



Council Auditor's Office 2015/16 Annual Report

Special Report #785

Executive Summary

Authority

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

Our Product

Audit

We issued six performance audit reports and one attestation. In total, we identified 51 Findings, 21 Internal Control Weaknesses, and 10 Opportunities for Improvement in our audits and attestations aimed at improving the City's operations and protecting the City's assets. The performance audits identified \$998,685 in lost revenues and \$75,681 in overpaid costs. Also, one audit identified an additional \$2,123,124 in recoverable revenues that may be subject to fees owed by the City if the revenues are recovered. An additional \$1,603,381 could be owed to the City should corresponding assets not be provided as required. Additionally, the staff assisted the external auditors on the audits of the City and JEA, saving the City approximately \$60,000 as a result.

Legislation

We reviewed approximately 700 legislative bills. Additionally, the office is responsible for reviewing the proposed budget for the City and its Independent Authorities. Our review of the Mayor's Proposed Budget resulted in recommendations that increased revenues by \$3,105,832 and reduced expenditures by \$2,807,816, which created savings totaling \$5,913,648.

Special Projects

We issued eleven special reports and conducted numerous other special projects throughout the year. We also reviewed the submission of audits for City Grant recipients and reviewed the annual Recapture of funds to the General Fund, which resulted in the General Fund Recapture increasing by \$1,465,303, to a total of \$2,170,270. Due to language in the Budget Ordinance, this amount was utilized to address subfunds that had a negative cash balance.



Council Auditor's Office

Annual Report FY 2015/16

October 13, 2016

Special Report #785

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



October 13, 2016

Special Report #785

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, 2016 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 18 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 4,800 staff hours were spent from July through September 2016 reviewing the proposed 2016/2017 budgets for the City and its Independent Agencies, preparing handouts with recommendations, and researching numerous questions for Council Members.

MISSION AND GOALS

Charter Authority of the City Council Auditor

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

Our Mission

The mission of the Council Auditor's Office is to improve the accountability and effectiveness of local government by actively providing independent and informative services to the City Council and the citizens of Jacksonville. The City Council, Mayor, Independent Agencies and the public need timely, objective, and accurate information regarding the efficiency and effectiveness of the operations of the City and its Independent Agencies. We seek to accomplish our mission by evaluating department and program performance.

Statement of Values

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

OUR WORK PRODUCTS

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

Audit Function

Overview

The audit function of the office conducts performance audits in accordance with Generally Accepted Governmental Auditing Standards (GAGAS), attestations in accordance with the American Institute of Certified Public Accountants (AICPA) and/or GAGAS, and assists the external auditors with the City's Comprehensive Annual Financial Report (CAFR) and JEA's Annual Financial Report. Audit work accounted for over 15,100 hours (or 39.15%) of the overall time of our office in FY 2015/2016. The standards that we utilize require due professional care in conducting audits, professionally qualified staff, independence, adequate supervision and planning of audit work, reporting of audit results, and periodic review of the office by outside professionals. This enhances the quality of our work product which enables the user agency to place greater reliance on our work.

We select areas to audit based on several factors. We consider areas that provide services to the government and community that may have potential for improvement in the areas of economy and efficiency. Areas at risk for the misuse of assets or resources are more likely to be selected for audit. We also consider areas with a high volume of complaints or concerns identified by the City Council, Mayor, and management. The length of time since 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 2015/16 reports and a brief summary of the FY 2015/16 reports, respectively.

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

Performance Audits

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

Results

We issued six performance audits during FY 2015/16. These six reports identified 51 findings, 21 internal control weaknesses, and 10 opportunities for improvement. Overall, these audits identified several process changes that could reduce costs and made multiple recommendations to address deficient system controls, such as those surrounding payroll to City employees, which is a significant portion of the City's operating costs.

The performance audits identified \$998,685 in lost revenues and \$75,681 in overpaid costs. Also, one audit identified an additional \$2,123,124 in recoverable revenues that may be subject to fees owed by the City if the revenues are recovered. An additional \$1,603,381 could be owed to the City should corresponding assets not be provided as required.

