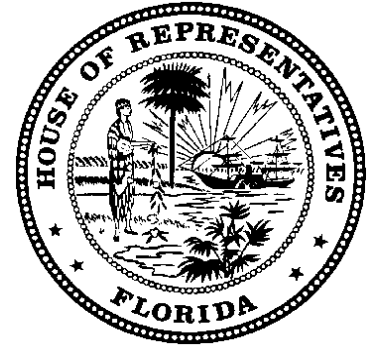


KATHLEEN PASSIDOMO
President of the Senate



PAUL RENNER
Speaker of the House



Joint Legislative Auditing Committee

Senator Jason Pizzo, Alternating Chair
Representative Michael Caruso, Alternating Chair

Meeting Packet
Monday, March 13, 2023
412 Knott Building

10:00 a.m. – 12:00 p.m.

The Florida Legislature
COMMITTEE MEETING AGENDA
JOINT LEGISLATIVE AUDITING COMMITTEE

Senator Jason W. B. Pizzo, Alternating Chair
Representative Michael A. “Mike” Caruso, Alternating Chair

MEETING DATE: Monday, March 13, 2023

TIME: 10:00 A.M. – 12:00 P.M.

PLACE: 412 Knott Building

MEMBERS:

Senator Jason Brodeur
Senator Tracie Davis
Senator Nick DiCeglie
Senator Corey Simon

Representative Daniel “Danny” Alvarez, Sr.
Representative Christopher Benjamin
Representative Peggy Gossett-Seidman
Representative Dianne “Ms Dee” Hart
Representative Vicki L. Lopez

-
- 1. Consideration of a request for an Auditor General operational audit of the City of Delray Beach submitted by Representative Gossett-Seidman**
 - 2. Consideration of a request for an Auditor General operational audit of the Town of White Springs submitted by Senator Simon**
 - 3. Consideration of a request for an Auditor General operational audit of the City of North Miami Beach submitted by Senator Pizzo**
 - 4. Consideration of a request for an Auditor General operational audit of PRIDE submitted by Senator Pizzo**
 - 5. Consideration of revisions to the *Guidelines for Attestation Services Relating to Quarterly Lobbying Firm Compensation Reports***



Florida House of Representatives
1102 The Capitol, 402 South Monroe Street, Tallahassee, FL 32399-1300

Representative Peggy Gossett-Seidman
House District 91

February 6, 2023

The Honorable Jason W.B. Pizzo & Michael Caruso
Chairs, Joint Legislative Auditing Committee
876 Pepper Building
111 W. Madison Street
Tallahassee, FL 32399-1400

Dear Chair Pizzo & Caruso,

I am requesting that the Joint Legislative Auditing Committee direct the Auditor General to perform an operational audit of the City of Delray Beach. I am aware of concerns regarding the current and previous interlocal agreements between the City of Delray Beach and Town of Highland Beach. Constituents from House District 91, the Town of Highland Beach, and its forensic auditor have identified continual lack of financials to follow up on the annual true-ups.

The scope of the audit, at a minimum, should include the following areas:

- Financial true-ups from following fiscal years: 2017-2023.
- Supporting documents for the true-ups required.
- Any other relevant information as identified and requested by the town.

Thank you for your consideration of this audit request.

Sincerely,

Peggy Gossett-Seidman

Representative Peggy Gossett-Seidman – District 91

STAFF ANALYSIS

Date: March 9, 2023

Subject: Request for an Operational Audit of the City of Delray Beach

Analyst Coordinator

DuBose^{KD} DuBose^{KD}

I. Summary

The Joint Legislative Auditing Committee (Committee) has received a request from Representative Peggy Gossett-Seidman to have the Committee direct the Auditor General to conduct an operational audit of the City of Delray Beach.

II. Present Situation

Current Law

Joint Rule 4.5(2) provides that the Legislative Auditing Committee may receive requests for audits and reviews from legislators and any audit request, petition for audit, or other matter for investigation directed or referred to it pursuant to general law. The Committee may make any appropriate disposition of such requests or referrals and shall, within a reasonable time, report to the requesting party the disposition of any audit request.

Joint Rule 4.5(1) provides that the Legislative Auditing Committee may direct the Auditor General or the Office of Program Policy Analysis and Government Accountability (OPPAGA) to conduct an audit, review, or examination of any entity or record described in Section 11.45(2) or (3), *Florida Statutes*.

Section 11.45(3)(a), *Florida Statutes*, provides that the Auditor General may, pursuant to his or her own authority, or at the discretion of the Legislative Auditing Committee, conduct audits or other engagements as determined appropriate by the Auditor General of the accounts and records of any governmental entity created or established by law.

Section 11.45(2)(j), *Florida Statutes*, provides, in part, that the Auditor General shall conduct a follow-up to his or her audit report on a local governmental entity no later than 18 months after the release of the audit report to determine the local governmental entity's progress in addressing the findings and recommendations contained in the previous audit report.

Request for an Operational Audit of the City of Delray Beach

Representative Gossett-Seidman has requested the Committee to direct an operational audit of the City of Delray Beach. She stated that she is "aware of concerns regarding the current and previous interlocal agreements between the City of Delray Beach and [the] Town of Highland Beach. Constituents from

House District 91, the Town of Highland Beach, and its forensic auditor have identified continual lack of financials to follow up on the annual true-ups.”¹

Per her request, “[t]he scope of the audit, at a minimum, should include the following areas:

- Financial true-ups from [the] following fiscal years: 2017-2023.
- Supporting documents for the true-ups required.
- Any other relevant information as identified and requested by the [T]own.”²

Background

The City of Delray Beach (City) was incorporated as a municipality in 1927 under Section 12677, *Laws of Florida*.³ The City is located in Palm Beach County and has an estimated population of 67,073.⁴ The City operates under a Commission-Manager form of government and is governed by an elected Mayor and four Commissioners, who are elected at large and each serve three-year terms.⁵ The City Commission appoints the City Manager, the City Attorney, and the Internal Auditor.⁶

The City “provides a full range of community services including police, fire protection, fire inspection, emergency medical, rescue, parks, recreation centers, community activities, beaches, pools, a marina, boat ramps, public works, traffic maintenance, street maintenance, parking facilities, golf courses, tennis courts and a world-class tennis stadium. The City also provides utility, development and business services including water, sewer, stormwater, engineering, construction services, building permits, building inspections, code enforcement, garbage, trash, community development, general administrative and financial support services.”⁷

In addition, the City provides services to the residents of two neighboring towns, the Town of Gulfstream and the Town of Highland Beach based on a contractual agreement with each municipality.^{8 9} The City provides the Town of Gulfstream with water, fire protection, emergency medical, police dispatch, building permits, building inspections, and limited sewer services.¹⁰ The City provides the Town of Highland Beach with fire protection, emergency medical, and limited water services.¹¹

¹ Letter from Representative Peggy Gossett-Seidman to The Honorable Jason W.B. Pizzo and Michael Caruso, Chairs, Joint Legislative Auditing Committee, dated February 6, 2023 (on file with the Committee).

² *Id.*

³ Note 1 to the Financial Statements, *Annual Comprehensive Financial Report for the City of Delray Beach, Florida for the fiscal year ended September 30, 2021*, page 29.

⁴ University of Florida, College of Liberal Arts and Sciences, Bureau of Economic and Business Research, *Florida Estimates of Population by County and City 2022 (Table 1 only)*, page 14, available at https://bebr.livewire-web-applications.com/wp-content/uploads/2022/12/estimates_2022.pdf (last visited March 8, 2023).

⁵ *Transmittal Letter, Annual Comprehensive Financial Report for the City of Delray Beach, Florida for the fiscal year ended September 30, 2021*, page i.

⁶ *Id.*, page ii.

⁷ *Id.*

⁸ *Id.*

⁹ *See supra* note 4. The Towns of Gulfstream and Highland Beach have 2022 estimated populations of 957 and 4,302, respectively.

¹⁰ *See supra* note 5, page ii.

¹¹ *Id.*

Interlocal Agreement with the Town of Highland Beach

The City has had an Interlocal Service Agreement (Agreement) with the Town of Highland Beach (Town) for Fire and Emergency Medical Services for more than 30 years.¹² The current Agreement, approved in July 2016,¹³ includes, in part, the following provisions:

- The City’s Fire-Rescue Department (Department) and its officers and personnel will provide the following services:
 - Fire Suppression;
 - Heavy Rescue and Associated Extrication;
 - Basic and Advanced Life Support Pre-Hospital Emergency Medical Services, including emergency transportation to medical facilities;
 - Public Fire Safety Education;
 - Fire Prevention and Life Safety Inspections in occupancies other than one and two family residences;
 - Fire Code and Life Safety plans examination and review for building permits for occupancies and structures other than one and two family dwellings;
 - Initial Hazardous Materials Incident Response and Scene Control;
 - Emergency Dive-Rescue Services; and
 - Assignment of the Apparatus or other similar vehicle(s) for the primary use of the Town as specified in the Agreement.¹⁴
- The number and qualifications of personnel that the City will assign to the Town’s Fire Station (Fire Station) on a daily basis.¹⁵ In addition, the type of equipment that will be assigned to the Fire Station.¹⁶ Although the personnel and equipment are assigned to the Fire Station, they may be used by the Department on a system-wide basis.¹⁷ The City’s Fire Chief or Senior Fire Rescue Officer on duty will determine the priority of calls in the event of simultaneous emergency calls.¹⁸ If the City cannot respond to a call within the Town, all reasonable efforts will be made by the City to arrange for a suitable response from another agency or jurisdiction through mutual aid agreements in effect.¹⁹
- The Town agrees to pay an annual service fee to the City that is the total of personnel salaries, overtime, fringe benefits, operating/overhead expenses, vehicle apparatus costs, and other costs listed in the Agreement.²⁰ By June 1st of each year, the City must provide the Town with an annual projection for the next fiscal year’s service fee.^{21 22} This projection shall be adjusted, as needed, once the City approves its final Fire-Rescue budget.²³
 - Salaries are based on 22.5 positions within the Department to include the following positions: 4.5 Captains, 4.5 Drivers/Engineers, 13 Fire Fighters/Paramedics, and .5 Fire Captain/Inspector and are calculated using the then “in rank” average of individuals employed by the

¹² Jasmine Fernández, *Why Highland Beach is breaking away from Delray to create its own fire rescue department*, The Palm Beach Post, September 27, 2022 (on file with the Committee).

¹³ Interlocal Service Agreement between the City of Delray Beach and the Town of Highland Beach (on file with the Committee).

¹⁴ *Id.*, Section 3.2.

¹⁵ *Id.*, Section 3.7.

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.*, Section 3.8.

¹⁹ *Id.*

²⁰ *Id.*, Section 4.3.

²¹ *Id.*

²² The City’s fiscal year is October 1 through September 30.

²³ See *supra* note 13, Section 4.3.

- Department.²⁴ Overtime and fringe benefits shall also be calculated using the then “in rank” average of individuals employed by the Department.²⁵
 - Beginning on October 1 of each year and continuing monthly during each year, the Town shall pay one twelfth of the estimated service fee to the City.²⁶
 - No later than December 1 following the end of the prior fiscal year, the City shall provide the Town with an accounting of the actual amount of expenses and costs for the prior fiscal year (true-up).²⁷ If the true-up cost exceeded the estimate, the Town must pay the City the difference by December 31. If the estimate exceeded the true-up cost, the City must pay the Town the difference by December 31.
- The Agreement commenced on October 1, 2016, and extended through September 30, 2026, with options to renew or terminate.²⁸

Concerns

Correspondence and documentation provided by the City to the Town, since the current Agreement has been in effect, reflect the following true-up amounts:

Fiscal Year	Bill Projection	True-Up	Difference	
2016-17	\$3,642,575	\$3,772,074	\$79,499	2.18%
2017-18	\$3,890,169	\$3,910,570	\$20,401	0.52%
2018-19	\$4,223,795	\$4,114,030	\$(109,765)	-2.60%
2019-20	\$4,439,682	\$4,472,006	\$32,323	0.73%
2020-21	\$4,657,148	\$4,778,662	\$121,514	2.61%
2021-22	\$5,149,097	\$5,545,237	\$396,140	7.69%

Based on the records provided by the City subsequent to the end of each fiscal year, the net amount owed by the Town to the City for the six-year period is \$540,112.

Although requested, the City has not been forthcoming in providing the Town with documentation to support the true-up amounts that are calculated after the end of each fiscal year when the estimated costs are compared to the actual costs for the City’s Fire-Rescue services.²⁹ As shown in the Table above, the true-up amounts increased significantly during the past two fiscal years in comparison to the previous four fiscal years. The correspondence typically provided to the Town when reporting the true-up amounts included a table showing the estimated cost compared to the actual cost, broken down by budget category.³⁰ No back-up documentation was provided to support the actual costs.

Per the Agreement, the Town was required to pay to the City, by December 31, 2021, the \$121,514 true-up amount for the Fire-Rescue services provided during the 2020-21 fiscal year. However, because the

²⁴ *Id.* “In rank” is the average salary for all personnel in a specific position (i.e., Captain, Driver/Engineer, etc.). The salary for Captains is to be based on the average salary of all personnel in the Captain position within the Department; it is not based on the specific Captains assigned to the Fire Station in Highland Beach.

²⁵ *See supra* note 13, Section 4.3.

²⁶ *Id.*, Section 4.5.

²⁷ *Id.*, Section 4.3.H.

²⁸ *Id.*, Section 5.2.

²⁹ Letter from Marshall Labadie, Town Manager, Town of Highland Beach, to Terrence R. Moore, City Manager, City of Delray Beach, dated January 10, 2023 (on file with the Committee).

³⁰ Correspondence, budget printouts and/or invoices from the City to the Town dated November 25, 2017; November 8 and 19, 2018; November 27, 2019; December 4, 2020; November 29, 2021; and; December 1, 2022 (on file with the Committee).

Town had not been provided the requested back-up documentation to support the City's calculation of the true-up amounts, it has refused to pay.³¹ In a letter dated December 29, 2022, the City provided the Town with a Notice of Breach regarding the Agreement.³² In response, the Town sent a letter to the City, which stated that "[w]e do not agree that 'the Town has failed to comply with its contractual obligations under the Agreement (for FY 2020-2021) to pay the True-Up portion of the annual service fee.'" ³³ During a January 2022 meeting between senior City and Town staff, "[w]e specifically stated that we required more information to determine how True-Ups are calculated and to determine the basis of the calculation for the FY 2020-2021... To this date, we have not received the information that we have requested to support this amount... In fact, just last Friday, January 6, 2023, I sent [a] letter to you specifying the information that the Town would need to receive from the City in order for the Town to consider making the requested FY 2021-2022 True-Up payment... We requested very basic information, including: 1) Daily roster of employees on each shift at Station 116 [the Fire Station located in the Town]; 2) Payroll data for these employees; 3) Detailed work papers supporting the True-Up amount; and 4) Your Cost to General Ledger Account Information... it would not be fiscally responsible for the Town to make a payment without the appropriate supporting documentation."³⁴

During the Town Commission meeting on November 9, 2021, the Town Manager made comments about records he had obtained from the City. He stated that: (1) it took about three months to get his request filled; and (2) although the Town was getting information, the City provided about 9,000 pages of random information that wasn't really cued up to be useful.³⁵ The Town had entered into a contract with a forensic auditor to assist it with any records related to the true-up calculations.³⁶ He also stated that the forensic auditor was making an independent request for the records because he will provide expert testimony for the Town Commission to make its decision, but he was facing challenges.³⁷ It is Committee staff's understanding that the City has required the Town to make Public Records requests and pay for them when it has requested back-up documentation to support the true-up amounts.

Very recently, the City has provided the Town with more usable records related to the past two fiscal years (2020-21 and 2021-22).³⁸ These records have been reviewed separately by the Town's Finance Director and the contracted forensic auditor.³⁹ Their conclusion was that the records do not support the true-up amounts claimed by the City.⁴⁰ A major issue appears to be the Agreement's requirement to use the "in rank" average of individuals employed by the Department.⁴¹ This requires the Department to use the average pay for all individuals at each rank, rather than the actual salaries of the individuals assigned

³¹ See *supra* note 29.

³² Letter from Terrence R. Moore, City Manager, City of Delray Beach, to Marshall Labadie, Town Manager, Town of Highland Beach, dated December 29, 2022 (on file with the Committee).

³³ See *supra* note 29.

³⁴ *Id.*

³⁵ The video of the Town of Highland Beach Commission Meeting on November 9, 2021, is available at: <https://highlandbeach-fl.municodemeetings.com/> (last visited March 9, 2023).

³⁶ Town Commission Meeting Minutes reference the search for and engagement of a forensic audit firm numerous times, including May 18, June 15, August 3, October 19, and November 9, 2021. Minutes are available at: <https://highlandbeach-fl.municodemeetings.com/> (last visited March 9, 2023).

³⁷ See *supra* note 35.

³⁸ The video of the Town of Highland Beach Commission Meeting on February 21, 2023 is available at: <https://highlandbeach-fl.municodemeetings.com/> (last visited March 9, 2023). In addition, phone conversation with Town Manager on March 2, 2023.

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ See *supra* note 13, Section 4.3.

to the Fire Station. Per the Town Manager, the City disagrees with the Town's interpretation of the contract and is using actual salaries.⁴²

Correspondence from the Town to the City regarding the Town's analysis of the true-up amounts for the past two fiscal years, calculated using the "in rank" average, shows that: (1) For the 2020-21 fiscal year, the true-up amount provided earlier by the City was overstated.⁴³ However, the Town still owes the City, but less than the amount the City had previously indicated. (2) For the 2021-22 fiscal year, the true-up amount provided earlier by the City was also overstated; however, in this case, the City owes the Town. For the two-year period, according to the Town's calculations, the City owes the Town a significant amount.

