

JOE NEGRON
President of the Senate



RICHARD CORCORAN
Speaker of the House



Joint Legislative Auditing Committee

Senator Debbie Mayfield, Chair
Representative Daniel Raulerson, Vice Chair

Meeting Packet
Thursday, February 23, 2017
1:30 p.m. to 3:30 p.m.
301 Senate Office Building

**AGENDA
JOINT LEGISLATIVE AUDITING COMMITTEE**

DATE: Thursday, February 23, 2017

TIME: 1:30 p.m. to 3:30 p.m.

PLACE: Room 301, Senate Office Building

MEMBERS:

Senator Debbie Mayfield, Chair

Representative Daniel D. Raulerson, Vice Chair

Senator Dennis Baxley

Senator Audrey Gibson

Senator Kathleen Passidomo

Senator Perry Thurston

Representative Tracie Davis

Representative Randy Fine

Representative Joe Gruters

Representative Roy Hardemon

Representative Cyndi Stevenson

Annual audit of the Department of the Lottery:

Presentation of the Department's financial statements

Presentation of the Auditor General's audit of the Department's financial statements

Presentation of OPPAGA's review of the Department

Consideration of the Department's audit for the 2016-17 fiscal year

Consideration of a request for an Auditor General audit of the City of Opa-locka received from Representative Raulerson

The Committee is expected to consider taking action against educational and local governmental entities that have failed to take full corrective action in response to repeat audit findings, pursuant to ss. 11.45(7)(j) and 218.39(8), F.S.

Lobbying firm quarterly compensation report audits:

Overview and results of 2015 audits

Continuation of any unfinished business from the Committee's previous meeting

Lottery – Materials Provided

1. Department of the Lottery's presentation
2. Auditor General's presentation
3. Florida Lottery Annual Report 2015-2016 (includes the audit by the Auditor General)
4. OPPAGA's presentation
5. OPPAGA's report
6. Section 24.123, *Florida Statutes*

Florida Lottery Financial Statement Overview

Tom Delacenserie
Secretary

Joint Legislative Auditing Committee
February 23, 2017



Purpose

“...to operate the state lottery...so as to maximize revenues [for the Educational Enhancement Trust Fund] in a manner consonant with the dignity of the state and the welfare of its citizens.”

Intent

“That the lottery games be operated by a department of state government that functions as much as possible in the manner of an entrepreneurial business enterprise.”



Financial Highlights

Fiscal Year 2015-16

- Record breaking sales year of \$6.06 Billion (\$479 Million higher than fiscal year 2014-15)
- \$1.586 Billion POWERBALL Jackpot (Florida had one of three winners, nationwide)
- Transferred a record \$1.69 Billion to Educational Enhancement Trust Fund
- Transferred over \$1 Billion to Education for the fourteenth consecutive year
- In the last five years, transferred over \$7B to Education
- The Florida Lottery is recognized nationwide as the 2nd most efficient lottery in the United States and has set a goal to become the most efficient in the nation.



Department of the Lottery | Statement of Net Position
As of June 30, 2016 (In Thousands)

Assets		Liabilities	
Current Assets:		Current Liabilities:	
Cash and cash equivalents	\$ 266,010	Prizes payable	\$ 131,094
Accounts receivable, net	31,924	Due to Educational Enhancement Trust Fund	158,551
Other current assets	<u>4,297</u>	Other current liabilities	<u>9,186</u>
Total Current Assets	<u>302,231</u>	Total Current Liabilities	<u>298,831</u>
Noncurrent Assets:		Current Liabilities Payable from Restricted Assets:	
Restricted Assets		Grand prizes payable	<u>43,294</u>
Cash and cash equivalents	28,268	Total Current Liabilities Payable from Restricted Assets	<u>43,294</u>
Deposit with MUSL	22,793	Noncurrent liabilities:	
Investments, grand prize	<u>348,130</u>	Grand prizes payable from restricted assets	237,968
Total Restricted Assets	399,191	Other long-term liabilities	<u>22,833</u>
Capital assets, net	<u>6,106</u>	Total Noncurrent liabilities	<u>260,801</u>
Total Noncurrent Assets	<u>405,297</u>	Total Liabilities	<u>602,926</u>
Total Assets	<u>707,528</u>	Deferred Inflows of Resources	
		Pension related items	<u>2,179</u>
Deferred Outflows of Resources		Total Deferred Inflows of Resources	<u>2,179</u>
Pension related items	<u>5,007</u>	Net Position	
Total Deferred Outflows of Resources	<u>5,007</u>	Invested in capital assets	6,106
		Restricted for undistributed appreciation	70,871
		Restricted for MUSL	22,793
		Restricted for future prizes or special prize promotions	28,268
		Unrestricted	<u>(20,608)</u>
		Total Net Position	<u>\$ 107,430</u>

**Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2016 (In Thousands)**

Operating Revenues	
Ticket sales	\$ 6,062,354
Bad debt expense	(1,487)
Terminal fees and miscellaneous	7,439
Retailer fees	<u>181</u>
Total Operating Revenues	<u>6,068,487</u>
Operating Expenses	
Prizes	3,868,970
Retailer commissions	337,007
Scratch-Off tickets	55,591
Terminal games	32,650
Advertising	41,180
Personal services	28,379
Other contractual services	7,941
Materials and supplies	1,662
Depreciation	<u>959</u>
Total Operating Expenses	<u>4,374,339</u>
Operating Income	<u>1,694,148</u>



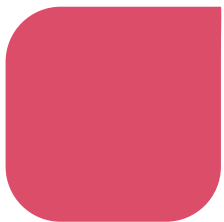
Statement of Revenues, Expenses, and Changes in Net Position (Cont'd)
For the Year Ended June 30, 2016 (In Thousands)

Nonoperating Revenues (Expenses)	
Interest	\$ 4,695
Securities lending income and fees, net	518
Investment management fees	(405)
Net appreciation (depreciation) in fair value of investments	34,246
Property disposition (loss)	15
Amortization of grand prizes payable	<u>(14,779)</u>
Total Nonoperating Revenues (Expenses), Net	<u>24,290</u>
Income Before Operating Transfers	1,718,438
Transfers to Educational Enhancement Trust Fund	\$ (1,692,551)
Change in Net Position	25,887
Net Position, Beginning of Year	<u>81,543</u>
Net Position, End of Year	<u>\$ 107,430</u>





Questions?



STATE OF FLORIDA AUDITOR GENERAL

DEPARTMENT OF THE LOTTERY

Audit Report No. 2017-103

Legislative Auditing Committee
February 23, 2017



Sherrill F. Norman, CPA
Auditor General

Audit Scope and Objectives

- Basic financial statements.
- Effectiveness of internal controls.
- Compliance with legal requirements.

Basic Financial Statements

In our opinion, the financial statements for the FYE June 30, 2016, present fairly, in all material respects, the financial position and changes in financial position and cash flows of the Lottery in accordance with accounting principles generally accepted in the United States of America.

Internal Controls and Compliance

- In our opinion, the Lottery maintained, in all material respects, effective internal control over financial reporting as of June 30, 2016.
- No instances of noncompliance of material consequence to the financial statements.

Additional Matters

- Information Technology Controls
- Minority Retailer Participation

Questions?



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www.myflorida.com/audgen

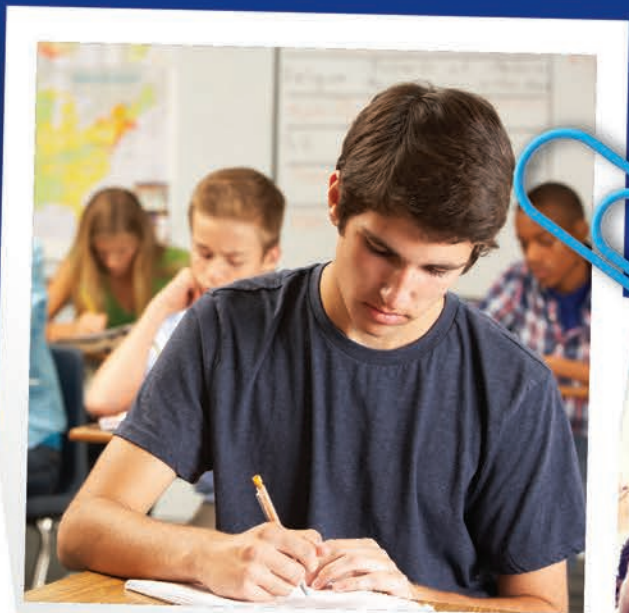


CELEBRATING MILESTONES

ANNUAL REPORT 2015-2016



First Grade



High School



College Graduation!






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MESSAGE FROM THE GOVERNOR

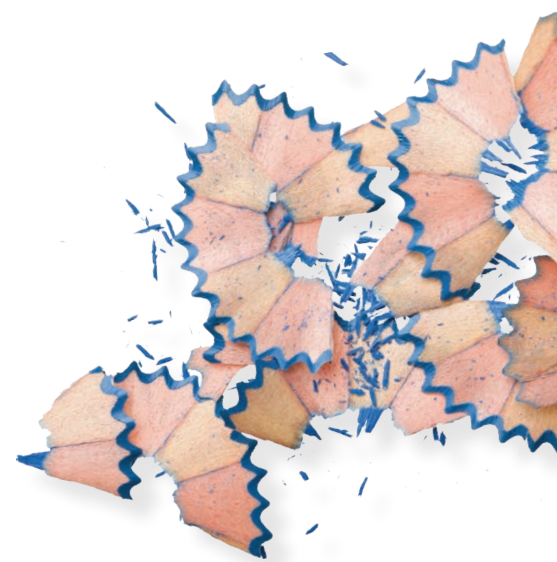
Dear Friends,

This year, the Florida Lottery achieved its fifth consecutive record-breaking sales year and contributed more than \$1.69 billion toward education. This means the Lottery has now provided more than \$30 billion to education since its inception in 1988. These great accomplishments demonstrate the Lottery's commitment to ensuring Florida's students have the resources and opportunities they need to get a great education in our state.

The Lottery is working each day to support Florida's students so they can become tomorrow's leaders, and they are setting an example as one of the most efficient lotteries in the nation, operating on less than two percent of all revenue generated. Congratulations to Secretary Delacenserie and all of the Lottery's dedicated staff on another exciting year, and thank you for supporting Florida's students. I look forward to another year of historic investments in Florida's public education system.

Sincerely,

Governor Rick Scott



MESSAGE FROM THE SECRETARY

Dear Colleagues and Friends,

I am pleased to present the Florida Lottery's 2015-16 Annual Report. In keeping with our mission of maximizing revenues for the enhancement of public education in Florida, we are extremely proud to have celebrated another record year with respect to two major milestones.

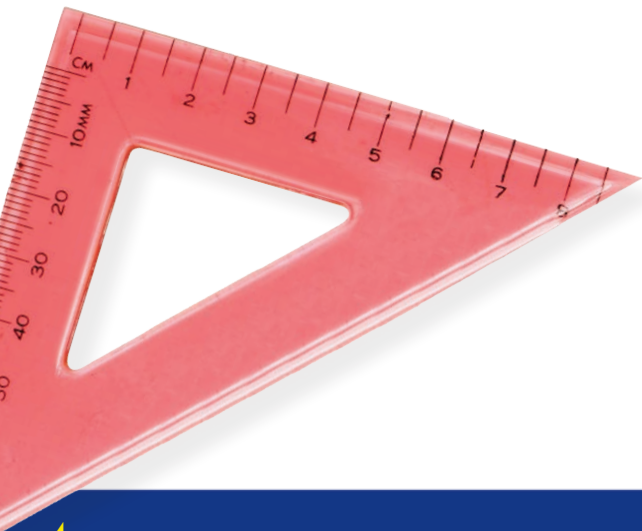
We announced our fifth consecutive all-time record-breaking sales year with more than \$6 billion in annual sales. The Lottery's commitment to corporate outreach and its effective business model focused on the development of new revenue streams, creating a win-win partnership with its retailers and vendors, and helping to benefit Florida's overall economy.

Of course, our true success is measured by the impact we have on Florida's students and schools. This year, the revenue generated for education reached \$1.69 billion, marking the 14th consecutive year that the Florida Lottery has contributed more than \$1 billion to Florida's education system and enabling us to surpass \$30 billion in total education contributions since opening our doors in 1988.

With the continued support of our players and dedicated retailers and employees, and with the leadership of Governor Rick Scott and the Florida Legislature, the future looks bright for the Florida Lottery and Florida's students and schools.

Sincerely,

Secretary Tom Delacenserie



CONTRIBUTIONS TO EDUCATION

Laying the Foundation for a Better Florida

The Florida Lottery transferred \$1.69 billion in revenue to the Educational Enhancement Trust Fund (EETF) in fiscal year 2015-16. This brings the total amount generated for education over the Lottery's 28 year history to more than \$30 billion. FY 2015-16 also marked the 14th consecutive year the Lottery contributed more than \$1 billion to Florida's education system.

Our mission is to maximize revenues for the benefit of public education. By any measure, we have succeeded in this effort. This year we continued to enhance our relationships with educators and school administrators through a variety of initiatives that include recognizing teachers and leaders in education at Lottery sponsored events. We understand that education funding is critical to maintaining Florida's position as a national competitor for top companies that will create jobs and keep our state economically competitive with a highly skilled workforce of problem solvers, creative thinkers, entrepreneurs and leaders - in other words, a workforce that is second to none.

The benefit of Lottery revenues are felt across all of Florida's 67 counties at every level from K-12, to state colleges and universities. In addition to these important programs, the EETF also serves as the primary funding source for the Florida Bright Futures Scholarship Program. This program, created in 1997, continues to provide assistance to Florida's best and brightest as they pursue their academic goals at state colleges and universities. To date, more than \$5 billion in Lottery funds has helped more than 750,000 students pursue their academic goals by remaining in state.

From the first day of classes to college graduation and every day in between, Florida students are acquiring a quality education that will help them build a better tomorrow. With every Florida Lottery ticket purchased, our players are helping students and teachers across the state excel. The Florida Lottery is proud of our commitment to education, and remains dedicated to ensuring a future where every student wins.



2015-2016

CELEBRATING MILESTONES: A YEAR IN REVIEW



JULY

The WEEK FOR LIFE family of Scratch-Off tickets is offered at the \$1, \$2, \$5 and \$10 price points. Sales contribute more than \$71 million in contributions to the Educational Enhancement Trust Fund (EETF) – a strong start for fiscal year 2015-16.



SEPTEMBER

The Lottery marked its 1,000th Scratch-Off game with the launch of its newest ticket, \$5,000,000 FLAMINGO MULTIPLIER. FLAMINGO MULTIPLIER set a Florida Lottery record for the best single week by a \$20 Scratch-Off game with more than \$16 million in sales.



NOVEMBER

A partnership with Florida's major universities led to a second chance promotion that built on previous partnerships with college football. At each university, the Lottery took part in a Bright Futures ceremonial check presentation. The FANTASY 5® College Football Promotion received more than 1.2 million entries statewide.

AUGUST

LaFleur's World Lottery Almanac, an internationally recognized lottery industry publication, ranks Florida the second most efficiently operated lottery in the country with administrative expenses of just 2.8 percent.



OCTOBER

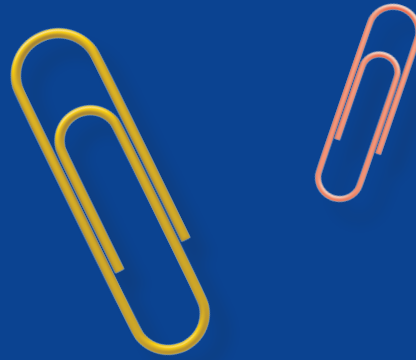
Records are shattered as the Florida Lottery celebrates the best first quarter ever in its 27-year history with \$1.35 billion in sales.



DECEMBER

HOLIDAY MILLIONAIRE RAFFLE™ returns, offering players their best odds to win \$1 million of any Lottery game. A total of seven winners won \$1 million in the New Year's Eve Drawing. In total, 1,552 Raffle winners received \$8.67 million in prizes.





JANUARY

A Florida player was one of three nationally to win the record-setting \$1.586 billion POWERBALL® jackpot held on Wednesday, January 13.



MARCH

The Lottery achieves the highest, single-week Scratch-Off sales of any lottery in the country, resulting in \$16.99 million being generated to the EETF.



MAY

More than 36,000 high school graduates become eligible to receive Bright Futures scholarships. Since start-up, the Lottery has sent more than 725,000 students to college through the Bright Futures Scholarship Program.



FEBRUARY

For the first time ever, the Lottery partnered with the Tampa Bay Lightning hockey team to offer the BE THE THUNDER Second Chance Promotion.



APRIL

The Lottery hosts an event at The Villages with television personality Vanna White to promote the launch of the \$5 Scratch-Off game WHEEL OF FORTUNE®. Sales exceeded \$6.1 million in its first week, setting a record for the highest first week of sales by any game at that price point.



JUNE

The Florida Lottery announces its fifth consecutive record breaking year, with an estimated \$6.06 billion in annual sales and \$1.7 billion in contributions to education during fiscal year 2015-16. This will lead to an anticipated over \$30 billion in contributions to education since 1988!

STRATEGIC ALLIANCE PARTNERSHIPS AND PROMOTIONS

The Florida Lottery formed a number of mutually-beneficial strategic alliance partnerships this year, allowing us to acquire new customers; increase revenue; expand our geographic reach; extend product lines; access new technologies and share resources.

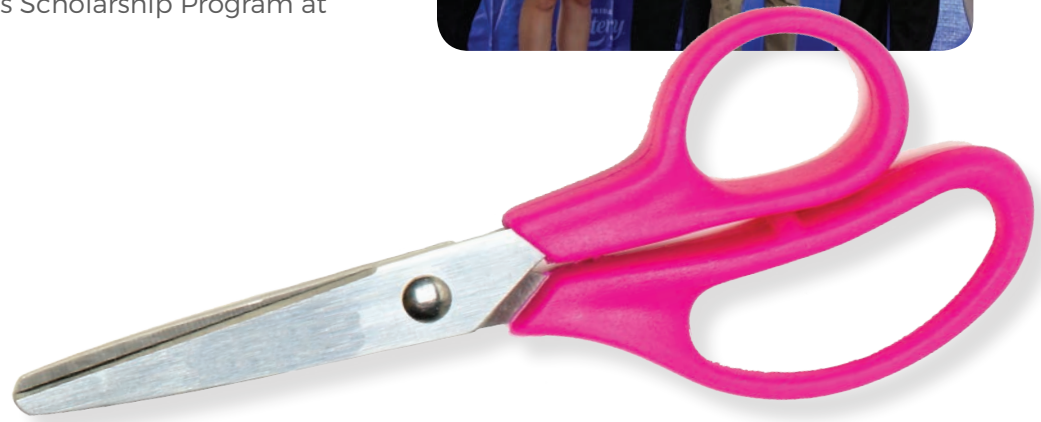
By partnering with **NASCAR**, the Lottery was able to reach millions of race car enthusiasts during several races throughout the 2015-2016 season including the Coke Zero 400, Daytona 500, and NASCAR Championship Weekend. The Lottery teamed up with several drivers during the race weekend by inviting them to the Florida Lottery activation area to meet with fans and answer questions. During the events, drivers Austin Dillon, Ben Kennedy, Landon Cassill and David Gilliland all appeared on the Lottery stage. At each event, sales terminals ran continuously as the Lottery provided entertainment and the drivers interacted with the crowd. These NASCAR events generated nearly \$200,000 in Lottery sales and a media value of more than \$1 million.



In April 2016, the Lottery hosted an event at The Villages to promote the launch of the **WHEEL OF FORTUNE** Scratch-Off ticket. Television personality Vanna White greeted fans and helped generate excitement for the new ticket. Vanna appeared on stage, conducted radio and television interviews, and signed autographs, leading to the largest attended Lottery event at The Villages to date. A total of more than \$180,000 in sales was generated thanks to this one-day event.



The fall is always an exciting time at the Lottery. A partnership with Florida's major universities including Florida State University, the University of Florida, the University of Central Florida, and the University of South Florida led to a second chance promotion that built on the previous partnerships with college football. The **FANTASY 5® College Football Promotion** received more than 1.2 million entries statewide. Thanks to a partnership with KIA, the top prize in the promotion was a 2016 KIA Sorento. Additional prizes included season football tickets, bowl game trips and more. At each of the universities, the Lottery took part in a Bright Futures ceremonial check presentation. A Lottery official presented each school with an oversized check representing the amount of Lottery dollars contributed to the Bright Futures Scholarship Program at each school.



The Lottery was excited to partner with the Tampa Bay Lightning hockey team in the spring of 2016, to offer the **BE THE THUNDER Second Chance Promotion**.

This promotion ran through the second half of the NHL hockey season and offered Lottery players in central Florida the chance to win away game fly-away trips, season tickets, autographed merchandise and more.

The Lottery was the game-day sponsor for two of the Lightning games. During these games, every fan who entered the Amalie Arena in downtown Tampa received a card with a "Lucky Number". During a break in action, a number was randomly drawn from a retired ball machine. The fans with the corresponding number on their card won a \$250,000 CASHFALL Scratch-Off ticket.

These strategic alliance partnerships proved extremely beneficial in helping the Lottery grow and market its products while also increasing brand awareness and the ability to reach new markets.



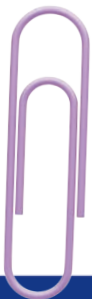
SPECIAL EVENTS

The Lottery participated in 108 community events throughout Florida which helped increase public awareness of the Lottery's education mission and contributions, while helping to highlight new games and promotions. The Lottery expanded its partnership with Florida's Department of Education and Just Read, Florida!

In addition to the Kick-Off Pep Rally; PSA Contest Winners Announcement; and school visits that comprise the events of Celebrate Literacy Week; this year the Lottery also helped sponsor "POP-UP Quiz Show" events at 22 middle schools across the state. Several teams of middle school students played the role of contestants on a quiz show where their civics knowledge was tested. Each participating school received a collection of donated books.



The Lottery once again welcomed Florida's college students back to school by co-hosting Bright Futures Ice Cream Socials on the campuses of 11 Florida colleges and universities including Florida Atlantic University; Florida International University; the University of West Florida; the University of Central Florida; the University of North Florida; the University of Florida; the University of South Florida; Chipola College; Tallahassee Community College; Florida Agricultural & Mechanical University; and Florida Gulf Coast University.



During each event, school officials and Bright Futures recipients joined Lottery staff to share the importance of higher education and the important role the Lottery plays in supporting their school and the Bright Futures Scholarship Program. Students received custom Bright Futures t-shirts in their school colors and ice cream was provided by Lottery corporate retailer Winn-Dixie, Inc.



WINNING MOMENTS



Draw Games: Draw game sales also increased significantly, with players collecting millions in prizes including 60 players who won \$1 million or more. POWERBALL® madness swept the nation as the jackpot rolled to an unprecedented \$1.586 billion on January 13. The Lottery was proud to announce that a Florida player was among three lucky winners nationally who would share in the world-record jackpot winnings. The \$528.8 million prize was claimed by the Nickel 95 Trust. Its trustee, Maureen Smith of Melbourne Beach, chose to receive her winnings in a one-time, lump-sum payment of \$327,835,077.79



Scratch-Off Games: Florida Lottery Scratch-Off games created 33 new millionaires, awarded more than \$90 million in prizes, and had more than 120,000 winners of \$600 or more this year. Players who weren't instant winners on their Scratch-Off tickets got a second chance to win when they entered their non-winning tickets into a variety of fun and exciting second chance promotions. Scratch-Off games have seen a momentous rise in popularity with the launch of 32 new games this year that successfully appealed to Florida's diverse population and visitors from around the world.





Promotions: In addition to traditional Scratch-Off and Draw game prizes, Lottery players had other chances to win prizes ranging from free Scratch-Off tickets, to college and professional sporting tickets and merchandise, and even a brand new car. These opportunities were available through a variety of promotional, second chance and social media contest opportunities that boosted excitement among loyal Lottery players while also appealing to a younger demographic.