Attestations

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

Results

We issued one attestation during FY 2015/16, which was required by Florida Statutes. We identified two findings and one opportunity for improvement during this work.

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

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

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 (CRI), LLC with the annual financial statement audit and the preparation of the Management Letter for the City. In addition, two of our staff members provided a total of 158 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 provided staff valuable information and training for future audit work.

Special Project Function

The special project function releases special reports, which are typically in response to a request by a Council Member or involve a project substantially less in scope than an audit conducted in accordance with GAGAS. This area accounts for over 4,900 hours (or 12.86%) of the overall time of our office. See Exhibit A for a listing of FY 2015/16 reports and Exhibit B for a summary of the FY 2015/16 reports.

Special Reports

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

Results

We issued six numbered special reports in FY 2015/16. These were prepared to provide information to City Council and the citizens of Jacksonville regarding the City's financial position and our office's work.

Special Projects

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

Results

One special project was reviewing an invoice the City received related to the Municipal Recycling contract in which our review saved the City \$29,261.

Another special project that occurs every year is the annual Recapture of General Fund subsidies to General Fund supported funds or subfunds as outlined in Section 106.106(i), Ordinance Code. This year was a little different in that Section 11.9 of the FY 2015/16 Budget Ordinance added a provision that the Finance Department was to create a list of subfunds with a negative cash balance and include the list with the recommended recapture amounts. The Council Auditor, in conjunction with the Finance Department, was to create a list of subfunds to which the recaptured amounts should be applied. Our review of the recapture resulted in the initial recapture amount being increased from \$704,967 to \$2,170,270 for an overall increase of \$1,465,303 which enabled more subfunds' negative balances to be properly addressed.

Follow-up Reviews

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

Results

During the fiscal year, we followed up on four audit reports for the first time and twelve other audit reports were followed up on for at least the second time. We noted that 30 internal control weaknesses, 18 findings, and 5 opportunities for improvement which had been reported as issues during those audits had been addressed by the various departments since our last follow-up or the original audit, if it was the first time we were following up. This left 8 internal control weaknesses, 13 findings, and 4 opportunities for improvement that still need to be addressed and will be reassessed in future follow-ups.

Also, one of the follow-ups was able to quantify a finding we had from a prior audit that was previously unquantifiable. The audit finding indicated that the City did not have a franchise agreement with a certain natural gas provider and was not receiving required reports to determine the amount of franchise fee owed to the City. While an agreement had not been executed as of the date of our report, the City had received \$48,046.36 from the provider for past due franchise fees.

City Grants

Per Chapter 118 of the Jacksonville Municipal Code, the Council Auditor's Office is tasked with overseeing the proper submission of annual audits and financial reports by agencies which receive City of Jacksonville grant funding. In addition to assuring that the audits and financial reports are submitted by the required deadlines, the Council Auditor's Office also reviews the audits and financial reports and confirms that City funding is properly disclosed. The Council Auditor's Office has the authority to remove entitlement of grant funding from an agency that does not follow the provisions of Chapter 118. In practice, the Council Auditor's Office has maintained a "non-compliance list," which includes all agencies that have committed infractions

which have not yet been resolved. The Council Auditor's Office may reinstate entitlement upon the correction of most infractions by the agency.

During fiscal year 2015/16, the Special Committee on Public Service Grants met to review and assess the 2015-2016 PSG grant recommendations and the process and procedures outlined in Ordinance Code Section 118.801. As a result of the Special Committee's work, Ordinance 2016-56-E was introduced and enacted by City Council to codify the Committee's recommendations.

Results

During FY 2015/16, twenty-five organizations were added to the non-compliance list. Twenty-four of those organizations were removed once reporting requirements were fulfilled. The remaining organization was removed through forgiveness legislation enacted by City Council. In addition, two organizations that were placed on the non-compliance list in prior years resolved their non-compliance issues, one by fulfilling the necessary reporting requirements and the other by repaying the City \$8,026.25 in public service grant funds. Payments were withheld for non-compliant organizations until these organizations demonstrated compliance with the requirements of Municipal Code Chapter 118.