A consultant engaged by the Town to review Fire-Rescue services options, including the current Agreement, stated, in part, that the Town "can continue the agreement as written. However, the terms of the agreement need to be adhered to moving forward [in an earlier paragraph the consultant's report referenced the City's use of actual costs as opposed to the calculated in-rank average]. Provisions in the agreement are not being followed and may have financial implications to the Town of Highland Beach and the City of Delray Beach. Delray Beach should charge Highland Beach the appropriate service fee consistent with the terms and conditions of the contract... Alternately, on a move forward basis, revise the contract terms and conditions to reflect 'actual costs' charged associated with the Highland Beach Fire Station."⁴⁴

In addition to the true-up dispute, the Town has issues and questions related to the ambulance costs charged to its residents.⁴⁵ The Agreement authorizes the City to invoice Town residents for appropriate, emergency medical services transport fees. The City is required to remit all sums collected to the Town for EMS medical transport service calls performed in the Town by personnel assigned to the Town's Fire Station.⁴⁶ At times, personnel at one of the City's Fire Stations respond to emergency calls in the Town and personnel from the Town's Fire Station respond to emergency calls in the City. The Town is reviewing the recently provided records to determine if the appropriate amounts have been remitted by the City to the Town.⁴⁷

Town to Exit Agreement with the City

In 2021, the Town provided notice to the City that it will exit the Agreement during the spring of 2024.⁴⁸ The Agreement allows either the City or the Town to terminate the agreement without cause with 36-months written notice.⁴⁹

⁴² See *supra* note 38. In addition, phone conversation with Town Manager on March 2, 2023.

⁴³ Committee staff were provided with an undated and unsigned letter from Marshall Labadie, Town Manager, Town of Highland Beach to Terrence R. Moore, City Manager, City of Delray Beach. Committee staff understand that the letter has been or will soon be provided to the City (on file with the Committee).

⁴⁴ Matrix Consulting Group, *Fire Department Feasibility Study – Highland Beach, Florida Final Report*, dated May 5, 2021, pages 2-4 (on file with the Committee).

⁴⁵ See *supra* note 13, Section 4.2.

⁴⁶ *Id.*

⁴⁷ See *supra* note 38.

⁴⁸ Town Commission Meeting Minutes on April 20, 2021. Available at: <https://highlandbeach-fl.municodemeetings.com/> (last visited on March 9, 2023).

⁴⁹ See *supra* note 13, Section 5.3.B.

At least one of the factors in the Town's decision to exit the Agreement appears to be an amendment to the Agreement that was approved by the City in the spring of 2020 to increase the number of personnel assigned to the Town's Fire Station.⁵⁰ During the June 16, 2020 Town Commission meeting, the Commissioners discussed the increased costs and instructed the Town Manager to notify the City that the Town had no interest in amending the Agreement, as requested.⁵¹ In August 2020, the Town Commission approved a contract with a consultant to evaluate fire rescue service alternatives for the Town,^{52 53} and in April 2021 the Town Commission directed the Town Manager to send a letter of termination to the City.⁵⁴ In October 2021, the Town Commission approved Resolution 2021-034 to establish and fund a Town Fire and Rescue Department, subject to voter approval.⁵⁵ In November 2021, the resolution was approved by the voters, with 88.72% voting "Yes," in favor of the Fire and Rescue Department.^{56 57} The Town Manager has provided a "Fire-Rescue Plan Update" at most Commission meetings since mid-2021 and discussed the Town's progress in building a new fire station, staffing, purchasing equipment, obtaining the required approval from Palm Beach County,⁵⁸ and other details.⁵⁹ The Town's Fire-Rescue operations are expected to begin in May 2024.⁶⁰

Other Concerns

Representative Gossett-Seidman has provided Committee staff with news articles and other information that she has requested be considered by the Auditor General when setting the scope of the audit. Many of these articles relate to areas in addition to the Fire-Rescue concerns described above. While some of these may not include audit-related issues, they appear to be an indication of difficulties the City is facing:

⁵⁰ Town Commission Meeting Minutes on June 16, 2020. Available at: <https://highlandbeach-fl.municodemeetings.com/> (last visited March 9, 2023).

⁵¹ *Id.*

⁵² Town Commission Meeting Minutes on August, 4, 2020. Available at: <https://highlandbeach-fl.municodemeetings.com/> (last visited March 9, 2023).

⁵³ Matrix Consulting Group, *Fire Department Feasibility Study – Highland Beach, Florida Final Report*, dated May 5, 2021 (on file with the Committee).

⁵⁴ *See supra* note 48.

⁵⁵ Town Commission Meeting Minutes on October 5, 2021. Available at: <https://highlandbeach-fl.municodemeetings.com/> (last visited March 9, 2023).

⁵⁶ November 2, 2021 Highland Beach Municipal Election Results. Available from the Palm Beach County Supervisor of Elections' website at: <https://enr.electionsfl.org/PAL/Summary/3084/> (last visited March 8, 2023).

⁵⁷ Resolution No. 2021-23: Shall the Town Commission of Highland Beach be authorized to expend up to 10 million dollars to establish our own Fire and Rescue Department by expanding the existing fire station and acquiring the necessary fire and rescue apparatus and equipment to protect the health, safety, and property of the Town's residents while providing enhanced services at reduced costs with Town control?

⁵⁸ On September 13 2022, the Palm Beach County Board of County Commissioners approved the Town's Certificate of Public Convenience and Necessity (COPCN), a requirement per County Code for any advanced life support provider to operate in the County.

⁵⁹ Town Commission Meeting minutes available at: <https://highlandbeach-fl.municodemeetings.com/?> (last visited March 9, 2023).

⁶⁰ Town Commission Meeting Minutes on January 17, 2023. Available at: <https://highlandbeach-fl.municodemeetings.com/> (last visited March 9, 2023).

- The City has experience a high turnover of top City staff positions.^{61 62 63 64} Committee staff reviewed selected City Commission Meeting Minutes since January 1, 2016, and noted that at least six individuals have served as the City Manager or Interim City Manager during this period. One of the individuals served as the Interim City Manager twice.⁶⁵ In 2020, when serving as the City’s Fire Chief, this individual resigned after allegations of sexual harassment made against him during his time as the Interim City Manager became known.⁶⁶ Later that year, the then City Manager was “suspended for allegedly bullying and harassing [a senior level City employee] and was later fired.”⁶⁷⁶⁸
- Several news articles relate to concerns about the quality of the City’s drinking water. These include:
 - “The state Department of Health [DOH] has recommended Delray Beach be fined \$3 million for flagrant violations of state laws designed to protect the quality of drinking water in the city...In addition to the fine, the DOH is insisting that the city acknowledge to residents that it ‘cannot assure utility customers that the drinking water produced and distributed met the standards of the Safe Drinking Water Act for the period from inception of the reclaimed water⁶⁹ service beginning in 2007 to the time reclaimed water was deactivated on February 4, 2020’...The rationale for the penalties was due partially to the ‘willful or intentional nature of the violations’...[DOH] found that the Utilities Department was not truthful when it claimed in December 2018 that no one became sick from drinking reclaimed water. Several people did become ill.”⁷⁰
 - A former City water inspector “filed a whistleblower lawsuit against the city, claiming she was harassed and terminated for disclosing alleged contamination of the city’s drinking water...The lawsuit contends the city terminated [her] following a series of public health-related disclosures she made to her management and other state and city officials about alleged contamination of Delray Beach’s drinking water.”⁷¹

⁶¹ Mike Diamond, *High turnover of top Delray officials proving costly (\$555,228 and growing) for taxpayers*, The Palm Beach Post, September 2, 2020; updated September 5, 2020 (on file with the Committee).

⁶² Mike Diamond, *Four more departures: Turnover continues to plague Delray administration*, The Palm Beach Post, January 15, 2021 (on file with the Committee).

⁶³ Rich Pollack and Jane Smith, *Delray Beach: Why can’t Delray keep city managers?*, The Coastal Star, April 3, 2019. Available at: <https://thecoastalstar.com/profiles/blogs/delray-beach-why-can-t-delray-keep-city-managers> (last visited March 8, 2023).

⁶⁴ Lois K. Solomon, *Delray Beach in turmoil over managers’ turnover*, Sun Sentinel, June 6, 2019 (on file with the Committee). One City Manager was fired for actions the City Commission called “irresponsible, egregious, and incompetent, although [the City Manager alleged] in a lawsuit that he was fired after he objected to the [M]ayor’s use of a [C]ity credit card for a plane ticket for [the Mayor’s] son.

⁶⁵ The City Commission Meeting Minutes are available at: <https://delraybeach.legistar.com/Calendar.aspx>.

⁶⁶ Neilsonsky Noel, *Delray Beach Fire Chief Quits Amid Allegations of Sexual Harassment*, Boca Raton Tribune, March 16, 2020 (on file with the Committee).

⁶⁷ C. Ron Allen, *Suspended City Manager: Delray Beach Mayor ‘Does go After Black People,’* Boca Raton Tribune, October 5, 2020 (on file with the Committee).

⁶⁸ See *supra* note 61.

⁶⁹ Reclaimed water is partially treated wastewater used to water lawns. Separate lines are installed for tap water and sprinklers. Backflow preventers are supposed to prevent reclaimed water from getting into the tap water pipes; however, reportedly, 581 homes were found to be without backflow preventers. Source: Mike Diamond, *Delray faces \$3 million fine for flagrant drinking water violations*, The Palm Beach Post, January 20, 2021 (on file with the Committee).

⁷⁰ Mike Diamond, *Delray faces \$3 million fine for flagrant drinking water violations*, The Palm Beach Post, January 20, 2021 (on file with the Committee).

⁷¹ Michael Buczyner, *Delray Beach water inspector says city fired her for disclosing contamination*, WPTV, April 19, 2022. Available at: <https://www.wptv.com/news/local-news/investigations/delray-beach-water-inspector-says-city-fired-her-for->

- The City “failed to disclose to the Florida Department of Health a report of a resident potentially getting sick from drinking water mixed with reclaimed water according to a report by the Palm Beach County Office of Inspector General [OIG]. The OIG was ‘unable to determine whether the reported illness was actually caused by the city’s drinking water’⁷²...[However, i]n October 2020, an outside review of the city’s reclaimed water system found a ‘lack of institutional control,’ noting there was ‘a failure to have the appropriate resources, funding, oversight, policies, and internal expertise.’ ”⁷³
- A proposal to finance renovation of the City’s golf course, including discussion regarding shifting bond funds approved for other purposes.⁷⁴

In addition, the Town has concerns about the City’s payroll. As described below, the past three financial audit reports have included a finding related to the payroll.

Financial Audit

The City has obtained annual financial audits of its accounts and records by an independent certified public accountant (CPA). The City has submitted the audit reports to the Auditor General’s Office in accordance with Section 218.39(1), *Florida Statutes*.⁷⁵ The most recent financial audit report submitted to the Auditor General is for the 2020-21 fiscal year and included one finding.⁷⁶ For the third consecutive year,⁷⁷ the auditors reported a finding related to the City’s internal control over the payroll process, a

[disclosing-contamination#:~:text=Delray%20Beach%20water%20inspector%20says%20city%20fired%20her%20for%20disclosing%20contamination.-Christine%20Ferrigan%20files&text=A%20former%20Delray%20Beach%20employee,of%20the%20city's%20drinking%20water](#) (last visited March 9, 2023).

⁷² Office of Inspector General Palm Beach County Investigative Report 2020-0007, *Delray Beach Reclaimed Water Reporting*, May 6, 2021. Available at: https://www.pbcgov.org/oig/docs/reports/05-06-21-Delray_Beach-Reclaimed_Water_Reporting-2020-0007.pdf (last visited March 9, 2023).

⁷³ Michael Buczyner, Erik Altmann, *Delray Beach staff failed to disclose illness potentially connected to drinking city water*, WPTV, May 6, 2021. Available at: <https://www.wptv.com/news/local-news/investigations/delray-beach-staff-failed-to-disclose-illness-potentially-connected-to-drinking-city-water#:~:text=Delray%20Beach%20staff%20failed%20to%20disclose%20illness%20potentially%20connected%20to%20drinking%20city%20water&text=The%20city%20of%20Delray%20Beach,Palm%20Beach%20County's%20inspector%20general> (last visited March 9, 2023).

⁷⁴ Randy Schultz, *Delray Golf Club Chaos and Questions on Casale’s Background*, Boca Magazine, March 2, 2023. Available at: <https://www.bocamag.com/delray-golf-club-chaos-and-questions-on-casales-background/> (last visited March 9, 2023).

⁷⁵ Pursuant to Section 218.39(7), *Florida Statutes*, these audits are required to be conducted in accordance with rules of the Auditor General promulgated pursuant to Section 11.45, *Florida Statutes*. The Auditor General has issued *Rules of the Auditor General, Chapter 10.550 - Local Governmental Entity Audits* and has adopted the auditing standards set forth in the publication entitled *Government Auditing Standards* (2018 Revision) as standards for auditing local governmental entities pursuant to Florida law.

⁷⁶ *Schedule of Findings and Questioned Costs, Annual Comprehensive Financial Report for the City of Delray Beach, Florida for the fiscal year ended September 30, 2021*, pages 182-183.

⁷⁷ This repeat finding was reported to the Committee in accordance with Section 218.39(8), *Florida Statutes*, and during its meeting on January 19, 2023, the Committee directed staff to send a letter to the City to request an updated status of its effort to correct the finding.

significant deficiency.^{78 79 80} City management concurred with the finding and provided its plan to correct the finding.^{81 82}

*Summary of Certain Financial Information Included in the City’s Audit Report.*⁸³

- “The City’s single largest source of revenue is from property taxes derived from the taxable assessed value of properties within the City... Taxable assessed value increased from \$11.1 billion for 2020 to \$11.8 billion for 2021, or 6%.”⁸⁴
- “The assets and deferred outflows of the City (Primary Government) exceeded its liabilities and deferred inflows (Total Net Position) at [fiscal year-end] by \$342.9 million. Of this amount, \$31.1 million (Unrestricted Net Position) may be used to meet the City’s ongoing obligations to citizens and creditors.”⁸⁵
- During the fiscal year:
 - “[T]he net position of governmental activities increased by \$33 million,” which was “approximately \$27.8 million or 535% more than the prior year increase in net position attributable to operations.”⁸⁶
 - “[T]he net position of the business-type activities increased by \$1.9 million,” which was approximately \$2.1 million or 53% less than the prior year increase in net position attributable to operations.”⁸⁷
- At fiscal year-end:
 - “The unrestricted net position of the governmental activities reflects a deficit of \$27.3 million... as compared to a deficit of \$24.6 million for the prior year.”⁸⁸

⁷⁸ See *supra* note 76.

⁷⁹ During the three-year period, the auditors noted issues with the hours reported on a timesheet that did not agree with the hours paid as recorded in the payroll register (timesheet reported overtime that was not recorded on the payroll register and was not paid), missing timesheets, and timesheets that were not signed by supervisors to document their review and approval as required by City policy.

⁸⁰ A significant deficiency is “a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.” [Note: A material weakness is “a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis.”] American Institute of Certified Public Accountants (AICPA). (2021). *U.S. Auditing Standards – AICPA (Clarified)*, AU-C Section 265.07. Available at: <https://us.aicpa.org/content/dam/aicpa/research/standards/auditattest/downloadabledocuments/au-c-00265.pdf> (last visited March 8, 2023).

⁸¹ *Corrective Action Plan, Annual Comprehensive Financial Report for the City of Delray Beach, Florida for the fiscal year ended September 30, 2021*, page 189.

⁸² The City’s response: “Management has created a task force from the various department[s] within the City to address the recommendations. Management is reviewing options for time and attendance reporting systems and implementation is expected approximately nine months after the City chooses a time and attendance software. Management is updating policies and procedures and expects to develop revised policy and procedures by September 2022.”

⁸³ These figures include the City’s primary government operations, the City’s blended component unit (the Delray Beach Community Redevelopment Agency), and the City’s joint venture for the South Central Regional Wastewater Treatment and Disposal Board.

⁸⁴ *Management’s Discussion and Analysis; Annual Comprehensive Financial Report of the City of Delray Beach, Florida for the Fiscal Year Ended September 30, 2021*, page 4.

⁸⁵ *Id.*

⁸⁶ *Id.*, page 5.

⁸⁷ *Id.*

⁸⁸ *Id.*

- “[T]he City’s governmental funds reported combined ending fund balances of \$137.2 million, which increased \$8.9 million from the prior year.”⁸⁹
- “Unassigned Fund Balance for the General Fund was \$44.3 million or 33.5% of total General Fund expenditures of \$136.5 million...an increase of \$6.3 million or 17% from the prior year.”⁹⁰

Other Considerations

The Auditor General, if directed by the Committee, will conduct an operational audit as defined in Section 11.45(1)(i), *Florida Statutes*, and take steps to avoid duplicating the work efforts of other audits being performed of the City’s operations, such as the annual financial audit. The primary focus of a financial audit is to examine the financial statements in order to provide reasonable assurance about whether they are fairly presented in all material respects. The focus of an operational audit is to evaluate management’s performance in establishing and maintaining internal controls and administering assigned responsibilities in accordance with laws, rules, regulations, contracts, grant agreements, and other guidelines. Also, in accordance with Section 11.45 (2)(j), *Florida Statutes*, the Auditor General will be required to conduct an 18-month follow-up audit to determine the City’s progress in addressing the findings and recommendations contained within the previous audit report.

The Auditor General has no enforcement authority. If fraud is suspected, the Auditor General may be required by professional standards to report it to those charged with the City’s governance and also to appropriate law enforcement authorities. Audit reports released by the Auditor General are routinely filed with law enforcement authorities. Implementation of corrective action to address any audit findings is the responsibility of the City’s governing board and management, as well as the citizens living within the boundaries of the City. Alternately, any audit findings that are not corrected after three successive audits are required to be reported to the Committee by the Auditor General, and a process is provided in Section 218.39(8), *Florida Statutes*, for the Committee’s involvement. First, the City may be required to provide a written statement explaining why corrective action has not been taken and to provide details of any corrective action that is anticipated. If the statement is not determined to be sufficient, the Committee may request the Chair of the City Commission to appear before the Committee. Ultimately, if it is determined that there is no justifiable reason for not taking corrective action, the Committee may direct the Department of Revenue and the Department of Financial Services to withhold any funds not pledged for bond debt service satisfaction which are payable to the City until the City complies with the law.

III. Effect of Proposed Request and Committee Staff Recommendation

If the Committee directs the Auditor General to perform an operational audit of the City of Delray Beach, the Auditor General, pursuant to the authority provided in Section 11.45(3), *Florida Statutes*, shall finalize the scope of the audit during the course of the audit, providing that the audit-related concerns of Representative Gossett-Seidman as included in her request letter and herein are considered.

⁸⁹ *Id.*

⁹⁰ *Id.*

IV. Economic Impact and Fiscal Note

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

If the Committee directs the audit, the Auditor General will absorb the audit costs within her approved operating budget.

V. Related Issues

None.

This staff analysis does not reflect the intent or official position of the requestor.



