providing additional dollars for Drainage System Rehabilitation and Sidewalk construction projects, paying cash for the purchase of City vehicles rather than borrowing funds, and enhancing the level of funding to public service grant recipients.*

### **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's staff attend the TRUE Commission meetings to answer questions regarding each report released as well as provide answers to TRUE Commission questions or requests for information. The TRUE Commission provides recommendations and feedback to the Council President at their discretion.

The Special Ad Hoc Committee on Neighborhood Improvement and Community Enhancement (NICE), formerly known as the Jacksonville's Neighborhood Blight is 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 and provided information as requested.

The Special Committee on the JEA Agreement was created and started meeting, biweekly, in February of 2015. The committee is charged with reviewing the current agreement between the

City and JEA, which expires in 2016, and making recommendations for Council consideration on how a new agreement should be structured and what it should contain. The Council Auditor's Office attended all bi-weekly meetings of this special ad hoc committee throughout the year and provided background and financial information as requested.

The Capital Improvement Projects Special Committee is charged to review all City Capital Improvement Projects (CIP) and take a detailed look at their current status, allocations, future appropriations, and debt service, as well as make recommendations to the Finance Committee and Council regarding closure of various projects and appropriate transfers as a result thereof. Three Council Auditor's Office staff members devoted 760 hours in FY 2014/15 to projects related to this committee, which assisted the committee in obtaining accurate data for which it could use to make informed decisions. This included researching older bond projects, working with the Budget Office to identify projects that needed to be cleaned up, and identifying available revenue within the Stormwater capital fund which could all be utilized to fund future capital projects.

## **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 2014/2015 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. We also have one staff member who is a licensed Certified Fraud Examiner (CFE).

## **Expenditures**

The Council Auditor's Office had expenditures of approximately \$2.16 million in fiscal year 2014/15, as detailed below:

### **Annual Expenditures**

	<b>FY 2013/14 Expenditures</b>	<b>FY 2014/15 Estimated Expenditures*</b>
Salaries	\$ 1,469,245	\$ 1,486,476
Pension	359,636	391,710
Other Employee Benefits	153,904	166,320
Internal Service Charges	76,556	84,575
Other Operating Expense	33,650	37,484
Capital Outlay	594	-
<b>Total</b>	<b>\$ 2,093,585</b>	<b>\$ 2,166,565</b>

*\*Please note that the amounts for FY 2014/15 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, the First Coast Chapter of 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 April 2015, with zero management letter comments. This peer review covered all audits and attestations performed in accordance with Governmental Auditing Standards between January 1, 2012 and December 31, 2014.

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***  
**REPORTS RELEASED IN FISCAL YEAR 2014/2015**

**Performance Audits**

Report No. 760	Jacksonville Port Authority - Accounts Payable Audit	January 29, 2015
Report No. 762	City Payroll Audit	March 2, 2015
Report No. 763	JTA Payroll Audit	March 4, 2015
Report No. 765	Supervisor of Elections Audit	June 30, 2015
Report No. 766	JPA Payroll Audit	July 1, 2015
Report No. 767	Clerk of the Courts Audit	August 6, 2015
Report No. 769	State Housing Initiatives Partnership Audit	September 23, 2015
Report No. 770	Jacksonville Fire Rescue Department Payroll Audit	September 29, 2015

**Attestation**

Report No. 759	Report on Statement of County Funded Court - Related Functions	January 26, 2015
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**Special Reports**

Report No. 755	Council Auditor's Office Annual Report FY 2013/14	October 28, 2014
Report No. 756	Budget Summary Fiscal Year 2014/15	December 11, 2014
Report No. 757	Quarterly Summary for the Twelve Months Ended September 30, 2014	December 15, 2014
Report No. 758	Follow-Up Report	January 20, 2015
Report No. 761	Quarterly Summary for the Three Months Ended December 31, 2014	February 13, 2015
Report No. 764	Quarterly Summary for the Six Months Ended March 31, 2015	May 15, 2015
Report No. 768	Quarterly Summary for the Nine Months Ended June 30, 2015	August 14, 2015

*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](http://www.coj.net/City-Council/Council-Auditor.aspx)*

**EXHIBIT B**  
**SUMMARY OF REPORTS**

**Performance Audits**

**Audit of JPA Accounts Payable**

*Report #760 – January 2015*

We performed an accounts payable audit of the Jacksonville Port Authority (JPA) since we have recently performed similar audits of the City and some of its Independent Agencies.

*Significant Issues:*

- Audit logs that were inadequately designed to detect changes made to accounts payable related transactions.
- Outdated signature cards on file with financial institutions.
- Payment for purchases that were not properly authorized.
- Failure to deduct trade discounts from payments.
- Excessive access rights granted to some employees in JPA's accounting/AP system.

