



Council Auditor's Office 2019/20 Annual Report

Special Report #839

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 the selection of an outside audit firm for the City's annual independent audit.

Our Product

Audit

We issued two performance audit reports. In total, we identified 21 Findings and 7 Opportunities for Improvement in our audits aimed at improving the City's operations and protecting the City's assets. The performance audits identified over \$50,000 in lost revenues and \$35,000 in reduced costs. The staff assisted the external auditors on the audits of the City and JEA, saving the City and JEA over \$60,000. We issued 14 reports that were follow-ups on prior audits to determine the status of our recommendations.

Legislation

We reviewed 523 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 \$1,796,382 and reduced expenditures by \$1,463,868, which created savings totaling \$3,260,250. Also, we participated in the Solid Waste Rate Review which resulted in estimated annual savings of \$1.9 million per year (or \$5.6 million over the period covered by the rate review).

Special Projects

We issued seven special reports and conducted numerous other special projects throughout the year. The special reports included our Quarterly Summary Reports and Budget Summary Report.

We also spent a significant amount of time on issues related to JEA. Our work included assisting a City Council workshop and committee, reviewing multiple pieces of legislation, and issuing seven memorandums related to JEA. This included issuing the memo on the JEA Performance Unit Plan where we highlighted its potential impact on proceeds in the event of a Recapitalization Event (e.g., if \$5 billion in net proceeds to the City before payment of Performance Units the proceeds to the City could have been reduced by an estimated \$636.6 million).



Council Auditor's Office

Annual Report FY 2019/20

February 4, 2021

Special Report #839

ANNUAL REPORT

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



February 4, 2021

Special Report #839

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, 2020 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 23 reports, in addition to performing many special projects and providing numerous hours reviewing legislation and attending meetings of City Council and its committees. Like many areas, our work was impacted by COVID-19; however, we utilized technology and adjusted plans as needed to ensure we were continuing to provide a benefit to the City. Additionally, in comparison to prior years, a significant amount of our office's time within the Special Projects and the Legislation areas was directed at matters related to JEA as noted below. 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 3,900 staff hours were spent from July through September 2020 reviewing the proposed fiscal year 2020/2021 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 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 11,000 hours of the overall time of our office in FY 2019/20. 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 users 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 2019/20 reports and a brief summary of the FY 2019/20 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 objective analysis, findings, and conclusions to assist management and those charged with governance.¹ This type of auditing may also

¹ Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 2018), p.10-11

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 two performance audits during FY 2019/20. These two reports identified 21 findings and 7 opportunities for improvement (no stand-alone internal control weaknesses were identified). Overall, these audits identified several process changes that could reduce costs and made multiple recommendations to address deficient system controls.

Of the items easily quantifiable, the performance audits identified over \$50,000 in lost revenues, approximately \$11,000 in additional annual revenue going forward, and \$35,000 in reduced costs of which approximately \$3,000 was annual. There were many other items found that would impact revenue and expenditures, but due to their nature were not as 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 2019/20.

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 those charged with 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 provides a total of 600 hours to assist Carr, Riggs and Ingram, LLC with the annual financial statement audit for the City and a total of 160 hours to assist Ernst & Young, LLP with the financial audit of JEA.

² Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 2018), p.15

Results

By providing assistance to the external auditors, we reduced the cost of the contracts by approximately \$60,000 and our staff gained valuable experience, information, and training for future audit work.

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 completed follow-ups on 14 audit reports. We noted that 73 findings, 35 internal control weaknesses, and 30 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 21 findings, 23 internal control weaknesses, and 11 opportunities for improvement that still need to be addressed related to the 14 reports that will be followed up on in the future.

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 3,900 hours of the overall time of our office. See Exhibit A for a listing of FY 2019/20 reports and Exhibit B for a summary of the FY 2019/20 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 2019/20. 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 \$3,291,138. This was a decrease of \$36,167 from the amount that was proposed by the Administration to be recaptured. Also, as required by the annual Budget Ordinance 2019-504-E, we coordinated with the Department of Finance and Administration to identify a subfund that was unlikely to generate sufficient revenue through the remainder of the fiscal year to cure its negative cash position. This was addressed with ordinance 2020-183-E by transferring some of the recaptured funds.

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 2019/20, ten organizations were added to the non-compliance list. Nine of those organizations were removed once reporting requirements were fulfilled and one remains on the list. Payments were withheld for noncompliant organizations until those organizations demonstrated compliance with the requirements of Municipal Code Chapter 118.