THE FLORIDA SENATE

Tallahassee, Florida 32399-1100

COMMITTEES:
Education Pre-K -12, *Chair*
Agriculture
Appropriations Committee on Education
Appropriations Committee on Health
and Human Services
Education Postsecondary
Fiscal Policy
Regulated Industries
Rules

JOINT COMMITTEE:
Joint Legislative Auditing Committee

SENATOR COREY SIMON

3rd District

February 24, 2023

Town of White Springs

The Honorable Jason W. B. Pizzo, Alternating Chair
The Honorable Michael A. Caruso, Alternating Chair
Joint Legislative Auditing Committee
111 West Madison Street, Room 876
Tallahassee, FL 32399-1400

Dear Chairs Pizzo and Caruso:

I am requesting the Joint Legislative Auditing Committee to direct the Auditor General to perform an operational audit of the Town of White Springs (Town). Multiple constituents have contacted me about their concerns regarding the Town's operations. I understand that these concerns have been ongoing for at least the past couple of years.

At a minimum, the audit scope should include the Town's controls and compliance with laws, rules, regulations, contracts, and other requirements in the areas of:

- Financial reporting, including the availability of monthly financial statements to the Town Council and its citizens;
- Purchasing and procurement processes, including contracting, use of competitive bidding, sole source procurements, and other purchasing methods;
- Public records access;
- Water and sewer billing and operations; and
- Budget process.

Sincerely,


Corey Simon
Senator, District 03

□ 302 Senate Building, 404 South Monroe Street, Tallahassee, Florida 32399-1100 (850) 487-5003

KATHLEEN PASSIDOMO
President of the Senate

DENNIS BAXLEY
President Pro Tempore

STAFF ANALYSIS

Date: March 9, 2023

Subject: Request for an Operational Audit of the Town of White Springs

Analyst Coordinator

White ^{DW} DuBose ^{KD}

I. Summary

The Joint Legislative Auditing Committee (Committee) has received a request from Senator Corey Simon to have the Committee direct the Auditor General to conduct an operational audit of the Town of White Springs.

II. Present Situation

Current Law

Joint Rule 4.5(2) provides that the Legislative Auditing Committee may receive requests for audits and reviews from legislators and any audit request, petition for audit, or other matter for investigation directed or referred to it pursuant to general law. The Committee may make any appropriate disposition of such requests or referrals and shall, within a reasonable time, report to the requesting party the disposition of any audit request.

Joint Rule 4.5(1) provides that the Legislative Auditing Committee may direct the Auditor General or the Office of Program Policy Analysis and Government Accountability (OPPAGA) to conduct an audit, review, or examination of any entity or record described in Section 11.45(2) or (3), *Florida Statutes*.

Section 11.45(3)(a), *Florida Statutes*, provides that the Auditor General may, pursuant to his or her own authority, or at the discretion of the Legislative Auditing Committee, conduct audits or other engagements as determined appropriate by the Auditor General of the accounts and records of any governmental entity created or established by law.

Section 11.45(2)(j), *Florida Statutes*, provides, in part, that the Auditor General shall conduct a follow-up to his or her audit report on a local governmental entity no later than 18 months after the release of the audit report to determine the local governmental entity's progress in addressing the findings and recommendations contained in the previous audit report.

Request for an Operational Audit of the Town of White Springs

Senator Simon has requested the Committee to direct an operational audit of the Town of White Springs (Town) and requested that the scope of the audit, at a minimum, include the Town's controls and compliance with laws, rules, regulations, contracts, and other requirements in the areas of:¹

¹ Letter from Senator Corey Simon to The Honorable Jason W.B. Pizzo, Alternating Chair, and The Honorable Michael A. Caruso, Alternating Chair, Joint Legislative Auditing Committee dated February 24, 2023 (on file with the Committee).

- Financial reporting, including the availability of monthly financial statements to the Town Council and its citizens;
- Purchasing and procurement processes, including contracting, use of competitive bidding, sole source procurements, and other purchasing methods;
- Public records access;
- Water and sewer billing and operations; and
- Budget process.

Background

The Town of White Springs, Florida, was incorporated in 1885,² and the incorporation was legalized in 1903 by the provisions of Chapter 5368 (No. 263), *Laws of Florida*. The Town is located in Hamilton County and has an estimated population of 766.³

The Town operates under a council-manager form of government and is governed by five elected Town Council members, each of whom are elected to four-year terms.⁴ All seats on the Town Council are at-large seats, and the Town Council elects among itself a mayor and vice mayor.⁵ The Town Manager is appointed by the Town Council and is responsible for the day-to-day management of the Town.⁶ The Town provides citizens with the following services: general government; public works; water, sewer, and solid waste disposal;^{7 8} and fire rescue and emergency medical service.⁹ Police service for the Town is provided by the Hamilton County Sheriff's Office.¹⁰

Concerns

Concerned residents of White Springs have contacted Committee staff a number of times over the past few years regarding:¹¹ (1) lack of available current financial information, (2) requests for records from the Town yield insufficient or untimely information, and (3) conditions of the Town's water system and streets. Residents have also contacted Senator Simon's office regarding their concerns.

In addition, at the Committee's meeting on February 16, 2023, a resident spoke to the Committee about the following concerns regarding the Town's operations:

- There is a lack of available financial information; there are no financial statements available at the monthly Town Council meetings.

² The Historical Marker Database, *Welcome to the White Springs Historic District*, available at <https://www.hmdb.org/m.asp?m=146348> (last visited March 8, 2023).

³ University of Florida, College of Liberal Arts and Sciences, Bureau of Economic and Business Research, *Florida Estimates of Population by County and City 2022 (Table 1 only)*, page 13, available at https://bebr.livewire-web-applications.com/wp-content/uploads/2022/12/estimates_2022.pdf (last visited March 8, 2023).

⁴ Town of White Springs' website: <https://www.whitesprings.org/towncouncil> (last visited March 8, 2023).

⁵ *Id.*

⁶ *Id.*

⁷ Town of White Springs' website: <https://www.whitesprings.org/departments> (last visited March 8, 2023).

⁸ Note 1.C.2. to the Financial Statements, *Annual Financial Report of the Town of White Springs for the Fiscal Year Ended September 30, 2020*, page 28.

⁹ Town of White Springs' website: <https://www.whitesprings.org/fire> (last visited March 8, 2023).

¹⁰ Town of White Springs' website: <https://www.whitesprings.org/police> (last visited March 8, 2023).

¹¹ Emails received from Town residents through January 2023 (on file with the Committee).

- There has been no real audit of the Town since the fiscal year ended September 30, 2019, because the audit report issued for fiscal year ended September 30, 2020, had a disclaimer of opinion on the Town's financial statements.¹²
- The current Town administration has said that, when they started, there were no financial records; however, although the current Town Manager has been in place for almost two years, there has been no attempt to recreate the records forensically. Also, there was never a police report completed to document that Town records were missing.
- He is anxious because the residents do not get any financial information from the Town; there is no financial accountability to the State or the Town residents.

In addition, the resident provided a copy of a letter from a member of the Town Council, which included the following concerns:¹³

- Frustration with the lack of financial and operational transparency in the Town;
- Constituents' "repeated requests to the Town Administration for financial information with corroborating records, contracts, third party proposals, grant applications, third party professional reports, and governmental correspondence" over the last 24 months, that were made in the following ways: (1) "informal request at Town Council meetings;" (2) "via email;" and/or (3) "formal request Pursuant to State Statute 286.011¹⁴ (Florida Government in the Sunshine Law);"
- Denial of her requests for "access to information that would enable [her] to make more informed decisions" as a Town Council member. As an example, the letter stated: "Most recently, I have been asked to pass legislation to increase the [T]own millage rate, and increase water and sewer rates, without having sufficient justification for these adjustments. The justification I have been given is that 'the [T]own is broke.' "
- "The [T]own employs a Town Manager, [a] Town Clerk, and an administrative assistant. In addition, the Town has engaged an outside Bookkeeping firm to manage the finances on QuickBooks. This should be ample staffing for a [T]own of roughly eight hundred (800) citizens, to produce timely financial information to make available to the Town Council, outside Auditors, and Citizens."
- The Town is currently in arrears on financial reporting to the State and has forfeited sales tax revenue and municipal revenue sharing revenue for two years and is on the verge of a third year of forfeiture.

In summary, the audit scope based on the above-noted concerns appears to relate to the following areas: (1) financial reporting; (2) review of the Town's controls over purchasing and procurement processes and compliance with applicable laws and policies; (3) review of the Town's procedures for handling public records availability and access; (4) review of controls over water, sewer, and solid waste rates and testing as deemed appropriate; (5) evaluation of the financial condition and long-term sustainability

¹² "The auditor should disclaim an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive." American Institute of Certified Public Accountants (AICPA). (2021). *U.S. Auditing Standards – AICPA (Clarified)*, AU-C Section 705.10. Available at: <https://us.aicpa.org/content/dam/aicpa/research/standards/auditattest/downloadabledocuments/au-c-00705.pdf> (last visited March 8, 2023).

¹³ Letter from Town Council Person Nicole Williams, Town of White Springs, to Senator Jason W. Pizzo, Alternating Chair, and Representative Michael A. Caruso, Alternating Chair, Joint Legislative Auditing Committee dated February 14, 2023 (on file with the Committee).

¹⁴ [Section 286.011, Florida Statutes](#) [Public meetings and records; public inspection; criminal and civil penalties] (last visited March 8, 2023).

of the water and sewer fund; and (6) review of the Town's budgetary controls, including compliance with applicable state laws.

Prior Year Delinquent Financial Reports and Committee Action

The Town has not timely obtained annual financial audits of its accounts and records by an independent certified public accountant (CPA) and submitted such audit reports to the Auditor General's Office in accordance with Section 218.39(1), *Florida Statutes*.¹⁵ The most recent financial audit report submitted to the Auditor General was for the 2019-20 fiscal year. While this audit report was due by law no later than June 30, 2021, the Town did not submit the audit report until July 26, 2022 (391 days late). Also, the Town submitted the financial audit report for the 2018-19 fiscal year (due by law no later than June 30, 2020) on October 6, 2021 (463 days late).

In addition, the Town has not timely submitted its Annual Financial Reports (AFR) to the Department of Financial Services (DFS) in accordance with Section 218.32(1), *Florida Statutes*.¹⁶ The Town submitted its AFR for the 2019-20 fiscal year (due by law no later than June 30, 2021) on August 3, 2022 (399 days late) and its 2018-19 fiscal year (due by law no later than June 30, 2020) on November 15, 2021 (503 days late).

Due to the Town's failure to timely submit the above-noted AFRs and audit reports, in prior years the Committee approved to take action against the Town if those financial reports were not submitted by dates certain.¹⁷ ¹⁸ As a result of this State action, the Town lost a total of \$17,237.51 of Half-Cent Sales Tax monies and \$13,154.52 of Municipal Revenue-Sharing monies that it would have otherwise received.¹⁹ In addition, Municipal Revenue-Sharing monies totaling \$3,552.58 and \$3,507.30 were withheld, but subsequently released to the Town in 2022 and 2021, respectively, after the delinquent FY 2019-20 and FY 2018-19 financial reports were submitted.

¹⁵ Pursuant to Section 218.39(7), *Florida Statutes*, these audits are required to be conducted in accordance with rules of the Auditor General promulgated pursuant to Section 11.45, *Florida Statutes*. The Auditor General has issued *Rules of the Auditor General, Chapter 10.550 - Local Governmental Entity Audits* and has adopted the auditing standards set forth in the publication entitled *Government Auditing Standards* (2018 Revision) as standards for auditing local governmental entities pursuant to Florida law.

¹⁶ The AFR is an electronic report completed in the DFS' LOGER system with access available on DFS's website: <https://logerx.myfloridacfo.gov/Login> (last visited March 4, 2023).

¹⁷ Regarding the 2019-20 fiscal year AFR and audit report: In December 2021, the Committee approved to take action against the Town if these financial reports were not submitted by January 31, 2022. Although the Committee Chairs authorized additional time because of updated status information provided to the Committee, the Town failed to submit the reports by the new deadline, so State action began in April 2022. State action stopped in August 2022, after the Town submitted both delinquent financial reports (documentation on file with the Committee).

¹⁸ Regarding the 2018-19 fiscal year AFR and audit report: In February 2021, the Committee approved to take action against the Town if these financial reports were not submitted by March 31, 2021; the Town failed to submit the financial reports by the deadline, so State action began in April 2021. In August 2021 the Committee Chairs authorized additional time because of updated status information provided to the Committee and State action was delayed. Although the Town submitted the audit report as required, the Town failed to submit the AFR by the new deadline, so State action began again in October 2021. State action stopped in November 2021, after the Town submitted the delinquent AFR (documentation on file with the Committee).

¹⁹ Half-Cent Sales Tax: \$8,840.30 (in 2021 relating to FY 2018-19) and \$8,397.21 (in 2022 relating to FY 2019-20); Municipal Revenue-Sharing: \$6,139.73 (in 2021 relating to FY 2018-19) and \$7,014.79 (in 2022 relating to FY 2019-20) (documentation on file with the Committee).

The Town has not yet submitted the audit report for the 2020-21 fiscal year, which was due by law no later than June 20, 2022. At the February 16, 2023 meeting, the Committee approved to take action on the Town for failure to submit the AFR and audit report for the 2020-21 fiscal year as required by Sections 218.32 and 218.39, *Florida Statutes*, if these financial reports are not submitted by April 30, 2023.

Financial Audit Report

As previously mentioned on page 4, the most recent financial audit report submitted to the Auditor General was for the 2019-20 fiscal year. However, although the Town had an audit performed for this fiscal year and submitted an audit report, the CPA firm issued a disclaimer of opinion on the financial statements. The audit report states “Because of the matters described in the ‘Basis for Disclaimer of Opinion’ paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.”²⁰ The *Basis of Disclaimer of Opinion* paragraph states: “Detailed property records have not been maintained and certain prior-year and current records and supporting data were not available for our audit. Therefore, we were not able to obtain sufficient appropriate audit evidence about the amounts at which capital assets and related accumulated depreciation are recorded in the accompanying Statement of Net Position at September 30, 2020 stated at \$13,920,726 and \$3,911,162 respectively, and the amount of depreciation expense for the year then ended stated at \$385,637. We also could not verify the total of intergovernmental revenues stated at \$745,291 on the accompanying Statement of Changes in net Position.”²¹

Audit Findings

The audit report included the current and prior year audit findings listed below and states that the auditors identified “certain deficiencies in internal control, described in the... schedule of findings as items that [they] consider to be significant deficiencies.”^{22 23}

Current Year (for the fiscal year ended September 30, 2020)

- *Grant Revenue and Receivables*: “During the current year, [the auditors] found that the Town’s financial records did not accurately reflect the grant revenue received and earned by the Town. This resulted in the Town not properly recording its grant revenue and related receivables earned in the financial statements. [The auditors] recommend that the Town establish subsidiary records to accurately reflect the grant activity during the year and that the financial records be regularly reconciled to these subsidiary records.”

²⁰ *Independent Auditor’s Report, Annual Financial Report of the Town of White Springs for the Fiscal Year Ended September 30, 2020*, page 7.

²¹ *Id.*, pages 7-8.

²² *Independent Auditors’ Report on Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit of Financial Statements Performed in Accordance with Government Auditing Standards, and Schedule of Findings, Annual Financial Report of the Town of White Springs for the Fiscal Year Ended September 30, 2020*, pages 50 and 52-53, respectively.

²³ A significant deficiency is “a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.” [Note: A material weakness is “a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis.”] American Institute of Certified Public Accountants (AICPA). (2021). *U.S. Auditing Standards – AICPA (Clarified)*, AU-C Section 265.07. Available at: <https://us.aicpa.org/content/dam/aicpa/research/standards/auditattest/downloadabledocuments/au-c-00265.pdf>. (last visited March 8, 2023).

- *Documentation of Expenditures/Expenses*: “From [the] audit test of disbursements, [the auditors] found disbursements that were inadequately documented as to retained invoices or other supporting documentation. [The auditors] recommend that the Town [retain] adequate supporting documentation...for all Town disbursements and that the documentation be filed in a manner that is easily retrievable.”

Prior Year (for the year ended September 30, 2019)

- *Available Cash*: “During the prior year, the prior auditor noted that the Town’s operating cash accounts represented only two months of expenditures/expenses and had decreased approximately \$100,000 during the year. During the current year the Town’s operating cash continued to be inadequate to meet the Town’s operating cash needs. [The auditors] again recommend that the Town take steps to increase its operating cash funds.”
- *Town’s Books*: “During the prior fiscal year, the prior auditor noted that the Town generally had inadequate financial records for the preparation of accurate financial statements. During the current year the Town retained an outside accountant to monitor and assist in the maintenance of accurate financial records.”
- *Fixed Asset Listing and Depreciation Schedule*: “During the prior year, the prior auditor noted that the Town’s fixed assets records were incomplete and inaccurate. [The prior auditor] recommended that the Town prepare and maintain a complete fixed asset listing including all relevant data of fixed assets. During the current year, [the auditors] found this finding to be unchanged and again recommend that the Town prepare and maintain proper fixed assets records.”
- *Significant Budget Difference*: “During the prior year, the prior auditor noted that there were significant differences between the budgeted and actual amounts of expenditures in both the General and Enterprise funds. [The prior auditor] recommended that there be a more accurate preparation of the annual budget to better monitor the overall performance of the Town. During the current year, [the auditors] found this finding to be unchanged and again recommend that the Town more accurately prepare its annual budget.”
- *Post-Employment Benefits other than Pension (OPEB)*: “During the prior year, the prior auditor noted that the Town did not have an OPEB actuarial report prepared for the year. During the current year, [the auditors] found that under present circumstances, the Town was not required to have an OPEB actuarial report prepared.”

In addition, the audit report included the following finding in the *Management Letter*, under the heading, *Auditor General Compliance Matters*:²⁴

“Deteriorating Financial Conditions – From [the] audit procedures in the current year, [the auditors] found the following conditions which together comprise “deteriorating financial conditions” as defined by Chapter 10.550 Rules of the Auditor General:

²⁴ *Management Letter; Annual Financial Report of the Town of White Springs for the Fiscal Year Ended September 30, 2020*, page 54.

Enterprise Fund: ²⁵	<u>9/30/2020</u>	<u>9/30/2019</u>
Net loss for the year ended	<u>\$(291,511)</u>	<u>\$ (153,343)</u>
Unrestric[t]ed cash reserve balance at year-end	<u>\$(258,811)</u>	<u>\$ -</u>

To correct these deteriorating financial conditions, [the auditors] recommend that the Town implement strict measures during the subsequent budget cycles to assure that revenues are sufficient to fund expenditures and replenish needed fiscal reserves in the Enterprise Fund, as well as the General Fund. Finances should be closely monitored during the current year to ensure that these objectives are met.”

