



Council Auditor's Office 2017/18 Annual Report

Special Report #820

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 also 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. In total, we identified 37 Findings, 26 Internal Control Weaknesses, and 25 Opportunities for Improvement in our audits aimed at improving the City's operations and protecting the City's assets. The performance audits identified over \$550,000 in lost revenues of which about \$500,000 is recurring in nature. Additionally, the staff assisted the external auditors on the audits of the City and JEA, saving the City and JEA over \$60,000.

Legislation

We reviewed approximately 685 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 \$195,022 and reduced expenditures by \$892,715, which created savings totaling \$1,087,737.

Special Projects

We issued 18 special reports and conducted numerous other special projects throughout the year. These special reports included 11 that were related to follow-ups on prior audits to determine the status of our recommendations. The remaining 7 included our Quarterly Summary Reports and our report on The Potential Sale of JEA: Things to Consider.

We also reviewed the submission of audits for City Grant recipients and reviewed the annual Recapture of funds to the General Fund.



Council Auditor's Office

Annual Report FY 2017/18

November 1, 2018

Special Report #820

ANNUAL REPORT

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



November 1, 2018

Special Report #820

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, 2018 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 twenty-six (26) 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 4,000 staff hours were spent from July through September 2018 reviewing the proposed 2018/2019 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.

OUR WORK PRODUCTS

Our office performs three essential functions: audits, special projects, and legislative review.

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 14,400 hours (or 39.2%) of the overall time of our office in FY 2017/18. 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 2017/18 reports and a brief summary of the FY 2017/18 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,

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

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 2017/18. These eight reports identified 37 findings, 26 internal control weaknesses, and 25 opportunities for improvement. Overall, these audits identified several process changes that could reduce costs and made multiple recommendations to address deficient system controls.

The performance audits identified over \$550,000 in lost revenues 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 2017/18.

External Auditors

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

The Council Auditor's Office also provides staff to assist 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, 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 \$60,000 and our staff gained valuable information and training for future audit work.

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

Special Project Function

Overview

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 5,000 hours (or 13.6%) of the overall time of our office. See Exhibit A for a listing of FY 2017/18 reports and Exhibit B for a summary of the FY 2017/18 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 seven numbered special reports in FY 2017/18. These were primarily 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 financial 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. After our review, the General Fund recaptured \$5,493,756. This was a decrease of \$112,914 from the amount that was proposed by the Administration to be recaptured. Also, through our review we identified that there was a negative subfund that was unlikely to generate sufficient revenue through the remainder of the fiscal year to cure its negative position. This was addressed with ordinance 2018-228-E by transferring some of the recaptured funds.

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 eleven audit reports. We noted that 57 findings, 23 internal control weaknesses, and 31 opportunities for improvement which had been reported as

issues during those audits had been addressed by the various departments since our original audit or the latest follow up. This left 16 findings, 18 internal control weaknesses, and 8 opportunities for improvement that still need to be addressed related to the 11 reports that 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 2017/18, thirty-two organizations were added to the non-compliance list. Twenty-nine of those organizations were removed once reporting requirements were fulfilled and three remain on the list. In addition, three organizations that were placed on the non-compliance list in prior years resolved their non-compliance issues. One of the three organizations was removed 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 10,000 hours (or 27.2%) of the overall time of our office in FY 2017/18, which includes over 4,000 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.

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 2017/18, we

reviewed approximately 685 legislative bills, including multiple economic development agreements. Several of these bills, which required a significant amount of analysis and/or time to review, are detailed below in 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, Constitutional Offices and Independent Agencies to complete our analysis and obtain answers to questions regarding budget requests. Approximately 4,000 staff hours were spent from July through September 2018 reviewing the fiscal year 2018/19 budget proposal. We recently released Report #819 summarizing the Mayor's and Independent Agencies' proposed budgets and City Council actions regarding those budgets.

Results

The total City budget for FY 2018/19, including Independent Agencies, was approved by the City Council at \$5,581,451,209. Our review of the Mayor's Proposed Budget resulted in recommendations that increased revenues by \$195,022 and reduced expenditures by \$892,715 which created savings totaling \$1,087,737. 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 Special Committee on Solid Waste was charged to review and address questions about and alternatives to the construction and demolition debris hauler franchise fee proposed in bill 2017-632.