JEA

During FY 2019/20, a significant amount of our office's time was spent by the Special Projects and the Legislative Teams on issues related to JEA. This was started based on a July 23, 2019 meeting where the JEA Board of Directors voted on new employment contracts, a new performance unit plan, and authorized JEA's management to pursue a recapitalization event. Our work included but was not limited to:

- Reviewing legislation related to pension changes for JEA employees in the event of a recapitalization event,
- Reviewing collective bargaining agreements that went to City Council with provisions specifically related to protections for employees in case of a recapitalization event,
- Assisting the City Council JEA Fact-Finding Workshops created to perform an intensive review of:
 - The history and current condition of JEA
 - JEA's relations to the Consolidated City of Jacksonville
 - Factors relating to potential recapitalization, privatization, or reorganization of the utility
 - Potential Charter modifications and improvements
- Assisting the Special Investigatory Committee on JEA Matters charged to:

- Investigate JEA matters related to the recent pursuit of the strategic option to potentially privatize JEA
- Determine matters that, through the powers invested in this legislative body, could be prevented in the future through legislative action
- Review the five scenarios proposed for the future of JEA, including the Invitation to Negotiate
- Review JEA's decision making in pursuit of privatization
- Review the proposed employee incentive program known as the Performance Unit Plan

Results

Besides the information we provided at meetings or directly to Council Members at various times, we issued seven memorandums related to JEA during FY 2019/20. This included issuing the memo on the JEA Performance Unit Plan where we highlighted its potential impact on City proceeds in the event of a Recapitalization Event (e.g., if \$5 billion in net proceeds to City before payment of Performance Units, the proceeds to the City could have been reduced by an estimated \$636.6 million). See Exhibit D for details on each memorandum.

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 7,600 hours of the overall time of our office in FY 2019/20, which includes over 3,900 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 2019/20, we reviewed approximately 523 legislative bills, including multiple economic development agreements and several ordinances related to the CARES Act funding from the Federal Government. Several of these bills, which required a significant amount of analysis and/or time to review, are detailed 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 (2019-695-E \$84,504).

One of the projects that our office participates in every three years is the Solid Waste Rate Review. Before legislation is introduced to City Council, the process starts off with a review by the Rate Review Committee of each of the City's three contract haulers pursuant to the garbage hauler's contract. The Council Auditor's Office is a member of the committee. The work by the Rate Review Committee proposed an estimated annual savings to the City of \$3 million per year (or approximately \$9 million over the three-year period); however, additional consideration was approved for one of the garbage haulers due to limitations within their contract that impacted the estimated annual savings. The result of the Rate Review Committee's recommendations combined with City Council actions resulted in an estimated annual savings to the City of approximately \$1.9 million per year (or \$5.6 million over the period covered by the rate review).

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 3,900 staff hours were spent mainly from July through September 2020 reviewing the fiscal year 2020/21 budget proposal. We recently released Report #838 summarizing the Mayor's and Independent Agencies' proposed budgets and City Council actions regarding those budgets.

Results

The total City budget for FY 2020/21, including Independent Agencies, was approved by the City Council at \$5,926,927,505. Our review of the Mayor's Proposed Budget resulted in recommendations that increased revenues by \$1,796,382 and reduced expenditures by \$1,463,868, which created savings totaling \$3,260,250. These savings and other reductions identified by the Finance Committee were 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 the Opioid Epidemic was charged to monitor the progress of the opioid epidemic and recommend suggestions for improvement and/or expansion of program Project Save Lives, while working hand in hand with members of the Opioid Abuse Prevention Committee established by Ordinance 2019-56-E. In October 2019, the committee's charge was amended to add the charge to study and make recommendations in regard to vaping or using electronic cigarettes. In June 2020, the Committee was modified to become the Special Committee on Opioid Epidemic, Vaping and Mental Health Resources and the committee's

charge was expanded to also include providing a summary of city and state mental health resources and a survey of the city and state funds and the recipient agencies thereof.