Legislative Function

Overview

The legislative review function provides an examination of legislation for all of the Council Committees, with the exception of the Land Use and Zoning Committee, and attends all City Council meetings. It is the role of this team to provide transparency and accountability to each legislative bill that is reviewed. The legislative review function accounted for over 10,400 hours (or 26.82%) of the overall time of our office in FY 2015/16, which includes over 4,800 hours related to the annual budget. The following more specifically describes the scope of work performed by each group.

Legislative Review

The legislative review function is performed by staff members in order to provide Council Members with information regarding areas of potential improvement, full disclosure of financial impacts, errors requiring correction and other possible outcomes of pending legislation to assist Council Committees in their decision-making process. Some of the general categories of legislation reviewed are capital project approval and appropriation, grant contracts and appropriations of funds, lease agreements, appointments, and redevelopment agreements. Refer to Exhibit C for a summary of significant legislation that was reviewed during FY 2015/16.

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 2015/16, we reviewed approximately 700 legislative bills. Several of these bills 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 and Independent Agencies to complete our analysis and obtain answers to questions regarding budget requests. Approximately 4,800 staff hours were spent from July through September 2016 reviewing the fiscal year 2016/17 budget proposal. A report is prepared annually outlining the Mayor's and Independent Agencies' proposed budgets and City Council actions regarding those budgets.

Results

The total City budget for FY 2016/17, including independent agencies, was approved by the City Council at \$4,962,559,344. Our review of the Mayor's Proposed Budget resulted in recommendations that increased revenues by \$3,105,832 and reduced expenditures by \$2,807,816, which created savings totaling \$5,913,648. 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 Audit Subcommittee of the City Council Finance Committee was created to review audits and reports about City finances and operations. The subcommittee meets on an as needed basis to receive information from the Council Auditor and the City's independent auditor. This provides the opportunity for the subcommittee to discuss the reports and ask questions of Council Auditor's staff and the agency staff addressed in the report.

We attended the St. Johns River Ferry Commission meetings where we answered questions and provided guidance related to establishing a budget, making deposits, recording and tracking revenues and expenses, and paying the contractor. We also participated in the discussions regarding the transfer of the Ferry operations to the JTA.

The Special Ad Hoc Committee on Neighborhood Improvement and Community Enhancement (NICE), formerly known as the Jacksonville's Neighborhood Blight Committee was charged with examining the status of neighborhoods in Jacksonville as it relates to blight and the City's response and responsibility for improvement. The Council Auditor's Office attended numerous meetings of this special ad hoc committee throughout the year and provided information as requested.

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

The Solid Waste Special Committee is charged to review and assess City Council's policy on Solid Waste. Additionally the Committee is to make recommendations for any addition, modification or deletion to the policy and/or recommend legislation, if necessary. The Special Committee on Solid Waste was tasked to report its findings and recommendations on the charge set forth above by October 31, 2016.

OFFICE OPERATIONS

Our Structure

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

Staffing

As part of the original FY 2015/2016 budget, the office was authorized to fill 19 full-time positions. Positions include the Council Auditor, an Assistant Council Auditor, 16 auditors and one administrative assistant (refer to Exhibit D). All auditors have degrees in accounting, including several with graduate degrees. The audit staff members are Certified Public Accountants (CPAs) or in the process of preparing for or taking the CPA exam. Audit staff members are encouraged to obtain a CPA license. We also have one staff member who is a licensed Certified Fraud Examiner (CFE) and one staff member who is a Certified Internal Auditor (CIA).

Expenditures

The Council Auditor's Office had expenditures of approximately \$2.26 million in fiscal year 2015/16, as detailed on the next page.

