



Council Auditor's Office 2016/17 Annual Report Special Report #802 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 ten performance audit reports. In total, we identified 60 Findings, 28 Internal Control Weaknesses, and 16 Opportunities for Improvement in our audits aimed at improving the City's operations and protecting the City's assets. The performance audits identified \$1,907,283 in lost revenues and \$5,308 in overpaid costs. Additionally, the staff assisted the external auditors on the audits of the City and JEA, saving the City and JEA approximately \$61,000 as a result.

Legislation

We reviewed approximately 700 legislative bills. 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 \$4,801,689 and reduced expenditures by \$1,921,626. Also, our participation in the Solid Waste Rate Review resulted in estimated annual savings of \$596,577 over a three year period for a total savings of \$1,789,731.

Special Projects

We issued eleven special reports and conducted numerous other special projects throughout the year. We also reviewed the audits submitted by City Grant recipients and reviewed the annual Recapture of funds to the General Fund, which resulted in the General Fund Recapture increasing by \$3,381,276, to a total of \$6,968,187. In accordance with language in the Budget Ordinance, this amount was partially utilized to address subfunds that had a negative cash balance.



Council Auditor's Office

Annual Report FY 2016/17

December 12, 2017

Special Report #802

ANNUAL REPORT

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



December 12, 2017

Special Report #802

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, 2017 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 21 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 4,700 staff hours were spent from July through September 2017 reviewing the proposed 2017/2018 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 15,000 hours (or 39.6%) of the overall time of our office in FY 2016/2017. 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 user agencies 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 our last audit and the internal and external oversight of the area by other parties are 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 and Exhibit B for a listing of the FY 2016/17 reports and a brief summary of the FY 2016/17 reports, respectively.

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 ten performance audits during FY 2016/17. These ten reports identified 60 findings, 28 internal control weaknesses, and 16 opportunities for improvement. Overall, 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.

The performance audits identified \$1,907,283 in lost revenues and \$5,308 in overpaid costs that were easily quantifiable.

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 did not issue any attestations during FY 2016/17.

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.

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 Council Auditor's Office also provides staff to assist with the audit work performed on both the City and JEA's annual financial audits. Our office provided a total of 600 hours to assist Carr, Riggs and Ingram (CRI), LLC with the annual financial statement audit 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 assistance to the external auditors, we reduced the cost of the contracts by approximately \$61,000 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 3,700 hours (or 9.8%) of the overall time of our office. See Exhibit A for a listing of FY 2016/17 reports and Exhibit B for a summary of the FY 2016/17 reports.

Special Reports

The Council Auditor's Office performs some 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. For example, in accordance with Section 106.421 of the Municipal Code, the Council Auditor compiles and reviews quarterly financial reports from the City and its Independent Agencies and presents reports thereon.

Results

We issued six numbered special reports in FY 2016/17. These 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 \$6,968,187. This was an increase of \$3,381,276 from the amount that was proposed by the Administration to be recaptured.

Additionally, during the 2016/17 fiscal year, we were asked about various topics and performed research in those areas. One specific request resulted in our office noting that a payment due to

the City had not been received (\$134,414.95). We questioned the oversight department as to why the payment had not been received and they were unaware that a payment was due. After following up on this item, the oversight department was able to retrieve the payment from the responsible party. While researching another request, we noted that a department had overpaid an incentive agreement in the amount of \$3,231.70. We questioned the department on the overpayment and they agreed that it had been overpaid. They are going to reduce the next scheduled payment to account for the overpayment of \$3,231.70

Follow-Ups on Audits

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

During the fiscal year, we followed up on five audit reports for the first time. We noted that 21 findings, 8 internal control weaknesses, and 5 opportunities for improvement which had been reported as issues during those audits had been addressed by the various departments since our original audit, if it was the first time we were following up. This left 6 findings, 7 internal control weaknesses, and 5 opportunities for improvement that still need to be addressed and will be followed up on in the future.

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. 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. The Council Auditor's Office maintains a "non-compliance list," which includes all agencies that are out of compliance with their grant contract or Chapter 118. Entitlement is re-instated upon correction of non-compliance or as directed by City Council legislation.