**City Payroll Audit**

*Report #762 – March 2015*

We performed an audit of the City's payroll function to determine whether internal controls were in place and operating as intended and to determine if pay and benefits were accurate, earned, properly recorded in the City's accounting system, reported to State and Federal agencies, and paid to employees in a timely manner. We also reviewed internal controls related to the payroll disaster recovery procedures.

*Significant Issues:*

- Issues related to reconciliation processes, access rights, system limitations, and a general lack of adequate standard operating procedures.
- Unsecure sensitive data and disorganized records.
- Not fully using technology within the payroll system.

We issued an interim audit report, *Report #735*, related to this audit in July 2013. The interim report was issued to immediately address significant issues related to the disaster recovery procedures that were discovered during the preliminary stage of this audit.

**JTA Payroll Audit**

*Report #763 – March 2015*

We performed a payroll audit of the Jacksonville Transportation Authority (JTA) since we have recently performed similar audits of the City and some of its Independent Agencies.

*Significant Issues:*

- Overpayments to the former CEO of approximately \$130,000 and issues with severance payments to the former CFO.
- Improper segregation of duties.
- Improper access rights within payroll related systems.
- Inefficiencies with the payroll processes related to areas such as the number of payrolls, leave accrual, and the transfer of information between payroll related systems.



***EXHIBIT B (Contd.)***  
**SUMMARY OF REPORTS**

**Audit of the Supervisor of Elections Office**

*Report #765 – June 2015*

The Supervisor of Elections (SOE) 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. We audited election worker payroll and payments to polling locations.

*Significant Issues:*

- Potential Fair Labor Standards Act compliance issues related to early voting workers.
- Issues and weaknesses in the election day and early voting worker payroll review processes.
- SOE employees and non-City personnel with excessive access rights within the poll worker system.
- Inconsistencies in the reporting and authorization of time and attendance for Election Day workers.
- Missing and incomplete polling location agreements.
- Issues with the accuracy and timeliness of payments to several polling locations.

**Jacksonville Port Authority (JPA) Payroll Audit**

*Report #766 – July 2015*

We performed a payroll audit of the Jacksonville Port Authority (JPA) since we have recently performed similar audits of the City and some of its Independent Agencies.

*Significant Issues:*

- Conflicting access rights within the payroll, HR and time keeping systems.
- A lack of Standard Operating Procedures related to certain payroll functions.
- Inaccuracies in specific types of payments such as shift differential, out of class, overtime, and retroactive pay.
- Inherent system limitations that require manual adjustments and additional staff time.

**Clerk of the Court Audit**

*Report #767 – August 2015*

The Clerk of Court 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. We audited the County-related revenues and the reimbursements to the City for state funded expenses. We also performed follow-up work on our prior Clerk of the Court Audit (#685).

*Significant Issues:*

- Multiple significant items from our prior Clerk of the Court Audit (#685) had not been resolved, which resulted in two subfunds of the City being owed \$2.5 million from the Clerk and the City's General Fund.
- Incomplete and outdated policies and procedures for county functions, which were in the process of being updated at the time of our audit work.
- Excessive access rights within the recording and tax deeds systems.
- A backlog in the tax deeds area and opportunities for improvement within the process.

***EXHIBIT B (Contd.)***  
**SUMMARY OF REPORTS**

**State Housing Initiatives Partnership Audit**

*Report # 769 – September 2015*

The State Housing Initiatives Partnership (SHIP) loan program was audited pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Municipal Code.

*Significant Issues:*

- Apparent conflict of interest in that two of the not-for-profits for one of the initiatives had officers that also owned construction companies that were selected to complete the projects. This conflict of interest was known to the Division Program Manager.
- Missing documentation that would be required to confirm contract compliance.
- Mortgages were not always properly recorded in the Division's mortgage subsidiary ledger.

**Jacksonville and Fire Rescue Department Payroll Audit**

*Report #770 – September 2015*

We performed a payroll audit of the Jacksonville Fire and Rescue Department (JFRD) since we have recently performed similar audits of the City and some of its Independent Agencies.

*Significant Issues:*

- The former Administration improperly used and managed JFRD vacant positions for the Mayor's Summer Jobs Program.
- Inappropriate access rights in both the timekeeping and payroll systems.
- Accuracy and consistency issues related to the calculations for some pay elements.
- Pay practices differed from the bargaining agreement language.
- Improperly submitted and approved timekeeping records.

**Attestation**

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

*Report #759 – January 2015*

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.

**Special Reports**

**Council Auditor's Office Annual Report FY 2013/14**

*Report #755 – October 2014*

This report provides a summary of the activities and accomplishments of the Council Auditor's Office during the fiscal year ended September 30, 2014.