The Special Committee on Resiliency was charged to:

- Comprehensively assess the resilience and health of the beaches coastline and the St. Johns River system
- Review City environmental, land use, and infrastructure policies
- Propose policy recommendations for consideration by the Council, Mayor, and executive branch agencies

The Special Committee on Social Justice and Community Investment was charged to:

- Serve as a clearinghouse for all ideas, policies and legislation pertaining to three main areas: (i) social injustices; (ii) law enforcement; and (iii) economic development (which encompasses employment, education, and infrastructure issues)
- Further equal access and opportunity for all citizens of Jacksonville
- Establish programs and policies which serve to eradicate systemic bias as well as honor the unfulfilled promises of consolidation
- Propose policy recommendations for consideration by the Council, Mayor, and executive branch agencies

The Special Committee on the Jacksonville Small and Emerging Business Program was charged to:

- Review the JSEB program codified in Chapter 126, Part 6, Ordinance Code, and identify any successes and challenges that the JSEB program may have
- Recommend amendments to the JSEB program, including but not limited to, goals, training, access to capital, bonding, certification requirements, maximum threshold amounts in Section 126.608(c)(2), Ordinance Code, and the limitation on the number of program participation years in Section 126.608(c)(3), Ordinance Code, or other legislative improvements or programs supported by the evidence, disparity studies, and applicable federal and state law

The Council Auditor's Office attended 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 2019/20 budget, the office was authorized to fill 19 full-time positions. Positions include the Council Auditor, an Assistant Council Auditor, 16 auditors and an administrative assistant (refer to Exhibit E). 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 two staff members who are Certified Internal Auditors (CIAs).

Expenditures

The Council Auditor’s Office had expenditures of approximately \$2.5 million in fiscal year 2019/20, as detailed in the following schedule:

Description	FY 2019/20 Estimated Expenditures*
Salaries	\$ 1,726,501
Pension	429,106
Other Employee Benefits	184,317
Internal Service Charges	127,228
Other Operating Expenses	25,137
	<u>\$ 2,492,883</u>

**Please note that the amounts 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, Governmental Finance Officers Association, the Florida Government Finance Officers Association, the First Coast Chapter of the Florida Government Finance Officers Association, 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 Government Auditing Standards in April 2018, with no 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,

Kim Taylor

Kim Taylor, CPA
Council Auditor

EXHIBIT A
REPORTS RELEASED DURING THE YEAR

Performance Audits

Report No. 832	Real Estate Audit	March 12, 2020
Report No. 834	Tax Collector Audit – Local Business Tax	June 11, 2020

Special Reports – Excluding Follow-Ups

Report No. 828	Budget Summary Report FY 2019/20	November 21, 2019
Report No. 829	Quarterly Summary for the Twelve Months Ended 9/30/19	December 13, 2019
Report No. 830	Council Auditor's Office Annual Report FY 2018/19	February 4, 2020
Report No. 831	Quarterly Summary for the Three Months Ended 12/31/19	February 13, 2020
Report No. 833	Independent Agency Quarterly Summary for the Six Months Ended 3/31/20	May 15, 2020
Report No. 835	Independent Agency Quarterly Summary for the Nine Months Ended 6/30/20	August 14, 2020
Report No. 836	General Government Quarterly Summary for the Nine Months Ended 6/30/20	August 24, 2020

Follow-Ups on Audits

Report No. 732B	Purchasing Card (P-Card) Audit Follow-up	October 7, 2019
Report No. 731B	Jacksonville Retirement System Audit Follow-up	November 21, 2019
Report No. 770B	Follow-Up on Jacksonville Fire and Rescue Dept. Payroll Audit	February 11, 2020
Report No. 796A	Follow-up on Visit Jacksonville Audit	February 24, 2020
Report No. 754B	Follow-Up on Tax Collector Audit – Collections and Remittance of City Funds	March 6, 2020
Report No. 726B	Follow-Up on Municipal Code Compliance Division Revenue Audit	May 28, 2020
Report No. 740B	Follow-Up on Information Technologies Billing Audit	May 28, 2020
Report No. 777A	Follow-up on JEA Payroll Audit	May 28, 2020
Report No. 781A	Follow-up on Animal Care and Protective Services Division Audit	May 28, 2020
Report No. 787A	Follow-up on Compensation and Benefits Division Audit	May 28, 2020
Report No. 762B	Follow-up on City Payroll Audit	June 3, 2020
Report No. 792A	Follow-up on Risk Management Workers' Compensation Audit	June 3, 2020
Report No. 795A	PFPF Bank Account Audit Follow-up	June 3, 2020
Report No. 797A	Follow-up on Property Appraiser's Office - Portability Calculation Audit	June 11, 2020

All reports are public record and are available to the public.

www.coj.net/City-Council/Council-Auditor.aspx

EXHIBIT B
SUMMARY OF REPORTS

Performance Audits

Real Estate Audit

Report #832 – March 2020

We conducted an audit of City-owned real estate. This area was chosen based on the periodic City-wide risk assessment performed by our office. Our audit focused on whether or not the Real Estate Division maintained an accurate inventory of all City-owned real estate properties; whether or not the City was aware of and was taking proper corrective action for all unauthorized uses of City-owned properties; and whether or not the revenue generated from the sale or leasing of surplus City-owned real estate properties was accurately collected and deposited.