Results

During FY 2016/17, fifteen organizations were added to the non-compliance list. Twelve of those organizations were removed once reporting requirements were fulfilled and three remain on the list. In addition, one organization that was placed on the non-compliance list in a prior year resolved their non-compliance issues through forgiveness legislation enacted by City Council. Payments were withheld for noncompliant organizations until these organizations demonstrated compliance with the requirements of Municipal Code Chapter 118.

Legislative Function

Overview

The legislative review function reviews all 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 10,500 hours (or 27.8%) of the overall time of our office in FY 2016/17, which includes over 4,800 hours related to the annual budget review. The following more specifically describes the scope of work performed.

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, appointments, and redevelopment agreements. Refer to Exhibit C for a summary of significant legislation that was reviewed during FY 2016/17.

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 2016/17, we reviewed approximately 700 legislative bills. Several of these bills are detailed below in Exhibit C.

Through our legislative review, we made recommendations that were accepted and allowed the City to avoid appropriating funds that were not necessary (2017-100-E \$23,123) and alter the design of a project that still achieved the desired goal (2017-48-E \$186,863.30)

One of the projects that our office participates in every three years is the Solid Waste Rate Review. A rate review of each of the City's three contract haulers occurs pursuant to the garbage hauler's contract before legislation is introduced to City Council. In the rate review, the hauler's prior years' audited financials along with proposals for the next year are examined and reviewed for reasonable expenses to operate. Through negotiations, the participation by the Council Auditor's Office staff resulted in an estimated annual savings to the City of \$596,577. This equates to \$1,789,731 over a three-year period.

One of the components of the rate review process resulted in two of the haulers needing to be "trued-up" for prior services performed. Prior to the payment being made, our office reviewed the payment documentation and found that the payments were overstated by \$16,249.78. The City was able to stop the payments resulting in a savings to the City.

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, Constitutional Offices and Independent Agencies to complete our analysis and obtain answers to questions regarding budget requests. Approximately 4,800 staff hours were spent from July through September 2017 reviewing the fiscal year 2017/18 budget proposal. We recently released Report #801 summarizing the Mayor's and Independent Agencies' proposed budgets and City Council actions regarding those budgets.

Results

The total City budget for FY 2017/18, including Independent Agencies, was approved by the City Council at \$5,188,361,278. Our review of the Mayor's Proposed Budget resulted in recommendations that increased revenues by \$4,801,689 and reduced expenditures by \$1,921,626 which created savings totaling \$6,723,315. These savings and other reductions identified by the Finance Committee were able to be utilized to offset items with a negative impact to the budget that were identified during our review and to help fund other initiatives of the City Council.

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 Hemming Park Special Committee was charged to review and assess the contract with Friends of Hemming Park (FOHP). This review included assessing the financial sustainability of FOHP proposals for continued operation, other alternatives for management, and such other matters as the committee deemed appropriate regarding future goals and operation of Hemming Park. The Committee made recommendations regarding pending Hemming Park legislation, contract extensions, budget proposals, and future operation and management of the Park. The Council Auditor's Office attended all meetings of this special committee throughout the year and provided background and financial information as requested.

The Solid Waste Special Committee was charged to review and assess City Council's policy on Solid Waste and to recommend additions, modifications, or deletions to the policy and/or to recommend legislation.

Additionally, the following special committees began immediately following the standing committees and allowed the Council the opportunity to focus on topics relevant to the committees.

- Special Committee on Neighborhood and Community Services Matters
- Special Committee on Transportation, Energy and Utility Matters
- Special Committee on Public Health and Safety Matters
- Special Committee on Rules Matters
- Special Committee on Finance Matters

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

Pursuant to the FY 2016/2017 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 Charter requires the Council Auditor to be a Certified Public Accountant (CPA). The audit staff members are CPAs or are in the process of preparing for or taking the CPA exam. We also have one staff member who is a Certified Internal Auditor (CIA).

Expenditures

The Council Auditor's Office had expenditures of approximately \$2.47 million in fiscal year 2016/17, as detailed in the following schedule.