Annual Expenditures

	FY 2014/15 Expenditures	FY 2015/16 Estimated Expenditures*
Salaries	\$ 1,486,476	\$ 1,497,983
Pension	391,710	446,124
Other Employee Benefits	166,320	190,048
Internal Service Charges	84,575	99,218
Other Operating Expense	37,484	29,568
Total	\$ 2,166,565	\$ 2,262,940

**Please note that the amounts for FY 2015/16 are pending the final close out of the City's Annual Financial Audit.*

PROFESSIONAL DEVELOPMENT

Summary

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

Continuing Education

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

Professional Associations

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

Quality Assurance

In compliance with Government Auditing Standards, the Council Auditor's Office undergoes an external quality control review once every three years by an organization not affiliated with the Council Auditor's Office. We participate in the peer review program of the Association of Local Government Auditors through which our office had a peer review and was found to be in compliance with the Government Auditing Standards in April 2015, with zero management letter

comments. This peer review covered all audits and attestations performed in accordance with Governmental Auditing Standards between January 1, 2012 and December 31, 2014.

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

Respectfully submitted,

Kirk A. Sherman, CPA
Council Auditor

EXHIBIT A
REPORTS RELEASED IN FISCAL YEAR 2015/2016

Performance Audits

Report No. 777	JEA Payroll Audit	May 25, 2016
Report No. 778	JAA Payroll Audit	June 20, 2016
Report No. 779	Affordable Housing Consultant Services Audit	June 21, 2016
Report No. 780	Jacksonville Sheriff's Office Payroll Audit	July 5, 2016
Report No. 781	Audit of Animal Care and Protective Services Division 2015	July 25, 2016
Report No. 784	Loblolly Mitigation Bank Audit	September 28, 2016

Attestation

Report No. 775	Sheriff's Investigative Fund Fiscal Year 2012/13	February 23, 2016
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Special Reports – Excluding Follow-Ups

Report No. 771	Council Auditor's Office Annual Report FY 2014/15	December 4, 2015
Report No. 772	Budget Summary Fiscal Year 2015/16	December 15, 2015
Report No. 773	Quarterly Summary for the Twelve Months Ended 9/30/2015	December 15, 2015
Report No. 774	Quarterly Summary for the Three Months Ended 12/31/2015	February 11, 2016
Report No. 776	Quarterly Summary for the Six Months Ended 3/31/2016	May 13, 2016
Report No. 783	Quarterly Summary for the Nine Months Ended 6/30/2016	August 15, 2016

Special Reports – Follow-Ups on Audits

Report No. 721A	Oceanfront Parks Revenue Audit	February 3, 2016
Report No. 720A	Duval County Property Appraiser Audit	February 9, 2016
Report No. 728A	Jacksonville Economic Development Commission Incentives	February 18, 2016
Report No. 782	Follow-Up Report on Report #737	July 29, 2016
Report No. 731A	Jacksonville Retirement System Audit	September 28, 2016

*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

JEA Payroll Audit

Report #777 – May 2016

We performed a payroll audit of JEA since we have recently performed similar audits of the City and some of its Independent Agencies.

Significant Issues:

- Excessive system access rights for payroll and human resource employees.
- No documentation to indicate that payroll adjustments have been properly reviewed.
- No electronic approval path within the payroll system.
- Terminal leave payouts were not accurately calculated.
- No written procedure regarding the prorating of service pay.

JAA Payroll Audit

Report #778 – June 2016

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

Significant Issues:

- Shared accounts as well as conflicting and excessive access rights in the timekeeping and payroll system.
- Lack of standard operating procedures related to the payroll function and the access rights review.
- Issues with the calculation of overtime payments when additional pay elements were involved.
- Salaried employees were not required to attest to hours worked and applicable supervisors were not required to approve associated hours.

Affordable Housing Consultant Services Audit

Report #779 – June 2016

We conducted an audit of a purchase order and contract between the City and a private vendor for affordable housing consultant services. The audit originated from a concern from a Council Member regarding the use of \$400,000 of his district bond funds.