The Special Committee on Parks was charged to perform a community wide assessment of parks for access, maintenance and more robust integration of the City's parks system in youth development and youth engagement.

The Special Committee on Safe and Healthy Neighborhoods was charged to review the opportunities facing the City's diverse neighborhoods and determine and make recommendations on what actions, policies, programs and funding could be proposed to lift up the City's neighborhoods.

The Special Committee on the Opioid Epidemic was charged to assess the various impacts (economic, public health, social, public safety, etc.) of the opioid epidemic on the City and citizens of Jacksonville.

The Special Committee on the Potential Sale of JEA was established in February 2018 to:

- Understand all aspects and implications (who, what, when, where, and why) of a potential sale of JEA, and the roles that various parties to such a potential sale would play in the process.
- Conduct necessary meetings and hearings to gather the relevant facts the entire City Council should consider in its decision(s) related to a potential sale of JEA.
- Offer monthly (or more frequent, as necessary) updates as to the progress of this work to the City Council at its regular meetings.
- Make recommendations to ensure a transparent and open process for the citizens of Jacksonville as to the consideration of a potential sale of JEA.

In April 2018 this committee was changed to the Special Committee on the Future of JEA and was charged to understand JEA's role in the consolidated government, contributions to the City of Jacksonville, governance practices, and future in the context of both changing technology and regulatory environment.

The Task Force on Open Government and Transparency was charged to:

- Study the legislative process and the methods by which the public accesses government.
- Make recommendations for how the City of Jacksonville could be more open and accessible to the public, while maintaining a healthy perspective of the costs and benefits of such recommendations.
- Include in their recommendations suggestions for how the City of Jacksonville could institutionalize transparency.

The Council Auditor's Office attended all of the above committee meetings throughout the fiscal year and provided background and financial information as requested.

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 2017/18 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 \$2.14 million in fiscal year 2017/18, as detailed in the following schedule:

	FY 2016/17 Expenditures	FY 2017/18 Estimated Expenditures*
Salaries	\$1,645,653	\$1,481,664
Pension	517,589	363,494
Other Employee Benefits	185,806	153,126
Internal Service Charges	92,146	100,759
Other Operating Expense	33,590	43,302
Total	\$ 2,474,784	\$ 2,144,330

**Please note that the amounts for FY 2017/18 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, and the First Coast Chapter of the Florida 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 2018, with zero management letter

comments. This peer review covered all audits and attestations performed in accordance with Governmental Auditing Standards between January 1, 2015 and December 31, 2017.

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 DURING THE YEAR

Performance Audits

Report No. 804	Audit of Indigent Care Agreement with Shands	January 9, 2018
Report No. 805	Building Inspection Division Audit	January 9, 2018
Report No. 808	Communication Tower Audit	March 26, 2018
Report No. 809	Hillwood Master Disposition & Development Agreement Audit	March 28, 2018
Report No. 811	Mobility Fees Audit	June 20, 2018
Report No. 812	Landfill Contract Audit	June 20, 2018
Report No. 813	Tourist Development and Convention Development Taxes Audit	July 26, 2018
Report No. 815	Defined Contribution and Other Deferred Compensation Plans Audit	September 11, 2018

Special Reports – Excluding Follow-Ups

Report No. 801	Budget Summary Fiscal Year 2017/18	November 27, 2017
Report No. 802	Council Auditor’s Office Annual Report Fiscal Year 2016/17	December 12, 2017
Report No. 803	Quarterly Summary for the Twelve Months Ended September 30, 2017	December 15, 2017
Report No. 806	Quarterly Summary for the Three Months Ended December 31, 2017	February 15, 2018
Report No. 807	The Potential Sale of JEA: Things to Consider	March 22, 2018
Report No. 810	Quarterly Summary for the Six Months Ended March 31, 2018	May 15, 2018
Report No. 814	Quarterly Summary for the Nine Months Ended June 30, 2018	August 15, 2018