Annual Expenditures

	FY 2015/16 Expenditures	FY 2016/17 Estimated Expenditures*
Salaries	\$ 1,497,982	\$ 1,645,652
Pension	446,124	517,589
Other Employee Benefits	182,550	185,806
Internal Service Charges	101,897	92,146
Other Operating Expense	28,575	33,591
Total	\$ 2,257,128	\$ 2,474,784

**Please note that the amounts for FY 2016/17 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. Procedures have been 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 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 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 continually work to find ways to improve our City and its Independent Agencies.

Respectfully submitted,

Kyle S. Billy

Kyle S. Billy, CPA
Council Auditor

EXHIBIT A
REPORTS RELEASED IN FISCAL YEAR 2016/2017

Performance Audits

Report No. 787	Compensation and Benefits Division Audit	December 7, 2016
Report No. 790	David Compliance Audit – Neighborhoods	April 3, 2017
Report No. 791	David Compliance Audit – Clerk of Courts	April 3, 2017
Report No. 792	Risk Management Workers Compensation Audit	April 13, 2017
Report No. 793	Nonresidential Solid Waste Franchise Fees Audit	April 13, 2017
Report No. 795	Police and Fire Pension Fund Bank Accounts Audit 2016	May 22, 2017
Report No. 796	Visit Jacksonville Audit	June 5, 2017
Report No. 797	Audit of Property Appraiser’s Office – Portability Calculation	June 15, 2017
Report No. 798	JTA Paratransit Audit	July 5, 2017
Report No. 800	City Wire Transfers Audit	September 18, 2017

Special Reports – Excluding Follow-Ups

Report No. 785	Council Auditor's Office Annual Report FY 2015/16	October 13, 2016
Report No. 786	Budget Summary Fiscal Year 2016/17 (Updated on 12/5/16)	October 20, 2016
Report No. 788	Quarterly Summary for the Twelve Months Ended 9/30/2016	December 15, 2016
Report No. 789	Quarterly Summary for the Three Months Ended 12/31/2016	February 15, 2017
Report No. 794	Quarterly Summary for the Six Months Ended 3/31/2017	May 15, 2017
Report No. 799	Quarterly Summary for the Nine Months Ended 6/30/2017	August 15, 2017

Special Reports – Follow-Ups on Audits

Report No. 747A	Audit of Indirect Cost Allocation Report	December 12, 2016
Report No. 736A	Police and Fire Pension Fund Audit	February 9, 2017
Report No. 726A	Municipal Code Compliance Division Revenue Audit	April 13, 2017
Report No. 740A	Information Technologies Billing Audit	May 22, 2017
Report No. 749A	Audit of JTA Accounts Payable	May 24, 2017

*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*

EXHIBIT B
SUMMARY OF REPORTS

Performance Audits

Compensation and Benefits Division Audit

Report #787 – December 2016

We conducted an audit of the Compensation and Benefits Division of the Employee Services Department. This area was chosen for the audit based on the periodic City-wide risk assessment performed by our office.

Significant Issues:

- The City failed to accurately assess premiums for five retired members causing a loss of \$66,188.
- The enrollment eligibility and the taxation of benefits for dependents age 26-30 are not properly managed.
- Employer's portion of premiums paid is not adjusted when changes are made to employee's portion.
- Retirees eligible for Medicare are not forced to apply for it making City's insurance secondary.
- Claims processed and paid by the third party administrator are not reviewed for accuracy.

DAVID Compliance Audit – Neighborhoods

Report #790 – April 2017

Pursuant to the Memorandum of Understanding between the Neighborhoods Department and the Florida Department of Highway Safety and Motor Vehicles, the Neighborhood Department is required to provide an attestation from a currently licensed CPA, its internal auditor, or inspector general. As such, we were requested to conduct a compliance attestation on the Neighborhoods' internal controls surrounding its access and use of the Driver and Vehicle Information Database (DAVID) system. When finalizing the work we elevated the standards followed to that of a performance audit.

Significant Issues:

- The DAVID system was used for purposes not included and authorized in the signed Memorandum of Understanding.
- The Department did not perform quarterly quality control reviews of user's access rights.