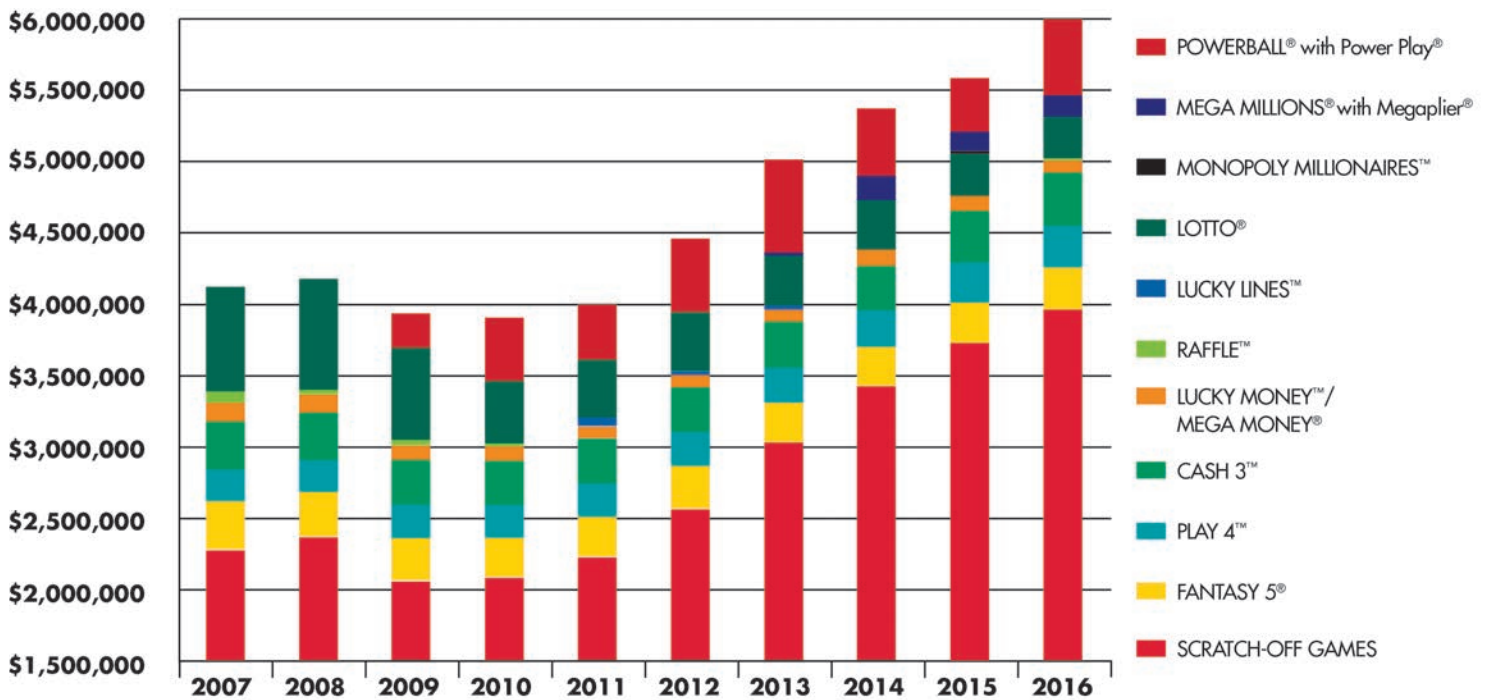


The Florida Lottery is proud to make the dreams of our players a reality, while also helping to send over 750,000 students to college through the Bright Futures Scholarship Fund. Since opening our doors in 1988, each game has been designed with our players in mind. We look forward to continuing to create opportunities for our players and winners through the development of new and innovative games and promotions.

ENHANCING BUSINESS PARTNERSHIPS

Goals & Sales: This was a historic, record-breaking year for Lottery ticket sales. The sales goal of \$5.7 billion was surpassed by \$360 million as players purchased more than \$6 billion in tickets. In terms of sales, the Lottery would rank above Harley Davidson and Mattel on the Fortune 500 list. Both Scratch-Off sales at \$3,954,701,000, and Draw sales at \$2,107,653,000, broke all previous sales records.

**Department of the Lottery
Historical Lottery Sales by Game
(In Thousands)**



Department of the Lottery | Historical Lottery Sales by Game | Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	LOTTO	FANTASY 5	PLAY 4	CASH 3	LUCKY MONEY / MEGA MONEY	RAFFLE	LUCKY LINES	POWERBALL with Power Play	MEGA MILLIONS with Megaplier	Monopoly Millionaires	Scratch-Off	Combined Sales
2007	\$ 735,585	\$ 326,241	\$ 225,285	\$ 348,694	\$ 130,142	\$ 72,549	\$ -	\$ -	\$ -	\$ -	\$ 2,283,620	\$ 4,122,116
2008	778,954	309,445	227,940	336,096	122,742	30,818	-	-	-	-	2,368,781	4,174,776
2009	650,603	287,285	238,957	320,157	102,190	41,314	-	233,396	-	-	2,064,135	3,938,037
2010	445,881	281,963	235,027	304,039	92,060	29,334	-	434,062	-	-	2,078,133	3,900,499
2011	411,389	282,777	235,692	313,270	88,971	12,603	45,369	392,969	-	-	2,225,676	4,008,716
2012	419,040	290,672	244,711	314,747	92,346	-	17,692	503,697	-	-	2,566,991	4,449,896
2013	352,375	281,492	244,141	324,539	89,500	12,879	8,582	654,263	16,698	-	3,028,527	5,012,996
2014	349,114	288,237	257,752	339,636	79,483	-	-	469,292	167,573	-	3,417,143	5,368,230
2015	300,961	287,803	276,217	363,251	103,196	-	-	375,057	147,370	5,481	3,723,995	5,583,331
2016	291,382	296,307	291,651	379,757	84,881	11,724	-	602,001	149,950	-	3,954,701	6,062,354

Lottery District Office Successes: Three of the Lottery's nine sales districts individually exceeded sales of \$1 billion for the year. While the Miami district had previously exceeded the \$1 billion mark, this was another record year for them with sales of \$1,367,400,858. The Tampa district reached \$1,052,695,275 and the Orlando district reached sales of \$1,050,462,880. All nine sales districts exceeded their annual sales goals.

The sales team continued to look for merchandising opportunities in the stores and added more than 33,000 new Scratch-Off ticket facings this fiscal year. These efforts had a significant impact on increasing sales. Additional facings allowed players to access the 70 – 80 different Scratch-Off games at any given time throughout the year. The additional facings also helped retailers keep tickets fully stocked.

The \$1.586 billion POWERBALL® jackpot, reached in January resulted in record Draw game sales as well as one Florida jackpot winner among three nationally, one \$2 million winner, and eleven \$1 million winners. This series of jackpot rolls garnered retailer commissions in excess of \$14 million.

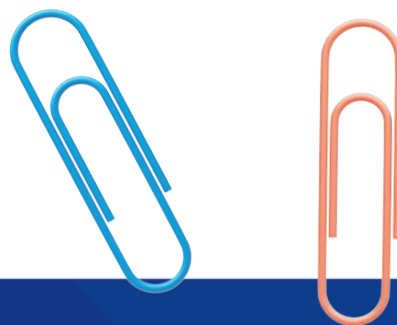
The Lottery's LED jackpot signs proved very successful as well. The stores displaying these signs enjoyed a 5.3% higher volume of sales for Lottery jackpot games than stores without the signs. This product successfully brought Lottery players into stores to purchase both Lottery and non-Lottery products.

Record sales resulted in 259,989 claims processed at the Lottery's district offices in Pensacola, Tallahassee, Gainesville, Jacksonville, Tampa, Orlando, Fort Myers, West Palm Beach and Miami.

Corporate Growth: This year, the Lottery's Corporate Accounts team aggressively pursued sales opportunities through merchandising and marketing efforts. Corporate account sales increased by 10.6% overall, Scratch-Off sales by 7.5%, and draw games by 16.1%.

Corporate Accounts experienced new store growth as many top 25 chain partners across Florida expanded. Wawa, RaceTrac, Publix and Walmart all demonstrated significant growth, particularly in central and south Florida. Walmart's expansion included several of their Fuel Center concept stores.

Working together with key chain partners to improve Lottery presence proved to have a positive impact on sales while also benefiting consumers. Enhancements included custom dispenser options, point of sale, and Play Station designs in addition to placement of digital jackpot messaging.



PRODUCT DEVELOPMENT



Draw Games: In October 2015, enhancements were made to the POWERBALL® game to provide better overall odds, a \$50,000 third prize and the addition of a 10X multiplier on Power Play. Soon after, POWERBALL rolled to a new world-record jackpot of \$1.586 billion on January 13, 2016, and generated the biggest Florida sales week ever, topping \$230.7 million in a single week. This POWERBALL jackpot roll series, which began on November 7, 2015, resulted in more than 5.3 million winning tickets in Florida, totaling more than \$558.8 million in prizes and creating 18 new Florida POWERBALL millionaires. Additionally, Florida Lottery retailers earned more than \$14 million in commissions and bonuses during this jackpot series, which also generated more than \$114 million for education, the most ever raised for education from a single Florida Lottery jackpot.

Three limited-time promotions were offered during the fiscal year to provide a lift in sales and encourage trial play of popular Draw games. A fall and spring offering of GROUPE® allowed players to sample all Florida's in-state Draw games for \$5 and get one free. The variety of games appealed to core players and Florida visitors, and the free ticket added value and offered a purchase incentive for the higher price point. The two promotions brought in more than \$4 million in combined sales. To promote EZmatch™ sales for both FANTASY 5® and LUCKY MONEY™, the Lottery offered more and higher EZmatch prizes during an eight-week promotional period. As a result, an additional \$4.8 million in sales was achieved, generating an added \$1.3 million in revenue for education.

Holiday MILLIONAIRE RAFFLE also returned for a limited time, offering the best odds to win \$1 million of any Florida Lottery game. A total of seven winners won \$1 million in the New Year's Eve Drawing. To encourage sales throughout the promotional period, five weekly drawings offered players a chance to win up to \$10,000, along with an early bird incentive, in which seven players who entered the Playoff Bonus Drawing were given a chance to win up to \$20,000 on field at the College Football Playoff Semi-final in the Orange Bowl on New Year's Eve. In total, 1,552 Raffle winners received \$8.67 million in prizes.

Florida Lottery Draw games increased by almost \$250 million in FY 2015-16, eclipsing the \$2 billion mark for the first time in history. Draw game sales alone contributed more than \$824 million in revenue to education.





Scratch-Off Games: The Lottery launched 32 new Scratch-Off games with a variety of themes; colors; play styles; top prizes; and price points to appeal to Florida's unique and diverse population. Scratch-Off sales saw a robust increase of more than \$230 million compared to the previous year, or approximately a six percent increase. The Lottery achieved a record in fiscal year 2015-2016 for the fifth consecutive year with more than \$3.9 billion in total Scratch-Off sales. The increase in Scratch-Off sales contributed more than \$45 million in additional transfers to education.

In July, the Lottery offered the WEEK FOR LIFE family at the \$1, \$2, \$5 and \$10 price points, which accounted for over \$380 million in sales and contributed more than \$71 million to the Educational Enhancement Trust Fund (EETF). The WEEK FOR LIFE family of Scratch-Off games was supported by a second chance promotion that provided players an opportunity to enter their non-winning tickets for a chance to win up to \$50,000. The successful second chance promotion showed excellent engagement with an average of 48,000 unique players per drawing.

The Lottery introduced its newest \$20 game in September, \$5,000,000 FLAMINGO MULTIPLIER, which set a Florida Lottery record for the best single week by a \$20 Scratch-Off game with more than \$16 million in sales. In fiscal year 2015-2016, \$5,000,000 FLAMINGO MULTIPLIER produced more than \$339 million in sales and contributed more than \$63 million in contributions to the EETF.

In January, the Lottery capitalized on the appeal and popularity of \$5,000,000 FLAMINGO MULTIPLIER by offering a family of FLAMINGO MULTIPLIER Scratch-Off games at the \$1, \$2, \$5 and \$10 price points. Launching the family in January revived promotional support of the \$20 game, resulting in the FLAMINGO MULTIPLIER family accounting for more than \$591 million in Scratch-Off sales and generating more than \$111 million in revenue for education.

The Lottery launched \$5 WHEEL OF FORTUNE® in April of 2016, which went on to become one of the top-performing \$5 Scratch-Off tickets of all-time. After setting a record for the most sales by a \$5 game in a single week at more than \$7.6 million, WHEEL OF FORTUNE sustained momentum and brought in over \$60 million in sales during fiscal year 2015-2016. The game was supported by a second chance promotion which gave players an opportunity to win a grand prize VIP trip package to Hollywood to participate in a non-broadcast version of the popular Wheel of Fortune game show. The Lottery saw outstanding participation during the second chance promotion, as 774,000 tickets were entered by approximately 78,000 players through the drawing period.



ORGANIZATIONAL STRUCTURE

As required by subsection 24.105(4), Florida Statutes, the following information reflects the organizational structure of the Florida Lottery on June 30, 2016.

Office of the Secretary directs the operations of the Florida Lottery and is responsible for the effective management of the Lottery in accordance with directives identified in statutes and corresponding rules, policies and procedures.

Office of the General Counsel provides consultation, direction and representation in all legal matters affecting the Lottery.

Office of the Inspector General assists the Secretary with internal control systems necessary to ensure the fiscal accountability and integrity of the Lottery. The office is responsible for performing financial, compliance, and performance audits of the Lottery, and preparing audit reports of said findings and investigations.

Office of the Chief of Staff assists the Secretary in providing excellence in customer service, overall organization, direction, and coordination, both in day-to-day activities and in long-range planning.

- **Legislative Affairs** is responsible for promoting and securing the passage of the Secretary's and the Governor's legislative objectives by the Legislature.
- **Communications** promotes awareness of the Lottery's role in generating money to enhance public education in Florida. Communications also coordinates all Lottery activities with the news media, including spokesperson interviews, media inquiries, news conferences and press releases, and provides public relations support for new game launches, promotions and events. Communications is responsible for the Lottery's social media efforts, and produces official Lottery publications.
 - **Customer Service**, a unit within Communications, serves as the Lottery's direct liaison to players, responding to inquiries regarding games and various other facets of operations. It also manages customer correspondence via phone calls, emails and letters.
- **Security** provides security services for the Lottery, including protection of buildings and facilities, investigative activities and game draws. In addition, the Division of Security conducts background investigations for vendors, retailers and employees; manages the safety awareness program and the Lottery's continuity of operations plan (COOP).
 - **Investigations and Operations** monitors the physical security of all Lottery facilities and investigates security breaches. This unit also investigates problem claims and allegations of potential illegal activity, and is responsible for managing the draw process.
 - **Intelligence and Administrative Support** conducts background investigations on potential vendors, contractors, retailers and employees, and provides analytical support for other criminal investigations. This section provides maintenance and hardware support for the Integrated Security System and manages the agency's loss prevention program, which aids retailers in reducing ticket theft and informs the general public of Lottery-related scams and other fraudulent activity.
- **Human Resources** provides strategic leadership relative to employee recruitment, retention and training. The division administers a comprehensive human resources program including recruitment, selection, performance management, payroll, training, benefits, classification and pay, and attendance and leave.

Office of the Deputy Secretary of Administration assists the Secretary by managing programs aimed at increasing lottery sales, transfers to the Educational Enhancement Trust Fund and financial management strategy. This office is actively involved in strategic planning, IT and administrative support, and the financial management of the Florida Lottery

- **Procurement** provides strategic service in the acquisition of commodities and contractual services necessary in the operation of the Florida Lottery. Additional services include administering general and routine activities that result in the issuance of purchase orders and execution of contracts.





- **General Services** manages and administers the contract management process as well as provides resources in the monitoring of contract deliverables. It also provides direction to ensure the minority business community participates in the Lottery's procurement and contracting processes.
- **Support Services** provides the day-to-day operational services including facilities management, fleet management, property/ inventory control, warehousing operations, records management and mail operations. The unit oversees janitorial and other administrative contracted services.
- **Finance and Budget** assists the Secretary by providing fiscal direction for the Lottery to grow responsibly in a profitable and sustainable manner. The division oversees the development and monitoring of the budget, all financial reporting, disbursements and monitoring of cash flows.
 - **The Budget unit** prepares the annual legislative budget request and any necessary budget amendments for the Lottery, monitors expenditures to ensure budgetary compliance, and coordinates the development of the Lottery's long-range program plan.
 - **Financial Reporting** is responsible for the production and distribution of all financial reports. The unit produces the statutorily required monthly financial report and annual financial statements, and all schedules and reports required for the Florida Comprehensive Annual Financial Report.
 - **Vendor Disbursements** is responsible for making payments to vendors supplying goods and services to the Lottery.
 - **Cash Management Unit** is responsible for coordinating all cash activities. This includes collecting funds from retailers, covering required disbursements, coordinating all banking activities and managing all investments.
- **Retailer Contracting** evaluates and approves retailer applications and enters into contracts with retailers that will best serve the public interest and provide adequate and convenient availability of Lottery tickets. The unit directly supports the Lottery's efforts in the recruitment and retention of retailers. Through its application and contract renewal process, this unit evaluates the integrity and financial responsibility of all Lottery retailers. The unit is also responsible for collection efforts by tracking retailer payment delinquencies and coordinating financial reviews of retailers, as necessary.
- **Claims Processing** processes the prize payments of tickets submitted to Lottery headquarters, assists district offices with the payment of prizes presented at those offices, and coordinates all tax withholding and reporting requirements with the Internal Revenue Service.
- **Information Security Management (ISM)** develops and coordinates information security infrastructure and programs to provide protection and ensure integrity for the computers, data and networks.
- **Information Resources** provides strategic and automated solutions to fulfill the Lottery's business needs through efficient and effective development and deployment of the Lottery's information technology resources, including optimizing the sale of Lottery tickets and ultimately enhancing contributions to education. Operations consists of the following units:
 - **Software and Data Services** automates and improves the Lottery's business processes by building information applications that enable and optimize the development of new Lottery products, payment of winners, electronic payment by retailers, retailer incentive programs and other mission-critical initiatives.
 - **Software Quality Assurance** is responsible for researching gaming system functional requirements and performing user acceptance testing on all gaming system software prior to implementation.
 - **Systems and Operations Services** maintains a secure, power redundant data center environment, provides telecommunications systems and services, and provides desktop computing and technology infrastructure services for the Lottery. This unit also maintains the Lottery's Information Technology Disaster Recovery plan.
 - **Games Administration** manages all retailer accounting and systems related to game transactions, including ticket inventory. The unit coordinates all terminal gaming functions for Lottery Draw games, including closing games for draws, entering the winning numbers into the gaming system, and setting the games to pay winners. Games Administration serves as the system coordinator and liaison to all Lottery retailers.

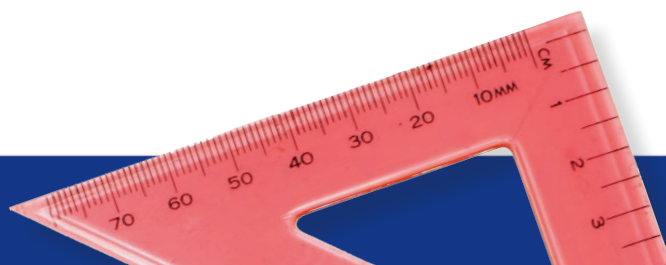
Director of Sales assists the Secretary by increasing sales statewide through effective product development and research, along with the implementation of a strong sales and marketing plan.

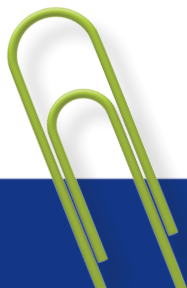
- **Division of Sales** plans effective sales strategies and training in advance of all new product launches, in addition to overseeing the activities of, and disseminating policies and procedures to, the nine statewide district offices.
 - **Corporate Sales** is responsible for the growth and development of the Lottery's corporate business. The unit serves as a liaison between Lottery and main corporate offices of retailers statewide.
 - **District Offices** manage the sale, promotion and redemption of Lottery products through a statewide network of more than 13,000 Lottery retailers. In addition to the office management staff, each of the nine district offices employs a staff of sales representatives who assist in the promotion and sale of Lottery products at the retail level.
 - **ADA Office** ensures that all policies and directives relating to the Americans with Disabilities Act (ADA), as they pertain to Lottery retailers, are implemented and upheld.
- **Product Development and Research** provides direction, oversight and evaluation of daily business functions related to research, product development and business development with the primary focus of managing programs aimed at increasing Lottery sales and transfers to the Educational Enhancement Trust Fund.
 - **Research** initiates and oversees consumer market studies primarily contracted through the Lottery's research vendor of record. The unit's projects center on consumer, retailer, retail environment and advertising campaign analysis. The unit also provides valuable data used to determine products to be developed, revenue forecasting and overall program effectiveness.
 - **Product Development** provides direction and oversight in the creation, design, development and management of Lottery Draw and Scratch-Off products.

Brand Management oversees all areas relating to the promotion and sale of Lottery products, strategic alliance partnerships, marketing, graphics and special events and promotions.

- **Advertising** drives sales by supporting product launches and bringing awareness to Lottery products and contributions to education. The Lottery's advertising is designed to not only inform and persuade the general public to purchase available products, but to also generate increased purchases of Lottery games over time through strategic "branding" efforts. In addition to traditional radio and television media buys in the General, Hispanic and Haitian markets, the Lottery advertises on static and digital billboards, on social media, and has a presence on nightly Draw television carrier stations.
- **Strategic Alliance** drives the growth of the Lottery beyond its core business, and initiates and manages key promotional business and marketing initiatives. Responsibilities also include identifying, evaluating, negotiating, and implementing new strategic alliances and corporate sponsorships.
- **Graphics** provides overall art design and direction for the Lottery, including quality control for Scratch-Off ticket design, logo usage, publications, promotional items and graphic presentations.

Special Events increases the awareness of Lottery products and contributions to education through special promotions, promotional merchandise and participation in special events in communities throughout Florida. Responsibilities include off-site, live game drawings, retailer promotions and Lottery Showvan scheduling.





FINANCIAL STATEMENTS

FISCAL YEARS ENDED JUNE 30, 2016, AND 2015



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Department of the Lottery (Lottery), an enterprise fund of the State of Florida, as of and for the fiscal years ended June 30, 2016, and 2015, and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting

policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the Lottery as of June 30, 2016, and 2015, and the respective changes in financial position and cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements of the Lottery present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities and major funds of the State that is attributable to the transactions of the Lottery. These financial statements do not purport to, and do not, present fairly the operations of the State of Florida as of June 30, 2016, and 2015, or the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1.U., the Lottery adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. Adoption of this statement resulted in additional disclosures related to fair value hierarchy and pricing sources in the notes to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 27 through 32) and schedules of the Lottery's proportionate share of the net pension liability and contributions (page 57) be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lottery's basic financial statements. The Message from the Governor, Message from the Secretary, Contributions to Education, Celebrating Milestones: A Year in Review, Strategic Alliance Partnerships and Promotions, Special Events, Winning Moments, Enhancing Business Partnerships, Product Development, and Organizational Structure on pages 3 through 20 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Message from the Governor, Message from the Secretary, Contributions to Education, Celebrating Milestones: A Year in Review, Strategic Alliance Partnerships and Promotions, Special Events, Winning Moments, Enhancing Business Partnerships, Product Development, and Organizational Structure have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable *Government Auditing Standards*, we have also issued a report on our examination of the Lottery's internal control over financial reporting, and on our tests of the Lottery's compliance with certain provisions of laws, rules, regulations, contracts, and other matters included under the heading **INDEPENDENT AUDITOR'S 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***. As noted by that report dated January 25, 2017, we have examined, in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements in *Government Auditing Standards*, the Lottery's internal control over financial reporting as of June 30, 2016, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and expressed an unqualified opinion. With respect to compliance, the purpose of that report is not to provide an opinion on compliance, but rather to describe the scope of our testing of compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lottery's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
January 25, 2017
Audit Report No. 2017-103

MANAGEMENT'S DISCUSSION AND ANALYSIS

The information presented in the Management's Discussion and Analysis (MD&A) introduces the Florida Lottery's (Lottery) financial statements and provides readers an analytical overview of the Lottery's financial activities and performance for the fiscal years ended June 30, 2016, and 2015. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements, which begin on page 34.

FINANCIAL HIGHLIGHTS

The Lottery has as its mission the maximization of revenues for the benefit of education in a manner consistent with the dignity of the State of Florida and the welfare of its citizens. The Lottery is considered a mature lottery and offers its players a full range of both Scratch-Off and Draw products. The Lottery has been successful in sustaining ticket sales in excess of \$2 billion for the twenty-seventh consecutive fiscal year, with the past four fiscal years exceeding \$5 billion. During the same twenty-seven year period, the transfer to the Educational Enhancement Trust Fund (EETF) has been a minimum of \$800 million annually, with the fiscal year 2016 transfer exceeding \$1 billion for the fourteenth consecutive year.