The audit report did not include any written statements of explanation or rebuttal from the Town concerning the findings in the audit report, although required by Sections 10.557(3)(1) and 10.558(2), *Rules of the Auditor General*.²⁶

Excerpts of Financial Information Included in the Town’s Audit Report:

- “99.5% of the Town’s net position reflect its investment in capital assets (land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.”²⁷
- “Restricted assets of \$187,312 consist of earmarked funds as reserves for debt service and police training. The remaining balance of unrestricted net position \$(142,188) may be used to meet the Town’s ongoing obligations to citizens and creditors.”²⁸
- For the governmental activities, total revenues exceeded total expenditures by \$63,898, and ending net position as of September 30, 2020, was \$3,735,062.²⁹
- For the business-type activities (water, sewer, and solid waste operations), total expenses exceeded total revenues by \$291,511, and ending net position as of September 30, 2020, was \$5,327,678.³⁰

²⁵ The Enterprise Fund accounts for the revenue, expenses, assets, and liabilities associated with the Town’s water, sewer, and solid waste disposal operations. [Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. (Source: Paragraph 67 of GASB (Governmental Accounting Standards Board) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, page 26) (available with the Committee).]

²⁶ Chapter 10.550, *Rules of the Auditor General*, available at: https://flauditor.gov/pages/pdf_files/10_550.pdf. Section 10.558(2), *Rules of the Auditor General*, states: “To promote uniformity in the conduct of financial audits and to provide the public with the auditee’s explanations of corrective action designed to prevent recurrence of any findings in the auditor’s reports and management letter, a written statement of explanation or rebuttal concerning the auditor’s findings and recommendations, including corrective action to be taken, shall be filed with the governing body of the local governmental entity within 30 days after delivery of the auditor’s findings to be included in the audit report. The written statement shall include corrective actions taken, or to be taken, regarding one or more conditions reported by the auditor pursuant to Rule 10.554(1)(i)5.a., or a deteriorating financial condition(s) reported pursuant to Rule 10.554(1)(i)5.b.2) (see Section 218.39(6) and (7), *Florida Statutes*).”

²⁷ *Management’s Discussion and Analysis; Annual Financial Report of the Town of White Springs for the Fiscal Year Ended September 30, 2020*, page 10.

²⁸ *Id.*

²⁹ *Id.*, page 11.

³⁰ *Id.*

- “Taxes provided 54% of the revenues for Governmental Activities, state shared revenues provided 30%, while other general revenues provided 14%. Most of the Governmental Activities resources are spent for, General Government (36%), Public Safety (38%), and Transportation (20%).”³¹
- “*Budgetary Highlights*: In the General Fund budgeted revenue amounts were more than actual revenue amounts by \$1,204,252, and budgeted expenditures amounts were more than actual expenditures by \$1,246,302.”³²
- “*Debt Outstanding*: At year-end, the Town had \$1,014,318 in debt outstanding versus \$999,118 last year, an increase of \$24,589.”³³
- “The Town’s ad valorem tax rate for 2020 was 6.000 mills, which was an increase of the 2019 rate of 4.4134 mills.”³⁴

Other Considerations

The Auditor General, if directed by the Committee, will conduct an operational audit as defined in Section 11.45(1)(i), *Florida Statutes*, and take steps to avoid duplicating the work efforts of other audits being performed of the Town’s operations, such as the annual financial audit. The primary focus of a financial audit is to examine the financial statements in order to provide reasonable assurance about whether they are fairly presented in all material respects. The focus of an operational audit is to evaluate management’s performance in establishing and maintaining internal controls and administering assigned responsibilities in accordance with laws, rules, regulations, contracts, grant agreements, and other guidelines. Also, in accordance with Section 11.45 (2)(j), *Florida Statutes*, the Auditor General will be required to conduct an 18-month follow-up audit to determine the Town’s progress in addressing the findings and recommendations contained within the previous audit report.

The Auditor General has no enforcement authority. If fraud is suspected, the Auditor General may be required by professional standards to report it to those charged with the Town’s governance and also to appropriate law enforcement authorities. Audit reports released by the Auditor General are routinely filed with law enforcement authorities. Implementation of corrective action to address any audit findings is the responsibility of the Town’s governing board and management, as well as the citizens living within the boundaries of the Town. Alternately, any audit findings that are not corrected after three successive audits are required to be reported to the Committee by the Auditor General, and a process is provided in Section 218.39(8), *Florida Statutes*, for the Committee’s involvement. First, the Town may be required to provide a written statement explaining why corrective action has not been taken and to provide details of any corrective action that is anticipated. If the statement is not determined to be sufficient, the Committee may request the Chair of the Town Council to appear before the Committee. Ultimately, if it is determined that there is no justifiable reason for not taking corrective action, the Committee may direct the Department of Revenue and the Department of Financial Services to withhold any funds not pledged for bond debt service satisfaction which are payable to the Town until the Town complies with the law.

³¹ *Id.*

³² *Id.*, page 12.

³³ *Id.* (Note: Debt Outstanding is mainly comprised of a Department of Environmental Protection (DEP) State Revolving Fund Loan [\$420,781], Water and Sewer Revenue Bonds [\$546,000], and a DEP note payable [\$25,167] for the Business-Type Activities.)

³⁴ *See supra* note 27, page 13.

III. Effect of Proposed Request and Committee Staff Recommendation

If the Committee directs the Auditor General to perform an operational audit of the Town of White Springs, the Auditor General, pursuant to her authority, shall finalize the scope of the audit during the course of the audit, providing that the audit-related concerns of Senator Simon as included in his request letter and discussed herein are considered.

IV. Economic Impact and Fiscal Note

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

If the Committee directs the audit, the Auditor General will absorb the audit costs within her approved operating budget.

V. Related Issues

None.

This staff analysis does not reflect the intent or official position of the requestor.



THE FLORIDA SENATE

SENATOR JASON W.B. PIZZO

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COMMITTEE MEMBERSHIP:

Joint Legislative Auditing,
Chair

Appropriations

Appropriations
Committee on Criminal &
Civil Justice

Community Affairs

Criminal Justice

Finance & Tax

Military & Veterans
Affairs, Space, and
Domestic Security

Resiliency

KATHLEEN PASSIDOMO
President of the Senate

DENNIS BAXLEY
President Pro Tempore

March 7, 2023

The Honorable Michael A. Caruso, Alternating Chair
Joint Legislative Auditing Committee
111 West Madison Street, Room 876
Tallahassee, FL 32399-1400

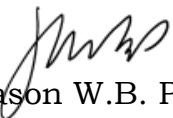
Dear Chair Caruso:

I am requesting the Joint Legislative Auditing Committee to direct the Auditor General to perform an operational audit of the City of North Miami Beach (City).

The audit scope should include the City's compliance with policies and procedures, applicable state laws, rules, regulations, contracts, and good business practices in the areas of:

- The use of City credit cards, specifically focusing on the City's review and maintenance and documentation to support the public purpose of such expenditures; and
- Any other areas the Auditor General deems appropriate.

Sincerely,


Jason W.B. Pizzo

STAFF ANALYSIS

Date: March 9, 2023

Subject: Request for an Operational Audit of the City of North Miami Beach

Analyst Coordinator

White^{DW} DuBose^{KD}

I. Summary

The Joint Legislative Auditing Committee (Committee) has received a request from Senator Jason Pizzo to have the Committee direct the Auditor General to conduct an operational audit of the City of North Miami Beach.

II. Present Situation

Current Law

Joint Rule 4.5(2) provides that the Legislative Auditing Committee may receive requests for audits and reviews from legislators and any audit request, petition for audit, or other matter for investigation directed or referred to it pursuant to general law. The Committee may make any appropriate disposition of such requests or referrals and shall, within a reasonable time, report to the requesting party the disposition of any audit request.

Joint Rule 4.5(1) provides that the Legislative Auditing Committee may direct the Auditor General or the Office of Program Policy Analysis and Government Accountability (OPPAGA) to conduct an audit, review, or examination of any entity or record described in Section 11.45(2) or (3), *Florida Statutes*.

Section 11.45(3)(a), *Florida Statutes*, provides that the Auditor General may, pursuant to his or her own authority, or at the discretion of the Legislative Auditing Committee, conduct audits or other engagements as determined appropriate by the Auditor General of the accounts and records of any governmental entity created or established by law.

Section 11.45(2)(j), *Florida Statutes*, provides, in part, that the Auditor General shall conduct a follow-up to his or her audit report on a local governmental entity no later than 18 months after the release of the audit report to determine the local governmental entity's progress in addressing the findings and recommendations contained in the previous audit report.

Request for an Operational Audit of the City of North Miami Beach

Senator Pizzo has requested the Committee to direct an operational audit of the City of North Miami Beach (City) and requested that the scope of the audit include the City's compliance with policies and

procedures, applicable state laws, rules, regulations, contracts, and good business practices in the areas of:¹

- The use of City credit cards, specifically focusing on the City’s review and maintenance and documentation to support the public purpose of such expenditures; and
- Any other areas the Auditor General deems appropriate.

Background

The City was originally incorporated in 1927 under the provisions of Chapter 12756, *Laws of Florida*, as the Town of Fulford. In 1931, Chapter 15824 (No. 106), *Laws of Florida*, abolished the Town of Fulford and established a municipal corporation named the City of North Miami Beach. The City is located in Miami-Dade County and has an estimated population 43,591.² The City operates under a Commission-Manager form of government,³ and is governed by an elected Mayor and six Commissioners⁴ who each serve four-year terms.⁵ Together, as the City Commission, they are responsible for enacting ordinances, resolutions and regulations governing the City, as well as appointing the members of various advisory boards, the City Manager, the City Attorney and the City Clerk.⁶ The City Manager is responsible for the “enforcement of laws and ordinances; appointing and supervising the department directors of the City; submitting the proposed annual budget; advising [the] Commission as to the financial condition of the City; and overseeing the day-to-day operations of the City.”⁷

The City “provides a full range of municipal services for its citizens. These include public safety (fire protection is provided by Miami-Dade County), water, sewer, and stormwater utilities, public works, parks and recreation facilities, public library, code compliance, planning and zoning, economic development, and general and administrative services. A franchise contractor provides the City’s sanitation services.”⁸ In addition, the City Commission acts as the Board of Directors for the North Miami Beach Community Redevelopment Agency (CRA); the Mayor is the Chairman, and the City Manager is the CRA Executive Director.⁹

Concerns

Senator Pizzo’s office has become aware of allegations regarding the misuse of City credit cards (p-cards) by City officials and staff, including costs for travel without a clear public purpose.

¹ Letter from Senator Jason W.B. Pizzo to The Honorable Michael A. Caruso, Alternating Chair, Joint Legislative Auditing Committee dated March 7, 2023 (on file with the Committee).

² University of Florida, College of Liberal Arts and Sciences, Bureau of Economic and Business Research, *Florida Estimates of Population by County and City 2022 (Table 1 only)*, page 16, available at https://bebr.livewire-web-applications.com/wp-content/uploads/2022/12/estimates_2022.pdf (last visited March 8, 2023).

³ Note 1 to the Financial Statements, *Annual Comprehensive Financial Report of the City of North Miami Beach, Florida for the Fiscal Year Ended September 30, 2021*, page 41.

⁴ City of North Miami Beach’s website: <https://www.citynmb.com/385/Mayor-City-Commission> (last visited March 8, 2023).

⁵ The City’s Charter (Code of Ordinances of the City of North Miami Beach) specifies that the Commissioners serve four-year terms.

⁶ *Letter of Transmittal, Annual Comprehensive Financial Report of the City of North Miami Beach, Florida for the Fiscal Year Ended September 30, 2021*, page 2.

⁷ *Id.*

⁸ *Id.* page 3.

⁹ *Id.*

Other Concerns and Information

Concerns have also been raised in the local media relating to the distribution of Publix gift cards by City officials and staff prior to the City's municipal election. Some of the reported issues include:¹⁰

- The City spent \$225,000 to buy \$150 Publix gift cards and distributed them over three days of events.
- The Miami Dade Commission on Ethics received a report on the event because “[i]t exposed a large crowd to political campaign material.”
- One City Commissioner “eagerly took credit” for the event, making “Facebook Live posts” and stating “It’s not taxpayer money.”
- “On Aug. 16, the allocation of \$225,000 in public funds for the giveaway passed with little discussion during a [City C]ommission meeting. It was done through a COVID-aid-related resolution that directed the [C]ity [M]anager to allocate the gift cards to [City] residents in financial hardship. The resolution also specified the distribution needed to be done within 45 days of that meeting. Instead, the giveaways that [the City Commissioner] used to campaign for votes were held just as mail-in ballots were arriving to [C]ity voters - ahead of the November elections. [The City Commissioner]’s political campaign materials were visible at the events, but not the [C]ity’s required checks of the beneficiaries’ proof of residency or hardship. City officials declined to comment.”

In addition, it has been reported by the local media that;

- The City Commission has not been able to meet and conduct business since the elections in the fall of 2022, due to quorum issues.¹¹
 - The City’s “first meeting of the new commission dissolved into chaos [on] Dec[ember] 20 when one commissioner left ill, another walked out and a third didn’t show up, depriving the commission of a quorum of five and all but guaranteeing strife in the months ahead.”¹²
 - The “[C]ity [A]ttorney is a reason the commission [has not] had five seated members. He hired an unofficial private investigator, privately funded, to question where the [M]ayor lives, stalling [C]ity business while that is fought in court...[One City Commissioner stated that he] did not attend at the advice of [the C]ity [A]ttorney...The [C]ity charter says if a commissioner misses meetings for four months, he or she is out.”¹³

¹⁰ Glenna Milberg, Reporter, *Ethics of city’s Publix gift card giveaway questioned amid commissioner’s campaign*, WPLG Local 10 News, October 10, 2022. Available at: <https://www.local10.com/news/local/2022/10/10/ethics-of-citys-publix-gift-card-giveaway-questioned-amid-commissioners-campaign/> (last visited March 8, 2023).

¹¹ Generally, a quorum for a seven-member board requires four members present. However, the City’s Charter states that a quorum of the City Commission at any regular or special meeting shall consist of five people.

¹² Mark Sell, *North Miami Beach ended 2022 with a bang*, *The Miami Times*, December 28, 2022. Available at: https://www.miamitimesonline.com/news/local/north-miami-beach-ended-2022-with-a-bang/article_6461172c-866d-11ed-919e-8f0826627cfd.html (last visited March 8, 2023).

¹³ Glenna Milberg, Reporter, *Time running out for North Miami Beach commissioners to stop skipping meetings, stalling business*, WPLG Local 10 News, February 15, 2023; updated February 16, 2023. Available at: <https://www.local10.com/news/local/2023/02/15/time-running-out-for-north-miami-beach-commissioners-to-stop-skipping-meetings-stalling-business/> (last visited March 8, 2023).

- City residents have spoken at several of the meetings,¹⁴ expressing “frustrations with the [C]ity coming to a halt”¹⁵ and talking “about organizing a recall to force [one of the commissioners] to resign or be ousted.”¹⁶
- A City resident has “filed a complaint against [the current Mayor] with the Miami-Dade Commission on Ethics and Public Trust, alleging that he lives in Davie...in violation of the [C]ity charter.”¹⁷
- The Miami-Dade State Attorney’s Office confirmed that “it is ‘involved in reviewing’ whether there are any criminal violations of state law” as “[t]wo court battles continue over whether [the] Mayor...must vacate his seat for not living in the [C]ity, and at what point do [C]ity commissioners vacate their seats for not showing up to meetings.”¹⁸
- A Florida Circuit Court judge has ordered the three City Commissioners “who have been holding up [C]ity business by not showing up at meetings...back to work...[stating they] are ‘creating chaos’ and...indicat[ing] their reasons for sitting out should have nothing to do with deciding [C]ity business...The drama started at a meeting in December where one of the three shocked the room by walking out and breaking quorum to prevent a vote to terminate the [C]ity [A]ttorney who supports him. The three commissioners...have since said [the C]ity [A]ttorney...advised just them not to show up to meetings because of an investigation into where the mayor lives.”¹⁹

Financial Audit

The City has obtained annual financial audits of its accounts and records by an independent certified public accountant (CPA). The City has submitted the audit reports to the Auditor General’s Office in accordance with Section 218.39(1), *Florida Statutes*.²⁰

¹⁴ Glenna Milberg, Reporter, *North Miami Beach residents fed up as commissioners again fail to show up at city meeting, stalling business*, WPLG Local 10 News, February 21, 2023. Available at: <https://www.local10.com/news/local/2023/02/22/north-miami-beach-residents-fed-up-as-commissioners-again-fail-to-show-up-at-city-meeting/> (last visited March 8, 2023).

¹⁵ Phil Prazan, *‘Get Your Act Together’: Frustration Mounts in North Miami Beach After Another Commission Meeting Canceled*, NBC 6 South Florida, February 22, 2023. Available at: <https://www.nbcmiami.com/news/local/get-your-act-together-frustration-mounts-in-north-miami-beach-after-another-commission-meeting-canceled/2979665/> (last visited March 8, 2023).

¹⁶ See *supra* note 12.

¹⁷ Alex DeLuca, *Defiance, Disarray in North Miami Beach Government as Mayor Refuses to Resign*, January 19, 2023. Available at: <https://www.miaminewtimes.com/news/north-miami-beach-mayor-refuses-to-resign-over-ethics-claim-16149031> (last visited March 8, 2023).

¹⁸ Phil Prazan, *Miami-Dade State Attorney’s Office Reviewing North Miami Beach Controversy*, NBC 6 South Florida, February 27, 2023. Available at: <https://www.nbcmiami.com/news/local/miami-dade-state-attorneys-office-reviewing-north-miami-beach-controversy/2982552/> (last visited March 8, 2023).

¹⁹ Glenna Milberg, Reporter, *Judge orders no-show North Miami Beach commissioners back to work*, WPLG Local 10 News, March 2, 2023; updated March 3, 2023. Available at: <https://www.local10.com/news/local/2023/03/02/judge-orders-no-show-north-miami-beach-commissioners-back-to-work/> (last visited March 8, 2023).