DAVID Compliance Audit – Clerk of the Courts

Report #791 – April 2017

Pursuant to the Memorandum of Understanding between Duval County Clerk of Courts and the Florida Department of Highway Safety and Motor Vehicles, the Clerk of Courts is required to provide an attestation from a currently licensed CPA, its internal auditor or inspector general. As such, we were requested to conduct a compliance attestation on the Clerk's internal controls surrounding its access and use of the Driver and Vehicle Information Database (DAVID) system. When finalizing the work we elevated the standards followed to that of a performance audit.

EXHIBIT B (Contd.)
SUMMARY OF REPORTS

Significant Issues:

- We found evidence that an employee at the Clerk of Courts appeared to have misused the DAVID system on multiple occasions.
- Management was not regularly monitoring employees' activity in the DAVID Database.

Risk Management Workers Compensation Audit

Report #792 – April 2017

We conducted an audit of the Risk Management Division, Workers Compensation area. One of the functions of this area is to administer workers compensation claims for the City, JEA, JAA, JPA, and JHA. The administration is assisted by a third party medical claims administrator. This area was chosen for the audit based on the periodic City-wide risk assessment performed by our office.

Significant Issues:

- We found a number of users who had excessive or inappropriate access rights to the workers compensation claim administration system, including users who had the ability to issue an unlimited number of checks through the system for unlimited amounts.
- We were unable to locate adequate support confirming that workers compensation incidents were reviewed and approved by the injured worker's employer for 28 out of 159 (17.6%) claims tested.
- We learned that Risk Management is not always going through the procurement process when purchasing services related to the administration of workers compensation claims (e.g. surveillance).
- Various benefit payments were inaccurately and/or untimely paid to injured employees.
- We noted various violations of the City's cash handling policies.

Nonresidential Solid Waste Franchise Fees

Report #793 – April 2017

We conducted an audit of the nonresidential solid waste franchise fees collected by the Solid Waste Division of the Public Works Department. This area was chosen for the audit based on the periodic City-wide risk assessment performed by our office.

Significant Issues:

- At least \$335,000 was not submitted to the City in calendar year 2015 due to certain fees charged by franchisees not properly being included in gross receipts.
- Companies used different methods to calculate franchise fees which resulted in different total amounts billed to customers.
- Companies were often not in compliance with the payment bond, insurance and reporting requirements.
- Solid Waste lacks written SOPs for various processes related to these franchise fees.

EXHIBIT B (Contd.)
SUMMARY OF REPORTS

Police and Fire Pension Fund Bank Accounts Audit

Report #795 – May 2017

We conducted an audit of the activity surrounding the Police and Fire Pension Fund's separate bank accounts. We commenced an audit of this area based on initial work that was done for the Subcommittee on Subpoenas Related to the Police and Fire Pension Fund.

Significant Issues:

- The financial information system used was outdated and no longer supported.
- Authorization forms were not always updated in a timely manner to reflect changes in staff and board members and local bank account checks only required one signature.
- Some payments to vendors were not made in a timely manner and not all payments were presented to the Police and Fire Pension Board.
- Checks were not restrictively endorsed upon receipt, some deposits were not being made in a timely manner, and incorrect amounts were received for lease payments.

Visit Jacksonville Audit

Report #796 – June 2017

We conducted an audit of the Visit Jacksonville organization. Visit Jacksonville is the official tourism, sales and marketing organization for Duval County. Our audit focused on payments to employees in the form of payroll and reimbursements. This audit was performed based on a request from a Council Member.

Significant Issues:

- We noted issues related to the approval of direct deposit payments for non-payroll employee payments.
- The timekeeping system used by hourly employees does not require a supervisor to approve an employee's time, and approval is not documented consistently.
- Visit Jacksonville is reimbursing employee travel costs without requiring prior written authorization for travel.
- We noted a number of issues related to the quality and completeness of supporting documentation for non-payroll employee payments.
- We found a number of issues related to payroll records that were incomplete and/or not up-to-date.

Audit of Property Appraiser's Office – Portability Calculation

Report #797 – June 2017

Pursuant to Section 102.118 of the Municipal Code, each of the constitutional officers is to be audited by the Council Auditor's Office at least once every five years. The Duval County Property Appraiser is a constitutional officer within the consolidated City of Jacksonville.

Significant Issues:

- We found one individual that received a homestead exemption and a portability transfer on two separate properties during the 2016 tax roll.