For the fiscal year ended June 30, 2016:

- Transfers to the EETF were approximately \$1.69 billion this fiscal year compared to \$1.50 billion in the prior fiscal year.
- The Lottery's ticket sales increased by 8.58 percent over the prior fiscal year from approximately \$5.58 billion to \$6.06 billion.
- Approximately 65.23 percent of total sales were provided by the Scratch-Off product line. This shift in product mix from the higher profit-margin Draw product to the lower profit margin Scratch-Off product directly impacts the amount transferred to the EETF.
- Prize expense increased \$241.03 million, which represents a 6.64 percent increase during fiscal year 2016. The Lottery has the authority to vary the prize expense in order to maximize transfers. This expense typically increases or decreases in proportion to ticket sales and represented approximately 63.82 percent of ticket sales.
- The gaming vendors' fees and retailer commissions are based on sales and therefore fluctuate in direct correlation with sales revenue. Fiscal year 2016 expenses for these items increased 8.04 percent over the prior fiscal year expenses in conjunction with the increase in sales.
- Administrative operating expenses, which include advertising, salaries and benefits, rent, utilities and maintenance, professional fees, depreciation, and other administrative expenses, experienced an increase of \$4.42 million. Administrative operating expenses for fiscal years 2016 and 2015 were \$80.12 million and \$75.70 million, respectively.
- Nonoperating income increased \$25.51 million over the prior fiscal year. The increase was primarily due to an increase of \$21.64 million in the fair value of investments.
- EETF transfers from unclaimed prize money increased \$21.09 million over the prior fiscal year. Transfers from unclaimed Draw games increased \$2.04 million while transfers from unclaimed Scratch-Off games increased \$19.05 million compared to fiscal year 2015. This increase can be attributed to the fact that during fiscal year 2016 the Lottery closed 36 games compared to 18 games closed during fiscal year 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Lottery is accounted for as an enterprise fund, reporting transactions using the accrual basis of accounting similar to the method used by business entities. This MD&A is intended to serve as an introduction to the Lottery's basic financial statements, including the notes to the financial statements. The Statements of Net Position on page 34, the Statements of Revenues, Expenses, and Changes in Net Position on page 35, and the Statements of Cash Flows on page 36 report the Lottery's net position and changes therein. The notes to the financial statements provide additional information that is essential to a reader's understanding of the data provided in the financial statements.

The Lottery transfers its net profits each fiscal year to the EETF. As a result, the Lottery's net position consists of funds invested in capital assets, unrestricted net position, and restricted net position. Unrestricted net position consists of liabilities for which no cash payments will be made. The restricted net position consists of the investments being held by the Lottery to fund deferred prize payouts, 20 percent of unclaimed prizes designated for future prize payouts or promotions, and the Multi-State Lottery Association (MUSL) deposit amounts. The financial statements do include the cumulative effect of periodic adjustments to recognize the fair value of the grand prize investments despite the fact that the Lottery purchased the investments with the intention of holding the investments until maturity in order to meet the future obligations and, therefore, would not realize any gains or losses related to these investments for distribution as net proceeds.

SUMMARY OF NET POSITION

Table 1 presents a comparative summary of the Lottery's Statements of Net Position for fiscal years 2016, 2015, and 2014.

Table 1 | Condensed Statements of Net Position | As of June 30, 2016, 2015, and 2014 | (In Thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current Assets	\$ 302,231	\$ 205,746	\$ 175,627
Restricted Assets	399,191	732,727	841,406
Capital Assets, Net of Depreciation	<u>6,106</u>	<u>5,820</u>	<u>4,243</u>
Total Assets	<u>707,528</u>	<u>944,293</u>	<u>1,021,276</u>
Total Deferred Outflows of Resources	<u>5,007</u>	<u>3,969</u>	<u>-</u>
Current Liabilities	298,831	206,321	167,804
Current Liabilities Payable from Restricted Assets	43,294	383,503	450,147
Noncurrent Liabilities	<u>260,801</u>	<u>271,186</u>	<u>305,664</u>
Total Liabilities	<u>602,926</u>	<u>861,010</u>	<u>923,615</u>
Total Deferred Inflows of Resources	<u>2,179</u>	<u>5,709</u>	<u>-</u>
Net Position:			
Net Investment in Capital Assets	6,106	5,820	4,243
Restricted Net Position	121,932	95,094	93,418
Unrestricted Net Position	<u>(20,608)</u>	<u>(19,371)</u>	<u>-</u>
Total Net Position	<u>\$ 107,430</u>	<u>\$ 81,543</u>	<u>\$ 97,661</u>

FINANCIAL ANALYSIS

Assets

Total assets at the end of fiscal year 2016 decreased \$236.76 million from \$944.29 million at June 30, 2015, to \$707.53 million at June 30, 2016. At the end of fiscal year 2015, total assets were \$76.98 million less than the \$1.02 billion at the end of fiscal year 2014.

- Current assets increased from \$205.75 million in 2015 to \$302.23 million in 2016, representing an increase of \$96.48 million. The increase was primarily due to an increase of \$129.31 million in cash and cash equivalents for fiscal year 2016 experienced with the increased cash flows from a record setting Powerball® jackpot in January of 2016.
(See Financial Analysis, Sales section of the MD&A for additional details.)
- Restricted assets decreased \$333.54 million from \$732.73 million in 2015 to \$399.19 million in 2016. The decline came with the Lottery's decision to cease participation in the securities lending program in May of 2016. A continued decline in grand prizewinners choosing the annuity option led to a sustained reduction in the size of the portfolio of investments available for loan. This caused a steady decline in the return on investments. It was determined that the benefits no longer offset the risks associated with participation. (See Note 2 to the financial statements for additional details.)
- The Lottery held \$317.06 million in invested collateral and time deposits at June 30, 2015, and \$363.98 million at June 30, 2014.

Deferred Outflows of Resources

Total deferred outflows of resources as of June 30, 2016, were \$5.01 million reflecting an increase of \$1.04 million over the June 30, 2015 amount of \$3.97 million for pension related items.

(Refer to Note 9 to the financial statements for additional details.)

Liabilities

Total liabilities at June 30, 2016, were \$602.93 million, which was approximately \$258.08 million lower than the total liabilities of \$861.01 million at June 30, 2015. The total liabilities at June 30, 2015, were \$62.61 million lower than the June 30, 2014, amount of \$923.62 million.

- Current liabilities increased by \$92.51 million from \$206.32 million on June 30, 2015, to \$298.83 million on June 30, 2016. This increase can be attributed to the increase in the amount owed to the EETF. The current liabilities payable from restricted assets decreased \$340.21 million from \$383.50 million at June 30, 2015, to \$43.29 million at June 30, 2016. This decrease is also related to the Lottery no longer participating in securities lending. The current portion of grand prizes payable decreased by \$23.12 million. At June 30, 2015, current liabilities payable from restricted assets balance of \$383.50 million was \$66.65 million less than the balance of \$450.15 million at June 30, 2014.
- Noncurrent liabilities principally consist of the long-term portion of grand prizes payable, which represents the amount to be paid to grand prizewinners in future years. Correlative to current grand prizes payable, the long-term grand prizes payable decreased \$16.19 million from June 30, 2015, to June 30, 2016, and decreased \$44.31 million from June 30, 2014, to June 30, 2015.

Deferred Inflows of Resources

Total deferred inflows of resources as of June 30, 2016, were \$2.18 million reflecting a decrease of \$3.53 million over the June 30, 2015, amount of \$5.71 million for pension related items.

(Refer to Note 9 to the financial statements for additional details.)

Net Position

Net position increased \$25.89 million from June 30, 2015, to June 30, 2016. Net position at June 30, 2016, 2015, and 2014 were \$107.43 million, \$81.54 million, and \$97.66 million, respectively. The increase at June 30, 2016, can be attributed to a \$19.07 million increase in the amount restricted for undistributed appreciation on restricted investments. The increase is due to the increase in the fair market value of both the grand prize investments held by the Lottery and investments held at the State Treasury. There was also a \$6.74 million increase in the amount restricted for future prizes or special prize promotions.

The Lottery joined MUSL seven years ago in order to participate in the Powerball with Powerplay® game and on May 15, 2013, the Lottery began participating in Mega Millions® with Megaplier®. In accordance with MUSL's rules, the Lottery must contribute to various prize reserve funds maintained by MUSL for unforeseen prize payouts related to the Powerball with Powerplay and Mega Millions with Megaplier games. The Lottery's deposits in reserve funds with MUSL totaled \$22.79 million and \$21.77 million as of June 30, 2016, and June 30, 2015, respectively. (Refer to Note 6 to the financial statements for further details.)

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The most important element demonstrated with the Lottery's financial statements is the transfer to the EETF. Accordingly, the primary focus of these financial statements is determining net income available for transfer, rather than the change in net position of the Lottery, which primarily reflects the changes in fair value of restricted investments.

Table 2 presents the Condensed Statements of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2016, and the prior fiscal years ended June 30, 2015, and June 30, 2014, as derived from the Lottery's Statements of Revenues, Expenses, and Changes in Net Position.

Table 2 | Condensed Statements of Revenues, Expenses, and Changes in Net Position | As of June 30, 2016, 2015, and 2014 | (In Thousands)

	2016	2015	2014
Operating Revenues:			
Ticket Sales	\$ 6,062,354	\$ 5,583,331	\$ 5,368,230
Bad Debt Expense	(1,487)	(1,263)	(1,337)
Terminal & Retailer Fees and Miscellaneous	7,620	7,652	7,817
Total Operating Revenues	<u>6,068,487</u>	<u>5,589,720</u>	<u>5,374,710</u>
Operating Expenses:			
Prizes	3,868,970	3,627,939	3,431,092
Retailer Commissions	337,007	311,981	298,651
Vendor Commissions	88,241	81,635	77,052
Other Expenses	80,121	75,696	74,528
Total Operating Expenses	<u>4,374,339</u>	<u>4,097,251</u>	<u>3,881,323</u>
Income from Operations	<u>1,694,148</u>	<u>1,492,469</u>	<u>1,493,387</u>
Nonoperating Revenue, Net of Expenses			
	24,290	(1,218)	(5,618)
Income Before Operating Transfers	<u>1,718,438</u>	<u>1,491,251</u>	<u>1,487,769</u>
Total Transfers to EETF			
	<u>(1,692,551)</u>	<u>(1,496,371)</u>	<u>(1,495,409)</u>
Change in Net Position			
	25,887	(5,120)	(7,640)
Net Position, Beginning Restated	81,543	86,663	105,301
Net Position, End of Year	<u>\$ 107,430</u>	<u>\$ 81,543</u>	<u>\$ 97,661</u>

FINANCIAL ANALYSIS

Sales

For the fiscal year ended June 30, 2016, ticket sales increased by \$479.02 million over fiscal year 2015, which experienced a sales increase of \$215.10 million over fiscal year 2014. The Draw game ticket sales increased 13.36 percent from the prior year. The Lottery not only continued to utilize proven techniques, but also created new promotions for players.

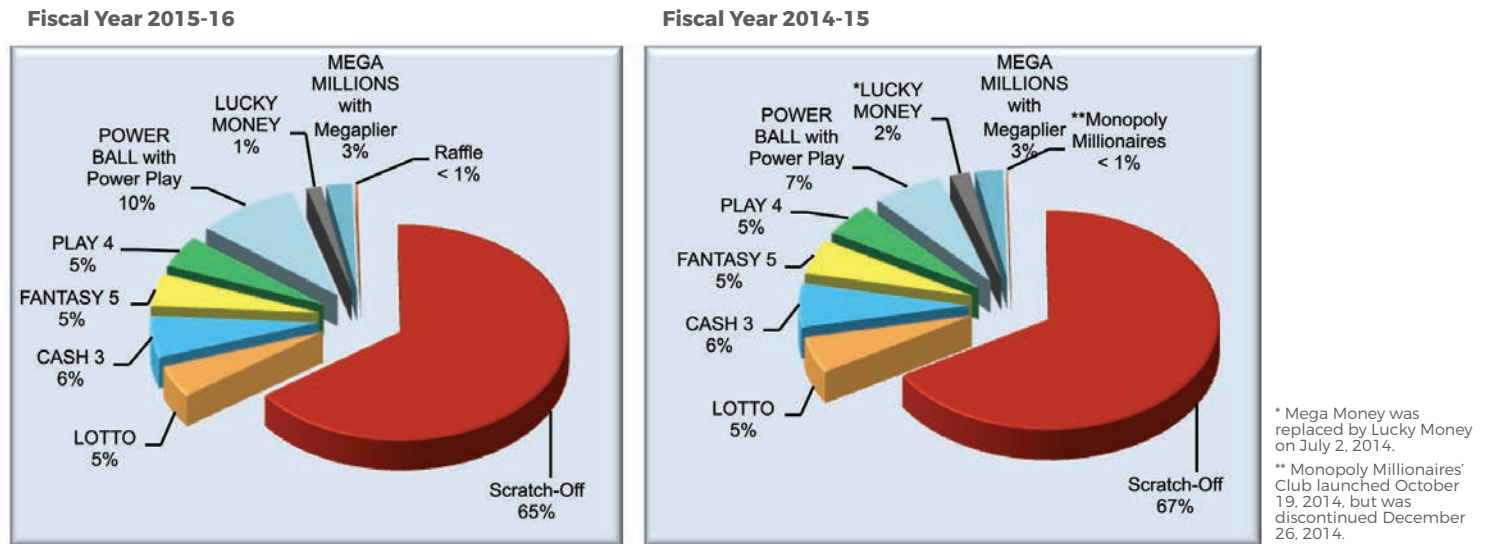
- Powerball sales increased from \$375.06 million in fiscal year 2015 to \$602.00 million in fiscal year 2016. This increase can be attributed to a record-setting \$1.59 billion Powerball jackpot in which a Florida player was one of three nationally to win.
- The daily games, CASH 3™ and PLAY 4™, reflect an increase with combined sales for fiscal year 2016 reaching \$671.41 million or 4.99 percent over the prior year.
- The 500 Full Service Vending Machines (FSVMs) used during the 2016 fiscal year reflected an increase in sales of \$36.52 million or 14.19% over the prior fiscal year.

Sales of Scratch-Off tickets increased \$230.71 million from \$3.72 billion sales in fiscal year 2015 to \$3.95 billion sales in fiscal year 2016.

- Scratch-Off ticket sales experienced an increase of 6.20 percent over prior year sales with increases being reflected in most price points. The largest increase was seen in the \$5 price point. The \$5 price point was dominated by the \$2,500 A Week for Life ticket with sales totaling \$106.54 million.
- Instant Ticket Vending Machines (ITVMs) have proven successful in increasing the visibility of Scratch-Off ticket products and offering a convenience to players. There were 1,500 machines in use during the year contributing \$333.30 million to Scratch-Off sales.

Bad debt expense is reported as a reduction in gross revenue in accordance with Governmental Accounting Standards Board requirements. The amount of bad debt expense for the fiscal years ended June 30, 2016, and 2015, was \$1.49 million and \$1.26 million, respectively.

The following charts show sales by product for the various Lottery games during the fiscal years 2016 and 2015:



The following chart and table show sales by game for the last ten fiscal years:

Department of the Lottery | Historical Lottery Sales by Game | (In Thousands)

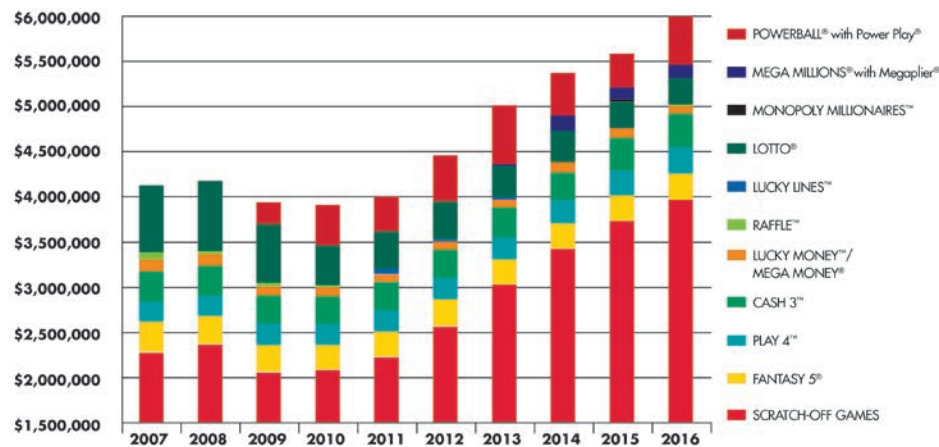


Table 3 | Department of the Lottery | Historical Lottery Sales by Game | Last Ten Fiscal Years | (In Thousands)

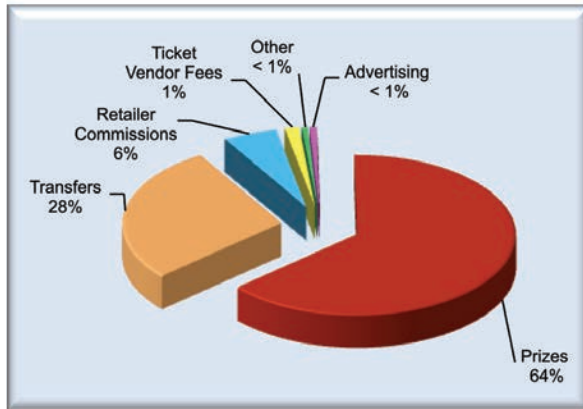
Fiscal Year Ended June 30	LOTTO	FANTASY 5	PLAY 4	CASH 3	LUCKY MONEY / MEGA MONEY	RAFFLE	LUCKY LINES	POWERBALL with Power Play	MEGA MILLIONS with Megaplier	Monopoly Millionaires	Scratch-Off	Combined Sales
2007	\$ 735,585	\$ 326,241	\$ 225,285	\$ 348,694	\$ 130,142	\$ 72,549	\$ -	\$ -	\$ -	\$ -	\$ 2,283,620	\$ 4,122,116
2008	778,954	309,445	227,940	336,096	122,742	30,818	-	-	-	-	2,368,781	4,174,776
2009	650,603	287,285	238,957	320,157	102,190	41,314	-	233,396	-	-	2,064,135	3,938,037
2010	445,881	281,963	235,027	304,039	92,060	29,334	-	434,062	-	-	2,078,133	3,900,499
2011	411,389	282,777	235,692	313,270	88,971	12,603	45,369	392,969	-	-	2,225,676	4,008,716
2012	419,040	290,672	244,711	314,747	92,346	-	17,692	503,697	-	-	2,566,991	4,449,896
2013	352,375	281,492	244,141	324,539	89,500	12,879	8,582	654,263	16,698	-	3,028,527	5,012,996
2014	349,114	288,237	257,752	339,636	79,483	-	-	469,292	167,573	-	3,417,143	5,368,230
2015	300,961	287,803	276,217	363,251	103,196	-	-	375,057	147,370	5,481	3,723,995	5,583,331
2016	291,382	296,307	291,651	379,757	84,881	11,724	-	602,001	149,950	-	3,954,701	6,062,354

Expenses

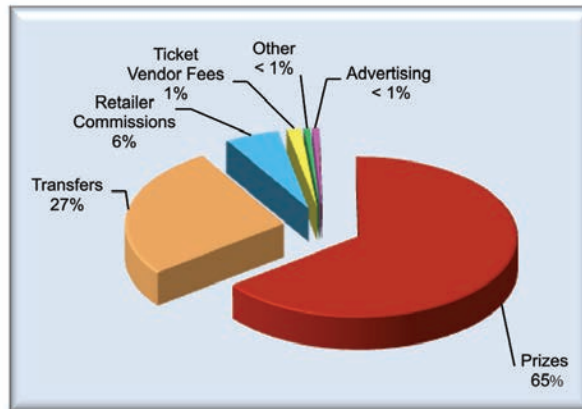
Section 24.121, Florida Statutes, stipulates that funds remaining in the Operating Trust Fund after the transfer to the EETF shall be used for the payment of administrative expenses of the Lottery. These expenses include Draw game expenses, Scratch-Off ticket expenses, advertising, and other expenses required for the day-to-day operations of the Lottery.

The following charts show the major components of Lottery operating expenses and transfers as a percentage of ticket sales for the 2016 and 2015 fiscal years:

Fiscal Year 2015-16



Fiscal Year 2014-15



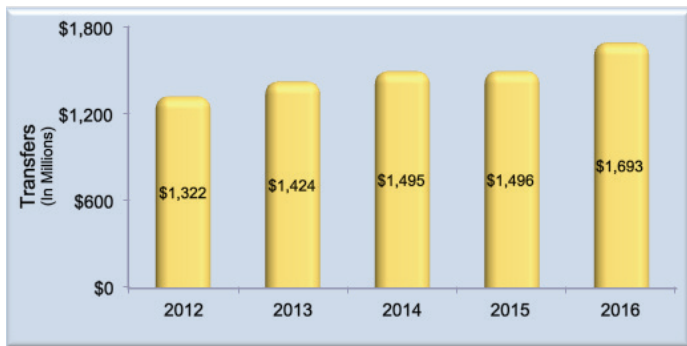
Prizes, commissions, and gaming vendor fees are directly related to sales and fluctuate accordingly. In fiscal year 2016, these expenses changed proportionally; yet as a percentage of total expenses they remained constant. The other expenses, which consisted of advertising, salary and benefits, professional fees, rent, maintenance, and depreciation, increased slightly. Fiscal year 2016 and 2015 administrative expenses were \$80.12 million and \$75.70 million, respectively.

Transfers

Since its inception, the Lottery's total transfers to the EETF were \$30.13 billion. The Lottery's contribution to the EETF for fiscal year ended June 30, 2016, was \$1.69 billion. The Lottery has contributed over \$1 billion for the fourteenth consecutive year.

The following chart shows the total transfers to the EETF for the past five years:

Department of the Lottery | Transfers to the EETF | (In Millions)



ECONOMIC FACTORS AND FUTURE IMPACTS

The main economic factors affecting lottery sales are population growth, personal income changes, tourism, and competition for discretionary consumer spending. Florida's unemployment rate dropped from 5.6 percent in fiscal year 2015 to 4.7 percent during fiscal year 2016. In fiscal year 2016, Lottery sales exceeded \$6.06 billion, setting new sales records for Draw, Scratch-Off and total game sales. The Lottery's strategies have revolved around enhancing Draw and Scratch-Off games, increasing retailer penetration in the State, and refreshing the Lottery's brand.

FINANCIAL CONTACT

The Lottery's financial statements and this MD&A are designed to give a general overview to the reader. If you have any questions regarding this report or require additional information, please contact the State of Florida, Department of the Lottery, Chief Financial Officer, 250 Marriott Drive, Capitol Complex, Tallahassee, Florida 32399.

BASIC FINANCIAL STATEMENTS

FISCAL YEARS ENDED JUNE 30, 2016, AND 2015

Department of the Lottery | Statements of Net Position | As of June 30, 2016, and June 30, 2015 | (In Thousands)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 266,010	\$ 136,697
Interest receivable	423	62
Accounts receivable, net	31,924	65,645
Prepaid expenses	21	148
Inventories	1,485	1,090
Security deposits	2,368	2,104
Total Current Assets	<u>302,231</u>	<u>205,746</u>
Noncurrent Assets:		
Restricted Assets		
Cash and cash equivalents	28,268	35,159
Securities lending income receivable	-	76
Deposit with MUSL	22,793	21,766
Investments, grand prize	348,130	372,266
Investments, security lending collateral	-	303,460
Total Restricted Assets	<u>399,191</u>	<u>732,727</u>
Capital assets, net	6,106	5,820
Total Noncurrent Assets	<u>405,297</u>	<u>738,547</u>
Total Assets	<u>707,528</u>	<u>944,293</u>
Deferred Outflows of Resources		
Pension related items	5,007	3,969
Total Deferred Outflows of Resources	<u>5,007</u>	<u>3,969</u>
Liabilities		
Current Liabilities:		
Accounts payable and accrued liabilities	6,138	7,729
Prizes payable	131,094	128,514
Due to Educational Enhancement Trust Fund	158,551	67,371
Deposits payable	2,445	2,106
Compensated absences payable	384	409
Net pension liability	219	192
Total Current Liabilities	<u>298,831</u>	<u>206,321</u>
Current Liabilities Payable from Restricted Assets:		
Securities lending fees payable	-	47
Obligations under securities lending	-	317,044
Grand prizes payable	43,294	66,412
Total Current Liabilities Payable from Restricted Assets	<u>43,294</u>	<u>383,503</u>
Noncurrent Liabilities:		
Grand prizes payable from restricted assets	237,968	254,154
Compensated absences payable	3,456	3,455
Net pension liability	12,694	8,492
Other long-term liabilities	6,683	5,085
Total Noncurrent Liabilities	<u>260,801</u>	<u>271,186</u>
Total Liabilities	<u>602,926</u>	<u>861,010</u>
Deferred Inflows of Resources		
Pension related items	2,179	5,709
Total Deferred Inflows of Resources	<u>2,179</u>	<u>5,709</u>
Net Position		
Invested in capital assets	6,106	5,820
Restricted for undistributed appreciation on restricted investments	70,871	51,800
Restricted for MUSL	22,793	21,766
Restricted for future prizes or special prize promotions	28,268	21,528
Unrestricted	(20,608)	(19,371)
Total Net Position	<u>\$ 107,430</u>	<u>\$ 81,543</u>

The notes to financial statements are an integral part of these statements.