Special Reports – Follow-Ups on Audits

Report No. 760A	Jacksonville Port Authority Accounts Payable Audit	November 17, 2017
Report No. 766A	Jacksonville Port Authority Payroll Audit	November 17, 2017
Report No. 762A	City Payroll Audit	November 21, 2017
Report No. 754A	Tax Collector's Office - Collections and Remittance of City Funds Audit	November 22, 2017
Report No. 732A	Purchasing Card (P-Card) Audit	November 27, 2017
Report No. 752A	Mayor's Travel Audit	January 22, 2018
Report No. 751A	Fire and Rescue Department - Ambulance Billing and Inventory Audit	February 8, 2018
Report No. 763A	Audit of JTA Payroll	April 16, 2018
Report No. 765A	Supervisor of Elections Audit	May 8, 2018
Report No. 728B	Jacksonville Economic Development Commission Incentives Audit	May 21, 2018
Report No. 739A	Recreation and Community Programming Division Revenues Audit	June 18, 2018

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

Audit of Indigent Care Agreement with Shands

Report #804 - January 2018

Every year, the City of Jacksonville provides Shands Jacksonville Medical Center, Inc. with a significant contribution to assist with medical care for the indigent population. There is a written agreement that dictates how these funds are to be utilized. Our office periodically audits Shands' compliance with this agreement and focuses on whether or not patients whose bills were charged to the Charity Services Contractual Account qualified per the agreement.

Significant Issues:

- There were income calculation errors for 5 of the 180 patients in the sample size tested.
- Income was not properly verified for certain patients.
- There were issues with the process surrounding pursuing Medicaid eligibility.
- Minimum attestation accounts were not properly supported for certain types of patients.

Building Inspection Division Audit

Report #805 - January 2018

We conducted an audit of the Building Inspection Division of the Planning and Development Department. This area was chosen for audit based on the periodic City-wide risk assessment performed by our office. Our audit focused on whether fees and fines were properly assessed, collected and deposited and to determine whether the escrow accounts were properly maintained and appropriately utilized.

Significant Issues:

- Re-inspection fees were sometimes waived by inspectors, and the re-inspection fee for private providers was not charged by the Division at all.
- Fees for some permits were adjusted to zero without a clearly documented reason for why.
- Permit fees were not always doubled for violators as required by law.
- Some escrow account applications were incomplete and/or inconsistent with application requirements.

Communication Tower Audit

Report #808 – March 2018

We conducted an audit of communication tower revenue collected and disbursed by the Parks, Recreation, and Community Services Department. This area was chosen for audit based on the periodic City-wide risk assessment performed by our office. This audit focused on whether lease payments were collected, deposited, and recorded in a proper, accurate, and timely manner. We also verified whether funds were being properly utilized.

Significant Issues:

- Co-location (subleasing) fees were not collected for two subtenants utilizing towers on City property.
- Tower revenue collected was not always recorded in the correct account or collected in a timely manner.

EXHIBIT B (Contd.)
SUMMARY OF REPORTS

- In practice, the starting minimum lease amount charged to new tenants did not increase annually.
- The City did not have a tracking process to detect unknown towers or subtenants of towers located on City property.

Hillwood Master Disposition & Development Agreement Audit

Report #809 – March 2018

We conducted an audit of the Hillwood Master Disposition and Development Agreement between the City of Jacksonville and Hillwood Company. The contract was executed in September 2010 giving Hillwood the exclusive right to purchase and develop approximately 4,499 acres of City property at Cecil Commerce Center. This area was chosen for audit based on the periodic City-wide risk assessment performed by our office. Our audit focused on whether the revenues received in connection with the agreement were collected, deposited, and recorded in a proper, accurate, and timely manner. We also looked at compliance with the overall contract by both sides.

Significant Issues:

- Although the Office of Economic Development reviews the calculations on the spreadsheet Hillwood provides quarterly, the Office of Economic Development had never verified Hillwood's expenses to source documentation to confirm accuracy and existence.

Mobility Fees Audit

Report #811 – June 2018

We conducted an audit of the mobility fees administered by the City's Concurrency and Mobility Management System Office (Concurrency Office). This area was chosen for audit based on the periodic City-wide risk assessment performed by our office. Our audit focused on whether application and mobility fees were properly assessed, collected and deposited.