²⁰ Pursuant to Section 218.39(7), *Florida Statutes*, these audits are required to be conducted in accordance with rules of the Auditor General promulgated pursuant to Section 11.45, *Florida Statutes*. The Auditor General has issued *Rules of the Auditor General, Chapter 10.550 - Local Governmental Entity Audits* and has adopted the auditing standards set forth in the publication entitled *Government Auditing Standards* (2018 Revision) as standards for auditing local governmental entities pursuant to Florida law.

The most recent financial audit report submitted to the Auditor General is for the 2020-21 fiscal year and it included the following finding that the auditors categorized as a significant deficiency:²¹

Solid Waste Utility Fund Net Position:²²

“During [audit] testing of the enterprise funds,²³ [the auditors] noted that the Solid Waste utility fund reported negative net position amounts of \$4,027,299. The deficit is a result of a restructuring of the solid waste contract during the fiscal year resulting in additional costs to residents that were not reflected in rates charged.” The auditors “recommend that the City review its current rates for Solid Waste utility to ensure the fees cover the costs of operations and reduce the deficit net position while maintaining the quality of service. In addition, the department should develop a deficit elimination plan that is reviewed and approved by those charged with governance.”

Response Provided by City

“The City’s contractual agreement with Waste Management officially ended on December 1, 2020. Due to unforeseen circumstances, the City entered into an extended month-to-month service agreement with them. For the first three (3) months, the Residential and Commercial billing monthly costs increased by 75%. An additional increase of 5% per month was imposed for the remaining seven (7) months of the 2021 fiscal year [October 1, 2020 – September 30, 2021]. As a result of the added costs, the City’s Solid Waste Fund for FY 2021 showed a deficit of \$4 million.

In order to recoup and provide additional revenue, the city imposed a rate increase in May 2021 of 25% for Residential and approximately 140% for Commercial customers.”

²¹ A significant deficiency is “a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.” [Note: A material weakness is “a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis.”] American Institute of Certified Public Accountants (AICPA). (2021). *U.S. Auditing Standards – AICPA (Clarified)*, AU-C Section 265.07. Available at: <https://us.aicpa.org/content/dam/aicpa/research/standards/auditatest/downloadabledocuments/au-c-00265.pdf> (last visited March 8, 2023).

²² *Schedule of Findings and Questioned Costs; Annual Comprehensive Financial Report of the City of North Miami Beach, Florida for the Fiscal Year Ended September 30, 2021*, page 137.

²³ “Proprietary fund reporting focuses on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise and internal service funds. Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity’s principal revenue sources.

a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)

b. Laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.

c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).” [Source: Paragraphs 66-67 of GASB (Governmental Accounting Standards Board) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, page 26 (available with the Committee).]

For FY 2022, the City received ARPA funds²⁴ and will allocate \$1.175 million to offset some of the deficit. In addition, Solid Waste fees for multi-family and commercial customers will be increased by 10% over the next 7 years and franchise fees will be increased by a nominal amount.”

The City had no other audit findings for this fiscal year and did not have any findings reported in the prior year’s audit report.

*Summary of Certain Financial Information Included in the City’s Audit Report:*²⁵

- Total net position²⁶ of the City “increased by \$10.2 million or 6.2% more than the prior fiscal year net position to \$175.7 million. The increase noted was primarily as a result of current year operations in the business-type funds.”²⁷
 - Net position of governmental activities “increased by \$1 million, resulting in a balance of \$34 million at [fiscal year-end.]”²⁸
 - Net position of the business-type activities “increased by approximately \$9.2 million...The increase is primarily due to the net effect of...: [d]ecreased operating costs in the Water Utility Fund & Wastewater Utility funds due to insourcing of operations, maintenance and capital improvement programming costs...and increased operating costs in the Solid Waste fund due to [significant increased] amounts billed by Waste Management for solid waste and recycling...in comparison to the prior year.”²⁹
- At fiscal year-end:
 - “[T]he City’s governmental funds reported combined ending fund balances (nonspendable, restricted, committed, assigned, and unassigned) of \$48.6 million, an increase of \$2.0 million [above] the prior year. Approximately .9% of the fund balance of the governmental funds was in nonspendable form. In other words, the assets are not cash and will not be converted into cash. This classification includes items such as prepaid costs and inventory. The use of 21.3% of fund balance is restricted by third parties such as grantors, creditors, or other governmental

²⁴ The American Rescue Plan Act of 2021 (ARPA) was enacted in March 2021 by the 117th Congress of the United States. ARPA established the Coronavirus State and Local Fiscal Recovery Funds (SLFRF), which “provides vital resources for state, local, and Tribal governments to respond to the pandemic and its economic effects and to replace revenue lost due to the public health emergency, preventing cuts to government services. Specifically, the ARPA provides that SLFRF funds may be used: (a) To respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality; (b) To respond to workers performing essential work during the COVID–19 public health emergency by providing premium pay to eligible workers; (c) For the provision of government services to the extent of the reduction in revenue due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency; and (d) To make necessary investments in water, sewer, or broadband infrastructure. In addition, Congress specified two types of ineligible uses of funds: funds may not be used for deposit into any pension fund or, for states and territories only, to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation.” [Source: Federal Register Vol. 87, No. 18, available at: <https://www.govinfo.gov/content/pkg/FR-2022-01-27/pdf/2022-00292.pdf> (last visited March 8, 2023).]

²⁵ These figures include the City’s primary government operations and the City’s blended component unit (the North Miami Beach Community Redevelopment Agency).

²⁶ Difference between an entity’s assets plus deferred outflows of resources and its liabilities plus deferred inflows of resources.

²⁷ *Management’s Discussion and Analysis, Annual Comprehensive Financial Report of the City of North Miami Beach, Florida for the Fiscal Year Ended September 30, 2021*, page 16.

²⁸ *Id.*, page 20.

²⁹ *Id.*, page 21.

entities for specific types of expenditures and for mitigation of the effect of development on parks and public safety. The City Commission through ordinance or resolution has committed 6.8% of fund balance to be used for the specific purposes of alley restoration and disaster recovery. The City Manager has assigned approximately 38.9% of fund balance to be used for capital projects and equipment, land acquisition, liability and workers' compensation claims and expenditures for next fiscal year. Unassigned fund balance is the portion of fund balance that is available for spending at the City's discretion 32.1% of fund balance (\$15.6 million) constitutes unassigned fund balance.”³⁰

- “The City's Water Utility Fund had a positive change in net position of \$6.8 million. The Wastewater Utility Fund had a positive change in net position of \$2.5 million. The Solid Waste Fund had a negative change in net position of \$3.2 million. The other enterprise funds had a positive change in net position of approximately \$1.6 million.”³¹
- “[T]he City had total bonded debt outstanding, net of bond premiums of \$132.1 million, total notes payable of \$.9 million, and State Revolving loans outstanding of \$17.8 million. Of this amount, \$12.0 million was approved by referendum of the City's voters. The remaining \$101.4 million of the bonds, notes and loans has been secured by specified revenue sources of the water and sewer utility operating income. Tax Increment Financing revenues have been pledged for the CRA debt totaling \$.9 million.”³²
- “The City was allocated a total of \$21.56 million from the American Rescue Plan Act (ARPA) and in September 2021, the City Commission approved staff's ARPA allocation, which laid out the proposed major expenditure categories of the projected ARPA funding. The first distribution of the proceeds in the amount of \$10.78 million was received in October 2021 and the second half...in the amount of \$10.78 is anticipated to be received in October 2022. In FY 2022, approximately \$1.1 million of ARPA funds will be used to fund government services in the General Fund and approximately \$1.2 million will be used to fund government services in the Solid Waste Fund. The remaining amounts will be used towards economic stabilization, infrastructure and various other programs approved by the City Commission.”³³

Other Considerations

The Auditor General, if directed by the Committee, will conduct an operational audit as defined in Section 11.45(1)(i), *Florida Statutes*, and take steps to avoid duplicating the work efforts of other audits being performed of the City's operations, such as the annual financial audit. The primary focus of a financial audit is to examine the financial statements in order to provide reasonable assurance about whether they are fairly presented in all material respects. The focus of an operational audit is to evaluate management's performance in establishing and maintaining internal controls and administering assigned responsibilities in accordance with laws, rules, regulations, contracts, grant agreements, and other guidelines. Also, in accordance with Section 11.45 (2)(j), *Florida Statutes*, the Auditor General will be required to conduct an 18-month follow-up audit to determine the City's progress in addressing the findings and recommendations contained within the previous audit report.

The Auditor General has no enforcement authority. If fraud is suspected, the Auditor General may be required by professional standards to report it to those charged with the City's governance and also to appropriate law enforcement authorities. Audit reports released by the Auditor General are routinely

³⁰ *Id.*, page 23.

³¹ *Id.*, page 17.

³² *Id.*, page 28.

³³ *Id.*, pages 28-29.

filed with law enforcement authorities. Implementation of corrective action to address any audit findings is the responsibility of the City's governing board and management, as well as the citizens living within the boundaries of the City. Alternately, any audit findings that are not corrected after three successive audits are required to be reported to the Committee by the Auditor General, and a process is provided in Section 218.39(8), *Florida Statutes*, for the Committee's involvement. First, the City may be required to provide a written statement explaining why corrective action has not been taken and to provide details of any corrective action that is anticipated. If the statement is not determined to be sufficient, the Committee may request the Chair of the City Commission to appear before the Committee. Ultimately, if it is determined that there is no justifiable reason for not taking corrective action, the Committee may direct the Department of Revenue and the Department of Financial Services to withhold any funds not pledged for bond debt service satisfaction which are payable to the City until the City complies with the law.

III. Effect of Proposed Request and Committee Staff Recommendation

If the Committee directs the Auditor General to perform an operational audit of the City of North Miami Beach, the Auditor General, pursuant to her authority, shall finalize the scope of the audit during the course of the audit, providing that the audit-related concerns of Senator Pizzo as included in his request letter and discussed herein are considered.

IV. Economic Impact and Fiscal Note

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

If the Committee directs the audit, the Auditor General will absorb the audit costs within her approved operating budget.

V. Related Issues

None.

This staff analysis does not reflect the intent or official position of the requestor.



THE FLORIDA SENATE

SENATOR JASON W.B. PIZZO

March 7, 2023

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Joint Legislative Auditing,
Chair

Appropriations

Appropriations
Committee on Criminal &
Civil Justice

Community Affairs

Criminal Justice

Finance & Tax

Military & Veterans
Affairs, Space, and
Domestic Security

Resiliency

KATHLEEN PASSIDOMO
President of the Senate

DENNIS BAXLEY
President Pro Tempore

The Honorable Michael A. Caruso, Alternating Chair
Joint Legislative Auditing Committee
111 West Madison Street, Room 876
Tallahassee, FL 32399-1400

Dear Chair Caruso:

I am requesting the Joint Legislative Auditing Committee (Committee) to direct the Auditor General to perform an operational audit and a performance audit of the Prison Rehabilitative Industries and Diversified Enterprises, Inc. (PRIDE).

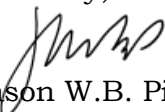
The last Auditor General operational audit report of PRIDE was dated December 12, 1996 (Report No. 12859). In accordance with Section 946.516(3) *Florida Statutes*, PRIDE is required to obtain an annual financial audit of its accounts and records by an independent certified public accountant retained by it and paid from its funds. In accordance with Sections 11.45(3)(t) and 946.516(3) *Florida Statutes*, the Auditor General is authorized to conduct audits of PRIDE. Although the Auditor General is required to conduct operational audits of state agencies and other governmental entities, there is no requirement for the Auditor General to conduct such audits of PRIDE.

At a minimum, the audit scope should include PRIDE's controls and compliance with state laws, rules, regulations, contracts, and other requirements.

The Committee should direct the Auditor General to perform a risk assessment, similar to what the office does for state agency operational audits, and use the results to set the audit scope.

In addition, I request that 18 months after the release of the audit report the Committee direct the Auditor General to conduct a follow-up audit to determine the status of any audit findings included PRIDE's original audit report.

Sincerely,


Jason W.B. Pizzo

STAFF ANALYSIS

Date: March 9, 2023

Subject: Request for an Audit of PRIDE

Analyst Coordinator

DuBose^{KD} DuBose^{KD}

I. Summary

The Joint Legislative Auditing Committee (Committee) has received a request from Senator Jason Pizzo to have the Committee direct the Auditor General to conduct an operational and performance audit of Prison Rehabilitative Industries and Diversified Enterprises, Inc. (PRIDE).

II. Present Situation

Current Law

Joint Rule 4.5(2) provides that the Legislative Auditing Committee may receive requests for audits and reviews from legislators and any audit request, petition for audit, or other matter for investigation directed or referred to it pursuant to general law. The Committee may make any appropriate disposition of such requests or referrals and shall, within a reasonable time, report to the requesting party the disposition of any audit request.

Joint Rule 4.5(1) provides that the Legislative Auditing Committee may direct the Auditor General or the Office of Program Policy Analysis and Government Accountability (OPPAGA) to conduct an audit, review, or examination of any entity or record described in Section 11.45(2) or (3), *Florida Statutes*.

Section 11.45(3)(t), *Florida Statutes*, provides that the Auditor General may, pursuant to his or her own authority, or at the discretion of the Legislative Auditing Committee, conduct audits or other engagements as determined appropriate by the Auditor General of the corporation defined in part II of chapter 946, known as the Prison Rehabilitative Industries and Diversified Enterprises, Inc., or PRIDE Enterprises.

Section 946.516(3), *Florida Statutes*, provides that the Auditor General or the director of OPPAGA may, pursuant to his or her own authority or at the direction of the Joint Legislative Auditing Committee, conduct an audit of the corporation [PRIDE].

Section 11.45(1)(i), *Florida Statutes*, defines an “operational audit” as an audit whose purpose is to evaluate management’s performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and other guidelines. Operational audits must be conducted in accordance with government auditing standards. Such audits examine internal controls that are designed and placed in operation to promote

and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of financial records and reports, and safeguarding of assets, and identify weaknesses in those internal controls.

Section 11.45(1)(j), *Florida Statutes*, defines a "performance audit" as an examination of a program, activity, or function of a governmental entity, conducted in accordance with applicable government auditing standards or auditing and evaluation standards of other appropriate authoritative bodies. The term includes an examination of issues related to: (1) economy, efficiency, or effectiveness of the program; (2) structure or design of the program to accomplish its goals and objectives; (3) adequacy of the program to meet the needs identified by the Legislature or governing body; (4) alternative methods of providing program services or products; (5) goals, objectives, and performance measures used by the agency to monitor and report program accomplishments; (6) the accuracy or adequacy of public documents, reports, or requests prepared under the program by state agencies; (7) compliance of the program with appropriate policies, rules, or laws; and (8) any other issues related to governmental entities as directed by the Legislative Auditing Committee.

Request for an Operational Audit of PRIDE

Senator Pizzo has requested the Committee to direct the Auditor General to conduct an operational and performance audit of PRIDE and stated that "[a]t a minimum, the audit scope should include PRIDE's controls and compliance with state laws, rules, regulations, contracts, and other requirements."¹ In addition, he requested that the Committee direct the Auditor General to perform a risk assessment and use the results to set the audit scope and conduct a follow-up audit, 18 months after the release of the audit report, to determine the status of any audit findings included in PRIDE's original audit report.^{2 3}

Background

Chapter 81-125, *Laws of Florida*, authorized the Department of Corrections (Department) to lease the facilities of the prison industries program to a nonprofit corporation organized solely for certain specified purposes. PRIDE filed Articles of Incorporation with the State of Florida in December 1981.⁴ Its stated

¹ Letter from Senator Jason W.B. Pizzo to The Honorable Michael A. Caruso, Chair, Joint Legislative Auditing Committee dated March 7, 2023 (on file with the Committee).

² *Id.*

³ Eighteen months after the release of a local governmental entity audit report, the Auditor General is required to perform follow-up procedures for local government audits performed by the Auditor General pursuant to Section 11.45(2)(j), *Florida Statutes*, to determine the entity's progress in addressing the findings and recommendations contained within the previous audit report. The Auditor General is required to perform an operational audit of each state agency at least once every three years pursuant to Section 11.45(2)(f), *Florida Statutes*. State agency audit findings are subject to follow-up procedures during a subsequent audit of the agency. If the Committee directs the Auditor General to perform the requested audit of PRIDE, there is no requirement for a follow-up audit, unless directed by the Committee.

⁴ The Florida Department of State, Division of Corporations' website, Sunbiz.org, includes current and historical records related to PRIDE. These records are available at: <https://search.sunbiz.org/Inquiry/CorporationSearch/SearchResultDetail?inquirytype=EntityName&directionType=Initial&searchNameOrder=PRISONREHABILITATIVEINDUSTRIES%207611051&aggregateId=domnp-761105-0f7d28cf-277a-4571-836a-3868cc0d66bf&searchTerm=Prison%20Rehabilitative&listNameOrder=PRISONREHABILITATIVEINDUSTRIES%207611051> (last visited March 9, 2023).

purpose, in part, was “[t]o assume control of and to manage and operate the prison industry of the State of Florida as provided in Chapter 81-125, *Laws of Florida*.”⁵

Chapter 83-209, *Laws of Florida*,⁶ repealed and replaced the earlier laws related to the nonprofit corporation and expanded them. It included the following findings of fact, which state that it is the finding of the Legislature that:

- The correctional work programs of the Department are uniquely different from other programs operated or conducted by other departments in that it is essential to the state that the work programs provide for useful activities for inmates that could lead to meaningful employment after release to assist in reducing the return of the inmate to the system.
- The mission of a correctional work program is to:
 - Reduce the cost of state government by operating enterprises primarily with inmate labor, which enterprises do not seek to unreasonably compete with private enterprise;
 - Serve the rehabilitative goals of the state by duplicating, as nearly as possible, the operating activities of a free-enterprise type profit-making enterprise;
 - Provide relevant education, training, and post-release job placement; and
 - Serve the security goals of the state through the reduction of idleness of inmates and providing an incentive for good behavior in prison.
- A program which duplicates as closely as possible free world production and service operations in order to aid the inmates in adjustment after release and to prepare inmates for gainful employment is in the best interest of the state, the inmate, and the general public.

Section 946.502, *Florida Statutes*, provides that it is the intent of the Legislature that:

- A nonprofit corporation lease and manage the correctional work programs of the Department.
- Once such a nonprofit corporation is organized, no other nonprofit corporation be organized for the purpose of carrying out this part [*Leased or Managed Work Programs*]. In carrying out this part, the corporation is not an “agency” within the meaning of Section 20.03(11), *Florida Statutes*.⁷
- The corporation shall lease all correctional work programs from the Department.
- The state shall have a continuing interest in assuring continuity and stability in the operation of correctional work programs and that this part be construed in furtherance of such goals.
- Although the state has a continuing interest in correctional work programs, such programs can best operate independently of state government.
- The corporation will devise and operate correctional work programs to utilize inmates of all custody levels, with specific emphasis on reducing idleness among close custody inmates.