Department of the Lottery | Statements of Revenues, Expenses, and Changes in Net Position | For The Years Ended June 30, 2016, and June 30, 2015 | (In Thousands)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Operating Revenues		
Ticket sales	\$ 6,062,354	\$ 5,583,331
Bad debt expense	(1,487)	(1,263)
Terminal fees and miscellaneous	7,439	7,456
Retailer fees	181	196
Total Operating Revenues	<u>6,068,487</u>	<u>5,589,720</u>
Operating Expenses		
Prizes	3,868,970	3,627,939
Retailer commissions	337,007	311,981
Scratch-Off tickets	55,591	51,665
Draw games	32,650	29,970
Advertising	41,180	37,513
Personal services	28,379	27,320
Other contractual services	7,941	8,344
Materials and supplies	1,662	2,078
Depreciation	959	441
Total Operating Expenses	<u>4,374,339</u>	<u>4,097,251</u>
Operating Income	<u>1,694,148</u>	<u>1,492,469</u>
Nonoperating Revenues (Expenses)		
Interest	4,695	4,032
Securities lending income	1,163	997
Securities lending fees	(645)	(505)
Investment management fees	(405)	(370)
Net appreciation (depreciation) in fair value of investments	34,246	12,604
Property disposition (loss)	15	64
Amortization of grand prizes payable	(14,779)	(18,040)
Total Nonoperating Revenues (Expenses), Net	<u>24,290</u>	<u>(1,218)</u>
Income Before Operating Transfers	<u>1,718,438</u>	<u>1,491,251</u>
Transfers to Educational Enhancement Trust Fund	(1,692,551)	(1,496,371)
Change in Net Position	25,887	(5,120)
Net Position, Beginning of Year, as originally reported	81,543	97,661
Implementation effect of GASB Statement No. 68	-	(10,998)
Net Position, Beginning Restated	<u>81,543</u>	<u>86,663</u>
Net Position, End of Year	<u>\$ 107,430</u>	<u>\$ 81,543</u>

The notes to financial statements are an integral part of these statements.

Department of the Lottery | Statements of Cash Flows | For The Years Ended June 30, 2016, and June 30, 2015 | (In Thousands)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Operating Activities		
Ticket sales	\$ 6,094,588	\$ 5,563,425
Prizes paid to winners	(3,867,418)	(3,605,452)
Commissions paid and payments to retailers	(337,007)	(311,981)
Paid to vendors for goods and services	(141,026)	(126,956)
Paid to employees	(27,001)	(26,622)
Other operating revenue	7,695	7,652
Net Cash Provided by Operating Activities	<u>1,729,831</u>	<u>1,500,066</u>
Noncapital Financing Activities		
Payments to Educational Enhancement Trust Fund	(1,601,371)	(1,484,409)
Net Cash Used in Noncapital Financing Activities	<u>(1,601,371)</u>	<u>(1,484,409)</u>
Capital and Related Financing Activities		
Purchase of capital assets	(1,229)	(1,954)
Net Cash Used in Capital and Related Financing Activities	<u>(1,229)</u>	<u>(1,954)</u>
Investing Activities		
Cash received from maturity of grand prize investments	66,419	86,154
Cash paid to grand prizewinners upon maturity of grand prize investments	(66,419)	(86,154)
Security lending	(13,600)	(1,400)
Investment income, net of fees	8,791	4,315
Net Cash Provided by Investing Activities	<u>(4,809)</u>	<u>2,915</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>122,422</u>	<u>16,618</u>
Cash and Cash Equivalents, Beginning of Year	171,856	155,238
Cash and Cash Equivalents, End of Year	<u>\$ 294,278</u>	<u>\$ 171,856</u>
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities:		
Income from operations	\$ 1,694,148	\$ 1,492,469
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	959	441
Changes in assets and liabilities		
(Increase) decrease in:		
Accounts receivable	32,505	(21,258)
Inventories	(394)	645
Prepaid expenses	127	(140)
Increase (decrease) in:		
Allowance for uncollectible accounts	(75)	779
Accounts payable and accrued liabilities	(1,253)	2,103
Prizes payable	2,579	24,436
Compensated absences payable	(23)	90
Net pension liability and related deferred outflows and inflows	(339)	(575)
Postemployment healthcare benefits payable	1,597	1,076
Net Cash Provided by Operating Activities	<u>\$ 1,729,831</u>	<u>\$ 1,500,066</u>
Noncash Investing, Capital and Financing Activities:		
Increase/(decrease) in fair value of investments	\$ (6,655)	\$ (42,047)

The notes to financial statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The State of Florida, Department of the Lottery (the Lottery) was established as a State agency with the enactment of the Florida Public Education Lottery Act (the Act) in 1987. The purpose of the Act is “to implement Section 15, Article X of the State Constitution in a manner that enables the people of the State to benefit from significant additional moneys for education and also enables the people of the State to play the best lottery games available.”

In evaluating the Lottery as a reporting entity, management has addressed all potential component units for which the Lottery may be financially accountable and, as such, be includable in the Lottery’s financial statements. The Lottery is financially accountable if it appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Lottery. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Management’s analysis has disclosed no component units that should be included in the Lottery’s financial statements.

B. Basis of Presentation

The Lottery is accounted for as a proprietary type enterprise fund. Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises: (1) where the costs of providing goods and services to the general public on a continuing basis are to be financed through user charges; or (2) where the periodic determination of net income is considered appropriate. The Lottery is reported as an enterprise fund within the State of Florida’s Comprehensive Annual Financial Report.

C. Basis of Accounting

Basis of accounting refers to when the revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under this method, revenues are recognized when they are earned and expenses are recognized when they are incurred.

The measurement focus of proprietary fund types is on a flow of economic resources method, which emphasizes the determination of net income, financial position, and cash flows. All fund assets and liabilities, current and noncurrent, are accounted for on the Statements of Net Position.

The Lottery’s operating revenues and expenses generally result from the sale and marketing of lottery tickets and the payment of related prizes. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Cash Equivalents

The Lottery considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. This includes cash in banks, repurchase agreements with financial institutions, petty cash, balances held by the State Board of Administration (SBA), and pooled investments in the State Treasury.

E. Investments

Florida Statutes authorize the Lottery to invest in certain instruments. The Lottery reports investments at fair value. Investments that are not publicly quoted are priced by a third party through a discounted cash flow method.

(Details of investments are included in Note 2.)

F. Allowance for Doubtful Accounts

The allowance for doubtful accounts is based on an analysis of collectability of accounts receivable, which considers the age of the accounts.

G. Inventories

Supply inventory and promotional items are valued at cost, using the first-in, first-out method. Supply inventory comprised game merchandise, prepaid postage, and prepaid tolls.

H. Prepaid Expenses

Prepaid expenses represent warranty agreements paid for during the current year but will not be consumed or used up until a future period.

I. Capital Assets

Capital assets are stated at cost less accumulated depreciation. As required by Chapter 273, Florida Statutes, a capitalization threshold of \$1,000 and useful life extending beyond one year are employed for tangible personal property. The Lottery's capitalization threshold for intangible assets is \$100,000. Depreciation on all capital assets is computed using the straight-line method over the following estimated useful lives:

Data processing equipment	3 to 5 years
Office furniture and fixtures	3 to 15 years
Vehicles and other equipment	3 to 20 years
Software	3 to 15 years

When capital assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the Statements of Revenues, Expenses, and Changes in Net Position in the period of disposal. (See Note 5 for more detailed information on capital assets.)

J. Deferred Outflows of Resources

A consumption of net assets by the government that is applicable to a future reporting period is presented as a deferred outflow of resources.

K. Long-Term Liabilities

Refer to Note 7 for information on grand prizes payable, compensated absences payable, postemployment healthcare benefits payable, and net pension liability, along with changes in long term liabilities. Also, refer to Note 9 for additional information on net pension liability and postemployment healthcare benefits payable.

L. Compensated Absences

Employees earn the right to be compensated during absences for vacation, illness, and unused special compensatory leave earned for hours worked on legal holidays. Compensated absences for annual leave are recorded as a liability when the benefits are earned. Compensated absences for sick leave are calculated based on the vesting method. Within the limits established by law or rule, unused leave benefits are paid to employees upon separation from State service. The cost of vacation and calculated sick leave benefits is accrued in the period in which the benefits are earned. The compensated absences are based on current fiscal year-end salary rates and include employer social security and pension contributions at current rates.

M. Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period.

N. Net Position

Net position includes categories for invested in capital assets, restricted for undistributed appreciation on restricted investments, restricted for future prizes or special prize promotions, restricted for the Multi-State Lottery Association (MUSL), and unrestricted net position resulting from liabilities for which no cash payments will be made. (See Note 1.V. for more information on unrestricted net position.)

The invested in capital assets category represents the investment in capital assets, recorded at cost less accumulated depreciation.

The restricted for undistributed appreciation on restricted investments category primarily represents the undistributed appreciation for all restricted asset accounts.

The restricted for future prizes or special prize promotions category represents the portion of unclaimed prize obligations legally reverted back to the Lottery and restricted for use in the payment of future prize pools or special prize promotions in accordance with Section 24.115(2), Florida Statutes.

The restricted for MUSL category represents the amount placed into reserve for the Florida Lottery by the MUSL. (See Note 6 for more information on MUSL.)

O. Revenue Recognition

Lottery games are sold to the public by contracted retailers. Revenue is recognized when Draw game tickets are sold to players and when books of Scratch-Off tickets are settled. Certain games include tickets that entitle the holder to exchange one ticket for another (free tickets). Such tickets are deemed to be replacements and, therefore, are not included in ticket sales.

P. Commissions

Retailers receive a commission of 5 percent on ticket sales. The commission on ticket sales for games is based upon total tickets distributed to the players (including free tickets) which, when compared to revenue, causes the percentage to be slightly higher or lower than 5 percent at any given time. Additionally, retailers are paid commissions through a 1 percent cashing bonus on redemption of tickets (including free tickets).

Q. Prizes

In accordance with the Act, variable percentages of the gross revenue from the sale of Draw and Scratch-Off lottery tickets shall be returned to the public in the form of prizes paid by the Lottery or retailers as authorized.

Prize expense for Draw games is recorded based on prizes won by the players, as revenue is recognized. Any prize that remains unclaimed at the end of a 180-day period following a draw is considered unclaimed.

Prize expense for Scratch-Off games is recorded based on the predetermined prize structure for each game, as revenue is recognized. Any prize that remains unclaimed 60 days after a Scratch-Off game is closed is considered unclaimed.

Effective July 1, 2005, 80 percent of all unclaimed prize money is deposited in the Educational Enhancement Trust Fund (EETF). The remaining 20 percent of unclaimed prize money is added to the pool from which future prizes are to be awarded or used for special prize promotions and is reported as restricted for future prizes or special prize promotions.

All prizes are recorded at the actual amount except for the annuity-funded prizes, which are paid out on a deferred basis. The actual prize expense for these types of prizes is based on the present value of an annuity using the interest yield on the investments acquired to fund the annuity.

R. Self-Insurance

The Lottery participates in the various self-insurance programs established by the State of Florida for property and casualty losses and employee health insurance. Coverage includes property, general liability, automobile liability, workers' compensation, court-awarded attorney fees, and Federal civil rights actions. The property insurance program self-insures the first \$2 million per occurrence for all perils except named windstorm and flood. For named windstorm and flood, the property insurance program self-insures the first \$2 million per occurrence but with an annual aggregate retention of \$40 million. Commercial excess insurance is purchased for losses over the self-insured retention up to \$85 million per occurrence for named windstorm and flood losses and \$200 million per occurrence for all other perils. Workers' compensation is provided to comply with the applicable law. The employee health and dental insurance program provides for payment of medical claims of employees and covered dependents.

S. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, restricted net position, revenues, and expenses, and disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

T. Bad Debt Expense

Bad debt expense is reported as a reduction in gross revenue. Bad debt expense is recognized when a Lottery retailer's uncollected revenue is past due. The amount of expense is based on an accounts receivable age analysis. The bad debt expense for the fiscal years ended June 30, 2016, and June 30, 2015, was \$1,487,000 and \$1,263,000, respectively.

U. Accounting Changes

The Lottery implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Adoption of this statement also resulted in retrospective application to fiscal year 2015. This resulted in additional disclosures related to fair value hierarchy and pricing sources as prescribed by the standard. (See Note 2 for further detail.)

V. Unrestricted Net Position Deficit

The unrestricted net position deficit of \$20,608,000 includes the cumulative effect of the Lottery's postemployment healthcare benefits, compensated absences, and net pension liabilities, along with the deferred outflows of resources and deferred inflows of resources for pension related items. As a result of these items being recorded for reporting purposes only and being excluded from the calculation of transfers to the EETF, the effect is a deficit balance in unrestricted net position.

2. CASH AND INVESTMENTS

A. Cash and Cash Equivalents

Cash is held in demand deposits at various financial institutions. These deposits, with a book value of approximately \$350,000 at June 30, 2016, and \$514,000 at June 30, 2015, were insured by either the State's collateral for public deposits in accordance with Section 280.04, Florida Statutes, or Federal depository insurance.

Chapter 280, Florida Statutes, generally requires public funds to be deposited in a Qualified Public Depository, which is a bank or savings association that is designated by the State of Florida Chief Financial Officer (State CFO) as authorized to receive deposits in the State and that meets the collateral requirements. The State CFO determines the collateral requirements and collateral pledging level for each Qualified Public Depository following guidelines outlined in Section 280.04, Florida Statutes, and Chapter 69C-2, Florida Administrative Code. Collateral pledging levels include 25, 50, 110, and 150 percent of a Qualified Public Depository's average daily deposit balance or, if needed, an amount as prescribed by the State CFO. Collateral may be held by another custodian with approval of the State CFO if conditions are met that protect the State's interest. Eligible collateral includes federal, federally-guaranteed, state and local government obligations, corporate bonds, and other securities designated allowable under conditions set by the State CFO.

Florida Statutes provides that if a loss to public depositors is not covered by deposit insurance and the proceeds from the sale of securities pledged by the defaulting depository, the difference will be provided by an assessment levied against other Qualified Public Depositories of the same type as the depository in default.

Due to the investing policy of the Lottery, book overdrafts were approximately \$157,000 at June 30, 2016, and \$1,019,000 at June 30, 2015, representing outstanding prize payment checks and retailer payment checks. These outstanding checks are included as a component of prizes payable and accounts payable. The Lottery has an agreement with a financial institution to honor prize payments and retailer payments, as they are presented to the bank, up to \$75 million.

Surplus cash is maintained in the State Treasury's general pool of investments. The State CFO pools funds from all State agencies. Included in the pool are primarily time deposits, U.S. Government securities, federal agency securities, commercial paper, corporate bonds and notes, and repurchase agreements. The Lottery's share of this investment pool was approximately \$293,927,000 and \$157,742,000 at June 30, 2016, and 2015, respectively. No allocation will be made as to the Lottery's share of the types of investments or their risk categories. The Lottery's share of the assets and liabilities arising from the securities lending agreements administered by the State Treasury will likewise not be carried on the Statements of Net Position since the State Treasury operates on a pooled basis and to do so may give the misleading impression that the Lottery itself has entered into such agreements. For further information, refer to the State of Florida's Comprehensive Annual Financial Report or publications of the State of Florida Department of Financial Services, Office of the Chief Financial Officer.

B. Investments, Grand Prize

The grand prize investments primarily consist of U.S. Government obligations held on the Lottery's behalf by the SBA. Grand prize investments and related grand prizes payable are not presented in current assets or liabilities. They are not part of current operations but instead are restricted assets and liabilities that are held by the Lottery for grand prize winnings to be paid on a deferred basis if the cash payment option is not selected.

Grand prize investments are shown at fair value, and the related grand prizes payable are adjusted to the net present value using the yield on the investments. The difference between the fair value of the investments and the net present value of the grand prizes payable is reflected as restricted for undistributed appreciation on restricted investments in net position. This represents the unrealized gains on the investments. Because these investments are held restrictively for grand prizewinners, this balance is not available for transfer to the EETF.

Interest accreted on grand prize investments during the year is reflected as an increase in the carrying value of grand prizes payable on the Statements of Net Position, and as a nonoperating revenue (expense) on the Statements of Revenues, Expenses, and Changes in Net Position. Net appreciation (depreciation) in fair value of investments is reflected as a nonoperating revenue (expense) on the Statements of Revenues, Expenses, and Changes in Net Position, and takes into account all changes in fair value that occurred during the year, including purchases, maturities, and sales.

C. Investments, Security Lending Collateral

These investments consisted of the fair value of investments made with cash collateral held by the SBA on the Lottery's behalf as part of a securities lending program.

The SBA, authorized by Section 215.47, Florida Statutes, participated in a security lending program involving grand prize investments. The Lottery, through the SBA, loaned various securities to borrowers for collateral with a simultaneous agreement to return collateral for the same securities in the future. Collateral received from borrowers was in the form of cash or U.S. Government securities. The SBA was contractually limited from pledging or selling collateral except in the event of borrower default. The contract with the lending agent required it to indemnify the SBA if the borrowers fail to return the underlying securities or fail to pay income distributions on them. No significant violations of legal or contractual provisions occurred, and no losses resulted from borrower or lending agent defaults during fiscal years 2015 and 2016.

The Bank of New York Mellon (Mellon) was the agent for lending U.S. Treasury securities to various authorized brokers for cash or U.S. Government securities. Initially, collateral received was to be in the form of cash at 100 percent, or other securities valued at 102 percent, of the fair value of the securities loaned as required by the lending agreement. Borrowers were to be approved for lending by Mellon's credit department. Mellon monitored the fair value of collateral provided and the securities on loan on a daily basis. Additional collateral was to be required if the fair value of the collateral for any loan was less than 100 percent of the fair value of the securities provided for such loan.

The Lottery ceased participation in the securities lending program in May of 2016. This was primarily due to the continued decline in grand prizewinners choosing the annuity option which led to a sustained reduction in the size of the portfolio of investments available for loan. As a result, the return on investment continued to steadily decline. Considering the lower income potential, it was determined that the benefits no longer outweighed the risks associated with participation in the program.

A risk factor associated with the lending agreement was the potential for declines in the value of the invested holdings purchased with the cash collateral. Other risk factors associated with security lending include counterparty default and failure of the custodial bank to indemnify the Lottery. Upon liquidation, any shortfall between the value of the investments and the securities lending obligation would have been the responsibility of the Lottery. As of June 30, 2015, the unrealized shortfall was \$13,100. As of June 30, 2016, there were no outstanding loans of securities or collateral obligations. The gain realized upon liquidation was \$77,000. The SBA received \$317,044,000 of cash collateral for the lending program as of June 30, 2015. At June 30, 2015, the collateral that was held for the securities lending transactions exceeded the fair value of the securities underlying the agreements (including accrued interest). The cash was invested in securities authorized by the lending agreement. Authorized securities included primarily certificates of deposit, corporate and medium term

notes, asset backed securities, and repurchase agreements. The invested cash collateral generally had a shorter maturity than the securities on loan.

Securities lending income and expenses for the year ended June 30, 2016, and 2015, consisted of (in thousands):

	2016	2015
Securities lending income	\$ 1,163	\$ 997
Less broker rebates	(568)	(447)
Less bank fees	(77)	(58)
Net securities lending revenue	\$ 518	\$ 492

D. Investment Credit Risk

Lottery grand prizewinner investments have been limited to U.S. Government guaranteed securities.

Listed below are Standard and Poor's (S&P) credit ratings for the lending program's invested cash collateral (in thousands):

As of June 30, 2015:

Credit Ratings ⁽¹⁾	Total	Certificates of Deposit	Commercial Paper	Domestic Corporate Bonds & Notes	Domestic Non-Government Asset-backed Securities	International Corporate Bonds & Notes	Repurchase Agreements ⁽²⁾
AAA	\$ 45,070	\$ -	\$ -	\$ 4,400	\$ 40,670	\$ -	\$ -
AA	54,457	8,099	-	25,130	-	18,306	2,922
A	14,308	-	-	14,308	-	-	-
A-1	3,099	-	3,099	-	-	-	-
Not Rated	75,232	24,000	-	-	26,479	-	24,753
	<u>192,166</u>	<u>\$ 32,099</u>	<u>\$ 3,099</u>	<u>\$ 43,838</u>	<u>\$ 67,149</u>	<u>\$ 18,306</u>	<u>\$ 27,675</u>

Not Rated ⁽²⁾	111,294	Repurchase agreements
	<u>\$ 303,460</u>	Total

Notes: (1) Ratings for investments are presented using S&P credit ratings. If S&P did not rate a security, including the collateral underlying repurchase agreements, the investments were presented as "Not Rated."

(2) Collateral for repurchase agreements which are explicitly guaranteed by the U.S. Government do not require disclosure of credit quality.

The State Treasury Investment Pool's current rating by S&P is A+f as of June 30, 2016.

E. Investment Interest Rate Risk

The investment policy objective is to match maturities of investments with the maturities of the Lottery prizewinner annuities. Therefore, investments are held to maturity after they are purchased thereby eliminating interest rate risk. Listed below are the Lottery's investments in U.S. Treasury Strips (in thousands):

As of June 30, 2016		As of June 30, 2015	
Time to Maturity	Fair Value	Time to Maturity	Fair Value
< 1 year	\$ 45,503	< 1 year	\$ 66,412
> 1 year to 3 years	46,319	> 1 year to 3 years	69,793
> 3 years to 5 years	39,466	> 3 years to 5 years	37,425
> 5 years to 10 years	96,913	> 5 years to 10 years	85,887
> 10 years to 15 years	83,622	> 10 years to 15 years	83,095
> 15 years to 20 years	19,187	> 15 years to 20 years	16,003
> 20 years to 25 years	12,471	> 20 years to 25 years	9,134
> 25 years	4,649	> 25 years	4,517
Total	\$ 348,130	Total	\$ 372,266

The Lottery previously contracted with the SBA to execute the securities lending program. The securities lending authorization agreement between Mellon and the SBA required that the maximum weighted average portfolio maturity not exceed 90 days. The lending program invested a significant amount of its assets in floating rate securities and limited the maximum reset period for interest rate changes to six months. Next reset dates were used in the calculation of weighted average maturity.

Listed below are the weighted average maturities for the lending program's invested cash collateral for fiscal year 2015:

Investment Type	June 30, 2015	
	Fair Value (Thousands)	Weighted Average Maturity (Days)
Certificates of Deposit	\$ 32,099	55
Commercial Paper	3,099	59
Domestic Corporate Bonds & Notes	43,838	46
Domestic Non-government Asset-backed Securities	67,149	19
International Corporate Bonds & Notes	18,306	60
Repurchase Agreements	138,969	1
Total Fair Value	\$ 303,460	
Portfolio weighted average maturity		21

The effective duration of the State Treasury Investment Pool at June 30, 2016, and June 30, 2015, was approximately 2.61 years and 2.67 years, respectively.

F. Investment Concentration of Credit Risk

Since all long-term investments (other than in the securities lending program) are in U.S. Government guaranteed securities, the Lottery has not adopted a policy regarding concentration of credit risk. The securities lending program established investment concentration of credit risk policies that limited the aggregate exposure to any one issuer or guarantor that is not the U.S. Government or guaranteed by the U.S. Government to 10 percent of the book value of the lending program's invested cash collateral. No invested cash collateral exceeded the 10 percent limitation.

G. Investment Custodial Credit Risk

Custodial credit risk is defined as the risk that an entity may not recover securities held by another party. The Lottery does not have a formal policy regarding custodial credit risk. The custodian for the SBA-administered lending program was also the counterparty to the investment transactions. Therefore, the amount of investments subject to investment custodial credit risk at June 30, 2015, was \$303,460,000.

At June 30, 2016, and June 30, 2015, all non-lending investments held were either insured or registered and held by the Lottery or its agents in the Lottery's name and thus were not subject to custodial credit risk.

H. Foreign Currency Risk

The Lottery had no exposure to foreign currency risk as of June 30, 2016, and June 30, 2015.

I. Fair Value Hierarchy

The Lottery categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The Lottery's investments are measured and reported at fair value and classified according to the following hierarchy:

Level 1 – Investments reflect unadjusted quoted prices in active markets for identical assets.

Level 2 – Investments reflect prices that are based on inputs that are either directly or indirectly observable for an asset (including quoted prices for similar assets), which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable inputs for an asset.

The categorization of investments within the hierarchy is based upon the pricing transparency of this instrument and should not be perceived as the particular investment's risk.

Level 1 – Debt securities classified in Level 1 of the fair value hierarchy are valued by the custodian bank's external pricing vendors using prices quoted in active market for those securities.