Significant Issues:

- There were various issues with access rights to the Concurrency and Mobility Management System (CMMS).
- 32 of the 120 mobility fee calculations tested in the sample were incorrect, and as a result, the City owed \$70,446.91 to developers.
- 52 of the 174 building permits tested in the sample did not obtain a Certificate of Occupancy within the required 42 month period even though they had received a partial waiver, and as a result, the City was owed \$53,546 by developers.
- The Concurrency Office was not following all of the City's SOPs on cash handling.

Landfill Contract Audit

Report #812 – June 2018

We conducted an audit of certain contractual obligations of both the City and the contractor related to the Trail Ridge Landfill. The City pays the contractor in accordance with the agreement managed by the City's Solid Waste Division. In total, the City paid the contractor over \$25 million for the 18 month period of October 2015 through March 2017 for landfill operations related to the audited contract and other landfill-related contracts that were outside of our audit scope. This area was chosen for audit based on the periodic City-wide risk assessment

EXHIBIT B (Contd.)
SUMMARY OF REPORTS

performed by our office. This audit focused on the payments to the contractor by the City to verify whether the payments were consistent with the contract, properly supported, accurately calculated, properly authorized, and timely paid.

Significant Issues:

- Monthly tonnage payments averaging over \$700,000 were not reviewed by a supervisor.
- Payments to the contractor were not always processed in a timely manner.
- All 18 of 18 monthly tonnage payments were inaccurate and resulted in a net underpayment to the contractor of \$33,557.
- One of the hauling companies was not billed by the Solid Waste Division, and the unbilled balance amounted to \$9,331.36.
- There were issues with the access rights to the computer system used by the Solid Waste Division for landfill activity.
- Insurance documentation was not provided to and therefore was not approved by the Risk Management Division.

Tourist Development and Convention Development Taxes Audit

Report #813 – July 2018

We conducted an audit of Tourist Development Taxes and Convention Development Taxes. These taxes are 4% and 2%, respectively, on the total rental amount charged by every dealer (person that rents out any living quarters or accommodations for a term of six months or less). In Duval County, the Tourist Development Taxes and Convention Development Taxes are self-reported and remitted to the Tax Collector. The Finance and Administration Department is charged with enforcing payment of these taxes. Our audit focused on whether the City had sufficient controls in place to ensure that the correct amount of taxes was being remitted to the City in a timely manner.

Significant Issues:

- There were no on-site audits being performed by the Finance and Administration Department to ensure that Tourist Development and Convention Development Taxes were collected or to verify that the amounts collected were accurate.
- Airbnb and other similar “peer-to-peer property rental” companies currently do not submit Tourist Development and Convention Development Taxes. If these taxes are remitted, it is by the home owner directly.

Defined Contribution and Other Deferred Compensation Plans

Report #815 – September 2018

We chose to audit this area due to pension reform that was recently passed. The reform closed the existing defined benefit plans to new members as of October 1, 2017. Instead, all new hires, including public safety, are now placed in a defined contribution plan. Since these plans will be growing significantly now, auditing the administration of such plans was timely and relevant. Our audit focused on verifying the accuracy of the calculation for employee and employer contributions to the defined contribution plan as well as verifying that funds deposited into the other deferred compensation plans were credited to the correct employee.

EXHIBIT B (Contd.)
SUMMARY OF REPORTS

Significant Issues:

- There were either no controls or insufficient controls to ensure that employees comply with the IRS limits on maximum annual compensation and contributions.
- Twelve (12) employees on military leave did not receive a credit of \$30,486.55 in their defined contribution accounts.
- The list of pensionable earnings needs to be reviewed due to some inconsistencies with the pension classification.
- Roles of the areas involved in the administration of the Defined Contribution Plans should be better defined.
- High fees charged to employees in the OBRA plan caused a 0.01% return per year for the past three years.

Attestations

None issued.

Special Reports

Council Auditor's Office Annual Report FY 2016/17

Report #802 – December 2017

This report provides a summary of the activities and accomplishments of the Council Auditor's Office during the fiscal year ended September 30, 2017.