Significant Issues:

- We found that bond proceeds that were intended to be utilized on four capital projects were utilized for a consulting agreement, which was not an allowable use.
- Of the \$400,000, \$317,873.28 was spent on the consulting services contract, \$75,718.44 was returned to the Council District Discretionary Bond account, while \$6,408.28 remained in the account used to pay the consultant services contract as of March 4, 2016. Very little work has been done on the four capital projects and they remain incomplete.
- Issues with accuracy, proper approval and/or adequate support for payment requests submitted by the vendor were found on more than 50% of the payments made to the vendor.

EXHIBIT B (Contd.)
SUMMARY OF REPORTS

JSO Payroll Audit

Report #780 – July 2016

We performed a payroll audit of the Jacksonville Sheriff's Office (JSO) since we have recently performed similar audits of the City and some of its Independent Agencies and this area was specifically excluded from the audit of the City. This also met the City's requirement to audit the Jacksonville Sheriff's Office at least once every five (5) years pursuant to Section 102.118 of the Municipal Code.

Significant Issues:

- JSO lacked detailed payroll procedures.
- JSO relied on manual timekeeping processes for some employees.
- The City had inadequate supporting documentation related to the creation and maintenance of pay elements within the Human Resources and Payroll System.
- Shift differential pay was inconsistently applied for officers, which also affected overtime rates.

Audit of the Animal Care and Protective Services Division 2015

Report #781 – July 2016

We initiated work in the Animal Care and Protective Services Division due to delays in the processing of credit card receipts that were brought to our attention. Due to the abrupt resignation of the employee in charge of processing deposits the day after our surprise cash count, and other information we had gathered, we determined that an audit of the financial activity of the ACPS Division was needed.

Significant Issues:

- We found evidence of receipts totaling \$23,757 from August 31, 2013 through April 13, 2015 which were not deposited with the Tax Collector, of which all but \$230 we were unable to locate.
- Separately, we found \$20,932 in checks and money orders dated from February 5, 2015 and prior that were not deposited as of the time of our initial field work in April of 2015.
- Numerous violations of City Cash Handling Policy and Procedures.
- Lack of formal policies and procedures related to the financial aspects of the office.

Loblolly Mitigation Bank Audit

Report #784 – September 2016

We performed an audit of the Loblolly Mitigation Bank (Bank) pursuant to Section 13 of the Use Agreement between Loblolly Mitigation Preserve, LLC (LMP) and the City of Jacksonville. This audit was conducted at the request of a City Council member. This was the first audit of the Bank.

Significant Issues:

- LMP inappropriately claimed the proceeds from the sale of City-owned mitigation credits in the amount of \$2,123,124.
- The City and LMP participated in a credit trade for which the City was never compensated, and at the time had a value of \$927,510.

EXHIBIT B (Contd.)
SUMMARY OF REPORTS

- LMP owes the City 152+ UMAM credits for future City use or \$1,603,681 from management fees withheld in a manner inconsistent with the provisions of the Use Agreement.
- The City was not correctly compensated on some of the credit sales
 - \$27,237 due to differences in price.
 - \$26,957 from the sale of Army Corps of Engineers credits.

Attestation

Sheriff's Investigative Fund 2012/13

Report # 775 – February 2016

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

Special Reports

Council Auditor's Office Annual Report FY 2014/15

Report #771 – December 2015

This report provides a summary of the activities and accomplishments of the Council Auditor's Office during the fiscal year ended September 30, 2015.

Budget Summary for FY 2015/16

Report #772 – December 2015

The Budget Summary Report details the major points of the City Council approved budget for the FY 2015/16. It details the major changes that occurred from the Mayor's Proposed Budget to the City Council Approved budget and includes suggestions to create a better process for the following year.

Quarterly Summaries

Reports #773 (December 2015), #774 (February 2016), #776 (May 2016), & #783 (August 2016)

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

Follow-Up Reports

Report #721A (February 2016), #720A (February 2016), #728A (February 2016), #782 (July 2016), & #731A (September 2016)

These reports are a follow-up review to determine the progress made in addressing findings and recommendations identified in previously issued audit reports. These reviews are performed periodically and are substantially less in scope than an audit conducted in accordance with Government Auditing Standards.