Level 2 – Debt securities classified in Level 2 of the fair value hierarchy are valued by the custodian bank's external pricing vendors using pricing methodology that involves the use of evaluation models such as matrix pricing, which is based on a security's relationship to benchmark quoted prices.

Level 3 – Debt securities classified in Level 3 of the fair value hierarchy are valued by the custodian bank's external pricing vendors and are subject to being priced by an alternative pricing source utilizing discounted cash flow models and broker bids, or may have an estimated fair value equal to cost, due to a lack of an independent pricing source.

Certain investments, such as money market funds and repurchase agreements are not included in the following schedules because they are carried at cost, and not priced at fair value.

The following schedules summarize all investments and investments loaned under securities lending agreements by fair value hierarchy level at June 30 (in thousands):

	June 30, 2016	Fair Value Measurements Using		
		Quoted prices in active market for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Investments by fair value level:				
Debt securities:				
U.S. Treasury Strips	\$ 348,130	\$ 342,069	\$ 6,061	\$ -
Pooled Investments with State Treasury	293,927	-	-	293,927
Total debt securities measured at fair value	<u>\$ 642,057</u>	<u>\$ 342,069</u>	<u>\$ 6,061</u>	<u>\$ 293,927</u>

	June 30, 2015	Fair Value Measurements Using		
		Quoted prices in active market for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Investments by fair value level:				
Debt securities:				
U.S. Treasury Strips	\$ 372,266	\$ 367,374	\$ 4,892	\$ -
Pooled Investments with State Treasury	157,742	-	-	157,742
Invested lending collateral:				
Debt securities				
Certificates of Deposit	32,099	-	32,099	-
Commercial Paper	3,099	-	3,099	-
Domestic Corporate Bonds & Notes	43,838	-	43,838	-
Domestic Non-government Asset-backed Securities	67,149	-	67,149	-
International Corporate Bonds & Notes	18,306	-	18,306	-
Total debt securities measured at fair value	<u>\$ 694,499</u>	<u>\$ 367,374</u>	<u>\$ 169,383</u>	<u>\$ 157,742</u>

J. Investment Summary

The following schedule summarizes all investments and investments loaned under securities lending agreements at June 30 (in thousands):

Investment Type	June 30, 2016 Carrying Value	June 30, 2015 Carrying Value
Commercial Paper	\$ -	\$ 3,099
Certificates of Deposit	-	32,099
Repurchase Agreements	-	138,969
U.S. Government Obligations & Federally Guaranteed Obligations	348,130	61,881
Domestic Corporate Bonds & Notes	-	43,838
Domestic Non-government Asset-backed Securities	-	67,149
International Corporate Bonds & Notes	-	18,306
Investments Held by Others Under Securities Lending Agreements - U.S. Obligations	-	310,385
Pooled Investments with State Treasury	293,927	157,742
Total Investments	\$ 642,057	\$ 833,468

The following schedules reconcile cash and investments to the Statements of Net Position at June 30 (in thousands):

	June 30, 2016			
	Investments	Cash at Financial Institutions	Cash at State Treasury	Totals
Cash and cash equivalents	\$ 265,659	\$ 316	\$ 35	\$ 266,010
Restricted cash and cash equivalents	28,268	-	-	28,268
Investments, grand prize	348,130	-	-	348,130
Totals	\$ 642,057	\$ 316	\$ 35	\$ 642,408

	June 30, 2015			
	Investments	Cash at Financial Institutions	Cash at State Treasury	Totals
Cash and cash equivalents	\$ 136,213	\$ 376	\$ 108	\$ 136,697
Restricted cash and cash equivalents	21,529	13,630	-	35,159
Investments, grand prize	372,266	-	-	372,266
Investments, security lending collateral	303,460	-	-	303,460
Totals	\$ 833,468	\$ 14,006	\$ 108	\$ 847,582

3. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, consisted of (in thousands):

	2016	2015
Ticket sales receivable	\$ 34,663	\$ 68,422
Other receivables	59	97
Total receivables	34,722	68,519
Less allowance for doubtful accounts	(2,798)	(2,874)
Accounts receivable, net	\$ 31,924	\$ 65,645

4. SECURITY DEPOSITS AND DEPOSITS PAYABLE

The Lottery receives certificates of deposit and cashier's checks from certain vendors and retailers in order to secure contract performance. Certificates of deposit are held in trust by the State with any interest earnings being credited to the vendor or retailer. Cashier's checks are held as cash by the Lottery. These deposits are established to reduce the potential financial risk to the Lottery in the event of a breach of contract. The certificates appear on the Statements of Net Position, in assets as security deposits, and in liabilities, as deposits payable. The checks appear on the Statements of Net Position, in assets as cash, and in liabilities, as deposits payable.

5. CAPITAL ASSETS

Changes in capital assets are summarized as follows (in thousands):

	Balance 30-Jun-14	2014-15		Balance 30-Jun-15	2015-16		Balance 30-Jun-16
		Increase	Decrease		Increase	Decrease	
Capital assets, not being depreciated:							
Non-amortizable intangibles	\$ 492	\$ 1,917	\$ -	\$ 2,409	\$ 317	\$ -	\$ 2,726
Total capital assets, not being depreciated	\$ 492	\$ 1,917	\$ -	\$ 2,409	\$ 317	\$ -	\$ 2,726
Capital assets, being depreciated:							
Vehicles and equipment	\$ 11,732	\$ 1,790	\$ (768)	\$ 12,754	\$ 1,859	\$ (3,168)	\$ 11,445
Intangible assets and other	2,363	-	(1,772)	591	2	-	593
Total capital assets, being depreciated	14,095	1,790	(2,540)	13,345	1,861	(3,168)	12,038
Depreciation	10,344	441	(851)	9,934	959	(2,235)	8,658
Total capital assets, being depreciated, net	3,751	1,349	(1,689)	3,411	902	(933)	3,380
Total capital assets, net	\$ 4,243	\$ 3,266	\$ (1,689)	\$ 5,820	\$ 1,219	\$ (933)	\$ 6,106

6. MULTI-STATE LOTTERY ASSOCIATION

MUSL is an unincorporated government-benefit voluntary association created for the purpose of administering joint lottery games. MUSL included 34 state lottery entities, the District of Columbia, Puerto Rico, and the Virgin Islands during fiscal year 2016. This association offers the Powerball with Powerplay, Mega Millions with Megaplier, and several other Draw games in participating states. The chief executive officer of each member lottery serves on the MUSL board of directors.

As a member of MUSL, the Lottery is required to contribute to various prize reserve funds maintained by MUSL. The prize reserve funds serve as a contingency reserve to protect MUSL from unforeseen prize payments. MUSL periodically reallocates the prize reserve funds among the states based on relative Powerball with Powerplay and Mega Millions with Megaplier sales levels. All remaining funds remitted, and the related interest earnings (net of administrative costs), will be returned to the Lottery upon leaving MUSL, less any portion of unanticipated prize claims that may have been paid from the fund.

As of June 30, 2016, and June 30, 2015, the Lottery had deposits with MUSL of \$22,793,295, and \$21,765,512, respectively, representing the Lottery's deposits of reserve funds.

A copy of the MUSL financial statements may be obtained by submitting a written request to MUSL, 4400 N.W. Urbandale Drive, Urbandale, Iowa 50322.

7. LONG-TERM LIABILITIES

A. Grand Prizes Payable

Grand prizes payable at June 30 consisted of (in thousands):

	<u>2016</u>	<u>2015</u>
FLORIDA LOTTO grand prizes (face value)	\$ 282,240	\$ 343,596
MEGA MONEY grand prizes (face value)	8,848	8,303
Win for Life grand prizes (face value)	6,019	7,752
Flamingo Fortune Game Show grand prizes (face value)	200	300
Win a Million grand prizes (face value)	100	150
Lucky for Life grand prizes (face value)	19,650	20,550
Set for Life grand prizes (face value)	1,380	1,560
Cash Spectacular grand prizes (face value)	350	400
Cash for Life grand prizes (face value)	170	180
Loaded for Life grand prizes (face value)	2,450	2,550
Billion Dollar Blockbuster grand prizes (face value)	6,800	7,350
Gas for Life grand prizes (face value)	162	168
2 Million Dollar Casino Action grand prizes (face value)	1,400	1,500
Million Dollar Holiday grand prizes (face value)	750	800
Week for Life grand prizes (face value)	48,386	37,674
Monopoly grand prizes (face value)	3,100	3,320
Million Wishes grand prizes (face value)	800	850
Xs The Cash grand prizes (face value)	3,440	3,590
\$3 Million Flamingo grand prizes (face value)	2,550	2,700
Gold Rush grand prizes (face value)	8,070	8,460
Super Millions grand prizes (face value)	5,760	-
Less imputed interest	(121,363)	(131,187)
Net present value of grand prizes payable	<u>\$ 281,262</u>	<u>\$ 320,566</u>
Current prizes payable from restricted assets	\$ 43,294	\$ 66,412
Noncurrent prizes payable from restricted assets	237,968	254,154
Total grand prizes payable	<u>\$ 281,262</u>	<u>\$ 320,566</u>

The following depicts by fiscal year the value (in thousands) of the grand prize annuities to pay prizewinners:

<u>Year Ending June 30</u>	<u>Amount</u>
2017	\$ 45,511
2018	26,392
2019	20,487
2020	20,487
2021	20,487
2022-2026	108,053
2027-2031	104,252
2032-2036	27,401
2037-2041	20,673
2042-2046	8,882
Grand prizes (face value)	402,625
Less imputed interest	(121,363)
Net present value of grand prizes payable	<u>\$ 281,262</u>

B. Compensated Absences Payable

Compensated absences payable at June 30 consisted of (in thousands):

	<u>2016</u>	<u>2015</u>
Current compensated absences	\$ 384	\$ 409
Noncurrent compensated absences	3,456	3,455
Total	<u>\$ 3,840</u>	<u>\$ 3,864</u>

C. Changes in Long-Term Liabilities

Changes in long-term liabilities are summarized as follows (in thousands):

	2015-16				
	Balance			Amount Due	
	June 30, 2015	Additions	Reductions	Balance June 30, 2016	Within One Year
Grand prizes payable	\$ 320,566	\$ 27,115	\$ (66,419)	\$ 281,262	\$ 43,294
Compensated absences payable	3,864	1,588	(1,612)	3,840	384
Postemployment healthcare benefits payable	5,085	1,598	-	6,683	-
Pension liability - HIS	5,385	354	-	5,739	219
Pension liability - FRS	3,299	3,875	-	7,174	-
Total long-term liabilities	\$ 338,199	\$ 34,530	\$ (68,031)	\$ 304,698	\$ 43,897

	2014-15				
	Balance			Amount Due	
	June 30, 2014	Additions	Reductions	Balance June 30, 2015	Within One Year
Grand prizes payable	\$ 384,620	\$ 23,897	\$ (87,951)	\$ 320,566	\$ 66,412
Compensated absences payable	3,774	1,124	(1,034)	3,864	409
Postemployment healthcare benefits payable	4,009	1,076	-	5,085	-
Net pension liability	-	12,758	(4,074)	8,684	192
Total long-term liabilities	\$ 392,403	\$ 38,855	\$ (93,059)	\$ 338,199	\$ 67,013

8. DUE TO EDUCATIONAL ENHANCEMENT TRUST FUND

In accordance with the Act, effective July 1, 2005, variable percentages of the gross revenue from the sale of Draw games and Scratch-Off lottery tickets as determined by the Lottery, and other earned revenue, excluding application processing fees, shall be deposited in the EETF as provided in Section 24.121, Florida Statutes, as amended. The amount transferred to the EETF was \$1,692,551,000 for the fiscal year ended June 30, 2016, (27.9 percent of revenues), and \$1,496,371,000 (26.8 percent of revenues) for the fiscal year ended June 30, 2015.

Because the net appreciation in fair value of investments and amortization of grand prizes payable, included in nonoperating revenue and expenses, relate to valuations of the restricted grand prize investments and grand prizes payable, they are excluded from the determination of transfers to the EETF.

Effective July 1, 2005, provisions of the Act relating to the allocation of revenues for public education were revised. The changes in the provisions were designed to maximize the transfers of moneys to the EETF. These revisions resulted in changes in the methodology used to calculate the transfer based on a business model of revenue minus expenses rather than a percent of revenue.

The amount due to the EETF at June 30, 2016, and June 30, 2015, was as follows (in thousands):

	June 30, 2016	June 30, 2015
Draw ticket sales	\$ 2,107,653	\$ 1,859,336
Average percent transferred	39%	37%
Transfer of Draw ticket sales ¹	823,534	688,241
Unclaimed Draw ticket prizes	35,480	32,933
Percent transferred	80%	80%
Transfer of unclaimed Draw ticket prizes	28,384	26,346
Scratch-Off ticket sales	3,954,701	3,723,995
Average percent transferred	20%	20%
Transfer of Scratch-Off ticket sales ¹	796,118	750,341
Unclaimed Scratch-Off ticket prizes	38,546	14,737
Percent transferred	80%	80%
Transfer of unclaimed Scratch-Off ticket prizes	30,837	11,790
Nonoperating revenues (expenses), net	24,290	(1,218)
Add:		
Net (appreciation) depreciation in fair value of investments	(34,246)	(12,604)
Amortization of grand prizes payable	14,779	18,040
Total Nonoperating revenues, net	4,823	4,218
Change in methodology for addressing pension, postemployment healthcare, and compensated absences expenses	1,235	7,783
Terminal fees and miscellaneous revenue	7,620	7,652
Due for the year	1,692,551	1,496,371
Balance due, beginning of year	67,371	55,409
Paid during the year	(1,601,371)	(1,484,409)
Due to Educational Enhancement Trust Fund, June 30	\$ 158,551	\$ 67,371

¹ Amounts do not foot due to rounding of average percent transferred.

9. PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

A. Retirement Programs

The Florida Department of Management Services (DMS) administers the State's pension plans referenced below. Financial statements and other required supplementary information for the plans are included in the Florida Department of Management Services' Florida Retirement System Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report (Pension CAFR). Copies of the Pension CAFR can be obtained from the DMS, Division of Retirement (Division), Research and Education Section, P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone at 844-377-1888 or 850-907-6500; by e-mail at rep@dms.myflorida.com; or at the Division's Web site (www.frs.myflorida.com).

Florida Retirement System. The Florida Retirement System (FRS) is a State-administered cost-sharing multiple-employer retirement plan administered by the DMS that offers members (Regular Class, Special Risk Class, and Senior Management Service Class)¹ an initial choice between participating in a defined benefit plan (FRS Pension Plan) or a defined contribution plan (FRS Investment Plan) and one additional choice to change plans before retirement. FRS provisions are established by Chapters 121, 122, and 238, Florida Statutes; Chapter 112, Part IV, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, required employer and employee contributions, and benefits are defined and described in detail. Unless otherwise provided, all employees of participating employers in regularly established positions must be enrolled as members of the FRS or other non-integrated defined contribution plans in lieu of FRS membership.

¹ Regular Class includes members of the FRS who do not qualify for membership in the other classes. Special Risk Class includes members who are employed as law enforcement officers and the Senior Management Service Class includes members in senior management level positions.

Benefits in the FRS Pension Plan vest at six years of service for members initially enrolled before July 1, 2011, and at eight years for members initially enrolled on or after July 1, 2011. For members initially enrolled before July 1, 2011, Special Risk Class members are eligible for normal retirement benefits at age 55 and vested or after 25 years of service at any age. All other members initially enrolled before July 1, 2011, are eligible for normal retirement benefits at age 62 and vested or at any age after 30 years of service. For members initially enrolled on or after July 1, 2011, Special Risk Class members are eligible for normal retirement benefits at age 60 and vested or after 30 years of service at any age. All other members initially enrolled on or after July 1, 2011, are eligible for normal retirement benefits at age 65 and vested or at any age after 33 years of service.

Early retirement is available but imposes a penalty for each year a member retires before his or her normal retirement age. Retirement, disability, and death benefits are provided. Retirees with service prior to July 1, 2011, receive annual cost-of-living adjustments. Retirees only with service accrued on or after July 1, 2011, do not receive annual cost-of-living adjustments. Benefits are calculated at retirement based on the age, years of service, accrual value by membership class, and average final compensation (average of highest five fiscal years' salaries if initially enrolled before July 1, 2011, or the average of highest eight fiscal years' salaries if initially enrolled on or after July 1, 2011).

Members of the FRS Pension Plan who reach normal retirement may participate in the Deferred Retirement Option Program (DROP), subject to provisions of Section 121.091(13), Florida Statutes. DROP participants are technically retired, deferring termination and receipt of monthly retirement benefits for up to 60 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

FRS Investment Plan benefits are established in Part II, Chapter 121, Florida Statutes, and participation is available to all FRS members in lieu of the FRS Pension Plan. Members vest after one year of creditable service for Investment Plan contributions. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, six years or eight years depending upon initial enrollment date of service (including the service credit represented by the transferred funds) is required to be vested for these funds and the earnings on the funds. Benefits under the FRS Investment Plan are based on the account balance at retirement composed of contributions plus investment gains less investment losses and fees. If the member is totally and permanently disabled from all employment, the member can transfer the account balance to the Pension Plan to receive a monthly disability benefit. Employer and employee contributions are a percentage of salary based on membership class. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices offered under the plan.

The Florida Legislature established uniform contribution rates for participating FRS employees. FRS employers pay the same contribution rate by membership class regardless of whether the members participate in the FRS Pension Plan or FRS Investment Plan. Contribution rates as a percentage of gross salary are as follows:

Class	Employee Rate	Employer Rate	Employee Rate	Employer Rate
	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2016 ⁽¹⁾	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2015 ⁽¹⁾
Senior Management Service	3.00 percent	21.43 percent	3.00 percent	21.14 percent
Regular	3.00 percent	7.26 percent	3.00 percent	7.37 percent
Special Risk	3.00 percent	22.04 percent	3.00 percent	19.82 percent
DROP - Applicable to members from all of the above classes	0.00 percent	12.88 percent	0.00 percent	12.28 percent

Note: (1) Total employer contribution rates above include 1.66 percent and 1.26 percent for the fiscal years ended June 30, 2016, and June 30, 2015, respectively, for the Retiree Health Insurance Subsidy Program. Also, employer rates, other than for DROP participants, include 0.04 percent for fiscal years ended June 30, 2016, and June 30, 2015, for administration costs of the financial education program and the FRS Investment Plan. Required employee contributions are deducted on a pre-tax basis.

FRS Contributions and Contributions as a Percentage of Covered Payroll.

The Lottery's employer contributions and contribution as a percentage of covered payroll for the FRS Pension Plan and FRS Investment Plan for the fiscal years ended June 30, 2016, June 30, 2015, and June 30, 2014, are as follows:

Plan	Fiscal Year	Fiscal Year	Fiscal Year
	Ended	Ended	Ended
	June 30, 2016	June 30, 2015	June 30, 2014
Employer Contributions:			
FRS Pension Plan	\$ 1,319,074	\$ 1,354,333	\$ 1,184,595
FRS Investment Plan	\$ 153,887	\$ 328,836	\$ 297,945
Contributions as a Percentage of Covered Payroll:			
FRS Pension Plan	8.25%	8.47%	7.28%
FRS Investment Plan	4.56%	9.75%	8.67%

Senior Management Service Optional Annuity Program. Some Lottery employees also participate in the Senior Management Service Optional Annuity Program (SMSOAP). Offered in lieu of FRS participation, the SMSOAP is a defined contribution plan that provides retirement and death benefits to the participant pursuant to Section 121.055, Florida Statutes. Participants have full and immediate vesting of all contributions paid on their behalf to the participating provider companies to invest as directed by the participants. Employees in eligible State positions may make an irrevocable election to participate in the SMSOAP in lieu of the Senior Management Service Class. Employers contributed 6.27 percent of covered payroll for July 2013 through June 2016. This contribution rate includes a contribution that would otherwise be paid to the Retiree Health Insurance Subsidy Program (HIS) described below so the SMSOAP retiree is not eligible to receive monthly HIS benefits. A participant may contribute by salary reduction an amount not to exceed the percentage contributed by the employer. The Lottery's contributions for the fiscal years ended June 30, 2016, June 30, 2015, and June 30, 2014, totaled \$13,015, \$40,134, and \$33,575 respectively.

Retiree Health Insurance Subsidy Program. The HIS was created by the Florida Legislature in 1987 to assist FRS retirees in paying health insurance costs. HIS is a non-qualified, cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes. For the fiscal years ended June 30, 2016, 2015, and 2014, eligible retirees or beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments to individual retirees or beneficiaries were at least \$30 but not more than \$150 per month. To be eligible to receive HIS, an FRS retiree must apply for the benefit, certify health insurance coverage, which can include Medicare or TRICARE, and be approved.

HIS is funded by required contributions from FRS participating employers. For the fiscal years ended June 30, 2016, 2015, and 2014, required contributions were 1.66 percent, 1.26 percent, and 1.20 percent, respectively, of payroll for all active employees covered by the FRS, pursuant to Section 112.363, Florida Statutes. For the fiscal years ended June 30, 2016, 2015, and 2014, the Lottery contributed \$288,150, \$215,070, and \$197,280, respectively, in employer contributions to the HIS. HIS contributions are deposited in a DMS trust fund from which HIS payments are authorized. HIS benefits are not guaranteed and are subject to legislative appropriation. If these contributions or appropriation fail to provide full subsidy benefits to all participants, the Legislature may reduce or cancel the subsidy payments.

Deferred Compensation Plan. The Lottery, through the State of Florida, offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The plan (refer to Section 112.215, Florida Statutes), available to all regular payroll State employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseen emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries as mandated by 26 USC 457(g)(1).

The Lottery does not contribute to the plan. Participation under the plan is solely at the discretion of the employee.

The State has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary and prudent investor. Pursuant to Section 112.215, Florida Statutes, the Deferred Compensation Trust Fund is created in the State Treasury.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. Effective July 1, 2014, the Lottery implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which significantly changed the Lottery's accounting for pension amounts related to the two defined benefit plans it participates in, the FRS Pension Plan and the HIS (Plans).

For purposes of measuring the net pension liabilities, pension expense, and related deferred outflows/inflows of resources, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the DMS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Detailed information about the Plans' fiduciary net position is available in the Pension CAFR.

At June 30, 2016, the Lottery reported a net pension liability of \$7,174,907 for its proportionate share of the FRS Pension Plan's net pension liability and \$5,737,878 for its proportionate share of the HIS net pension liability, for a total net pension liability of \$12,912,785. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was based on actuarial valuations as of July 1, 2014 and July 1, 2015, for the HIS and FRS Pension Plan, respectively. The Lottery's proportionate share of the net pension liability was based on 2014-15 fiscal year contributions to the Plans relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the Lottery's proportionate share of the FRS Pension Plan net pension liability was 0.055549065 percent, which was a 2.72 percent increase from its proportionate share measured as of June 30, 2014, of 0.054080631 percent. The Lottery's proportionate share of the HIS net pension liability at June 30, 2015, was 0.056262384 percent, which was a 2.30 percent decrease from its proportion as of June 30, 2014, of 0.057588909 percent. For the fiscal year ended June 30, 2016, the Lottery recognized pension expense of \$856,703 for the FRS Pension Plan and \$411,724 for the HIS, for pension expense totaling \$1,268,427. At June 30, 2016, the Lottery reported deferred outflows of resources and deferred inflows of resources related to the Plans from the following sources:

FRS Pension Plan

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 757,458	\$ 170,167
Changes in assumptions	476,223	-
Net difference between projected and actual earnings on pension plan investments	-	1,713,248
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,613,031	98,596
Employer contributions subsequent to the measurement date	1,319,074	-
Total	<u>\$ 4,165,786</u>	<u>\$ 1,982,011</u>

	HIS	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	451,421	-
Net difference between projected and actual earnings on pension plan investments	3,106	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	98,633	197,120
Employer contributions subsequent to the measurement date	288,150	-
Total	<u>\$ 841,310</u>	<u>\$ 197,120</u>

The Lottery's contributions subsequent to the measurement date of \$1,319,074 for the FRS Pension Plan and \$288,150 for the HIS are reported as deferred outflows of resources and will be recognized as a reduction of the total net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	FRS		<u>Totals</u>
	<u>Pension Plan</u>	<u>HIS</u>	
2017	\$ (223,853)	\$ 62,867	\$ (160,986)
2018	(223,853)	62,867	(160,986)
2019	(223,852)	62,867	(160,985)
2020	1,189,630	62,236	1,251,866
2021	292,845	61,933	354,778
2022-24	53,784	43,270	97,054
Total	<u>\$ 864,701</u>	<u>\$ 356,040</u>	<u>\$ 1,220,741</u>

Actuarial Methods and Assumptions. Actuarial assumptions for both defined benefit cost-sharing plans, the FRS Pension Plan and the HIS, are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS is funded on a pay-as-you-go basis, no experience study has been completed for this program.