Significant Issues:

- Real Estate Division was not periodically confirming with responsible departments if properties were still needed.
- Unauthorized use and encroachment issues on City land.
- A lessee was not paying rent
- No formal lease agreement between the City and a tenant.
- Information system access rights issues.
- Title search and title insurance not always obtained or documented as to why not needed.
- Appraisals were not always performed for direct sales.
- Accuracy issues in the Capital Assets Inventory database and with how acquisitions and dispositions of real estate were handled from an accounting perspective in some instances.

Tax Collector Audit

Report #834 – June 2020

The Tax Collector Audit was performed to meet the requirements of Municipal Code Section 102.118, which requires the Council Auditor's Office to audit each of the constitutional officers at least once every five years. Our audit focused on whether or not the Tax Collector properly notified businesses regarding local business taxes and then properly calculated, collected, and distributed those taxes.

Significant Issues:

- There were some accuracy and timeliness issues with the local business tax distribution process.
- There were some issues with the rates charged and payments received (some rates should not have been used, some rates were incorrect, and an incorrect penalty was charged in some cases).
- Various steps could be taken to improve the current process such as:
 - mailing out a second reminder to pay local business tax,
 - utilizing data from other areas of the City (JEA, the City's Planning and Development Department, other municipalities in the county, etc.) to identify businesses that fail to pay local business tax, and
 - improving overall customer experience through offering an online registration and electronic communication options.

EXHIBIT B (Contd.)
SUMMARY OF REPORTS

Attestation Audits

None issued.

Special Reports

Council Auditor's Office Annual Report FY 2018/19

Report #830 – February 2020

This report provides a summary of the activities and accomplishments of the Council Auditor's Office during the fiscal year ended September 30, 2019.

Budget Summary for FY 2019/20

Report #828 – November 2019

The Budget Summary Report details the major points of the City Council approved budget for FY 2019/20. 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 #829 (December 2019), #831 (February 2020), #833 (May 2020), #835 (August 2020), #836 (August 2020)

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. There was no quarterly summary issued for the City for the six months ended March 31, 2020 since the City did not submit the required financial reports and there were separate reports for the period ended June 30, 2020 since the City submitted the required reports late.

Follow-Up Reports

Reports #732B (October 2019), #731B (November 2019), #770B (February 2020), #796A (February 2020), #754B (March 2020), #726B (May 2020), #740B (May 2020), #777A (May 2020), #781A (May 2020), #787A (May 2020), #762B (June 2020), #792A (June 2020), #795A (June 2020), #797A (June 2020)