In addition, Chapter 946, Part II, *Florida Statutes* specifies, in part, that:

- The members of the nonprofit corporation are appointed by the Governor and confirmed by the Senate. The same appointment process shall be followed to fill any vacancy.
- The corporation shall be organized pursuant to Chapter 617, *Florida Statutes* [*Corporations Not For Profit*], and shall possess all the powers granted by that chapter.
- The Department shall lease buildings and land to the nonprofit corporation.

⁵ Available at:

<https://search.sunbiz.org/Inquiry/CorporationSearch/ConvertTiffToPDF?storagePath=COR%5C2021%5C0316%5C43303543.Tif&documentNumber=761105> (last visited March 9, 2023).

⁶ The law created Chapter 946, *Florida Statutes*.

⁷ Section 20.03(11), *Florida Statutes*, defines “agency” as an official, officer, commission, authority, council, committee, department, division, bureau, board, section, or another unit or entity of government.

- Notwithstanding any provision to the contrary, the corporation is authorized to use tax-exempt financing through the issuance of tax-exempt bonds, certificates of participation, lease-purchase agreements, or other tax-exempt financing methods for the purpose of constructing facilities or making capital improvements for correctional work programs and prison industry enhancement programs on state-owned land within state correctional institutions.
- The corporation shall establish a compensation plan that provides for a specific amount to be paid to the Department to be credited to an account for an inmate performing labor and a portion to be used to make any court-ordered payments and a specific amount to be paid to the Prison Industries Trust Fund to be used as provided by law.⁸
- Any service or item manufactured, processed, grown, or produced by the corporation in a correctional work program may be furnished or sold to any legislative, executive, or judicial agency of the state, any political subdivision, any other state, any foreign entity or agent thereof, any agency of the Federal Government, to any contract vendor for such agencies or any subcontractor of the contract vendor, or to any person, firm, or business entity if not prohibited by federal law.
- No similar product or service of comparable price and quality found necessary for use by any state agency may be purchased from any source other than the corporation if the corporation certifies that the product is manufactured by, or the service provided by, inmates and the product or service meets the comparable performance specifications and comparable price and quality requirements as specified under Section 287.042(1)(f), *Florida Statutes*,⁹ or as determined by an individual agency as provided in this section.
- The corporation may contract to provide inmate services or inmate goods to private enterprise, where such services or goods are under the direct supervision of the corporation and, further, where it is determined by the Governor that the corporation by the provision of such services or goods does not unreasonably seek to compete with other businesses in this state.
- Corporation records are public records; however, proprietary confidential business information shall be confidential and exempt from the provisions of Section 119.07(1), *Florida Statutes*, and Section 24(a), Article I of the State Constitution.¹⁰
- The Department shall exert its best efforts to assign inmates to the corporation, or the private sector business authorized under this part, who have not less than one nor more than five years remaining before their tentative release dates.

Auditor General and OPPAGA Audits, Reviews, or Projects

Neither the Auditor General nor OPPAGA has performed any audits or reviews related to PRIDE recently. The last Auditor General operational audit report on PRIDE was released in 1996, over 26

⁸ Section 946.522, *Florida Statutes* [*Prison Industries Trust Fund*] specifies that funds shall be used by the corporation for purposes of construction or renovation of its facilities or for the expansion or establishment of correctional work programs as described in this part or for prison industries enhancement (PIE) programs as authorized under Section 946.523, *Florida Statutes*.

⁹ Chapter 287, *Florida Statutes* [*Procurement of Personal Property and Services*], specifies purchasing requirements for state agencies and other entities. Section 287.042(1)(f), *Florida Statutes*, states that the corporation (PRIDE) may submit products and services to the Department of Management Services (DMS) for testing, analysis, and review relating to the quality and cost comparability. If, after review and testing, the DMS approves of the products and services, the DMS shall give written notice thereof to PRIDE. PRIDE shall pay a reasonable fee charged for testing its products by the Department of Agriculture and Consumer Services.

¹⁰ These provisions relate to public records access.

years ago. At that time, pursuant to Section 283.31, *Florida Statutes*, the Auditor General was required to conduct a financial-related and performance audit of PRIDE once every three years.¹¹

Although OPPAGA periodically updates summary information about PRIDE on its website, the last two published works related to PRIDE were released in 2006 and 2009. The 2006 report provided an update of actions PRIDE had taken since the release of a previous OPPAGA report, in 2003, and was titled *PRIDE is Tightening Its Business Practices but Needs Greater Transparency*.¹² The 2009 research memorandum was based on three questions: (1) How many prisons have PRIDE Programs?; (2) How many of these prisons are ‘long term’ versus ‘short term’?; and (3) Is PRIDE accomplishing the objective of reducing recidivism?^{13 14}

An online resource provided by OPPAGA, *Government Program Summaries (GPS)*, is descriptive information on state agencies and programs, including PRIDE.¹⁵

Selective GPS information about PRIDE includes:¹⁶

- What is the purpose of PRIDE?
 - “PRIDE is an inmate training company operating 37 work training programs located in 17 state correctional facilities in Florida. In addition to vocational work programs that teach job skills and successful job behaviors to inmate workers, PRIDE provides post-release transition services including job referrals and other basic support services that prepare and assist ex-offenders in their successful reintegration into society.”
- What are PRIDE inmate work training programs?
 - “PRIDE operates 37 inmate training programs that produce products and services such as license plates, sewn products, graphics and printing, dental and optical products, land management, wood and metal products, janitorial products, retread tires, traffic paint, and heavy vehicle renovation.”
- Where are PRIDE work training programs located?
 - Most are “located on state prison property and may be inside or outside of the secure perimeter of the prison.”
- How many inmates participate in PRIDE programs?
 - During 2021, “PRIDE provided an average of 1,375 workstations for inmate work assignments that trained 2,525 inmates who worked a total of over 2 million hours.”

¹¹ Chapter 99-333, *Laws of Florida*, removed the requirement for the Auditor General to conduct the audit of PRIDE. In addition to the language stricken in Section 283.31, *Florida Statutes*, the law removed language in Section 946.516, *Florida Statutes*, that had required the Auditor General to biennially conduct a financial and performance audit of PRIDE in conjunction with an independent audit conducted by the auditors of the corporation.

¹² Office of Program Policy Analysis & Government Accountability, *PRIDE Is Tightening Its Business Practices but Needs Greater Transparency*, Report No. 06-67, October 2006 (on file with the Committee).

¹³The Florida Legislature, Office of Program Policy Analysis and Government Accountability, Research Memorandum, *Prison Rehabilitative Industries and Diversified Enterprises (PRIDE) Program*, January 9, 2009 (on file with the Committee).

¹⁴ Although dated, the research memorandum reported that in 2007 PRIDE provided 2,241 inmate work stations at 20 prisons throughout Florida. The other two questions could not definitively be answered. The Department does not officially classify institutions as “long-term” or “short-term,” and PRIDE’s effect on recidivism could not be confirmed.

¹⁵ Available at: <https://oppaga.fl.gov/ProgramSummary/ProgramDetail?programNumber=1037>. The most recent update was in June 2022 (last visited March 9, 2023).

¹⁶ *Id.*

- Do inmates earn wages?
 - Those “who work in traditional PRIDE work programs earn between 20 cents and 95 cents per hour.”
- How does PRIDE help inmate workers after they are released from prison?
 - “Every inmate who has worked for PRIDE for longer than six months is eligible to participate in the PRIDE transition program.”
- How is PRIDE governed?
 - “PRIDE has a board of directors whose members are appointed by the Governor and confirmed by the Senate...PRIDE is an instrumentality of the state, has sovereign immunity, and is not subject to the authority of any state agency, except the auditing and investigatory powers of the Legislature and the Governor.”
- What are PRIDE sales?
 - “In calendar year 2021, PRIDE generated \$59.5 million in sales. Approximately 38% of PRIDE’s sales were to state government entities.”
- How are these activities funded?
 - “PRIDE receives no appropriated funding from the Legislature and depends entirely on the sale of its products and services to financially support the achievement of its statutory missions. PRIDE also has a purchasing preference, requiring state agencies to buy its products when they are of similar quality and price to those offered by outside vendors.”

Financial Audit and Additional Information

Pursuant to Section 946.516(3) *Florida Statutes*, PRIDE is required to obtain an annual financial audit of its accounts and records by an independent certified public accountant retained by it and paid from its funds. Pursuant to Section 946.516(1), *Florida Statutes*, PRIDE is required to submit the annual financial audit report to the Department, the Governor, the Legislature, and the Auditor General.¹⁷ However, the Auditor General has not been receiving the audit reports.¹⁸ There is no penalty or other enforcement mechanism if PRIDE fails to obtain the financial audit or if it fails to submit the audit report to any of the offices as required.

The Department provided Committee staff with the two most recent financial audit reports, for the 2020 and 2021 calendar years, and expects to receive the next financial audit report, for the 2022 calendar year, in July 2023.¹⁹

The 2021 audit report included the following:

- As of December 31, 2021:²⁰
 - Total assets of \$57,314,891, which included:
 - Total inventory of \$13,050,063
 - Total net property, agricultural assets and equipment of \$12,797,227

¹⁷ Committee staff noted that PRIDE’s website includes very limited information. Many entities in Florida are required to provide public access to information such as the governing board, meeting schedule, and financial reports. There are no such requirements for PRIDE, and it does not provide this type of information. PRIDE’s website is available at: <https://www.pride-enterprises.org/> (last visited March 9, 2023).

¹⁸ Email from Auditor General staff to Committee staff dated March 6, 2023.

¹⁹ Email from Department staff to Committee staff dated March 7, 2023.

²⁰ *Statement of Financial Position, Prison Rehabilitative Industries and Diversified Enterprises, Inc. Financial Statements*, December 31, 2021, page 3 (on file with the Committee).

- For the year ended December 31, 2021:²¹
 - Revenue: \$59,470,755; Cost of sales: (\$51,611,382); Gross margin \$7,859,373
 - Total Operating expenses of \$10,370,773

Supplemental information

PRIDE provided supplemental information to the Department that included the following:

Key Metrics – Year to Date (as of 5/31/2022)

Metric – Number of	Actual	Goal
Inmates Worked (Average)	1,562	N/A
Inmates Workers Completing OSHA 10 ²²	256	433
External Certifications Awarded	989	1300
Inmates Awarded Certificates	660	975
Transition Program Participants	167	300
Transition Program Participants Placed in Jobs	129	240

2022 List of PRIDE’s Departments

Land Management

Contracted Services
 Maintenance & Renovation Services (SouthBay)
 Citrus
 Cattle North (Union)
 Land Management (Union)

Services

Tire Retread (AVP)
 Optical Lab (Homestead)
 Heavy Vehicle (Tomoka)
 Dental Lab (Union)
 Food Processing (Union)
 Call Center (Homestead)

Sewn Projects

Uniforms (Lowell)
 Footwear & Bedding (Madison)
 Garment (Marion)
 Promotional Apparel (Marion)
 Sewn Projects Administration (Marion)

General Manufacturing (Furniture)

Refurbishment (Polk)
 Wood Products (Sumter)
 Metal Products (Union)
 General Manufacturing Engineering (Polk)

Specialty Manufacturing

Paint (Baker)
 Tag/License Plates (Union)
 Sanitary Maintenance & Supply (AVP)
 Lumber Products (Union)

Graphics and Digital

Box (Marion)
 North Florida Graphics (Calhoun)
 Central Florida Graphics (Sumter)
 Digital Services (Liberty)
 Graphics Administration (Sumter)

PRIDE Corporate & Mission Programs

Executive
 Customer Service & Purchasing
 IT
 Mission Programs
 Facilities & Engineering
 Finance
 Corporate
 Human Resources & Training
 Marketing

²¹ *Statement of Activities, Prison Rehabilitative Industries and Diversified Enterprises, Inc. Financial Statements*, December 31, 2021, page 4 (on file with the Committee).

²² Occupational Safety and Health Administration’s 10-hour training covers basic job-related health and safety hazards.

III. Effect of Proposed Request and Committee Staff Recommendation

If the Committee directs the Auditor General to perform an operational and performance audit of PRIDE, the Auditor General, pursuant to her authority, shall, at a minimum, consider PRIDE's controls and compliance with state laws, rules, regulations, contracts, and other requirements and shall perform a risk assessment and use the results to set the audit scope. In addition, 18 months after the release of the audit report, the Auditor General shall conduct a follow-up audit to determine the status of any findings included in the original audit report.

IV. Economic Impact and Fiscal Note

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

If the Committee directs the audit, the Auditor General will absorb the audit costs within her approved operating budget.

V. Related Issues

None.

This staff analysis does not reflect the intent or official position of the requestor.

Overview: Suggested Revisions to the *Guidelines for Attestation Services Relating to Quarterly Lobbying Firm Compensation Reports (Guidelines)*

The *Guidelines* provide examples of the types of documentation that lobbying firms should maintain and specify the procedures that CPA firms must follow during the lobbying firm compensation report engagements (engagements). This is a follow-up to the engagements performed in 2022 and comments made at the Joint Legislative Auditing Committee's January 19, 2023 meeting.

A lobbying firm that was selected for an audit in 2022 represented two principals (clients) that were pro bono, but provided meals on occasion to the lobbyists. Compensation is defined, in part, as anything of value provided or owed to a lobbying firm;¹ therefore, the lobbying firm reported a small amount of related compensation. However, the lobbying firm did not have original receipts or other documentation to support the cost of the meals, a requirement of the *Guidelines*. In accordance with the *Guidelines*, the CPA firm reported a finding. It is apparent that the lobbying firm was trying to comply with the reporting requirements, and it is reasonable that they may not have the required documentation because the clients paid the associated costs.

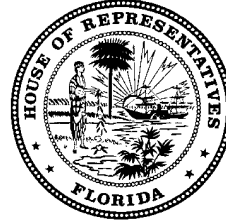
The proposed *Guidelines'* revisions provide examples of the type of documentation that lobbying firms should maintain (i.e., a copy of a menu with items that were ordered circled; written statement for smaller amounts; etc.). If these records are maintained and timely provided to the CPA firm, there will be no finding or observation. If detailed records are not maintained and the lobbying firm fails to provide a written statement regarding nonmonetary items of value provided by clients (\$250 value or less) to the CPA firm before field work begins, an observation rather than a finding will be included in the report. An observation is not an indication that the lobbying firm did anything wrong, but it provides additional transparency and information regarding anomalies found by the CPA firm. The *Guidelines* provide a number of situations in which an observation, rather than a finding, should be included in the report. All of these were originally reported as findings, but were subsequently deemed to be insignificant, and, as a result, the *Guidelines* were revised

¹ Legislative and executive branch lobbying compensation is defined in ss. 11.045(1)(b), and 112.3215(1)(c), *F.S.*, respectively.

WILTON SIMPSON
President



CHRIS SPROWLS
Speaker



Commented [DK1]: All names to be updated once Guidelines are revised.

**GUIDELINES
FOR
ATTESTATION SERVICES
RELATING TO
QUARTERLY LOBBYING FIRM
COMPENSATION REPORTS**

**Joint Legislative Auditing Committee
As adopted on November 4, 2013
and subsequently revised on November 2, 2015; December 12, 2019;
and December 2, 2021**

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Joint Legislative Auditing Committee

~~Representative Ardian Zika, Chair~~
~~Senator Dennis Baxley, Vice Chair~~

~~Senator Jim Boyd~~
~~Senator Jennifer Bradley~~
~~Senator Janet Cruz~~
~~Senator Victor M. Torres, Jr.~~

~~Representative Webster Barnaby~~
~~Representative Traeie Davis~~
~~Representative Anna Eskamani~~
~~Representative Jenna Persons Mulieka~~
~~Representative Keith L. Truenow~~

Commented [DK2]: To be updated.

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~~Substantive Changes Made to the Guidelines on December 2, 2021~~

- ~~• Requires CPA firms to include a finding if compensation for lobbying appears to have been received from a third party neither identified as a principal in a registration and applicable compensation report(s) nor identified as a prime contractor firm in applicable compensation report(s). (Page 9)~~
- ~~• Clarifies the definition of original and amended quarterly lobbying firm compensation reports. (Page 15)~~
- ~~• Revises Appendices A-C (Sample Representation Letter from Lobbying Firm; Sample Representation Letter from Committee; Sample Agreed Upon Procedures Report) to comply with revisions to professional audit and attest standards that apply to agreed-upon procedures reports dated on or after July 15, 2021. CPA firms must comply with these standards. (Pages 17-24)~~
- ~~• Adds Appendix D, a checklist for CPA firms that includes a compilation of selected engagement details that are included in several documents. No new requirements are added. (Pages 25-26)~~

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**JOINT LEGISLATIVE AUDITING COMMITTEE
GUIDELINES FOR ATTESTATION SERVICES RELATING TO
LOBBYING FIRM COMPENSATION REPORTS**

I. Introduction

A. Purpose

Chapter 2005-359, *Laws of Florida*, mandates the filing of quarterly lobbying firm compensation reports that must be prepared and filed by both legislative branch and executive branch lobbying firms as defined in law.¹ The law also requires the Joint Legislative Auditing Committee (Committee) to adopt guidelines to govern random audits and field investigations of the quarterly compensation reports filed by lobbying firms in accordance with Sections 11.045 and 112.3215, *Florida Statutes*.

The purpose of these Guidelines is to provide direction to the lobbying firms and the Florida-licensed certified public accountants (CPAs) in Florida-licensed public accounting firms (CPA firms) selected to perform the attestation services specified herein relating to the compensation reports filed by lobbying firms in accordance with Sections 11.045 and 112.3215, *Florida Statutes*. The Guidelines also describe the types of compensation-related records that should be maintained by the lobbying firms and made available to the CPAs during the performance of the attestation services. These Guidelines are intended to supplement, rather than replace, the judgment of the independent CPAs performing the attestation services.

In all cases, decisions and judgments by the CPAs should be made based upon applicable attestation standards established by the American Institute of Certified Public Accountants, provisions of the *Florida Statutes*, and direction given in these Guidelines. Also, for background purposes, the CPAs should become familiar with Joint Rule One of the *Joint Rules of the Florida Legislature* and Chapter 34-12, *Florida Administrative Code* (Rules of the Florida Commission on Ethics), as they relate to lobbying and compensation reporting requirements for the legislative branch and executive branch, respectively. Further guidance, including a frequently-asked questions document, will address issues and questions that may arise during the performance of the attestation services or from lobbying firms complying with the reporting requirements.