The total pension liability for FRS Pension Plan and HIS were determined by actuarial valuations as of July 1, 2015, and July 1, 2014, respectively, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60 percent. Payroll growth for both Plans is assumed at 3.25 percent.

Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments are 7.65 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the statutorily required rates. Based on these assumptions, the FRS Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return and was applied to all periods of projected benefit payments to determine the total pension liability.

Because the HIS uses a pay-as-you-go funding structure, a municipal bond rate of 3.80 percent was used to determine the total pension liability for the plan. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables (refer to the valuation reports at www.frs.myflorida.com for more information).

There were no changes in benefit terms for either the FRS Pension Plan or the HIS that affected the total pension liability since the prior measurement date. There were no changes between the measurement date and the reporting date which significantly impact the Lottery's proportionate share of the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for either the FRS Pension Plan or the HIS.

The following changes in actuarial assumptions occurred in 2015:

- FRS Pension Plan: As of June 30, 2015, the inflation rate assumption remained at 2.60 percent, the real payroll growth assumption remained at 0.65 percent, and the overall payroll growth rate assumption remained at 3.25 percent. The long-term expected rate of return remained at 7.65 percent.
- HIS: The municipal rate used to determine total pension liability decreased from 4.29 percent to 3.80 percent.

The long-term expected rate of return on FRS Pension Plan investments was determined using a forward-looking capital market economic model, which includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	3.20%
Fixed income	18.00%	4.80%
Global equity	53.00%	8.50%
Real estate (property)	10.00%	6.80%
Private equity	6.00%	11.90%
Strategic investments	12.00%	6.70%
	<u>100.00%</u>	

Total

Sensitivity Analysis. The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the Lottery's proportionate share of each plan's net pension liability if the discount rate was 1.00 percent higher or 1.00 percent lower than the current discount rate at June 30, 2016.

<u>FRS Pension Plan</u>			<u>HIS</u>		
Current			Current		
1% Decrease	Discount Rate	1% Increase	1% Decrease	Discount Rate	1% Increase
6.65%	7.65%	8.65%	2.80%	3.80%	4.80%
\$ 18,591,806	\$ 7,174,907	\$ (2,325,829)	\$ 6,538,045	\$ 5,737,878	\$ 5,070,659

B. Postemployment Healthcare Benefits

The Lottery participates in the State Employees' Health Insurance Program, a cost-sharing multiple employer defined benefit postemployment healthcare plan administered by the DMS, Division of State Group Insurance, to provide group health benefits. Section 110.123, Florida Statutes, provides that retirees may participate in the State's group health insurance programs and assigns the authority to establish and amend benefit provisions to the DMS. Although premiums are paid by the retiree, the premium cost to the retiree is implicitly subsidized by the commingling of claims experience in a single risk pool with a single premium determination. An actuarial valuation has been performed for the plan and the Lottery's employees were included in the actuarial analysis. For more information on the plan regarding the funding policy and actuarial methods and assumptions, see the State of Florida's Comprehensive Annual Financial Report, which is available from the Department of Financial Services.

In accordance with GASB Codification Section Po50, *Postemployment Benefit Plans Other Than Pension Plans - Defined Benefit*, the Lottery is required to record its portion of the implicit postemployment health benefit liability. Postemployment health benefits payable at June 30, 2016, June 30, 2015, and June 30, 2014, was \$6,683,000, \$5,085,000, and \$4,009,000, respectively.

10. OPERATING LEASES

The Lottery has entered into operating leases for the rental of office and warehouse space for the headquarters and district offices. Certain leases are renewable at the option of the Lottery.

Future minimum rental payments as of June 30, 2016, are scheduled as follows (in thousands):

Year Ending June 30	Headquarters	Districts	Total
2017	\$ 2,772	\$ 1,115	\$ 3,887
2018	2,801	1,149	3,950
2019	234	1,187	1,421
2020	-	1,032	1,032
2021	-	847	847
2022-2026	-	4,076	4,076
2027-2031	-	4,091	4,091
2032-2034	-	1,562	1,562
Total	\$ 5,807	\$ 15,059	\$ 20,866

Rental expense under all operating leases totaled approximately \$3,928,000 and \$4,017,000 for the fiscal years ended June 30, 2016, and 2015, respectively.

11. NET POSITION RESTATEMENT

Net Position, June 30, 2014, as previously reported (in thousands)	\$ 97,661
Implementation effect of GASB Statement No. 68 (Refer to Note 9)	<u>(10,998)</u>
Net Position, June 30, 2014, as restated	<u><u>\$ 86,663</u></u>

12. VENDOR SUPPORT FUNDS

Each of the gaming vendor contracts requires the vendors to provide a fund for marketing support activities as directed by the Lottery. The vendors are required to make deposits into the designated accounts either weekly or monthly and distribute the funds as directed by the Lottery. The funds are used for market research and other expenses directly linked to product sales. Vendor balances committed for marketing research vary with timing of marketing initiatives, industry developments, and changes in technology. Actual cash balances for these funds at June 30, 2006, through June 30, 2016, ranged from \$1,058,000 to \$4,661,000. Each contract requires that any funds remaining in the accounts at the end of each contract's term will be returned to the Lottery for transfer to the EETF. Historically, no balances have reverted to the Lottery. The contract with IGT, formerly GTech, was extended in June 2015.

Vendor support fund activities are summarized as follows (in thousands):

	2015-16 Vendor Support Funds			
	Balance		Balance	
	June 30, 2015	Additions	Deletions	June 30, 2016
IGT	\$ 229	\$ 360	\$ (282)	\$ 307
Scientific Games	1,840	5,200	(2,686)	4,354
Total Vendor Support	\$ 2,069	\$ 5,560	\$ (2,968)	\$ 4,661

	2014-15 Vendor Support Funds			
	Balance		Balance	
	June 30, 2014	Additions	Deletions	June 30, 2015
GTech/IGT	\$ 155	\$ 360	\$ (286)	\$ 229
Scientific Games	903	5,201	(4,264)	1,840
Total Vendor Support	\$ 1,058	\$ 5,561	\$ (4,550)	\$ 2,069

13. OTHER COMMITMENTS

The Lottery has contractual agreements under which Draw and Scratch-Off lottery game vendors provide gaming systems, tickets, and related services. The Lottery's Draw gaming vendor is compensated at a rate of 1.0699 percent of net Draw game ticket sales. The vendor's compensation for Draw games and for the provision of full service vending machines for the fiscal years ended June 30, 2016, and 2015, was \$32,650,000 and \$29,970,000, respectively.

The Lottery's Scratch-Off ticket vendor is currently compensated at rates that range from 0.9776 percent to 2.3421 percent based on ticket price points and total annual sales. Compensation under this agreement and the agreement for the provision of instant ticket vending machines amounted to \$55,591,000 for the fiscal year ended June 30, 2016, and \$51,665,000 for the fiscal year ended June 30, 2015.

14. LITIGATION

The Lottery is involved in litigation and other claims incidental to the ordinary course of its operations. In the opinion of Lottery management, based on the advice of legal counsel, the ultimate disposition of these lawsuits and claims will not have a material adverse effect on the financial position of the Lottery.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

FLORIDA RETIREMENT SYSTEM Schedule of the Lottery's Proportionate Share of the Net Pension Liability and Related Ratios Last Ten Fiscal Years ⁽¹⁾

	2015 ⁽²⁾	2014 ⁽²⁾
Lottery's proportion of the net pension liability	0.055549065%	0.054080631%
Lottery's proportionate share of the net pension liability	\$ 7,174,907	\$ 3,299,714
Lottery's covered-employee payroll	\$ 15,985,814	\$ 16,266,000
Lottery's proportionate share of the net pension liability as a percentage of its covered-employee payroll	44.88%	20.29%
Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%

(1) This schedule is intended to report information for ten years. Additional information will be displayed as it becomes available.

(2) The amounts presented for the fiscal year were determined as of 6/30.

Schedule of the Lottery's Contributions Last Ten Fiscal Years ⁽¹⁾

	2016 ⁽²⁾	2015 ⁽²⁾	2014 ⁽²⁾
Contractually required contribution	\$ 1,319,074	\$ 1,354,333	\$ 1,184,595
Contributions in relation to the contractually required contribution	\$ (1,319,074)	\$ (1,354,333)	\$ (1,184,595)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Lottery's covered-employee payroll	\$ 17,562,079	\$ 15,985,814	\$ 16,266,000
Contributions as a percentage of covered-employee payroll	7.51%	8.47%	7.28%

(1) This schedule is intended to report information for ten years. Additional information will be displayed as it becomes available.

(2) The amounts presented for the fiscal year were determined as of 6/30.

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM Schedule of the Lottery's Proportionate Share of Net Pension Liability and Related Ratios Last Ten Fiscal Years ⁽¹⁾

	2015 ⁽²⁾	2014 ⁽²⁾
Lottery's proportion of the net pension liability	0.056262384%	0.057588909%
Lottery's proportionate share of the net pension liability	\$ 5,737,878	\$ 5,384,704
Lottery's covered-employee payroll	\$ 15,969,897	\$ 16,175,000
Lottery's proportionate share of the net pension liability as a percentage of its covered-employee payroll	35.93%	33.29%
Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%

(1) This schedule is intended to report information for ten years. Additional information will be displayed as it becomes available.

(2) The amounts presented for the fiscal year were determined as of 6/30.

Schedule of the Lottery's Contributions Last Ten Fiscal Years ⁽¹⁾

	2016 ⁽²⁾	2015 ⁽²⁾	2014 ⁽²⁾
Contractually required contribution	\$ 288,150	\$ 215,070	\$ 197,280
Contributions in relation to the contractually required contribution	\$ (288,150)	\$ (215,070)	\$ (197,280)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Lottery's covered-employee payroll	\$ 17,354,507	\$ 15,969,897	\$ 16,175,000
Contributions as a percentage of covered-employee payroll	1.66%	1.35%	1.22%

(1) This schedule is intended to report information for ten years. Additional information will be displayed as it becomes available.

(2) The amounts presented for the fiscal year were determined as of 6/30.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S 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*

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Department of the Lottery (Lottery), as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements, and have issued our report thereon dated January 25, 2017, included under the heading **INDEPENDENT AUDITOR'S REPORT**.

Internal Control Over Financial Reporting

We have examined the Lottery's internal control over financial reporting as of June 30, 2016, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Lottery's management is responsible for maintaining effective internal control over financial reporting, and for its assertion about the effectiveness of internal control over financial reporting, included in the accompanying **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**. Our responsibility is to express an opinion on the Lottery's internal control over financial reporting based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our examination included obtaining an understanding of the internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our examination also included performing

such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Lottery maintained, in all material respects, effective internal control over financial reporting as of June 30, 2016, based on the criteria established in *Internal Control – Integrated Framework* issued by COSO.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lottery's financial statements are free from material misstatement, we performed tests of the Lottery's compliance with certain provisions of laws, rules, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Additional Matters

We noted certain additional matters related to information technology controls and minority retailer participation that we reported to management as Findings 1 and 2 in the ***FINDINGS AND RECOMMENDATIONS*** accompanying this report.

Management's Response to Findings

The Lottery's response to the findings described in the ***FINDINGS AND RECOMMENDATIONS*** accompanying this report is included as ***MANAGEMENT'S RESPONSE***. The Lottery's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S 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** is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and to provide an opinion on the effectiveness of the Lottery's internal control but not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lottery's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
January 25, 2017
Audit Report No. 2017-103

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

RICK SCOTT
Governor



TOM DELACENSERIE
Secretary

Management's Report on Internal Control Over Financial Reporting

The Florida Lottery's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Management is responsible for establishing and maintaining effective internal control over financial reporting. Management assessed the effectiveness of the Florida Lottery's internal control over financial reporting as of June 30, 2016, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework (2013)*. Based on that assessment, management concluded that, as of June 30, 2016, the Florida lottery's internal control over financial reporting is effective based on the criteria established in *Internal Control - Integrated Framework (2013)*.

The Florida Lottery

A handwritten signature in blue ink, appearing to be "Tom Delacenserie", with a long horizontal line extending to the right.

January 25, 2017

FINDINGS AND RECOMMENDATIONS

ADDITIONAL MATTERS

Finding 1: Information Technology Controls

Information technology (IT) controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. During our audit, we identified the need for enhancements to certain Lottery IT control practices. To avoid the possibility of compromising Lottery information, specific details of these issues are not disclosed in this report. However, the appropriate Lottery personnel have been notified of the issues.

Recommendation: We recommend that Lottery management make the necessary IT control enhancements to address the issues identified.

Finding 2: Minority Retailer Participation

Section 24.113, Florida Statutes, requires that 15 percent of the Lottery's retailers be minority business enterprises, as defined in Section 288.703(3), Florida Statutes; however, no more than 35 percent of such retailers shall be owned by the same type of minority person, as defined by Section 288.703(4), Florida Statutes.

Our audit disclosed that as of July 1, 2016, retailers comprising one minority type totaled approximately 67 percent of the total number of minority retailers. A similar finding has been included in previous Auditor General reports.

The Lottery has developed an outreach program to increase retailer participation in under-represented minority groups and the overall level of participation from these groups increased slightly over the past fiscal year.

Recommendation: We recommend that the Lottery continue its efforts to increase retailer participation in under-represented minority groups.

MANAGEMENT'S RESPONSE

RICK SCOTT
Governor



TOM DELACENSERIE
Secretary

January 25, 2017

Sherrill F. Norman, CPA
Florida Auditor General
Claude Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

The Lottery has received your January 9, 2017, list of preliminary and tentative audit findings and recommendations resulting from your audit of the Lottery's Financial Statements for the fiscal year ended June 30, 2016. Below is our response to each finding and recommendation:

Finding 1: Information Technology Controls

Recommendation: We recommend that Lottery management make the necessary IT control enhancements to address the issues identified.

Lottery's Response: The Lottery has made the necessary enhancements presented by this audit or is in the process of implementing the enhancements. The Lottery has an ongoing process to improve IT controls and will continue to reengineer where necessary to tighten controls.

Finding 2: Minority Retailer Participation

Recommendation: We recommend that the Lottery continue its efforts to increase retailer participation in under-represented minority groups.

Lottery's Response: We will continue to look for opportunities to recruit retailers, including those in under-represented minority groups. We will continue to utilize advertising in both minority and general market trade magazines and newspapers. We will also continue to work with retailer trade associations in order to reach out to minority-owned businesses. Finally, our sales force will continue to look for opportunities to recruit minority-owned businesses as a part of their standard sales practices.

Thank you for your audit efforts and recommendations. I look forward to receiving your final report.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tom Delacenserie".

Thomas R. Delacenserie
Secretary

cc: David Mica, Jr, Chief of Staff
Joan Schoubert, Deputy Secretary
Andy Mompeller, Inspector General



MORE THAN \$30 BILLION TO EDUCATION



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OPPAGA Review of the Florida Lottery, 2016

A Presentation to the Joint Legislative Auditing
Committee

Becky Vickers, Chief Legislative Analyst

February 23, 2017

Research Scope

Project assigned to OPPAGA by the Joint Legislative Auditing Committee

Scope determined by s. 24.123, *Florida Statutes*

- OPPAGA charged with identifying options to**
- Enhance the Lottery's earning capability**
 - Improve the Lottery's operational efficiency**

Lottery Transfers Continue to Increase

Lottery transfers to the Educational Enhancement Trust Fund were \$1.693 billion in 2015-16

An increase of \$196 million compared to the prior year

Transfers exceeded

- The legislative standard (\$1.206 billion)
- The Lottery's internal objective (\$1.508 billion)

The Florida Lottery ranked third among U.S. lotteries in total sales

Revenue Enhancement Options

New Game Options Could Increase Revenues

All or Nothing

- Multiple daily draws with winners matching all, some, or none of the drawn numbers
- Could generate \$10 million annually in transfers
- No legislative action required

New Game Options Could Increase Revenues

Multi-State, Lifetime Payment

- 2 options: Cash4Life and Lucky for Life
- Top prize of \$1,000 a day for life
- Florida Lottery has joined Cash4Life
- Could generate \$22 million annually in transfers

New or Expanded Product Distribution Options Could Increase Revenues

Internet Sales

- 4 states sell lottery tickets via the Internet
- Estimated \$8 million annually in transfers
- Requires statutory revisions

Subscription Sales

- 11 states offer subscriptions via Internet or mail
- Estimated \$5 million annually in transfers
- May require statutory revisions

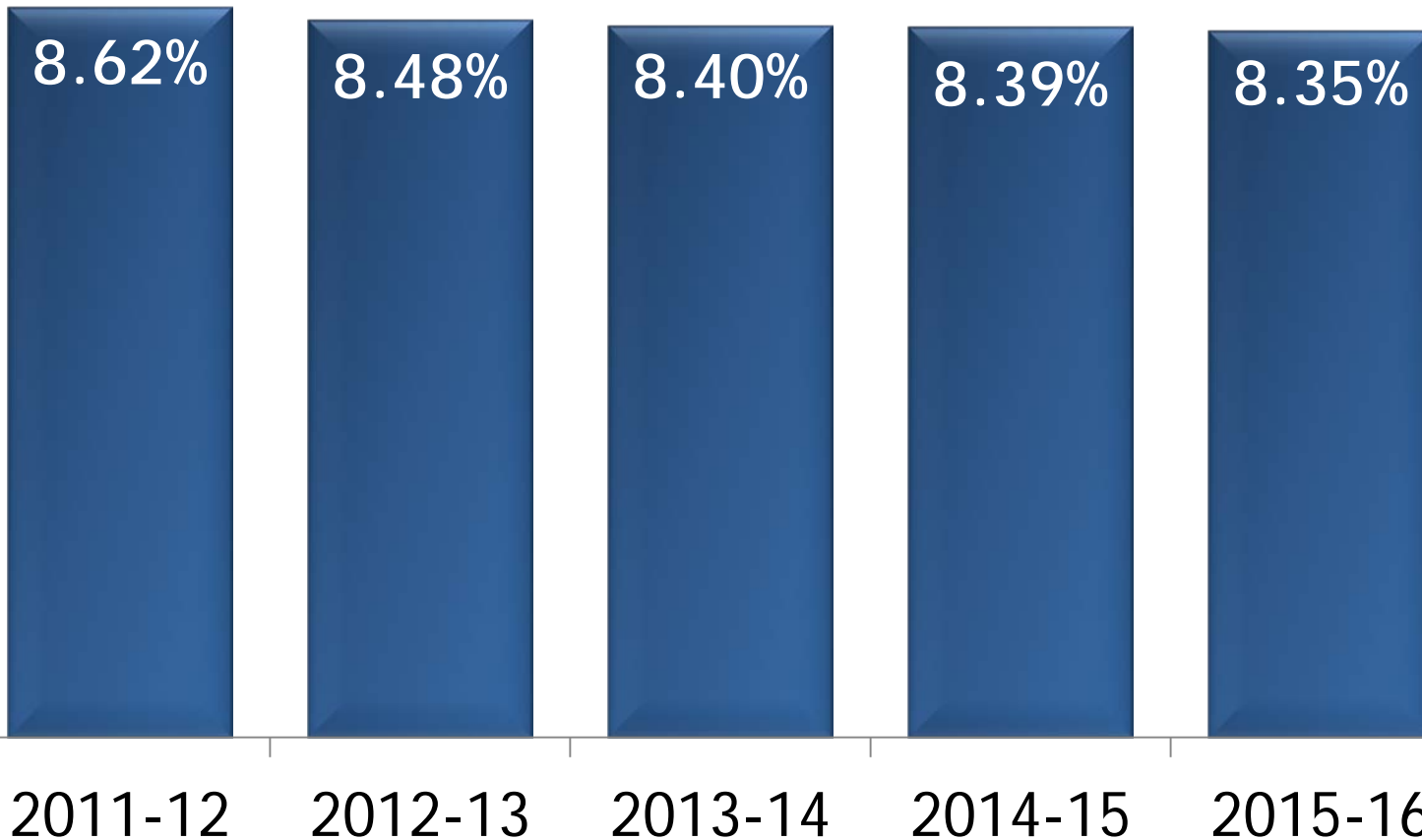
Increase Retailer Network

- Add more traditional and non-traditional outlets
- 200 new retailers could generate an additional \$6 million annually in transfers

Operational Efficiency

The Department's Operating Expense Rate Outperformed the Legislative Standard

Legislative Standard: 9.52%



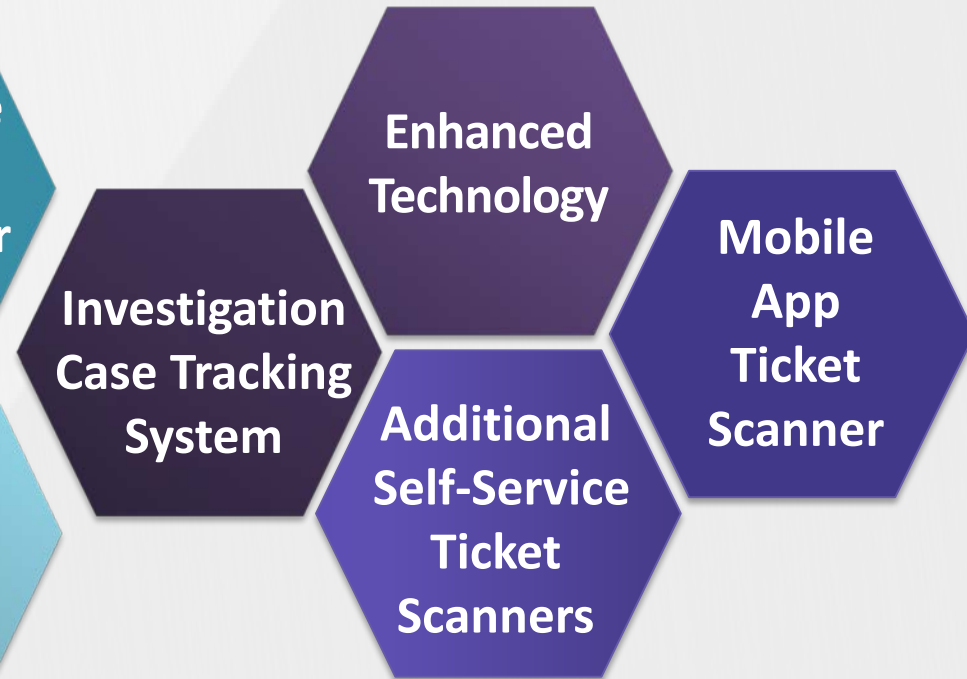
**Total
Operating
Expense
Rate**

The Department Plans to Improve Its Retailer Integrity Program

Current Program



Department's Planned Improvements



OPPAGA's Report Includes Three Informational Sections

**Use of Retailer
Incentive Funds**

**Use of Emergency
Rule Authority**

Contract Extensions

Recommendations

OPPAGA Report Recommendations

Recommendations to the Department of the Lottery

Continue its efforts to

- Expand the retailer network
- Improve its data analysis and reporting capabilities for identifying and investigating potential ticket theft by retailers
- Increase the number of retailer locations with self-service ticket scanners and provide a ticket scanning function in its mobile app

OPPAGA [Report No. 17-01](#), *Review of the Florida Lottery, 2016*, January 2017.

OPPAGA Report Recommendations

Recommendation to the Legislature

If interested in a particular option

- Consider directing the department to provide a detailed business analysis that includes timeframes for implementation, needed statutory changes, and any impacts on the gaming compact with the Seminole Tribe of Florida

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THE FLORIDA LEGISLATURE'S
OFFICE OF PROGRAM POLICY ANALYSIS & GOVERNMENT ACCOUNTABILITY

OPPAGA supports the Florida Legislature by providing data, evaluative research, and objective analyses that assist legislative budget and policy deliberations.



Review of the Florida Lottery, 2016

at a glance

Lottery transfers to the Educational Enhancement Trust Fund increased in Fiscal Year 2015-16 to \$1.693 billion, or \$196 million more than the prior year. This increase is due to a combination of factors including increased sales associated with a record-setting Powerball jackpot and continued scratch-off sales growth.

Several additional game and product distribution options are available to further increase transfers to education. However, some of these options could represent expanded gambling.

The Lottery continues to outperform the legislative performance standard for its operating expense rate and has an expense rate that is second lowest in the nation.

The Lottery should continue its ongoing efforts to

- expand the retailer network;
- improve its data analysis and reporting capabilities for identifying and investigating potential ticket theft or brokering by retailers; and
- increase the number of retailer locations with ticket self-checkers and provide a ticket scanning function in its mobile app so that players can more easily determine for themselves whether a ticket is a winner.

Scope

As directed by the Legislature, OPPAGA examined the Department of the Lottery and assessed options to enhance its earning capability and improve its efficiency.^{1,2}

Background

The Department of the Lottery generates funds for education by selling draw and scratch-off games. Draw games allow players to select from a range of numbers on a play slip. Draw game tickets are printed by terminals that are connected to the Lottery's contracted terminal-based gaming system for a drawing at a later time. Scratch-off games are tickets with removable covering that players scratch off to determine instantly whether they have won.