EXHIBIT C

LEGISLATION REQUIRING SIGNIFICANT REVIEW IN FISCAL YEAR 2015/2016

- **2015-519:** Amended Chapter 122 (Public Property) concerning the Affordable Housing Inventory List and created new Subpart F (Donation and Sale of Property for Affordable Housing).
- **2015-704:** Would have restored the 2% cut to 19 Council Members. This bill was ultimately withdrawn.
- **2015-738:** Approved the Community Redevelopment Plan for the Renew Arlington Community Redevelopment Area, created the Renew Arlington CRA Trust Fund and also established the 2015 Tax Assessment as the base for the increment.
- **2015-764:** Amended Article 21(JEA) of the Charter regarding the assessment calculation for JEA's annual contribution payment and approved an interagency agreement with JEA.
- **2015-781:** Authorized Amendment #14 to the Jaguar Lease which provided for the design, construction, ownership, use, management, operations, costs and financing of the East and West Club Deck Installation and Club Improvements, South End Zone Improvements, Covered Field Football Practice Facility and an Outdoor Amphitheater. The legislation also included lease agreements for the use and operation of the Covered Field and Amphitheater between the City and JLL. The total estimated project cost is \$90,000,000. City's contribution is \$45,000,000 and JLL's contribution is \$45,000,000.
- **2016-056:** Created new Chapter 80 (Public Service Grant Council).
- **2016-057:** Approved a 2nd Revised JTA Project List for Local Option Gas Tax (LOGT) projects.
- **2016-080:** Would have approved the settlement of pending litigation concerning the Senior Staff Voluntary Retirement Plan. This bill was ultimately withdrawn.
- **2016-127:** Authorized the conveyance of parcels, title of vessel and other property to JTA for operation of the St. Johns River Ferry.
- **2016-140:** Approved the reorganization of the Executive Branch.
- **2016-156:** Provided forgiveness for the Bob Hayes track meet non-compliance related to its City grant and Ordinance Code Chapter 118.
- **2016-198:** Appropriated \$100,000 to Friends of Hemming Park for operation and management of Hemming Park and authorized the Second Amendment to the contract.
- **2016-259:** Appropriated \$1,835,971.60 from FY 2014/15 recaptured funds within fund balance to cure and partially cure negative cash balances within various subfunds.
- **2016-285:** Authorized the Economic Development Agreement with Project Rex (Amazon).
- **2016-300:** Provided the framework, implementation, allowable usage, and placement of the referendum on the August 30, 2016 ballot for the pension liability discretionary sales surtax.
- **2016-382:** Approved and authorized the Public Investment Policy regarding economic incentives funded by the City.
- **2016-385:** Appropriated \$132,618.29 to provide funding to Friends of Hemming Park for the operation and management of Hemming Park.
- **2016-437:** Transferred \$150,000 from the Roadway Safety Pedestrian Crossings Project to the Watermill Blvd/Argyle Forest Blvd Intersection Signalization Project.
- **2016-442:** Appropriated \$1,218,956.48 to provide funding in the amount of \$1,120,000 for design plans and development for Lonnie Miller Regional Park and funding in the amount of \$98,956.48 for the design of a baseball complex at Scott Park.
- **2016-463:** Appropriated \$1,912,412.82 for the Lonnie Miller Regional Park Phase I Development.
- **2016-601:** Amended Ordinance 2015-504-E (FY 15/16 Budget) to revise the JIA CRA, King/Soutel CRA and combined Northbank CRA and Southside CRA budgets.

EXHIBIT D
CITY COUNCIL AUDITOR'S OFFICE STAFF

Staff members as of September 30, 2016:

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

Chedly Broche, CPA
Robert Campbell
Thomas Carter, CPA
Trista Carraher, CPA
Sean Costigan, CPA, CFE
Megan Evans
Elena Korsakova, CPA
Alexandria Lee
Edward Linsky, CPA
Carmen Martin, CPA
Brian Parks, CPA, CIA
Heather Reber, CPA
Jeff Rodda
Kyle Thorpe

Administrative Assistant
Mary Fletcher