Budget Summary for FY 2016/17

Report #801 – November 2017

The Budget Summary Report details the major points of the City Council approved budget for FY 2016/17. It details the major changes that occurred from the Mayor's Proposed Budget to the City Council Approved budget that were made by the Council based on the extensive review performed by our office and using the savings identified during our review.

Quarterly Summaries

Reports #803 (December 2017), #806 (February 2018), #810 (May 2018), #814 (August 2018)

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

Reports #760A (November 2017), #766A (November 2017), #762A (November 2017), #754A (November 2017), #732A (November 2017), #752A (January 2018), #751A (February 2018), #763A (April 2018), #765A (May 2018), #728B (May 2018), #739A (June 2018)

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 B (Contd.)
SUMMARY OF REPORTS

The Potential Sale of JEA: Things to Consider

Report #807 – March 2018

This report was prepared after JEA contracted with Public Financial Management (PFM) to prepare a report regarding the potential value of JEA. The report contemplated JEA's annual monetary contribution to the City, how those funds could be replaced, additional contributions JEA has made to the City throughout the years, and other items that should be considered should the policymakers ever decide to sell JEA. The report also considered the benefits of selling and keeping JEA as well as recommendations related to each.

EXHIBIT C
LEGISLATION REQUIRING SIGNIFICANT REVIEW

- **2017-665-E:** Amended the Municipal Code to remove fee amounts and provide for an online webpage address.
- **2017-791-E:** Appropriated \$971,636 from JFRD Overtime to add full-time EMS Services at Fire Stations 4, 10 and 14.
- **2017-849-E:** Approved and authorized the assignment and assumption by Cathedral District – Jax, Inc., subordination and loan modification of property located at 325 East Duval St (the former YWCA property).
- **2017-863-E:** Amended Municipal Code sections and created a new Chapter 711 to provide for guidelines and procedures concerning the collocation or placement of new poles for small wireless facilities.
- **2018-001-A:** Authorized an Economic Development Agreement with Project Volt that included a QTI grant in the amount of \$4,000,000 and a REV grant in the amount of \$23,800,000.
- **2018-57-W:** This resolution related to the Fishing Creek Settlement Dredge Project. This bill was withdrawn.
- **2018-78-E:** Appropriated \$1,381,416 from KHA’s operating contingency and personnel savings to provide funding for KHA operations through September 30, 2018, fund the UNF and NLP Logix contracts through the remainder of the fiscal year, and provide funding for the CEO search and rebranding.
- **2018-87-E:** Terminated contract with the Bridge of Northeast Florida effective June 30, 2017, approved a retroactive contract with the Boys and Girls Clubs of Northeast Florida, and authorized payment to the Boys and Girls Clubs of Northeast Florida, Inc. for services rendered during the period from July 1, 2017 to September 30, 2017.
- **2018-168-E:** Appropriated \$5,919,610 from KHA’s program contingency to fund the programs previously funded from May 31, 2018 through September 30, 2018, and provide funding for 2018 summer learning programs and youth summer jobs programs.
- **2018-193-E:** Authorized the sale of the Joan Mitchell artwork at an auction. The proceeds of the sale were to be split with MOCAJax. MOCAJax established an endowment fund and the City’s half went into a separate activity under the Arts in Public Places Trust Fund and only the interest can be used to maintain the City’s public art.
- **2018-195-E:** Appropriated \$3,000,000 from the Northwest Economic Development Trust Fund to provide incentives for supermarkets and healthy food programs in the Northwest area.
- **2018-196-E:** Appropriated \$1,000,000 from the Northwest Jacksonville Economic Development Fund to provide grants to businesses in the Northwest Jacksonville Economic Development area to repair or replace septic tanks and/or hookup to City sewer lines, approved grant criteria, and waived guidelines adopted by Ordinance 2016-779-E that grant funds be limited to 10% of the project.
- **2018-229-E:** Authorized the sale of surplus property on Wilson Blvd. to Sabrina Property, LLC for \$600,000 and waived Code Section 122.424 to allow the direct sale of the property for an amount less than the appraised value and Section 122.106 regarding public hearing requirements for closing fire stations.
- **2018-234-W:** This bill proposed to transfer a City owned parcel located at 1011 Powhattan Street in exchange for a privately owned parcel located at 601 James Street. This bill was withdrawn.
- **2018-237-E:** Removed Abyssinia Missionary Baptist Church from the Chapter 118 non-compliance list and substituted Apel Health Services Center, forgave Apel Health Services