The Lottery is self-supporting and receives no general revenue funds. For Fiscal Year 2016-17, the Legislature appropriated \$167.1 million from Lottery sales revenue and authorized 420 positions for Lottery operations. Prizes and retailer commissions are paid directly from sales revenues and do not appear in the department's appropriation. In Fiscal Year 2015-16, prizes totaled \$3.869 billion and retailer commissions totaled \$337 million.³ Total ticket sales for this time

¹ Section 24.123, F.S., requires an annual financial audit of the Lottery, which is to include recommendations to enhance the Lottery's earning capability and efficiency. The Joint Legislative Auditing Committee directed OPPAGA to assess revenue enhancement and efficiency and the Auditor General to conduct the financial audit.

² A complete list of prior OPPAGA reports that identify revenue enhancement and operational efficiency options for the Department of the Lottery is available on our [website](#).

³ To sell its products, the Lottery contracts with a wide range of retailers across the state, such as supermarkets, convenience stores, gas stations, and newsstands. Retailers receive commissions for selling Lottery products at a rate of 5% of the ticket price and/or 1% of the prize value for winning tickets they redeem up to \$599. Retailers also can receive bonuses for selling select winning tickets and performance incentive payments.

period were \$6.062 billion, ranking Florida the third highest among U.S. lotteries in total sales.⁴

Since its inception, the Lottery has outsourced its core functions to produce, advertise, and sell tickets. The Lottery allocated approximately 75%, or \$125.7 million, of its Fiscal Year 2016-17 appropriation to produce and advertise draw and scratch-off games.⁵ These vendor contracts include those listed below.

- A contract with PP+K, Inc. for general market advertising services, as well as Spanish language advertising services. This contract expires in October 2021.
- Two contracts with IGT (formerly named GTECH Corporation) to provide a terminal-based gaming system. The department extended its existing contract with IGT while it completed the procurement process for a new contract.⁶ The department subsequently selected IGT for the new contract, under which services will fully commence as of October 30, 2017. IGT continues to provide services under its original contract during the transition. The new contract establishes a different basis for vendor fees—IGT will be paid 0.7865% of net draw game ticket sales plus net scratch-off ticket sales, compared to 1.0699% of draw game ticket sales under the prior contract.⁷ The gaming system includes computer systems and retailer terminals, jackpot signs, self-service ticket inquiry

checkers, full-service vending machines, telecommunications, and technical support services. This new contract expires in April 2031 (the department exercised the first of three three-year renewal options when it signed the contract on September 1, 2016).

- A contract with Scientific Games International to print, market, and distribute scratch-off game tickets. This contract expires in September 2018.

Revenue Performance —

In Fiscal Year 2015-16, Lottery sales increased to \$6.062 billion compared to the prior year’s sales of \$5.583 billion (an increase of \$479 million). The increase was primarily due to additional sales associated with a record-setting Powerball jackpot and continued scratch-off sales growth.^{8,9} Draw game sales increased by \$248 million, while scratch-off game sales increased by \$231 million.

During the same period, Lottery transfers to the Educational Enhancement Trust Fund increased to \$1.693 billion, or \$196 million (13%) more than the prior year. Transfers exceeded the legislative standard of \$1.206 billion and the Lottery’s internal objective of transferring \$1.508 billion to the Educational Enhancement Trust Fund.¹⁰

⁴ Also, Florida ranked 11th highest among U.S. lotteries in per capita sales for Fiscal Year 2015-16.

⁵ Of the \$125.7 million, approximately \$86.2 million was allocated to produce draw and scratch-off games and \$39.6 million was allocated to advertising.

⁶ This contract originally expired in March 2015 (after the department exercised both of its two-year renewal terms), but the department extended the contract for six months, through September 2015, while it was undergoing the procurement process for a new contract. The department rejected all bids for the original invitation to negotiate (ITN) in January 2015 and issued a new ITN in February 2015. In June 2015, the department entered into an 18-month emergency contract extension with IGT (starting in September 2015). In December 2016, the department amended this emergency extension. The amended emergency extension expires either on October 30, 2017, or when the Lottery has approved the successful conversion to the new gaming system and sales have commenced, but in no event later than April 1, 2018.

⁷ Net ticket sales are gross ticket sales minus cancelled, free, or promotional tickets and other adjustments for draw games.

⁸ In January 2016, Florida’s 11th Powerball jackpot winner was one of three nationally to win the record-setting \$1.59 billion jackpot. This series of 19 Powerball jackpot rollovers began November 7, 2015. The series of rollovers generated more than \$117.1 million for education in Florida and \$14.4 million in retailer commissions and bonuses, and created 5.4 million winning Florida tickets totaling more than \$58.8 million in prizes, including 18 new millionaires.

⁹ On October 4, 2015, the Multi-state Lottery Association (MUSL) launched enhancements to the Powerball game in an effort to stimulate sales after a period without large jackpots. MUSL changed the game matrix to stimulate larger jackpots and feature better overall odds, established a \$50,000 third prize and added a 10X multiplier on Power Play. As a result, Powerball rolled to a new world record jackpot of \$1.59 billion on January 13, 2016 and generated the biggest Florida sales week ever with \$230.7 million in a single week.

¹⁰ The Lottery’s legislatively-approved performance standards are reported in its long-range program plan—*Long Range Program Plan Fiscal Years 2017-18 through 2021-22*, Florida Lottery, September 30, 2016.

Revenue Enhancement

The Lottery took steps during Fiscal Year 2015-16 to increase its sales and transfers to the Educational Enhancement Trust Fund. To further increase sales and transfers, the Lottery could implement new games and it could also implement new ways of selling tickets to further enhance its revenues. However, adding new games or introducing new product distribution methods could represent an expansion of legalized gambling and could produce negative social costs.^{11, 12} In addition, some of the sales from new games would be the result of sales shifts from existing games.

The Lottery took steps to increase sales from existing types of games

The Lottery increased its sales by continuing to enhance its product mix. For example, the Lottery launched its first family of holiday-themed scratch-off games on October 25, 2015. The department reports that games launched as families accounted for \$1.85 billion, or half of all scratch-off sales, in Fiscal Year 2014-15. A family of scratch-off games includes multiple price points for tickets that have a similar theme, such as Holiday Gifts or Holiday Millions. With a scratch-off family of games, the Lottery can advertise between four and six price-points at one time. The Lottery achieved holiday game sales of \$163.5 million, which resulted in \$30.25 million in transfers to the Educational Enhancement Trust Fund. This was a 27% increase compared to Fiscal Year 2014-15 holiday games sales.

To promote EZmatch™ sales for both FANTASY 5® and LUCKY MONEY™, the Lottery offered more and higher EZmatch™ prizes during an eight-week promotional period between February 1 and March 27, 2016.¹³ The department reports that this promotion resulted in an additional \$4.8 million in sales, generating an added \$1.3 million in transfers.

In addition, on April 5, 2016, the Lottery began to sell a licensed WHEEL OF FORTUNE® scratch-off game. Tickets were priced at \$5 and the game set a single week sales record at the \$5 price point, achieving more than \$7.6 million in sales in a single week, as well as a second consecutive week of sales above \$7 million. After 12 weeks, the game generated \$58.6 million in sales and \$10.7 million in transfers to the Educational Enhancement Trust Fund.

In August 2016, the Lottery re-branded its daily draw game category by renaming Cash 3 and Play 4 as Pick 3 and Pick 4, respectively, and adding two new games—Pick 2 and Pick 5. The December 2016 Revenue Estimating Conference forecasted that all of the pick games together as a group would increase sales by \$4.7 million in Fiscal Year 2016-17.

The department also changed its expectation for retailers to activate new scratch-off games from 85% of retailers to 95% by close of business on Friday of the week new games are launched (within four days, as new scratch-off games are typically launched on a Tuesday). To encourage timely game activation, the department implemented retailer activation incentives for selected games, as discussed later in this report.

To further increase sales and transfers, the Lottery could implement additional games or expand product distribution by adopting new ways of selling lottery tickets. Some of these options are discussed in the sections below. For more information, Appendix A details additional new game options and Appendix B lists additional product distribution options, along with their advantages and disadvantages.

Fiscal impact estimates assume lottery customers and retailers would be educated and ready to play as soon as new games or product distribution options were made available. These estimates also assume that Florida's sales experience would be similar to that of other U.S. lotteries. However, Florida's sales

¹¹ For more information on negative social costs, see *Lottery Profits Flat; Increasing Retailer Outlets is Critical to Increasing Sales*, OPPAGA Report No. 10-16, January 2010; and *Gambling Impact Study*, Spectrum Gaming Group, October 2013.

¹² Fiscal impact estimates presented in this report do not account for negative social costs and shifts of other taxable economic activity. These factors could reduce the net revenue to the state.

¹³ Players pay an additional \$1 per ticket for EZmatch™ for a chance to win cash instantly. The terminal prints additional numbers and instant prize amounts on the ticket and if any of these numbers match the player's numbers for the draw game, the player wins the prize shown.

experience may differ depending on a variety of factors including how the Florida Lottery implements the option.

For the purposes of this report, we did not evaluate whether new game or product distribution options could affect revenues from the gaming compact between the State of Florida and the Seminole Tribe of Florida.¹⁴ If the Lottery were to implement a new option, it would need to determine whether the implementation would have any potential impact on compact revenues.

New lottery games could generate additional revenues

Florida could consider adding lottery games such as draw games that offer different play styles or prize payment structures than are currently offered.

One example is the All or Nothing game with drawings held multiple times per day. We identified six state lotteries that currently offer an All or Nothing game—Arizona, Georgia, Iowa, Minnesota, North Carolina, and Texas. Tickets are \$1 or \$2 per play, and players win prizes by matching none, some, or all of the numbers drawn. For example, in Texas, players select 12 numbers from 1 to 24 and win a top prize of \$250,000 by matching all 12 numbers drawn or by matching none of the numbers drawn; drawings are four times a day. According to the Florida Lottery’s market research vendor, the game tested well with players. However, based on experience with similar games, Lottery administrators believe that such a game may have a limited life cycle with initial sales increases that later

decline. We estimate that implementing the All or Nothing game could generate approximately \$10 million in additional transfers during the first full year of implementation.¹⁵

Another option is to participate in one of the two multi-state draw games that provide lifetime payments to top prize winners. Currently, 21 U.S. lotteries participate in the Lucky for Life game and 8 U.S. lotteries participate in the Cash4Life game.¹⁶ Lucky for Life tickets are \$2 and players choose five numbers between 1 and 48 and one Lucky Ball number between 1 and 18. Cash4Life tickets are also \$2, and players choose five numbers between 1 and 60 and also a Cash Ball number between 1 and 4. Both of these games have drawings twice a week (Monday and Thursday) and offer a top prize of \$1,000 a day for life.

Lottery administrators reported that they are joining Cash4Life in early 2017. The advantages of participating in a multi-state lifetime payment game include that these games provide an opportunity for bigger prizes and that lifetime payment games have favorable brand recognition. However, as with All or Nothing, this type of game may have a limited life cycle after which sales decline. We estimate that implementing the Cash4Life game could generate approximately \$22 million in additional transfers during the first full year of implementation.¹⁷

Another option is fast play type instant-terminal games. We identified 11 U.S. lotteries that currently offer fast play games.¹⁸ Fast play games are instant win games that print directly from a lottery retailer’s

¹⁴ A gaming compact between the State of Florida and the Seminole Tribe of Florida was approved by the Governor on April 7, 2010, ratified by Ch. [2010-29](#), *Laws of Florida*, and approved by the U.S. Department of the Interior on July 6, 2010. The gaming compact provides the Tribe with partial but substantial exclusivity with respect to the play of covered games in exchange for payments to the state derived from gaming proceeds.

¹⁵ We estimated a range of potential All or Nothing transfer revenue (\$5 million to \$15 million, with a median of \$10 million) based on the highest and lowest per capita sales in states that offer All or Nothing, which we applied to Florida’s estimated population for 2017. The estimate assumes a draw game transfer rate to the Educational Enhancement Trust Fund of 40.89%, based on the December 2016 Revenue Estimating Conference projected transfers for Fiscal Year 2017-18 and that 10% of the sales would be shifted from existing game sales.

¹⁶ The Arkansas, Connecticut, Colorado, Delaware, District of Columbia, Idaho, Iowa, Kentucky, Maine, Massachusetts, Michigan,

Minnesota, Missouri, Montana, New Hampshire, North Carolina, North Dakota, Ohio, Rhode Island, South Carolina, and Vermont lotteries participate in Lucky for Life, and the Georgia, Indiana, Maryland, New Jersey, New York, Pennsylvania, Tennessee, and Virginia lotteries participate in Cash4Life.

¹⁷ We estimated a range of potential Cash4Life transfer revenue (\$3 million to \$51 million, with a median of \$22 million) based on the highest and lowest per capita sales in states that offer Cash4Life, which we applied to Florida’s estimated population for 2017. The estimate assumes a transfer rate to the Educational Enhancement Trust Fund of 36.65%, based on the Cash4Life payout rate of 55%, and an administrative expense rate of 8.35%. The estimate also assumes that 15% of the sales would be shifted from existing game sales.

¹⁸ The Arkansas, District of Columbia, Indiana, Minnesota, Montana, New Hampshire, New Jersey, New Mexico, Ohio, Vermont, and Virginia lotteries offer fast play games.

terminal. Players are not required to fill out playslips, choose numbers, or wait for a drawing. Other lotteries offer fast play games in a wide variety of themes and play styles similar to the options on scratch-off tickets. For example, players match numbers, symbols, or prize amounts to win. Like scratch-off games, new fast play games can be released every few months, while phasing out older games.

The odds of winning with fast play games are closer to scratch-off tickets than draw games. And like scratch-off tickets, other lotteries offer fast play games in a variety of price points, ranging from a \$1 to \$20 per ticket. However, instant win draw games such as fast play games have less visual display at the point of sale than scratch-off games and, therefore require more effort to raise retailer and player awareness of the games. Also, if the Florida Lottery were to implement multiple fast play games at the same time, this would require additional coordination between the Lottery, vendors, and retailers. We estimate that implementing fast play games could generate approximately \$14 million in additional transfers during the first full year of implementation.¹⁹

New ticket-selling methods could also generate additional revenues

The Legislature and the Lottery could consider expanding product distribution, as described in Appendix B. For example, selling lottery products over the Internet could increase sales and provide more convenience to players. The U.S. Department of Justice released a legal opinion in

December 2011 that found that state lotteries' use of the Internet and out-of-state transaction processors to sell lottery tickets to adults within their states' borders does not violate federal law.²⁰

Currently, Illinois, Georgia, Michigan, and Kentucky sell lottery products online for players using a computer or mobile device. In 2012, Illinois became the first state to sell individual draw game tickets over the Internet. The Illinois Lottery website allows players to purchase tickets for Lotto, Lucky Day Lotto, Mega Millions, Pick 3, Pick 4, and Powerball. The Georgia Lottery offers Fantasy 5, Keno!, Mega Millions, Powerball, and instant games online. The Michigan Lottery offers Fantasy 5, Lotto, Mega Millions, Powerball, online versions of keno, and instant games online. The Kentucky Lottery launched internet sales in April 2016. It offers both draw games (Kentucky Cash Ball, Mega Millions, and Powerball) and instant games online.²¹ Lotteries that sell products online require that players be at least 18 years of age and located within the state when making a lottery purchase.²² Potential revenue from implementing Internet sales in Florida is approximately \$8 million in additional transfers per year.²³

Offering lottery products over the Internet would require statutory revisions. Florida law currently restricts the use of player-activated terminals and does not authorize the use of credit cards or other instruments issued by a bank for lottery purchases without a purchase of \$20 in other goods.²⁴ In

¹⁹ We estimated a range of potential fast play transfer revenue (\$1 million to \$100 million, with a median of \$14 million) based on the highest and lowest per capita sales in states that offer fast play games, which we applied to Florida's estimated population for 2017. Our estimate assumes a transfer rate to the Educational Enhancement Trust Fund of 29.65%, based on a fast play payout of 62%, and an administrative expense rate of 8.35%, suggested by the Florida Lottery. The estimate also assumes that 35% of sales would be shifted from existing game sales.

²⁰ Subsequent to this decision, Delaware, Nevada, New Jersey, and the U.S. Virgin Islands enacted laws to permit online casino gaming. The Delaware Lottery partners with three casinos to offer online games through the casinos' websites. The types of online games offered include poker, slots, and table games.

²¹ Although the Minnesota Lottery previously sold lottery tickets online, the Minnesota Legislature passed legislation in 2015 that prohibited the lottery from selling instant tickets over the Internet (formerly called eScratch tickets) and selling tickets at gas pumps and ATMs. The Minnesota Lottery discontinued all online sales as of August 2015.

²² To verify players are of legal age to purchase lottery tickets, lotteries use methods such as age-verification and identity-verification technology to assess information players provide to pre-register on the lottery website. To verify players are located within the state when making a purchase, lotteries often use geo-location technology.

²³ We estimated a range of potential Internet transfer revenue (\$2 million to \$74 million, with a median of \$8 million) based on the highest and lowest per capita sales in states that offer Internet sales, which we applied to Florida's estimated population for 2018. Our estimate assumes a transfer rate to the Educational Enhancement Trust Fund of 25.41%, based on the December 2016 Revenue Estimating Conference draw game and scratch-off projected transfers for Fiscal Year 2018-19. The estimate also assumes that 5% of sales would be shifted from existing game sales per the Florida Lottery.

²⁴ Section [24.105\(9\)\(a\)](#), *F.S.*, restricts the use of player-activated machines and s. [24.118\(1\)](#), *F.S.*, requires the purchase of no less than \$20 of other goods and services in order to use a credit card or other

addition, the state would need to comply with federal laws that require state regulations to include age and location verification to reasonably block access to minors and persons located outside the state. As has happened in other states, retailers may oppose this option due to concerns that they would lose lottery sales commissions and revenues from sales of other in-store products, as players would no longer need to visit a retailer to make a lottery purchase.

Subscription sales is another product distribution method that could increase sales. Other states permit subscription sales for certain draw games through the mail or via the Internet.²⁵ Typically, players purchase subscriptions for three months' to a year's worth of drawings for numbers they select or request as quick picks. Players make purchases by filling in forms and submitting them on the lottery's website or downloading forms and mailing them in with a payment. For instance, New Hampshire sells Hot Lotto, Mega Millions, Powerball, and Tri-State Megabucks subscriptions over the Internet. Players must be 18 years of age or older and have a New Hampshire mailing address. We estimated that annual sales through subscriptions could generate an additional \$5 million in transfers to education.²⁶ As with Internet sales, retailers may oppose this option due to concerns that they would lose lottery sales commissions and revenues from sales of other in-store products.

Expanding the retailer network could also increase revenues

Another option to increase sales is for the Lottery to expand its retailer network. In Fiscal Year 2014-15, the top 11 U.S. lotteries ranked by per capita sales had an average of 1,143 residents per retailer. During that

period, the Florida Lottery averaged 1,492 residents per retailer. Adding 4,155 new retailers to Florida's retailer network would meet the top-performing lotteries' market penetration and has the potential to generate about \$131 million annually in additional transfers to the Educational Enhancement Trust Fund. More modest growth of 200 retailers would generate about \$6 million annually in transfers.²⁷

The Lottery's Long-Range Program Plan for Fiscal Years 2017-18 through 2021-22 includes a goal to increase the retailer network. The number of retailers in the network varies daily, but point-in-time data shows that it has declined slightly from 13,061 as of June 30, 2015, to 13,033 as of June 30, 2016, or a net loss of 28 retailers. Lottery administrators attribute some of the decline to corporate chain retailers being bought out by other corporate chain retailers, which then closed unprofitable stores, as well as retailers going out of business for other reasons.

Lottery administrators believe that one way to expand the retailer network is to use more full-service vending machines (FSVMs), which allow customers to purchase draw game and scratch-off tickets without assistance from a clerk or cashier. Over the last few years, the department has leased 1,500 instant ticket vending machines (ITVMs), which only dispense scratch-off tickets, and 500 FSVMs. Lottery administrators report that they have had requests from corporate retailer chains for FSVMs that exceed the current number of available machines, including both current lottery retailers and those not currently selling lottery products.

In an effort to attract more retailers and thus increase the size of the network, the department contracted with IGT to provide FSVMs at 39% of lottery retailer locations (approximately 5,100 FSVMs).²⁸ Lottery

instrument issued by a bank to purchase lottery products.

²⁵ We identified 11 U.S. lotteries that offer subscription sales for draw games—Illinois, Maine, Maryland, Massachusetts, Minnesota, New Hampshire, New York, North Carolina, North Dakota, Vermont, and Virginia.

²⁶ We estimated a range of potential subscription transfer revenue (\$1 million to \$11 million, with a median of \$5 million) based on the highest and lowest per capita sales in states that offer subscription sales, which we applied to Florida's estimated population for 2018. Our estimate assumes a draw game transfer rate to the Educational Enhancement Trust Fund of 40.89%, based on the December 2016 Revenue Estimating Conference projected transfers for Fiscal Year 2017-18. The estimate also assumes that 5% of sales would be shifted from existing game sales per the Florida Lottery.

²⁷ We estimated potential transfer revenues from expanding the retailer network by assuming that new retailers would achieve at least the average weekly gross sales new retailers achieved in Fiscal Year 2015-16. The estimate assumes all new retailer terminals are active for a full year and that 20% of their sales would be shifted from existing retailers.

²⁸ In-lane sales is another option to attract more retailers, but we did not identify any U.S. lotteries that have implemented this option. Although the British Columbia Lottery has implemented in-lane sales, Florida Lottery administrators report that U.S. lotteries are still in the process of developing the software needed to implement this option, as well as addressing security issues. In-lane sales allows customers to buy lottery tickets at the checkouts in individual checkout lanes in locations such as grocery stores. Similar to a gift card transaction, the consumer selects a

administrators report that they are beginning to phase out the ITVMs in favor of FSVMs. The terms of its new contract with IGT provide that the Lottery will keep the existing 500 Gemini Ultra FSVMs (as currently configured) in the field for five years following the October 30, 2017 contract conversion date at no additional cost to the Lottery. The Lottery received an early deployment of an additional 500 Gemini Ultra 24-bin FSVMs in fall 2016, and placed these machines primarily in locations where ITVMs had been placed. The balance of the FSVMs will be 28-bin touch screen FSVMs and will be placed primarily in existing Lottery retailer locations during 2017, according to Lottery officials. If the Lottery succeeds in recruiting additional corporate chain retailers after placing the FSVMs at existing retailers, it will reassess the location of the FSVMs and consider moving machines from the least profitable locations.

Operational Efficiency

The Lottery continues to keep its expenses as a percentage of sales low and below the legislative standard. However, the Lottery should continue its ongoing efforts to

- improve its data analysis and reporting capabilities for identifying and investigating potential ticket theft or brokering by retailers; and
- increase the number of retailer locations with ticket self-checkers for players and provide a ticket scanning function in its mobile app so that players can more easily determine for themselves whether a ticket is a winner.

The Lottery's operating expense rate is lower than the legislative standard

The Lottery's operating expenses in relation to its ticket sales continue to be lower than the legislative standard, as shown in Exhibit 1.²⁹ Compared to other U.S. lotteries, the Florida Lottery had the second lowest operating expense rate in Fiscal Year

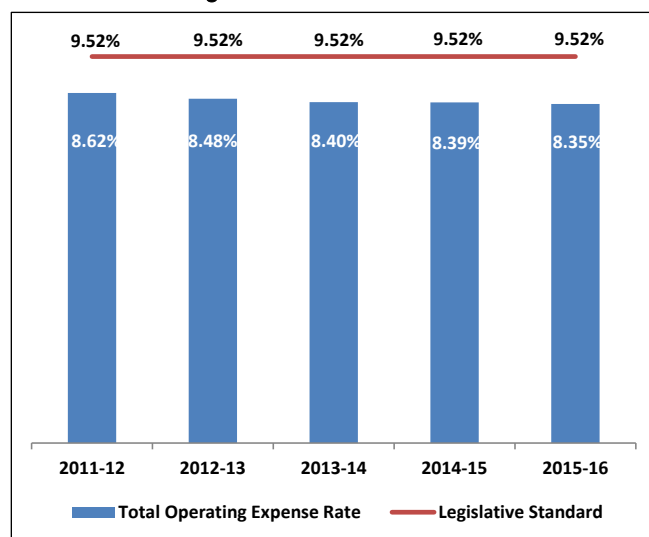
pre-printed card from a display within the store for a specific number of quick pick draw game tickets, and upon check-out, the cashier scans the bar code on the card; quick pick tickets would be printed on the customer's receipt.