EXHIBIT B (Contd.)
SUMMARY OF REPORTS

- We found three properties that received an incorrect portability transfer amount. Two of these were related to the 2016 tax roll which resulted in a net overpayment of \$38.49 and one was related to the 2017 tax roll which means it still can be corrected prior to being billed.

JTA Paratransit Audit

Report #798 – July 2017

We conducted an audit of the JTA Connexion program, which provides the federally mandated Americans with Disability Act (ADA) paratransit service and the State organized Transportation Disadvantaged (TD) service for Duval County. These paratransit services are provided by JTA. This audit was conducted because of citizen complaints to City Council.

Significant Issues:

- The contractor's staff altered late pick-up times to make it seem like riders were picked up on time, possibly resulting in less penalties, which could have impacted payments to the contractor by an undeterminable amount. Therefore, we are unable to conclude if the contractor was paid accurately.
- Miscalculations of penalty assessments by JTA.
- Inappropriate system access rights, including improper segregation of duties, excessive overrides related to trip type and fare amounts (ADA vs TD), and lingering terminated user accounts.
- Practices that are in conflict with contract terms.
- While JTA has tools to adequately schedule trips for paratransit riders in an effective and efficient manner, we found that 16.81% of trips had violations (even with altered data) related to late pick-ups, drop-offs and trip lengths.

City Wire Transfers Audit

Report #800 – September 2017

We conducted an audit of wire transfers processed by the Treasury Division of the Finance Department. This area was chosen for the audit based on the periodic City-wide risk assessment performed by our office.

Significant Issues:

- Wire transfer requests were not initiated in the Accounting System by the requesting department.
- Wire transaction procedures are inconsistent with the Municipal Code and other forms of payments.
- We noticed lack of verification by the Treasury Division of bank account information with the vendor and wire transfer requests were not always authenticated with the requesting department.
- Sign-off by the Treasurer was not required for wires.
- Several wire payments did not have the wire instructions provided by the vendor on file.

EXHIBIT B (Contd.)
SUMMARY OF REPORTS

Attestations

None issued.

Special Reports

Council Auditor's Office Annual Report FY 2015/16

Report #785 – October 2016

This report provides a summary of the activities and accomplishments of the Council Auditor's Office during the fiscal year ended September 30, 2016.

Budget Summary for FY 2016/17

Report #786/786A – October 2016/December 2016

The Budget Summary Report details the major points of the City Council approved budget for the FY 2016/17. 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. The summary was updated in December 2016 to reflect an updated list of public and cultural service grant awards.

Quarterly Summaries

Reports #788 (December 2016), #789 (February 2017), #794 (May 2017), & #799 (August 2017)

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.

Follow-Up Reports

Report #747A (December 2016), #736A (February 2017), #726A (April 2017), #740A (May 2017), & #749A (May 2017)

These reports are 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.

EXHIBIT C

LEGISLATION REQUIRING SIGNIFICANT REVIEW IN FISCAL YEAR 2016/2017

2016-599-E: Amended Ordinance Code Chapters 70, 111, and 666 concerning the Duval County Tourist Development Council to adopt a new Tourist Development Plan and establish guidelines for operations

2016-609-E: Approved and authorized the Mayor to execute Economic Development Transportation Project Fund Agreement (EDTF Grant), a disbursement agreement regarding the EDTF Grant, the first amendment to the Economic Development Agreement with Amazon and two property exchange agreements for the realignment of Pecan Park Rd. in relation to the distribution facility to be constructed by Amazon.

2016-729-E: Amended Chapter 123 (Public Fees) to increase the ticket user fees for events held at the Veterans Memorial Arena, Baseball Grounds of Jacksonville, and the Times Union Center for the Performing Arts. The ordinance also established ticket user fees for the Amphitheater and Covered Flex Field.

2017-20-E: Authorized an alternative health plan for City employees or retirees with UF Health

2017-57, 58 & 59-E: Authorized amendments to agreements with the City's three residential waste haulers (Advanced Disposal, Republic Services & Waste Pro) to set new rates from the 2016 Rate Review process and make additional changes to the agreements.

2017-88-E: Authorized the closing and abandoning of right-of-way of Parramore Rd. for the opening of another right-of-way for future development of the property near the intersection of Collins Rd. and I-295.