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

- **2019-693-W:** Proposed amending Section 21.07, City Charter, to create a new subsection providing for a sharing of dividends to JEA customers based on JEA's change in net position. This legislation was withdrawn by Council.
- **2019-695-E:** Appropriated funds for the capital, operations, and maintenance of additional river gauges through agreement with the Jacksonville Port Authority.
- **2019-726, 727, 728, 729, 730, & 731-E:** Approved collective bargaining agreements between JEA and each of their unions for the period of October 1, 2019 and September 30, 2022.
- **2019-767-E:** Appropriated \$750,000 from the Northwest Jacksonville Economic Development Fund Supermarket Incentive Program to provide a grant to Commonwealth SDC, LLC to fund renovations to an existing, vacant grocery store to support the leasing of the premises to a new, full-service grocery store tenant in a current food desert area.
- **2019-768-E:** Appropriated \$300,000 from the Northwest Jacksonville Economic Development Fund Supermarket Incentive Program to provide funding of \$200,000 for the Mobile Market Program and \$100,000 for the Transportation Program, and approved the criteria for the four food desert pilot programs (Delivery Initiatives Program, Mobile Market Program, Transportation Program, and Expanded Inventory Offering Program).
- **2019-812-E:** Appropriated \$95,000 from the Transportation Program established by Ord. 2019-768-E to fund a grant to the Jacksonville Transportation Authority for a one-year pilot transportation program to provide residents of Northwest Jacksonville convenient and reliable transportation to grocery stores.
- **2019-813-E:** Appropriated \$200,000 from the Mobile Market Program established by Ord. 2019-768-E to provide a Mobile Market Program grant to the Regional Food Bank of Northeast Florida, Inc. d/b/a Feeding Northeast Florida to assist in the purchase of a towing vehicle and trailer for the purposes of providing a mobile food market in the Northwest Jacksonville Boundary area.
- **2019-853-E:** Approved the property purchase option agreement between the City and RP Sports Investments, Inc. for future development of a soccer stadium.
- **2019-870-E:** Appropriated \$850,000 from the Northwest Jacksonville Economic Development Fund Supermarket Incentive Program to provide a grant to Winn Dixie Stores, Inc. to assist in funding renovations to a soon to be vacant grocery store to allow for the lease of the premises to Winn Dixie as a full-service grocery store.
- **2019-897-E:** Authorized a redevelopment agreement between the City and VC LaVilla Townhomes, LTD which provided for construction of townhomes, improvements to Lift Ev'ry Voice and Sing Park, and improvements to the LaVilla Heritage Trail within the Northbank CRA. The agreement included a cash contribution by the developer for the park and trail and approved a quitclaim deed conveying approximately 3.45 acres of City-owned land and a portion of an adjacent right-of-way to the developer.
- **2020-58-W:** Proposed approval of Jacksonville Aviation Authority's request to withdraw from the City's self-insurance program. This legislation was withdrawn by Council.
- **2020-73-E:** Authorized a redevelopment agreement between the City, DIA, and Vystar Credit Union for the design and construction of a parking garage in the Northbank CRA, a quitclaim deed conveying a .77 acre parcel of City-owned land to the developer, and a garage license agreement authorizing the license by DIA of up to 250 parking spaces within the parking garage for a term of 20 years.

EXHIBIT C (Contd.)
LEGISLATION REQUIRING SIGNIFICANT REVIEW

- **2020-100-E:** Authorized a referendum question for the November 2020 general election to amend the City Charter and grant City Council the authority to appoint and remove four JEA board members.
- **2020-116-E:** Authorized a redevelopment agreement between the City and Fidelity National Information Services, Inc. to provide for the design and construction of a parking garage within the Northbank CRA, conveyance of a .39 acre portion of City-owned property to the developer, and restrictive covenants and a parking rights agreement for the parking garage providing for public access on evenings and weekends.
- **2020-148-E:** Authorized a land exchange agreement between the City and Chase Properties, Inc. to allow the City to exchange its approximately 2.3-acre portion of Goodby's Creek Preserve for privately owned property of approximately 52 acres.
- **2020-187-E:** Authorized a redevelopment agreement between the City and Springfield Lofts LLC to support the redevelopment of a 2.12-acre site into residential units and commercial/office space, and authorized City funding in the form of a \$1,000,000 completion grant, \$1,000,000 REV grant, and \$1,000,000 development loan to support the project.
- **2020-201-E:** Appropriated \$9,000,000 from the General Fund-GSD fund balance to establish a COVID-19 Small Business Relief & Employee Retention Grant Program to provide grants to eligible small businesses located in Duval County and approved an agreement with VyStar Credit Union to administer the program on behalf of the City.
- **2020-204-E:** Authorized the third amendment to the Amended and Restated Agreement for Residential Waste and Recycling Collection and Transportation Services between the City and Republic Services of Florida Limited Partnership d/b/a Southland Waste Systems of Jacksonville pursuant to the Council Rate Review process.
- **2020-205-E:** Authorized the second amendment to the Amended and Restated Agreement for Residential Waste and Recycling Collection and Transportation Services between the City and Advanced Disposal Services Jacksonville, LLC pursuant to the Council Rate Review process.
- **2020-206-E:** Authorized the third amendment to the Amended and Restated Agreement for Residential Waste and Recycling Collection and Transportation Services between the City and Waste Pro of Florida, Inc. pursuant to the Council Rate Review process.
- **2020-229-E:** Approved the independent auditor agreement between the City and Carr, Riggs, and Ingram, LLC, for the City's external audit for the fiscal years ending September 30, 2020, 2021, and 2022.
- **2020-235-E:** Appropriated \$159,050,942.50 of Federal CARES Act grant funding received by the City to provide economic incentive grants to citizens residing in Duval County, fund various economic incentive waivers of certain City imposed fees, provide funding to businesses within Duval County economically harmed by COVID-19 response measures, reimburse the City for anticipated expenditures not reimbursed by FEMA and/or the State of Florida, and to fully fund the COVID-19 Small Business Relief Program & Employee Retention Grant Program established in Ord. 2020-201-E.
- **2020-243-E:** Reallocated \$5,000,000 in CARES Act grant funding from funds that were originally appropriated to cover the cost of City fee moratoriums approved by Ord. 2020-235-E to the Mortgage, Rent and Utilities Relief program to partially combat the economic impacts on individuals of the COVID-19 disease.
- **2020-247-E:** Appropriated \$9,000,000 from the General Fund-GSD fund balance to the Small Business Relief Grant Program and approved program criteria.