These Guidelines govern attestation services relating to quarterly compensation reports. The procedures described in section VI.C. below will be performed on each quarterly compensation report filed by the randomly selected lobbying firm for the preceding calendar year.

¹ Sections 11.045, 11.40, and 112.3215, *Florida Statutes*.

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B. Responsible Parties

The Lobbyist Registration Office (Office) within the Office of Legislative Services administers lobbyist registrations for the legislative branch. The Commission on Ethics (Commission) administers lobbyist registrations for the executive branch. The Commission has co-located Commission employees in the Office. The Office maintains and provides this information to legislators, staff, public agencies, and the public. The lobbying firms are required to file quarterly lobbying firm compensation reports electronically with the Office. The Office is responsible for maintaining the electronic filing system and ensuring that all of the lobbyist registration and authorization documentation and compensation reports are available for public inspection and duplication, if requested. The Office is also responsible for ensuring that the documentation and reports filed with the Office are reasonably available on the Internet in an easily understandable and accessible format.

The Legislative committee charged with administrative responsibility for the process mandated in Chapter 2005-359, *Laws of Florida* (now Section 11.40(3), *Florida Statutes*), is the Joint Legislative Auditing Committee (Committee).

C. Committee Contact

The Committee Coordinator is assigned to act as liaison to the CPAs performing the attestation services relating to the quarterly lobbying firm compensation reports and can be contacted as follows:

Telephone: (850) 487-4110
Email: jlac@leg.state.fl.us

D. Questions

Questions concerning the attestation services specified in these Guidelines, report formats, or special situations or circumstances encountered during the performance of the attestation services are encouraged from the CPAs. All such questions should be directed to the Committee contact at the telephone number or email listed above.

All other questions should be directed to the Committee contact, preferably in writing, at the email listed above.

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II. Definitions

The following are definitions of terms used throughout these guidelines:

Committee - the Joint Legislative Auditing Committee established by Joint Rule 4.1, *Joint Rules of the Florida Legislature*, or its successor committee.

Compensation² - a payment, distribution, loan, advance, reimbursement, deposit, salary, fee, retainer, or anything of value provided or owed to a lobbying firm, directly or indirectly, by a principal for any lobbying activity. [Sections 11.045(1)(b) and 112.3215(1)(c), *Florida Statutes*]

Independent contract auditor - a state-licensed certified public accountant or firm with which a state-licensed certified public accountant is currently employed or associated who is actively engaged in the accounting profession. [Section 11.40(3)(a), *Florida Statutes*]

Lobbies/Lobbying - seeking, on behalf of another person, to influence an agency with respect to a decision of the agency in the area of policy or procurement or an attempt to obtain the goodwill of an agency official or employee. [Section 112.3215(1)(f), *Florida Statutes*]; influencing or attempting to influence legislative action or nonaction through oral or written communication or an attempt to obtain the goodwill of a member or employee of the Legislature. [Section 11.045(1)(e), *Florida Statutes*]

Lobbying firm - any business entity, including an individual contract lobbyist, which receives or becomes entitled to receive any compensation for the purpose of lobbying, where any partner, owner, officer, or employee of the business entity is a lobbyist. [Sections 11.045(1)(f) and 112.3215(1)(g), *Florida Statutes*]

Lobbyist - a person who is employed and receives payment, or who contracts for economic consideration, for the purpose of lobbying, or a person who is principally employed for governmental affairs by another person or governmental entity to lobby on behalf of that other person or governmental entity. [Sections 11.045(1)(g) and 112.3215(1)(h), *Florida Statutes*]

Principal - the person, firm, corporation, or other entity which has employed or retained a lobbyist. [Sections 11.045(1)(i) and 112.3215(1)(i), *Florida Statutes*]

Workpapers - documentation developed or obtained by the CPAs during the course of the attestation engagement as a basis for, and in support of, the agreed-upon procedures report. Such documentation is the record of procedures performed, relevant evidence

² It should only include compensation for lobbying before the Florida Legislature and state officials. It should not include compensation for lobbying local (i.e., counties, municipalities, special districts, universities, colleges, district school boards, etc.), or federal officials or officials of other states.

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obtained, and conclusions reached by the CPAs. It may include letters of confirmation and representation, schedules, copies of relevant documents, and correspondence concerning issues and questions that arise during the engagement. The workpapers are governed by standards adopted by the Florida Board of Accountancy. Ownership of such workpapers and the CPAs' responsibilities related to communications with clients³ and confidential client information are set forth in Sections 473.316 and 473.318, *Florida Statutes*, and Chapter 61H1-23, *Florida Administrative Code* (Rules of the Florida Board of Accountancy). Additionally, such workpapers are confidential and exempt from disclosure pursuant to Sections 112.3215(8)(d) and 11.0431(2)(a) and (i), *Florida Statutes*.

III. Compensation-Related Records to be Maintained

Each lobbying firm and each principal shall preserve for a period of 4 years all accounts, bills, receipts, computer records, books, papers and other documents and records necessary to substantiate compensation. [Sections 11.045(2)(e) and 112.3215(5)(e), *Florida Statutes*] The lobbying firm's bookkeeping and accounting system need not be sophisticated; however, the lobbying firm should be using a reasonably systematic method of accounting for its financial transactions.

Records that should be maintained by the lobbying firm to document compensation received from or owed by a principal may include, but are not limited to, the following:

- A. Agreements and/or contracts for lobbying (however termed) between the lobbying firm and each principal by calendar year, including any amendments to such agreements or contracts. If any of the agreements and/or contracts are verbal, a written statement or other form of documentation which outlines the payment terms should be maintained.
- B. Agreements and/or contracts between the lobbying firm and other lobbying firms or lobbyists that are working on a subcontractor basis with the lobbying firm for the purpose of lobbying (however termed), including any amendments to such agreements or contracts. If any of the agreements and/or contracts are verbal, a written statement or other form of documentation which outlines the payment terms should be maintained.
- C. A schedule of contracted compensation by principal that indicates the payment schedule for such compensation (i.e., as services are rendered and billed, monthly, quarterly, lump sum at beginning of contract period, lump sum at end of contract period, etc.).

³ For purposes of these guidelines, client is defined as both the Legislature and the lobbying firms.

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D. Payment records by principal, including original receipts documentation for monetary compensation. Such payment records should include: principal name, date of each payment, amount of each payment, and any amounts billed but not yet received. Original receipts documentation should include: receipts, invoices, or copies of the payment check; and deposit slips or other bank records that indicate that payments received from principals were deposited.

E. If the compensation reported includes amounts for items such as meals or other non-monetary items of value provided by a principal, then documentation to substantiate such must be maintained. Such documentation could include:

1. Meals: A copy of the menu, including prices, with item(s) circled or otherwise marked, and the date provided; or
2. Refreshments or similar items: If the estimated value is \$100 or less, a written statement regarding the items provided, including a description of such, the estimated value, and date provided..

E.F. If the compensation reported includes any reimbursements received, then documentation to substantiate the reimbursement must be maintained. Such documentation could include receipts or invoices describing the goods or services for which reimbursement was requested, cancelled checks, and credit card receipts.

E.G. Records to document any allocation of compensation from a principal.

The Committee recognizes that a reasonable, common sense approach is necessary when any allocation is required. Therefore, in calculating such allocated amounts, any reasonable, fact-based method of calculation is acceptable.

One method that could be utilized is allocating the compensation based on percentage of time spent on activities. For example, actual time spent (hours or minutes) multiplied by the hourly rate of pay (for each lobbyist or support staff working on each activity).

It is imperative, however, that documentation be maintained to support both the method and any percentages used to determine amounts allocated to the following areas:

1. Lobbying services versus non-lobbying services
2. Florida legislative branch lobbying versus executive branch lobbying
3. Florida legislative or executive branch lobbying versus lobbying any level or branch of a local, other state, or federal government.

The lobbying firm may choose to keep records of all Florida legislative or executive branch lobbying activities separate from the records of all other such lobbying and non-lobbying activities. If this is the case, then the lobbying firm is not required to

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make any documents related to any other lobbying or non-lobbying activities available as part of the attestation engagement. However, if the lobbying firm has chosen to keep records and accounts which ordinarily and customarily integrate both Florida legislative and/or executive branch lobbying activities and all other such lobbying and non-lobbying activities, then such integrated records must be made available during the attestation engagement if they are necessary to document all or a portion of the compensation amounts included on the quarterly compensation reports.

The types of documentation that may be used to support an allocation of compensation include, but are not limited to, the following:

- 1) Signed time sheets or other records for each lobbying firm staff member that reflect the actual time spent (in hours or minutes) on lobbying activities for a principal, including reports generated by a time-reporting system using a coding or other system to identify time spent on lobbying activities with respect to a principal for purposes of billing for lobbying services;
- 2) Salary information that indicates the hourly rate of pay for each lobbying firm staff member who worked on lobbying activities for a principal;
- 3) Written contract or agreement for lobbying services signed by the parties specifying a fixed amount for lobbying services or providing for an agreed-upon allocation of compensation using specified percentages or other agreed-upon allocation;
- 4) Written statement(s), signed by a management-level employee of either or both the lobbying firm and the principal, that describes the specific reasons for allocating compensation using specified percentages (i.e., 60% legislative branch and 40% executive branch or 70% lobbying services and 30% non-lobbying services).

An allocation method may be adjusted if the lobbying firm determines that such adjustments need to be made to accurately reflect current activity. Documentation as discussed above should be maintained to support any such adjustments.

IV. Record Redaction

The Committee recognizes that records maintained by a lobbying firm and used to substantiate compensation may contain privileged or confidential information, the disclosure of which is not necessary for the CPAs to perform the attestation procedures specified herein. A lobbying firm may redact information that is privileged or confidential so long as such redaction does not prevent the CPAs from using the records to substantiate the accuracy of the compensation reported, the principal owing or providing the compensation, and the related time period.

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If a lobbying firm refuses to provide documentation or if the lobbying firm provides redacted documentation that prevents the CPAs from substantiating the compensation reported, the CPAs should contact the Committee Coordinator for assistance.

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V. Records Retention

The records retention requirements are established in Sections 11.045(2)(e) and 112.3215(5)(e), *Florida Statutes*. Each lobbying firm and each principal is required to preserve for a period of **4 years** “all accounts, bills, receipts, computer records, books, papers, and other documents and records necessary to substantiate compensation.”

VI. Objectives and Requirements for Attestation Services

A. Objectives

The legislative objective of the process mandated in Section 11.40(3), *Florida Statutes*, is to obtain a timely attestation report from CPAs, licensed by the Florida Board of Accountancy. The attestation engagement is to be conducted and the attestation report is to be prepared in accordance with the applicable attestation standards established by the American Institute of Certified Public Accountants as adopted by the Florida Board of Accountancy in Chapter 473, *Florida Statutes*. The specific procedures performed on the randomly selected lobbying firm’s quarterly compensation reports will be as agreed upon between the Legislature and the CPAs selected to perform such procedures. Such procedures are described in section VI.C. below and have been adopted by the Committee as authorized by Section 11.40(3)(h), *Florida Statutes*.

B. Confidentiality of Records and Other Matters

Workpapers developed by the CPAs during the course of the attestation engagement as a basis for, and in support of, the agreed-upon procedures (AUP) report, are governed by standards adopted by the Florida Board of Accountancy. Ownership of such workpapers and the CPAs’ responsibilities related to communications with clients and confidential client information are set forth in Sections 473.316 and 473.318, *Florida Statutes*, and Chapter 61H1-23, *Florida Administrative Code* (Rules of the Florida Board of Accountancy).⁴ Such workpapers and draft reports of the CPAs are confidential, but a final report submitted by the CPAs to a client is not. Therefore, the AUP report is confidential until it is issued.

Records of a lobbying firm that are associated with the attestation engagements relating to the quarterly compensation reports are confidential and exempt from public record disclosure requirements, unless there is a finding of probable cause

⁴ A CPA may not disclose any confidential information in the course of a professional engagement, except with the consent of the client.

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that the audit reflects as a violation of the reporting laws. (See Sections 112.3215(8)(d) and 11.0431(2)(a) and (i), *Florida Statutes*)

The CPAs contracted to perform the attestation engagement may be required to appear before various committees of the Legislature or the Florida Commission on Ethics, as applicable, to make oral presentations of the completed AUP report. If such appearance is required, the individuals involved will be paid based on the fee schedule that will be included in the contract with the CPAs.

C. Agreed-Upon Procedures to be Performed

The agreed-upon procedures (AUP) to be performed by the CPAs selected to perform the attestation engagement are described below. Revisions to such procedures may be made if determined to be necessary by the Committee or by joint agreement of the presiding officers. Such revisions must be agreed upon in writing by the Committee or joint agreement of the presiding officers and the CPAs contracted to perform such services. No oral agreements shall be valid or binding.

1. Documentation to be Obtained

- a) Obtain the following documentation from the Committee office:
 - 1) all of the quarterly lobbying firm compensation reports for the calendar year that the lobbying firm filed with the Office;⁵
 - 2) documentation to support the lobbyists registered and associated with the lobbying firm; and
 - 3) documentation to support the lobbying firm's authorization to represent each principal.
- b) Inquire of the lobbying firm whether it filed any amended compensation reports for the calendar year with the Office subsequent to the time the Committee office obtained the compensation reports noted in VI.C.1.a above, but prior to the start of audit fieldwork. If the lobbying firm indicates that it did file an amended compensation report for one or more quarters, obtain a copy of the amended compensation report(s) directly from the Office's website to verify that such amended compensation report(s) were properly filed.

⁵ The quarterly compensation reports are also available on the Office's website: (<https://www.floridalobbyist.gov/CompensationReportSearch/>).

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2. Comparison of Documents Filed with the Office

- a) Compare the lobbyist(s) registered for the lobbying firm per the registration documentation obtained in VI.C.1.a.2 above to the lobbyists listed on the quarterly lobbying firm compensation reports, noting any differences. Obtain a detailed explanation from the lobbying firm for any differences and document the explanation in the workpapers.
- b) Compare the principal(s) listed for each lobbyist of the lobbying firm per the authorization documentation obtained in VI.C.1.a.3 above to the principal(s) listed on the quarterly lobbying firm compensation reports, noting any differences. Obtain a detailed explanation from the lobbying firm for any differences and document the explanation(s) in the workpapers.

A finding must be included in the AUP report if:

- the explanations are not sufficiently documented,
- a lobbyist or a principal was included on a compensation report but the lobbyist was not registered or the authorization was not obtained from the principal, or
- compensation appears to have been received from a third party neither identified as a principal in a registration and applicable compensation report(s) nor identified as a prime contractor firm in applicable compensation report(s).

In addition, a statement should be included in the AUP report if the lobbying firm filed an amended compensation report as a result of a finding.

3. Comparison of Documents Filed with Lobbying Firm Records

Request access from the lobbying firm to the documentation that supports all of the compensation amounts reported on the quarterly lobbying firm compensation reports, including \$0 amounts (i.e., applicable agreements and/or contracts for lobbying services, payment records, and original receipts). If agreeable to the lobbying firm, such original documentation may be shipped to/from the CPA's office. In addition, if preferred by the lobbying firm, a review of such documentation may be performed on site at the lobbying firm's office(s). If problems relating to access of such records and documentation are encountered, contact the Committee Coordinator for assistance.

- a) Review all agreements and/or contracts for lobbying (however termed) between the lobbying firm and each principal that cover the calendar year, including any amendments, notes, or other documentation provided by the lobbying firm which outline the payment terms of any verbal agreement(s)/contract(s). Also request and review all agreements and/or

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contracts between the lobbying firm and other lobbying firms or lobbyists that are working on a subcontractor basis with the lobbying firm for the purpose of lobbying, including any amendments, notes, or other documentation provided by the lobbying firm which outline the payment terms of any verbal agreement(s)/contract(s).

- b) Review the agreements/contracts obtained in section VI.C.3.a above and verify that none are contingency fee based,⁶ unless an exception is provided in law (i.e., related to a claim bill (both legislative and executive); compensation or commission of a salesperson as part of a bona fide contractual relationship with company paying the compensation or commission (executive only)). A finding must be included in the AUP report if it is determined that an agreement or contract was based on a contingency fee in violation of law.
- c) Using the above-noted agreements and/or contracts and notes or other documentation provided for verbal agreement(s)/contract(s), prepare (or obtain from the lobbying firm, if available) a schedule of the contracted compensation by principal, noting the payment schedule for such compensation (i.e., as services are rendered and billed, monthly, quarterly, lump sum at beginning of contract period, lump sum at end of contract period, etc.).

If the schedule is prepared by the lobbying firm, compare all compensation amounts per the schedule to the agreements and/or contracts. Resolve any differences, documenting the explanations provided by the lobbying firm in the workpapers.

- d) Compare the principals per the schedule in section VI.C.3.c above to the principals noted in VI.C.2. above. Resolve any differences, documenting the explanations provided by the lobbying firm in the workpapers.
- e) Compare all of the compensation reported as provided or owed to the lobbying firm from each principal per the quarterly lobbying firm compensation reports to the schedule in section VI.C.3.c above. Resolve any differences, documenting the explanations provided by the lobbying firm (e.g., timing, etc.) in the workpapers.
- f) In order to verify the reported amounts, compare all of the compensation amounts provided or owed to the lobbying firm by each principal to the applicable client (principal) payment records, ~~and~~ original receipts documentation, as described in section III.D. above, or other

⁶ See Sections 11.047 and 112.3217, *Florida Statutes*, relating to contingency fees.

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documentation, which could include allowable written statement(s), as described in sections III.E. and III.F. above. Prepare a schedule to document the results and notes to describe the procedures performed and the records utilized.

Any differences noted while performing the procedures specified in this section (VI.C.3.) must be discussed with the lobbying firm, and explanations obtained and documented. A finding must be included in the AUP report if the explanations are not sufficiently documented, unless an exception noted below applies. In addition, a statement should be included in the AUP report if the lobbying firm filed an amended compensation report as a result of a finding. [Note: If, during the course of the AUP engagement, questions arise as to whether an unusual item noted should be included as a finding in the AUP report, please contact the Committee Coordinator for assistance.]