***EXHIBIT B (Contd.)***  
**SUMMARY OF REPORTS**

**Budget Summary for FY 2014/15**

*Report #756 – December 2014*

The Budget Summary Report details the major points of the City Council approved budget for the FY 2014/15. It details the major changes that occurred from the Mayor's Proposed Budget to the City Council Approved budget and includes suggestions to create a better process for the following year.

**Audit Follow-Up Report**

*Report #758 – July 2015*

This report is a follow-up review 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 Government Auditing Standards.

**Quarterly Summaries**

*Reports #757 (December 2014), #761 (February 2015), #764 (May 2015), & #768 (August 2015)*

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 2014/2015

- **2015-747:** An ordinance creating a new Article within the City of Jacksonville charter to establish the functions, purpose, duties, and authority of the Inspector General and providing for a referendum for approval.
- **2015-53:** An ordinance creating a new trust fund with the Public Libraries to allow the Jacksonville Public Library to retain the revenue received from the collection of fines related to library operations.
- **2015-54:** An ordinance amending the benefits of the Police and Fire Pension Plan for current and future members. This ordinance was ultimately denied by the City Council.
- **2015-72:** An ordinance amending the interlocal agreement between the City of Jacksonville and the City of Atlantic Beach regarding the settlement of dispute over the Solid Waste processing and disposal fees.
- **2015-105:** An ordinance entering into an agreement with JEA to purchase water quality credits to be in compliance with Florida Department of Environmental Protection's Basin Management Plan (BMAP).
- **2015-150 & 151:** Ordinances authorizing revised interlocal agreements with JEA for the payment from JEA of \$120,000,000 as a pension funding source and adjusting the assessment calculation of the JEA annual contribution to the City. These ordinances were withdrawn.
- **2015-304:** An ordinance amending the benefits of the Police and Fire Pension Plan for current and future members.
- **2015-340:** An ordinance amending and restructuring the operations of the Mortgage Foreclosure Registry.
- **2015-379:** An ordinance authorizing amendment #13 with the Jacksonville Jaguars to permit the naming of the East and West Clubs for the remainder of the term of the lease.
- **2015-397:** An ordinance appropriating \$120,000 to fund a marketing and river taxi sponsorship agreement for the City of Jacksonville River Taxi service with Lakeshore Marine Services, LLC.
- **2015-620:** An ordinance amending and restating the Equestrian Center Services Contract with Northeast Florida Equestrian Society/H.O.R.S.E. Therapies, Inc.

The following are a list of bills that originated out of the work of the CIP Committee:

- **2015-113:** An ordinance closing out completed Better Jacksonville Plan (BJP) projects.
- **2015-193:** An ordinance transferring budgetary authority of \$18,742,108.46 from various BJP projects to a BJP Council Reserve for future use and to decrease and close out those projects.
- **2015-194:** An ordinance closing out completed Council District BJP Bond projects and returning \$257,716.92 in budgetary authority to the accounts of origin.
- **2015-195:** An ordinance closing out completed Council District projects that had no residual funding remaining.
- **2015-196:** An ordinance (1) de-appropriating \$4,339,878.37 of "pay-go" revenue from various stormwater projects to be used for other stormwater projects, (2) de-appropriating \$1,918,865.83 of banking fund borrowing from various stormwater projects, (3) appropriating \$2,589,648.52 of residual savings to drainage system rehabilitation, and (4) correcting the debt service budget balance for stormwater projects.

*EXHIBIT C (Contd.)*

**LEGISLATION REQUIRING SIGNIFICANT REVIEW IN FISCAL YEAR 2014/2015**

- **2015-197:** An ordinance appropriating \$4,339,878.37 created by Ordinance 2015-196 to use as pay-go funding instead of banking fund borrowing to specific projects and de-authorizing banking fund borrowing from such projects.
- **2015-198:** An ordinance appropriating \$2,630,514 to increase project budgets for stormwater projects.
- **2015-199:** An ordinance appropriating \$1,215,000 from the Drainage System Rehabilitation project to specific stormwater projects.
- **2015-248:** An ordinance de-authorizing \$47,473,445.66 from certain BJP projects and transferring the budgetary authority to a BJP Council Reserve account. The funding source of these projects was also changed from BJP funds to the Local Option Gas Tax.
- **2015-276:** An ordinance closing out completed capital projects and returning the budgetary authority of \$8,959,746.70 to the accounts of origin.
- **2015-303:** An ordinance appropriating \$1,729,565.59 from various downtown projects to projects that will be under the purview of the Downtown Investment Authority.
- **2015-305:** An ordinance appropriating \$4,442,311.95 from various projects within the 5-year Road Program to projects that were considered to be a higher priority.
- **2015-308:** An ordinance reconciling accounts and performing financial cleanup for subfunds and projects.

***EXHIBIT D***  
**CITY COUNCIL AUDITOR'S OFFICE STAFF**

Staff members as of September 30, 2015:

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

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

Administrative Assistant  
Mary Fletcher