EXHIBIT C (Contd.)
LEGISLATION REQUIRING SIGNIFICANT REVIEW

- **2020-248-E:** Appropriated \$1,000,000 from the General Fund-GSD fund balance to provide funding to Florida's First Coast Relief Fund through the United Way of Northeast Florida in order to provide grants to Duval County nonprofit organizations to assist local citizens in essential and immediate services as part of relief efforts for the COVID-19 outbreak.
- **2020-276-E:** Reallocated \$1,000,000 of the CARES Act grant funding previously appropriated to the Small Business Relief & Employee Retention Grant Program by Ord. 2020-235-E to the Senior & Disabled Financial Assistance Program and approved program criteria.
- **2020-328-E:** Reallocated \$16,548,162.10 of the CARES Act grant funding previously appropriated to the Non-City Economic Impact account by Ord. 2020-235-E to the Business Relief Grant Program to provide business relief grants to those businesses identified in the legislation who suffered negative impacts due to COVID-19.
- **2020-355-E:** Reallocated \$5,000,000 of the CARES Act grant funding previously appropriated to the Mortgage, Rent, and Utility Relief Program to provide an additional \$3,000,000 to the Small Business Relief Grant Program established by Ord. 2020-247-E and \$2,000,000 to a new Utility Relief Program. Approved criteria for the Utility Relief Program and authorized an agreement with JEA for the purposes of assisting in identifying eligible recipients and assisting in determining eligibility for the Utility Relief Program.
- **2020-356-E:** Amended sections of the Ordinance Code related to the organization and operation of the Duval County Tourist Development Council.
- **2020-358-E:** Waived certain provisions of Chapter 118, Ordinance Code, to allow for a reduction in the operating revenue requirement, extension of the deadline to expend City funds, and extension of the due date of the annual report for certain Cultural Service Grant recipients due to difficulties experienced from the COVID-19 pandemic.
- **2020-377-E:** Appropriated a \$35,000,000 grant and \$40,000,000 bridge loan to the Jacksonville Port Authority for the St. Johns River harbor deepening project and approved an agreement with the Jacksonville Port Authority outlining the City's contribution to the project.
- **2020-378-E:** Appropriated an additional \$8,069,919.30 of CARES Act grant funding received by the City from the Federal government to reduce the appropriation of the City's operating reserves for the COVID-19 Small Business Relief Grant Program previously authorized by Ord. 2020-247-E.
- **2020-379-E:** Appropriated \$1,000,000 from the General Fund-GSD fund balance to provide grants to eligible Duval County small businesses to reimburse them for sanitization and deep cleaning expenses incurred after the state-wide reopening on May 4, 2020.
- **2020-380-E:** Appropriated \$3,000,000 from the General Fund-GSD fund balance to provide \$2,000,000 in additional funding to the COVID-19 Small Business Relief Grant program approved in Ord. 2020-247-E and \$1,000,000 additional funding to the COVID-19 Senior and Disabled Financial Assistance program approved in Ord. 2020-276-E.
- **2020-399-W:** Proposed appropriating a \$33,000,000 Department of Justice security grant, authorizing agreements with multiple parties, and enacting provisions for the facilitation of the Republican National Convention. This legislation was withdrawn by Council.
- **2020-412-E:** Reallocated \$3,752,900.41 from the Small Business Relief & Employee Retention Grant Program and \$3,451,837.90 from the Non-City Economic Impact account established by Ord. 2020-235-E to provide additional funding to the Business Relief Grant Program and fund additional grants to the specific businesses identified in the legislation.