Exceptions:

- More than one lobbyist in a lobbying firm registers for the same principal; however, there are inconsistencies in how each lobbyist entered the principal's name in the Lobbyist Registration System (i.e., one lobbyist entered "Inc." in association with the principal's name and another lobbyist did not). Providing that all compensation was correctly reported under only one occurrence of the principal's name, and any other occurrences of the principal's name report \$0 compensation, this will be reported as an observation rather than a finding. The observation must explain what occurred.
- A lobbying firm receives and accurately reports as compensation an amount of \$250 or less for reimbursement-type expenses; however, the contract does not contemplate such expenses. This will be reported as an observation rather than a finding. The observation must provide the amount and purpose of the reimbursement.
- A lobbying firm receives payment from a third-party vendor that the principal has contracted with to provide bill-paying services rather than directly from the principal. As long as the lobbying firm has a contract or other documentation that adequately supports this contractual arrangement, this will be reported as an observation rather than a finding.
- A lobbying firm receives provided and accurately reports as compensation from a principal an amount of \$250 or less during the quarter for meals, or other non-monetary items of value, but does not have payment records or original receipts—documentation or allowable written statement(s) to substantiate such as described in sections III.E. and III.F. above. from the

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principal. As long as the lobbying firm provides a written statement regarding these items of value to the audit firm, prior to field work, this will be reported as an observation rather than a finding. The observation must include the amount, frequency, and items of value that were provided to the lobbying firm.

4. Allocation of Compensation

Documentation, as discussed in section III.F. above, must be maintained to support both the method and any percentages used to determine any amounts allocated.

If any compensation amounts have been allocated between any of the following categories of services: (1) lobbying services versus non-lobbying services, (2) Florida legislative branch lobbying versus executive branch lobbying, (3) Florida legislative or executive branch lobbying versus lobbying any level or branch of a local, other state, or federal government, then:

- a) Verify that the explanation(s) and documentation provided by the lobbying firm for each allocation is in accordance with either the allocation determined and documented by the lobbying firm or the default methodology described below for each applicable category.
- b) Using the schedule in section VI.C.3.c above, verify that the allocated compensation amounts were correctly included or omitted from the quarterly lobbying firm compensation reports in order to verify the reported amounts.
- c) Prepare a schedule to document the results and include any documentation provided by the lobbying firm in the workpapers. As described below, certain findings must be included in the AUP report. Any finding must include a description of the amount allocated and any explanation provided by the lobbying firm as to why the allocation method was not documented.

• **Lobbying services versus non-lobbying services**

If the lobbying firm provided non-lobbying services to the principal, the compensation for the non-lobbying services must be excluded from the compensation report.

If the lobbying firm has not utilized and documented a reasonable allocation method between compensation from a principal for lobbying versus non-lobbying services, then the CPAs will probably need to look at additional records maintained by the lobbying firm in order to determine that only

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compensation for lobbying services was included on the quarterly compensation reports.

If there is not sufficient documentation to determine that the amounts reported on the quarterly compensation reports are only for lobbying services rendered, then a finding must be included in the AUP report.

- **Florida legislative branch lobbying versus executive branch lobbying**

If the lobbying firm is providing both Florida legislative branch and executive branch lobbying services, there must be no double reporting of compensation on the legislative branch and the executive branch quarterly compensation reports.

If the lobbying firm has not utilized and documented a reasonable allocation method between compensation for such legislative branch versus executive branch lobbying services rendered, then the assumption will be that the compensation should be equally split (50-50) between the two categories of lobbying services.

A finding must be included in the AUP report if the compensation reported on the quarterly compensation reports is not accurate based on either the allocation records maintained by the lobbying firm or the assumption applied, in the case where no allocation method was utilized and sufficiently documented by the lobbying firm.

- **Florida legislative or executive branch lobbying versus lobbying any level or branch of a local, other state, or federal government**

If the lobbying firm lobbied any level or branch of a local, other state, or federal government, the compensation for these lobbying services must be excluded from the compensation report.

If the lobbying firm has not utilized and documented a reasonable allocation method between compensation received for Florida legislative branch lobbying or executive branch lobbying services versus lobbying any level or branch of a local, municipal, other state, or federal government, then the assumption will be that the compensation should be equally proportioned between the categories of lobbying services described in the contract, agreement or other document that denotes the lobbying services to be provided by the lobbying firm.

A finding must be included in the AUP report if the compensation reported on the quarterly compensation reports is not accurate based on either the

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allocation records maintained by the lobbying firm or the assumption applied, in the case where no allocation method was utilized and sufficiently documented by the lobbying firm.

5. Representation Letters

- a) Obtain a representation letter from the lobbying firm as the responsible party, indicating that the lobbying firm has provided full and complete records to the CPAs, including all pertinent contracts and/or agreements for lobbying services provided during the calendar year and related supporting documentation. A sample representation letter is included as Appendix A. Request that the lobbying firm provide the signed representation letter within seven (7) days of the request date. If the signed representation letter is not received within the timeframe requested, include a finding in the AUP report regarding such and contact the Committee Coordinator for assistance.
- b) Obtain a representation letter from the Committee as the engaging party. An example of the representation letter is included as Appendix B.

6. Written Statement of Explanation or Rebuttal from the Lobbying Firm

Inquire if the lobbying firm would like to provide a written statement of explanation or rebuttal concerning any or all of the auditor's findings for inclusion in the AUP report. Request that the lobbying firm provide such written statement(s) within seven (7) days of the date requested. Include any such written statement of explanation or rebuttal for a finding in the AUP report, as either a paragraph below the applicable finding or an appendix to the AUP report.

7. Preparation of Agreed-Upon Procedures (AUP) Report

Prepare an AUP report in accordance with attestation standards promulgated by the American Institute of Certified Public Accountants as adopted by the Florida Board of Accountancy. A sample report shell is included as Appendix C. Copies of the quarterly lobbying firm compensation reports (original and amended, if any) must be included as an appendix of the AUP report.

Pursuant to the requirements of Section 11.40(3)(f), *Florida Statutes*, a schedule must be prepared and included as an appendix to the AUP report that states the name, address, and title, if any, of any individual in the lobbying firm who failed to fully, voluntarily, and promptly participate in the attestation engagement process, or to provide any reasonably relevant documentation requested by the CPAs in the course of conducting the attestation engagement.

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8. Distribution of Agreed-Upon Procedures (AUP) Report

The AUP report, which includes copies of the quarterly lobbying firm compensation reports (original and amended, if any)⁷ as an appendix, and the schedule prepared in VI.C.7. above, if applicable, must be distributed as follows:

- a) If the AUP report is of a legislative branch lobbying firm, as soon as the engagement is completed, provide an electronic copy of the report to the Committee and to the lobbying firm. In addition, once all engagements have been completed, provide three bound copies of each AUP report to the Committee. The Committee will provide the AUP reports to the President of the Florida Senate and to the Speaker of the Florida House of Representatives.
- b) If the AUP report is of an executive branch lobbying firm, as soon as the engagement is completed, provide an electronic copy of the AUP report to the Committee and to the lobbying firm. In addition, once all engagements have been completed, provide two bound copies of each AUP report to the Committee. The Committee will provide the AUP reports to the Florida Commission on Ethics.

⁷ The “original” quarterly lobbying firm compensation reports refer to the versions that were used by the CPA firm for the agreed-upon procedures. In most cases, it will be the versions provided to the CPA firm by Committee staff. However, if the lobbying firm amended any of the applicable quarterly lobbying firm compensation reports after the date Committee staff printed the reports, but prior to the beginning of the field work by the CPA firm, this version must be used for the engagement and is considered the original report. An “amended” quarterly lobbying firm compensation report refers to the version that was submitted to the Office by the lobbying firm to correct reporting errors found by the CPA firm.

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**APPENDIX A – SAMPLE REPRESENTATION
LETTER FROM LOBBYING FIRM**

[Date]

To **[CPA Firm’s Name and Address]**

In connection with your engagement to apply agreed-upon procedures to the **[legislative branch/executive branch]** Quarterly Compensation Reports of **[Name of Lobbying Firm]** for the **[20__]** calendar year, we confirm, to the best of our knowledge and belief, the following representation made to you during your engagement.

1. We acknowledge that we are responsible for our **[20__]** calendar year **[legislative branch/executive branch]** Quarterly Compensation Reports.
2. We have provided you with all:
 - a) Contracts and/or agreements with principals for lobbying services provided during the **[20__]** calendar year.
 - b) Contracts and/or agreements with other lobbying firms or lobbyists that are working on a subcontractor basis with **[me/us]** for the purpose of lobbying during the **[20__]** calendar year.
 - c) All related documentation necessary to support the total amount of compensation for lobbying activities on each quarterly compensation report and all allocations of compensation received from principals for lobbying activities, including payment records and original receipts documentation.
3. We have disclosed to you all known matters contradicting any information on our **[20__]** calendar year **[legislative branch/executive branch]** Quarterly Compensation Reports.
4. We have disclosed to you any communications from the Florida Legislature affecting our **[20__]** calendar year **[legislative branch/executive branch]** Quarterly Compensation Reports, including communications received between the date of these **[20__]** Quarterly Compensation Reports and the date of your report, **[Date of CPA Firm’s Report]**.
5. We are not aware of any material misstatements in our **[20__]** calendar year **[legislative branch/executive branch]** Quarterly Compensation Reports.

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6. We have disclosed to you all known events occurring subsequent to December 31, [20__] to the date of this letter and the date of your report, [add Date of CPA Firm's Report], that would have a material effect on our [20__] calendar year [legislative branch/executive branch] Quarterly Compensation Reports.

(Signature of Lobbying Firm Executive Officer)

(Printed Name of Lobbying Firm Executive Officer)

(Title of Lobbying Firm Executive Officer)

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**APPENDIX B – SAMPLE REPRESENTATION
LETTER FROM COMMITTEE**

[Date]

To **[CPA Firm’s Name and Address]**

In connection with your engagement to apply agreed-upon procedures to the **[legislative branch/executive branch]** Quarterly Compensation Reports of **[Name of Lobbying Firm]** for the **[20__]** calendar year, we confirm, to the best of our knowledge and belief, the following representations made to you during your engagement.

1. We acknowledge that **[Name of Lobbying Firm]** is responsible for the information included in its Quarterly Compensation Reports for the **[20__]** calendar year in accordance with **[if legislative branch compensation: Section 11.045, *Florida Statutes, Lobbying before the Legislature; registration and reporting; exemptions; penalties* or if executive branch compensation: Section 112.3215, *Florida Statutes, Lobbying before the executive branch or the Constitution Revision Commission; registration and reporting; investigation by commission*].**
2. We are responsible for selecting the procedures and for determining that such procedures are appropriate for our purposes.
3. We have provided you with all relevant information and access under the terms of our agreement.
4. We are not aware of any material misstatements in the **[20__]** calendar year **[legislative branch/executive branch]** Quarterly Compensation Reports of the lobbying firm identified above.
5. We have disclosed to you all known matters contradicting the **[20__]** calendar year **[legislative branch/executive branch]** Quarterly Compensation Reports of the lobbying firm identified above.
6. We have disclosed to you all known communications from the Florida Legislature to the identified lobbying firm affecting the lobbying firm’s **[20__]** calendar year **[legislative branch/executive branch]** Quarterly Compensation Reports, including communications received between the date of these **[20__]** Quarterly Compensation Reports and the date of your report, **[Date of CPA Firm’s Report]**.

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7. We have disclosed to you all information of which we are aware, including all known events occurring subsequent to December 31, [20__], that would have a material effect on the Joint Legislative Auditing Committee's *Guidelines for Attestation Services Relating to Quarterly Lobbying Firm Compensation Reports*.

(Signature of Legislature's Contract Manager)

(Printed Name of Legislature's Contract Manager)

(Title of Legislature's Contract Manager)

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APPENDIX C – SAMPLE AGREED-UPON PROCEDURES REPORT

**INDEPENDENT ACCOUNTANT’S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the President of the Senate and the Speaker of the House of Representatives
(For legislative branch compensation reports)

or

To the Florida Commission on Ethics
(For executive branch compensation reports)

[Introductory Paragraphs]

We have performed the procedures enumerated below on the **[legislative branch/executive branch]** Quarterly Compensation Reports of the lobbying firm, **[Name of Lobbying Firm]**, for the **[20__]** calendar year. Management of **[Name of Lobbying Firm]** is responsible for compliance with those requirements.

The Florida Legislature, Joint Legislative Auditing Committee, has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating **[Name of Lobbying Firm]**'s compliance with the requirements set forth in the *Florida Statutes* relating to the **[legislative branch/executive branch]** lobbying firm Quarterly Compensation Reports for the **[20__]** calendar year. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and any associated findings and observations are included in the table on pages **[xx-xx]**.

We were engaged by the Florida Legislature, Joint Legislative Auditing Committee, to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on **[Name of Lobbying Firm]**'s compliance with the requirements set forth in the *Florida Statutes* relating to the **[legislative branch/executive branch]** lobbying firm Quarterly Compensation Reports for the **[20__]** calendar year.

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Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of **[Name of Lobbying Firm]** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

[Add only if applicable] Pursuant to the requirements of Section 11.40(3)(f), *Florida Statutes*, we were required to prepare a schedule and include such as an appendix to this report that states the name, address, and title, if any, of any individual in the lobbying firm or associated with a principal of the lobbying firm who failed to fully, voluntarily, and promptly participate in the attestation engagement process, or to provide any reasonably relevant documentation requested by our CPA firm in the course of conducting the agreed-upon procedures engagement. Such schedule is included as Appendix 1 to this report.

[Signature of CPA Firm]

[Location of CPA Firm (City, State)]

[Report Date]

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PROCEDURE PERFORMED	RESULT
<p>1. Documentation to be Obtained:</p> <p>a) Obtain the following documentation from the Committee office:</p> <ol style="list-style-type: none"> 1) all of the quarterly lobbying firm compensation reports for the calendar year that the lobbying firm filed with the Office; 2) documentation to support the lobbyists registered and associated with the lobbying firm; and 3) documentation to support the lobbying firm’s authorization to represent each principal. <p>b) Inquire of the lobbying firm whether it filed any amended compensation reports for the calendar year with the Office subsequent to the time the Committee office obtained the compensation reports noted in VI.C.1.a above, but prior to the start of audit fieldwork. If the lobbying firm indicates that it did file an amended compensation report for one or more quarters, obtain a copy of the amended compensation report(s) directly from the Office’s website to verify that such amended compensation report(s) were properly filed.</p>	<p>We noted no exceptions as a result of performing this procedure <i>(or add description of exceptions and any written statement of explanation or rebuttal from the lobbying firm regarding such (or reference the appendix containing the written statement))</i>.</p> <p>We noted no exceptions as a result of performing this procedure <i>(or add description of exceptions and any written statement of explanation or rebuttal from the lobbying firm regarding such (or reference the appendix containing the written statement))</i>.</p>
<p>2. Comparison of Documents Filed with the Office:</p> <p>a) Compare the lobbyist(s) registered for the lobbying firm per the registration documentation obtained in 1.a.2 above to the lobbyists listed on the quarterly lobbying firm compensation reports, noting any differences. Obtain a</p>	<p>We noted no exceptions as a result of performing this procedure <i>(or add description of exceptions and any written statement of explanation or rebuttal from the lobbying firm regarding such (or reference the appendix containing the written statement))</i>.</p>

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PROCEDURE PERFORMED	RESULT
<p>detailed explanation from the lobbying firm for any differences and document the explanation in the workpapers.</p> <p>b) Compare the principal(s) listed for each lobbyist of the lobbying firm per the authorization documentation obtained in 1.a.3 above to the principal(s) listed on the quarterly lobbying firm compensation reports, noting any differences. Obtain a detailed explanation from the lobbying firm for any differences and document the explanation(s) in the workpapers.</p>	<p>We noted no exceptions as a result of performing this procedure <i>(or add description of exceptions and any written statement of explanation or rebuttal from the lobbying firm regarding such (or reference the appendix containing the written statement))</i>.</p>
<p>Continue to list each procedure and provide the result for each procedure [V.I.C.3. - 6. of the <i>Guidelines</i>]</p>	

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APPENDIX D – CHECKLIST FOR CPA FIRMS

Key Personnel	Ensure that any requests to revise Key Personnel are timely submitted to Committee staff. For additions, provide the resume, Florida CPA certificate, and role the individual(s) will have on the AUP engagement(s). All Key Personnel must be Florida-licensed CPAs. Those designated as a Manager/Supervisor must also have five years of experience performing AUP engagements or financial auditing services.
Report Due Date	All reports will have a due date of June 30 th on the initial Task Assignment Agreement. Ensure that any reasonable requests to extend the deadline are submitted prior to June 30 th and include an explanation. If additional extension(s) are necessary to complete the engagement, submit requests prior to any due date in effect.
Electronic copy of AUP Report	<p>Ensure that:</p> <ul style="list-style-type: none"> • If the report includes any findings, you provide the lobbying firm with an opportunity to provide a written statement of explanation or rebuttal concerning any or all of the findings for inclusion in the report. If provided, such statement may be included as either a paragraph below the applicable finding or an appendix to the report; • You have requested and received representation letters from both the lobbying firm and Committee staff; • The report includes an appendix with a copy of the lobbying firm’s quarterly compensation reports (original (used for engagement) and amended (revised based on CPA firm’s findings) if applicable) of the branch that was the subject of the engagement as an appendix; and • The report is emailed to both Committee staff and the lobbying firm. <p>If you have concerns about the report, you may submit a draft for Committee staff review.</p>

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Invoices	<p>Ensure that:</p> <ul style="list-style-type: none"> • The amounts billed do not exceed the authorized amounts on the Task Assignment Agreement; • The amount billed is not the maximum number of hours authorized, unless that was the number of hours actually required to perform the AUP engagement, as this is not a fixed fee engagement; • Any shipping costs billed are only for shipping between the CPA firm and the lobbying firm and receipts are provided to support such costs; • The AUP report was submitted by the due date on the Task Assignment Agreement; and • The invoices include the name, role, and number of hours of each of the Key Personnel who performed services for the AUP engagement. A daily record of hours is not necessary. <p>You may submit the invoice electronically to the Committee staff contact or by mail.</p>
Bound AUP Reports	<ul style="list-style-type: none"> • Submit two bound copies for each executive branch engagement. • Submit three bound copies for each legislative branch engagement. • All bound AUP reports may be submitted at the same time, once all AUP engagements have been completed. A cover letter or separate packaging is not necessary. It is not necessary to send overnight or expedited. • Send to: Joint Legislative Auditing Committee; 111 West Madison St., Rm. 876; Tallahassee, FL 32399-1400.