2017-155-E: Authorized the Director of Finance & Administration to delete certain items of missing or stolen property from City records.

2017-246-E through 2017-259-E: Approved use of the ½ penny pension sales surtax to fund the pension unfunded actuarial accrued liability. Approved amended defined benefit plans and closed the plans for new hires while authorizing new defined contribution plans for new hires on or after October 1, 2017 through the approval of collective bargaining agreements.

2017-321-E: Authorized a license agreement with Billy Casper Golf for operation and maintenance of the Brentwood Golf Course

2017-322-E: Authorized the amendment and restatement of agreement for 2017-2021 between the City and the University of Georgia Athletic Association and University Athletic Association (Florida) to which the City will host five annual Florida/Georgia football games.

2017-348-D: Proposed to require additional annual pension payments based on year over year revenue growth to reduce the unfunded pension liability

2017-352-E: Established a Parks Partnership Program to establish procedures and guidelines to accept private contributions for park programs and improvements.

2017-375-E: Authorized the Facilities Management Contract with SMG through March 31, 2022.

2017-403-E: Appropriated \$4,000,000 from the Downtown Historic Preservation and Revitalization Trust Fund to provide funding for the renovation of the Barnett Building. The ordinance also authorized a Redevelopment Agreement, a Lease Agreement, a Parking Sublease Agreement, a Quitclaim Deed and other related agreements for the renovation of the Barnett Building, construction of a parking garage and the renovation of the Marble Bank Building, Bisbee Building and Florida Life Building (Trio Project).

EXHIBIT C (Contd.)

LEGISLATION REQUIRING SIGNIFICANT REVIEW IN FISCAL YEAR 2015/2016

2017-410-E: Appropriated additional dollars to add summer camp opportunities for 1,700 children.

2017-412-E: Approved a mobility fee contract to memorialize mobility fee credits for the development of properties within Mobility Zones 3 & 4.

2017-422-E: Authorized an agreement between the City and EI Acquisition, LLC for the use of the Jacksonville Veterans Memorial Arena for the Jacksonville IceMen Hockey team. The ordinance also appropriated \$300,000 as a capital contribution for improvements to the Jacksonville Veterans Memorial Arena.

2017-516-E: Authorized the Downtown Investment Authority's use of excess stormwater quality credits as incentives for downtown development.

2017-563-E: Established the Kid's Hope Alliance for the oversight of children's programs in Duval County, and repeals Chapter 51 (Jacksonville Children's Commission) and Chapter 75 (Jacksonville Journey).

2017-569-E: Appropriated additional funding to provide or expand afterschool programs for the 2017-18 school year.

2017-605-W: Proposed to provide additional funding for afterschool programs.

2017-639-E: Authorized revised and amended budgets for the City's six community redevelopment areas to recognize additional revenue and reallocate funds for projects.

EXHIBIT D
CITY COUNCIL AUDITOR'S OFFICE STAFF

Staff members as of September 30, 2017:

Kyle Billy, CPA, Council Auditor
Kim Taylor, CPA, Assistant Council Auditor
Phillip Peterson, CPA, Principal Auditor
Brian Parks, CPA, Principal Auditor
Heather Reber, CPA, Principal Auditor

Chedly Broche, CPA
Robert Campbell
Thomas Carter, CPA
Trista Carraher, CPA
Megan Evans
Elena Korsakova, CPA
Alexandria Lee
Charles Lee
Edward Linsky, CPA
Carmen Martin, CPA
Hillary Mollo
Jeffrey Rodda
Kyle Thorpe

Administrative Assistant
Mary Fletcher

Staff member who retired during FY 2016/17:

Kirk A. Sherman, CPA, Council Auditor

Kirk A. Sherman worked in the Council Auditor's Office from April 14, 1980 until his retirement on April 14, 2017. At the time of his retirement, he was the Council Auditor, a position he had held since 2006. During his career, as honored by Council Resolution 2017-237-A, he was involved in all of the office's functions, including conducting audits and special projects, analyzing legislation, understanding and explaining the budgets, and otherwise providing advice and counsel to the City Council, its committees and members, and to the City administration.