EXHIBIT C (Contd.)
LEGISLATION REQUIRING SIGNIFICANT REVIEW

Center's non-compliance with audit report requirements, and removed Apel Health Services Center from the non-compliance list.

- **2018-270-E:** Amended the Procurement Code to require additional information be included on the PSEC agenda, including the public notice, advertisement, responses and award for vendors of legal services, bond counsel, financial services, and the City's independent auditor.
- **2018-305-E:** Appropriated \$2,746,075 from KHA's program contingency to provide funding for afterschool, special needs afterschool, and full service schools programs for the period of July 1, 2018 through June 30, 2019, one additional summer camp program, matching funding for the 21st Century Learning Community Grant, membership for Florida Children's Council and the Florida Afterschool Network, and to restore personnel costs transferred to professional services in Ord. 2018-78-E.
- **2018-313-E:** Authorized a redevelopment agreement for the former JEA Southside Generation Parcel to be known as the District. Authorized a REV grant in an amount not to exceed \$56,025,000 and authorized a disbursement agreement in the amount up to \$23,000,000 for the CRA Infrastructure Improvements related to the project.
- **2018-339-E:** Appropriated \$197,012 for capital maintenance at the Ritz Theater and Performing Arts Center and appropriated \$1,570,613 in order to budget the fiscal year 2017/18 SMG operating budget for Daily's Place.
- **2018-364-E:** Approved the fiscal year 2018-2022 Capital Improvements Element (CIE) schedule.
- **2018-456-E:** Appropriated \$439,300 from the Vehicle Replacement Subfund to fund external vehicle leases for 91 covert vehicles for JSO for fiscal year 2017/2018.
- **2018-458-E:** Appropriated \$9,000,000 from the General Fund/GSD to the Solid Waste Enterprise to provide a loan to fund the necessary escrow account balance within the Landfill Closure Subfund.
- **2018-473-E:** Codified travel reimbursement policy for Tourist Development Council (TDC) contractors and authorized TDC to approve food and beverage expenditures incurred by contractors for services provided under Municipal Code Ch. 666.
- **2018-475-E:** Appropriated \$500,000 from the Council contingency account designated for the Police Athletic League (PAL) to provide funding for improvements to PAL facilities, to replace two of PAL's deteriorating buses, and to repair the track at the JaxPAL Westside Center (Mallison Park).
- **2018-509-E:** Appropriated \$1,500,000 from the Northwest Jacksonville Economic Development Trust Fund to Clara White Mission, Inc. to provide a grant for the White Harvest Farm project.
- **2018-554-E:** Appropriated \$50,000 from the Taye Brown Regional Park Improvement Trust Fund for Equestrian Center emergency repairs made during fiscal year 2017/2018 and approved the third amendment to the amended and restated agreement between the City and Northeast Florida Equestrian Society/H.O.R.S.E. Therapies, Inc.
- **2018-555-E:** Amended the Municipal Code to create policies and procedures for Community Redevelopment Agencies for the transfer of funds within the CRA Trust Funds.
- **2018-574-E:** Authorized and approved the Amended and Restated Sports Facility Lease Agreement for the Baseball Grounds with Jacksonville Baseball, LLC.

EXHIBIT D
CITY COUNCIL AUDITOR'S OFFICE STAFF

Staff members as of September 30, 2018:

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
Trista Carraher, CPA
Thomas Carter, CPA
Megan Evans
Elena Korsakova, CPA
Alexandria Lee
Charles Lee
Edward Linsky, CPA
Carmen Martin, CPA
Jeffrey Rodda
Brian Rosen
Kyle Thorpe

Administrative Assistant
Mary Fletcher