EXHIBIT C (Contd.)
LEGISLATION REQUIRING SIGNIFICANT REVIEW

- **2020-418-E:** Established a target of 17% of each year's Capital Improvement Plan to be allocated to the pre-consolidated City of Jacksonville for water and sewer lines, stormwater drainage, roads, and streetlights.
- **2020-419-E:** Amended and repealed multiple sections of the JEA Charter to address matters discussed and discovered throughout the City Council JEA Fact-Finding Workshops.
- **2020-500, 501, 502 & 503-E:** Informed the Property Appraiser of the "rolled back" millage rates, the proposed millage rates for notices to be sent to all property owners, and the public hearing for City Council to consider the millage rates and established the millage rates to be levied by the consolidated government for the General Services District and Urban Services Districts 2, 3, 4, and 5 (Jacksonville Beach, Atlantic Beach, Neptune Beach, and Baldwin).
- **2020-504, 505, 506, 507, 508, 509, 510 & 511-E:** Approved the FY 20/21 budgets for the City and independent agencies, adopted the five-year (2021-2025) Capital Improvement Plan, authorized the FY 20/21 appropriation and agreement with Shands Jacksonville Medical Center, Inc. for indigent healthcare, adopted the five-year (2021-2025) inclusive IT System Development Program, adopted the annual growth rate for the future pension liability surtax proceeds, and approved the FY 20/21 appropriations for Public Service Grants, the Jacksonville Chamber of Commerce, and Kids Hope Alliance programming.
- **2020-527-E:** Approved a Downtown Preservation and Revitalization Program for the preservation and revitalization of unoccupied, underutilized, and/or deteriorating historic and qualified non-historic, buildings in downtown Jacksonville.

EXHIBIT D
LISTING OF MEMORANDUMS ISSUED RELATED TO JEA

JEA Performance Unit Plan

November 18, 2019

This memorandum, issued to all Council Members, was about the JEA “Long-term Performance Unit Plan” (Plan) approved by the JEA Board on July 23, 2019. The memorandum addressed specific concerns of the Council Auditor due to its significant potential cost to JEA and the potential reduction of proceeds to the City from a Recapitalization Event (e.g., if \$5 billion in net proceeds to City before payment of Performance Units the proceeds to the City could have been reduced by an estimated \$636.6 million).

30 Day Notification in Accordance with, §21.04(p), of the Charter of the City of Jacksonville

November 26, 2019

This memorandum, in response to a Council Member, addressed the question as to whether the Council Auditor was notified no less than 30 days prior to the JEA ITN as required by the City’s Charter.

JEA Compensation Benefits

December 2, 2019

This memorandum, in response to a Council Member, addressed the question as to the breakdown of compensation for all JEA employees and what would occur under a Recapitalization Event.

JEA Pay for Performance Plan

December 2, 2019

This memorandum, in response to a Council Member, provided details on JEA’s short-term incentive program, known as Pay for Performance Plan.

Summary of JEA Senior Leadership Team Contracts and Additional Benefits

December 3, 2019

This memorandum, in response to a request from a Council Member, provided details relating to compensation, additional benefits, additional compensation to the Senior Leadership Team upon termination, and additional compensation to the Senior Leadership Team if terminated upon a Recapitalization Event.

Compilation of Contracts for Law Firms and Financial Advisors Hired by JEA for Exploring a Recapitalization Event

December 10, 2019

This memorandum, in response to a Council Member, was a summary of the contracts for the law firms and financial advisors hired by JEA for exploring a Recapitalization Event.

Future of JEA Workshop Meeting #3

January 23, 2020

This memorandum, in response to a Council Member, highlighted issues we saw with the presentation by then JEA’s Chief Operating Officer and Chief Financial Officer at a Future of JEA Workshop held on December 9, 2019.

EXHIBIT E
CITY COUNCIL AUDITOR'S OFFICE STAFF

Staff members as of September 30, 2020:

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

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

Administrative Assistant
Mary Fletcher

Staff member who retired during FY 2019/20:
Kyle S. Billy, CPA, Council Auditor

Kyle S. Billy worked in the Council Auditor's Office from January 3, 1989 until his retirement on June 26, 2020. At the time of his retirement, he was the Council Auditor, a position he had held since 2017. During his career, as honored by Council Resolution 2020-252-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.