²⁹ Operating expenses include payments to gaming vendors and retailer commissions.

³⁰ Florida Lottery's ranking is based on the latest fiscal year data

2014-15, behind Massachusetts.³⁰ According to department administrators, a primary reason for its low operating expense rate is that the department had stable operating expenses while ticket sales increased.

Exhibit 1 The Lottery's Operating Expense Rate Continues to Be Below the Legislative Standard



Source: Department of the Lottery long range program plans.

Lottery administrators continue to enhance processes for protecting players against ticket theft by retailers

As we noted in our 2015 report, all lotteries face the challenge of ensuring public confidence in the integrity of their operations.³¹ One significant threat to this confidence occurs when retailers or their employees steal winning tickets from players. Lotteries also face the potential for ticket brokers to buy winning tickets from players for less than the amount won to help people avoid paying state-owed debt or child support, losing eligibility for public assistance, being identified as a retailer who is stealing winning tickets, etc.³²

available from La Fleur's 2016 World Lottery Almanac.

³¹ Lottery Transfers Continue to Increase; Options Remain to Enhance Revenues and Improve Efficiency, OPPAGA Report No. 15-03, January 2015.

³² If a lottery winner owes money to the state, such as for taxes or fees, or owes child support, the department withholds the amount owed from the player's winnings if the amount won is \$600 or more.

Theft of winning tickets and ticket brokering are crimes. These actions also violate the terms of the Lottery’s contracts with retailers, which provide that the Lottery may suspend or terminate the contract of a retailer for reasons such as engaging in conduct prejudicial to public confidence in the Lottery.

The Lottery has continued to implement its Retailer Integrity Program that includes several components intended to address potential illegal retailer behavior. These components include following up on customer complaints, conducting operations to identify retailers/clerks who steal winning tickets, and providing ticket self-checkers for players at approximately half of its retailer locations so that players can determine for themselves whether a ticket is a winner and how much they have won.^{33, 34} In 2015, the Lottery further enhanced the program by adding a random retailer inspection component. It conducted 111 retailer contract compliance operations in 2015 and 326 in 2016.³⁵

As of December 2016, Lottery administrators reported that they were currently investigating 126 retailers. This represents about 1% of the approximately 13,000 lottery retailers. Between December 9, 2015 and December 7, 2016, the Lottery reported that it terminated the contracts of 35 retailers for reasons primarily related to conduct prejudicial to public confidence.

According to Lottery administrators, if they substantiate that a retailer/clerk is stealing winning tickets, they pursue an arrest. The Lottery reports that during 2016, its law enforcement officers made 15 arrests as of December 2016, of which 2 were retailers, 5 were clerks working in a retail location, and 8 were individuals arrested with charges such as grand theft or presentation of fraudulent and/or altered tickets. Also, Lottery law enforcement officers assisted other law enforcement agencies with 24 additional arrests that included situations such as

burglary, robbery, or internal theft at a lottery retailer.³⁶

According to Lottery administrators, they are also continuing to pursue upgrading their investigations case management system to more efficiently handle an increase in the investigation caseload and improve their analytical capabilities. They are planning to participate in a new system in collaboration with other state law enforcement agencies; the Department of Highway Safety and Motor Vehicles (DHSMV) is the lead agency for implementing the case management system. The Lottery reports that its workload more than doubled from 2013 to 2016—from 816 total investigations in 2013 to 1,891 in 2016.³⁷ Lottery administrators believe that the new system will help with allocating investigation resources, strengthening their collaboration with other law enforcement agencies by making it more efficient to share information on cases, and improving their analytical capabilities by making it easier to identify whether a particular person or household is the subject of another investigation. Lottery administrators signed a memorandum of understanding (MOU) with DHSMV administrators on January 17, 2017, and expect to migrate to the new system within 60 days.

In addition, Lottery administrators believe that the services they will receive as part of a new gaming system vendor contract will enhance the Retailer Integrity Program. For example, the vendor will provide two on-site analysts/programmers to improve the Lottery’s ability to analyze data and generate reports from its data system. The vendor also will provide other services to assist the department with fraud detection. Lottery administrators expect that these enhancements will improve the Lottery’s capabilities for identifying and investigating potential ticket theft or brokering by retailers.³⁸ In addition, the vendor will provide ticket self-checkers for players at all retailer locations that can accommodate them so that players can determine

³³ Lottery staff identify retailers for these operations based on customer complaints and other audit selection criteria.

³⁴ For additional information about the Retailer Integrity Program, see OPPAGA [Report No. 15-03](#), January 2015.

³⁵ As of December 7, 2016.

³⁶ The department has assisted other law enforcement agencies with

investigations that involve lottery retailers or their employees who may have stolen lottery tickets or committed other offenses.

³⁷ As of December 6, 2016.

³⁸ For instance, department employees currently conduct individual data queries to identify frequent winners and determine whether these winners are retailers. Staff also separately check whether retailers they are investigating have been the subject of customer complaints.

for themselves if their tickets are winners. The vendor also will assist the Lottery in improving its mobile app to include the ability for players to scan their tickets to identify winners. The Lottery is scheduled to receive the full range of services under its new gaming system vendor contract as of October 30, 2017.

The Lottery should continue its ongoing efforts to improve its data analysis and reporting capabilities for identifying and investigating potential ticket theft or brokering by retailers, as well as increase the number of retailer locations with ticket self-checkers and provide a ticket scanning function in its mobile app so that players can more easily determine for themselves whether a ticket is a winner.

The Lottery's retailer incentive programs are increasingly focused on modifying specific retailer behaviors to enhance sales

Retailer incentive programs provide retailers bonus commissions for selling winning tickets or taking actions that can lead to increased sales of lottery products. The Florida Lottery has received an annual appropriation of \$2.325 million for retailer incentives in each of the last four years.

The Lottery uses these funds for a variety of retailer incentive programs. These programs include paying retailers a bonus for selling a winning jackpot ticket or grand prize scratch-off ticket, which serves as both a sales incentive and a retailer recruitment tool, and is the most frequent type of incentive program used by lotteries in other states that we contacted. The Lottery also has implemented incentives that focus on rewarding retailer behaviors that Lottery officials believe enhance sales.

For example, for the new scratch-off game launch in April 2016, retailers who activated all three new games within two days of the official launch date were entered into a drawing for cash prizes. The department reports that sales for this launch during the first two days were 6.6% higher than the

same launch period in 2015 and 23.5% higher after four days. According to Lottery officials, the reason for encouraging early game activation is that scratch-off games sell best when they are new and being advertised.

Over time, the Lottery has placed more emphasis on incentive programs that focus on rewarding retailer behaviors intended to enhance sales. We reviewed the department's expenditure of retailer incentive funds over a five-year period. From Fiscal Years 2011-12 to 2015-16, the percentage of incentive funds that the Lottery spent on incentives that reward certain retailer behaviors increased from 22% to 41%.

To further its business strategies, the department uses its statutory authority to adopt administrative rules as emergency rules

When the Legislature created the Lottery in 1987, it gave the Department of the Lottery statutory authority to adopt and retain administrative rules as emergency rules, with less explanation, public input, and formality than other executive branch agencies.³⁹ The 1987 Legislature found that the Lottery needed emergency rulemaking power to provide additional funds to benefit the public, and to support the unique nature of lottery operations by enabling quick department responses to changes in the marketplace.⁴⁰ As of December 2016, the Lottery has 146 emergency rules that primarily relate to scratch-off or draw games, and two rules adopted by the typical rule promulgation process.⁴¹

To better understand the department's implementation of its emergency rulemaking for topics not related to the games, OPPAGA spoke with Lottery officials about four specific non-game related emergency rules: Facility Leases (53ER09-51); Retailer Applications (53ER13-56); a Code of Ethics for department officers and employees (53ER12-18); and Agency Procurement of Commodities and Contractual Services (53ER07-55).⁴² The department noted that it is a

³⁹ Section 24.109(1), F.S.

⁴⁰ Section 9, Ch. 87-65, L.O.F.

⁴¹ The two permanent rules address confidential information (Rule 53-1.005, F.A.C.) and internal audit functions (Rule 53-1.007, F.A.C.). The department reported that these two rules were adopted at the

direction of Lottery management in 1993 and have remained as non-emergency rules since that time.

⁴² The numbering system for emergency rules displays the year of rule adoption immediately following the "ER" designation.

best business practice to be able to make changes in an expedited manner, and that it uses emergency rulemaking as part of its strategic and planning processes. Department officials identified benefits to the agency from each non-game emergency rule, such as a higher square footage threshold in the Facility Lease rule before competitive solicitation is required, and the ability to update retailer integrity requirements in an expedited manner under the Retailer Application rule.

The department promulgated the employee ethics rule in 2012 to comply with s. 24.105(20), *Florida Statutes*, which directs the department to adopt a code of ethics for employees to supplement the standards already in law for public officers and employees. Lottery officials reported similarly that the emergency rule on ethics allows the department to have flexibility to respond quickly to changing marketplace conditions. The department also stated that the ethics rule allows the Lottery to adjust its rule requirements quickly in response to opinions issued by the Commission on Ethics.

The department's emergency rule on procurement specifically finds that, due to the unique nature of its business, strict compliance with Ch. 287, *Florida Statutes*, and the rules adopted thereunder would impair or impede the effective and efficient operation of the Lottery, and provides alternative procedures for purchasing commodities and contractual services in an open and competitive manner. The department identified several benefits it achieves from this emergency rule, including an expanded definition for emergency purchases and exemption from the 1% transaction fee otherwise payable for certain purchases through MyFloridaMarketplace. In addition, Lottery officials stated that the rule allows for quicker procurements by providing a higher threshold (\$65,000 compared to \$35,000) before competitive solicitation is required, and by shortening public notice posting requirements (72 hours compared to 7 business days) for Lottery

decisions to enter sponsorship agreements or purchase licenses to use trademarks or other intellectual property. They noted that the rule also supports the department's statutory authority to require a compressed and accelerated protest process for its contract selection decisions.⁴³ Under the rule provisions, in all areas not covered by its terms, the department follows Ch. 287, *Florida Statutes*.

The department has entered into multiple extensions of contractual agreements

During our review the department reported that it has extended seven contracts beyond the originally contemplated time periods, including optional extensions, from July 1, 2013 to the present.⁴⁴ Three of these contracts involved advertising (general market advertising, Spanish language advertising, and market research and analyses); one involved the Lottery gaming system (e.g., computer systems, retailer terminals, self-service ticket checkers, vending machines, and technical support); two involved financial services (one banking and one auditing for Lottery games); and one involved a district office lease.

Extensions ranged from 6 months to 24 months, with the majority extended for one year or more.⁴⁵ The department reported that the need for contract extension typically occurs when other more significant procurement matters demand officials' attention during the same timeframe as planned procurement efforts for a contract; as a result, the existing contract timeframe is extended. Lottery officials stated that this basis for extension is consistent with the department's strategic priorities and cited statutory and rule authority to extend Lottery services contracts in this manner.

One such statutory provision is s. 287.057(12), *Florida Statutes*, which states that "Extension of a contract for commodities or contractual services must be in writing for a period not to exceed six

⁴³ Section 24.109(2)(a), *F.S.*, provides that a formal written protest of any action subject to protest must be filed within 72 hours after the receipt of notice of the intended action. In contrast, s. 120.57(3)(b), *F.S.*, provides that a protestor must file a Notice of Protest within 72 hours, but then has ten days from the notice filing to submit the formal written protest.

⁴⁴ The seven contracts represented a total dollar value of

approximately \$338 million; of this, more than \$111 million was for advertising and media buys and \$222 million was for the Lottery gaming system and related services.

⁴⁵ The office lease was not considered in calculating contract extensions because month-to-month extensions of real property leases are an ordinary business practice.

months... There may be only one extension of a contract unless the failure to meet the criteria set forth in the contract for completion of the contract is due to events beyond the control of the contractor.” The department cites this provision as its authority to enter each initial six-month extension of its contracts.

The department also referenced its own statutory authority to adopt emergency rules that determine when circumstances constitute an emergency requiring the department to take action necessary to maintain the Lottery’s operation.⁴⁶ Rule 53ER07-55, *Florida Administrative Code*, the emergency rule the Lottery adopted to address procurement and contracting for services; subsection (9) provides information about emergency purchases, which is the specific basis on which the department acted to extend its contracts.⁴⁷ Such actions require a senior manager to provide written certification under oath stating the conditions and circumstances of the emergency, which is then submitted to the Secretary for approval.

Recommendations

While the department and the Legislature have increased transfers to education, additional actions could increase sales and efficiency and ultimately increase transfers to education.

Department Options

We recommend that the Department of the Lottery continue its ongoing efforts to

- expand the retailer network; and
- improve its data analysis and reporting capabilities for identifying and investigating potential ticket theft or brokering by retailers, as well as increase the number of retailer locations with ticket self-checkers and provide a ticket scanning function in its mobile app so that players can more easily determine for themselves whether a ticket is a winner.

Legislative Options

The Legislature could consider authorizing the Lottery to expand its current games and product distribution methods to enhance revenues, as described in Appendices A and B. If the Legislature is interested in a particular option, it could direct the Department of the Lottery to provide a more detailed business analysis that includes timeframes for implementation, needed statutory changes, and any impacts on the gaming compact with the Seminole Tribe of Florida.

Agency Response

In accordance with the provisions of s. 11.51(5), *Florida Statutes*, a draft of our report was submitted to the Secretary of the Department of the Lottery for review and response. The Secretary’s written response to this report is in Appendix C.

⁴⁶ The department cited ss. [24.105\(13\)](#) and [24.109\(1\)](#), *F.S.*

⁴⁷ Rule [53ER07-55](#), *F.A.C.*, defines a valid emergency as a circumstance

caused by an unexpected turn of events beyond the control of the Lottery involving the security, integrity, or the financial status of the Lottery; or involving public health, welfare, safety, injury, or loss.

Appendix A

New Lottery Game Options

New games that attract new players have the potential to increase revenues to education but could be considered an expansion of gambling. Exhibit A-1 lists new game options, their advantages and disadvantages, and estimated revenues where we were able to develop reasonable estimates. Some of the sales from new games would be the result of sales shifts from existing games; our estimates include a component to address sales shift. However, the estimated revenues are based on individual options; if multiple options were implemented concurrently, the fiscal impact of each would likely be smaller due to shifts in sales from one game to another. Some new games that could generate significant revenue, such as Fast Keno, could increase the negative social costs of gambling because their rapid play style may be more addictive than other types of games. In addition, implementing games with a high prize payout, such as higher priced scratch-off games, would require careful analysis of the Lottery Revenue Bond rate floor, as transfers to the Educational Enhancement Trust Fund need to meet or exceed the transfer rates specified in the bond covenants.⁴⁸ Estimates of annual revenue assume full implementation by July 1, 2017. However, some options would require additional time to implement, such as launching a keno or monitor game. For purposes of this report, we did not evaluate whether new game options could affect revenues from the gaming compact between the State of Florida and the Seminole Tribe of Florida.⁴⁹ If the Lottery were to implement a new option, it would need to determine whether the implementation would have any potential impact on compact revenues.

Exhibit A-1 New Games Have the Potential to Increase Revenues to Education

Option	Advantages	Disadvantages
<p>All or Nothing For \$1 or \$2, players select 10 to 12 numbers from up to 24 numbers and win the top prize by matching all numbers drawn or by matching none of the numbers drawn; drawings are held multiple times per day</p>	<ul style="list-style-type: none"> ▪ Could generate approximately \$10 million in transfers to education during the first full year of implementation¹ 	<ul style="list-style-type: none"> ▪ May have a limited life cycle after which sales decline
<p>Multi-state Draw Game With a Lifetime Payment Top Prize For \$2, players select 5 numbers from up to 60 and a number for a cash ball or lucky ball, for a top prize that winners can choose to receive in installments over their lifetime</p>	<ul style="list-style-type: none"> ▪ Could generate approximately \$22 million in transfers to education during the first full year of implementation² ▪ Multi-state games provide an opportunity for bigger top prizes 	<ul style="list-style-type: none"> ▪ May have a limited life cycle after which sales decline

⁴⁸ Proceeds from Lottery Revenue Bonds have been used to finance the cost of constructing, acquiring, reconstructing, or renovating educational facilities at various locations throughout the state. The term bond rate floor is one the Lottery uses to describe and monitor the lowest Educational Enhancement Trust Fund transfer rate allowed in order to ensure the Lottery remains in compliance with the covenants established with each bond issuance. Therefore, the Lottery would need to ensure that prize payouts and expenses for new games enable it to meet or exceed the minimum transfer rate needed to remain in compliance with bond covenants. For revenue bonds sold in 2016, the Division of Bond Finance covenants that transfers will not be reduced below 38% of gross revenue from sales and other earnings, excluding application processing fees, except upon written certification of a lottery consultant that the amounts deposited into the trust fund will not be less than the amounts projected for each of the next three fiscal years as determined by the Consensus Estimating Conference’s estimate of deposits at the 38% rate.

⁴⁹ A gaming compact between the State of Florida and the Seminole Tribe of Florida was approved by the Governor on April 7, 2010, ratified by Ch. [2010-29, Laws of Florida](#), and approved by the U.S. Department of the Interior on July 6, 2010. The gaming compact provides the Tribe with partial but substantial exclusivity with respect to the play of covered games in exchange for payments to the state derived from gaming proceeds.

Option	Advantages	Disadvantages
<p>Fast Play Games Fast play is a series of quick play style instant win games printed from the retailer terminal; players can match numbers, symbols, or prize amounts to win; a variety of themes are available, similar to scratch-off games, and the prices points range from \$1 to \$20</p>	<ul style="list-style-type: none"> ▪ Could generate approximately \$14 million in transfers to education during the first full year of implementation³ ▪ Shorter life-cycle games can be refreshed frequently to keep players interested in the games. ▪ Ability to have higher price point draw games 	<ul style="list-style-type: none"> ▪ Instant win draw games have less visual display at the point of sale than scratch-off games and therefore require more effort to raise retailer and player awareness of the games ▪ Will require considerable coordination between Lottery staff, vendors, and retailers because of frequent launch schedules
<p>Expand Higher Priced Scratch-Off Games Standard scratch-off games offered at prices of \$25 or more, with higher prizes and prize payout percentages</p>	<ul style="list-style-type: none"> ▪ The Lottery has experienced significant revenues from higher priced scratch-off tickets; for example, the \$10,000,000 Florida Cash game generated approximately \$52.1 million in transfers for Fiscal Year 2014-15 	<ul style="list-style-type: none"> ▪ Florida’s previous introduction of \$30 tickets generated lower than expected sales, but this may have been due to the play style of the ticket and the state of the economy at the time
<p>Fast Keno Players choose from 10 to 12 numbers from a panel of 80 numbers with the hope of matching their choices to 20 numbers drawn by the central computer at Lottery headquarters; it may be played frequently (e.g., every four to five minutes); players watch a monitor at a retailer location to determine if they have won or leave the premises and check the lottery’s website for the winning numbers</p> <p>Implementing this option may require legislative action to modify the requirement for a drawing to be witnessed by an accountant, given that electronic drawings could occur every four to five minutes (s. 24.105(9)(d), F.S.)</p>	<ul style="list-style-type: none"> ▪ Could generate approximately \$115 million per year in additional recurring transfers to education⁴ ▪ Can be limited to social settings such as bars, restaurants, and fraternal organizations, although other U.S. lotteries allow traditional lottery retailers to participate; some state lotteries also offer Keno-to-Go at traditional lottery retailer sites whereby players purchase tickets, leave the premises, and check the lottery website to see if they have won⁵ ▪ Would help the Lottery recruit new retailers in social venues 	<ul style="list-style-type: none"> ▪ May be addictive due to its rapid play style ▪ Requires legislative budget approval for additional gaming system equipment ▪ Sales are dependent on new retailer participation
<p>Daily Keno Players choose as many as 10 numbers from a panel of 80 numbers in the hope of matching their choices to 20 to 22 numbers drawn by the central computer at Lottery headquarters; the game may be played more than once per day</p>	<ul style="list-style-type: none"> ▪ Could generate approximately \$10 million per year in additional recurring transfers to education⁶ 	<ul style="list-style-type: none"> ▪ May have a limited life cycle after which sales decline
<p>Monitor Games Computer animated games, such as simulated horse racing, poker, and bingo, that are played on in-store monitors similar to the way Fast Keno is played</p> <p>Implementing this option may require legislative action to modify the requirement for a drawing to be witnessed by an accountant, given that electronic drawings could occur frequently (s. 24.105(9)(d), F.S.)</p>	<ul style="list-style-type: none"> ▪ Could generate approximately \$6 million per year in additional recurring transfers to education⁷ ▪ Could appeal to emerging markets of Lottery players that have grown up playing computer games ▪ Allows the Lottery to recruit new retailers in social venues such as bars and restaurants ▪ Could be limited to pari-mutuel facilities or social settings, such as bars and restaurants 	<ul style="list-style-type: none"> ▪ May be addictive due to its rapid play style ▪ Requires legislative budget approval for additional gaming system equipment

¹ We estimated a range of potential All or Nothing transfer revenue (\$5 million to \$15 million, with a median of \$10 million) based on the highest and lowest per capita sales in states that offer All or Nothing, which we applied to Florida’s estimated population for 2017. The estimate assumes a draw game transfer rate to the Educational Enhancement Trust Fund of 40.89%, based on the December 2016 Revenue Estimating Conference projected transfers for Fiscal Year 2017-18 and that 10% of the sales would be shifted from existing game sales.

² We estimated a range of potential Cash4Life transfer revenue (\$3 million to \$51 million, with a median of \$22 million) based on the highest and lowest per capita sales in states that offer Cash4Life, which we applied to Florida’s estimated population for 2017. The estimate assumes a transfer rate to the Educational Enhancement Trust Fund of 36.65%, based on the Cash4Life payout rate of 55% and an administrative expense rate of 8.35%. The estimate also assumes that 15% of the sales would be shifted from existing game sales.

³ We estimated a range of potential fast play transfer revenue (\$1 million to \$100 million, with a median of \$14 million) based on the highest and lowest per capita sales in states that offer fast play games, which we applied to Florida’s estimated population for 2017. Our estimate assumes a transfer rate to the Educational Enhancement Trust Fund of 29.65%, based on a fast play payout of 62%, and an administrative expense rate of 8.35%, suggested by the Florida Lottery. The estimate also assumes that 35% of the sales would be shifted from existing game sales.

⁴ We estimated a range of potential Fast Keno transfer revenue (\$16 million to \$710 million, with a median of \$115 million) based on the highest and lowest per capita sales in states that offer Fast Keno, which we applied to Florida's estimated population for 2018. Our estimate assumes a transfer rate to the Educational Enhancement Trust Fund of 30.38%, based on the average Fast Keno payout in other states of 60.62%, and an administrative expense rate of 9%, which was determined by the Florida Lottery. The estimate also assumes that 10% of sales would be shifted from existing game sales.

⁵ We identified 16 U.S. lotteries that offer Fast Keno—California, Delaware, District of Columbia, Georgia, Kansas, Kentucky, Maryland, Massachusetts, Michigan, Missouri, New York, Ohio, Oregon, Rhode Island, U.S. Virgin Islands, and West Virginia.

⁶ We estimated a range of Daily Keno transfer revenue (\$6 million to \$24 million, with a median of \$10 million) based on the highest and lowest per capita sales in states that offer Daily Keno, which we applied to Florida's estimated population for 2017. The estimate assumes a draw game transfer rate to the Educational Enhancement Trust Fund of 40.89%, based on the December 2016 Revenue Estimating Conference projected transfers for Fiscal Year 2017-18 and that 5% of the sales would be shifted from existing game sales.

⁷ We estimated a range of potential monitor game transfer revenue (\$2 million to \$146 million, with a median of \$6 million) based on the highest and lowest per capita sales in states that offer monitor games, which we applied to Florida's estimated population for 2018. Our estimate assumes a transfer rate to the Educational Enhancement Trust Fund of 30.38%, based on the average Fast Keno payout in other states of 60.62%, and an administrative expense rate of 9%, which was determined by the Florida Lottery. The estimate also assumes that 10% of sales would be shifted from existing game sales.

Source: OPPAGA analysis of lottery industry and Department of the Lottery information.

Appendix B

Product Distribution Options

Making lottery products more accessible and convenient for players by expanding product distribution has the potential to increase revenues to education. For example, authorizing product distribution through the Internet and increasing the number of retailers have the potential to increase revenues by making lottery products more readily available to players. Exhibit B-1 lists these and other product distribution options that could increase Lottery sales and education transfers, their advantages and disadvantages, and estimated revenues where we were able to develop reasonable estimates. The estimated revenues are based on individual options; if multiple options were implemented concurrently, the fiscal impact of each would likely be smaller due to shifts in sales from one point of sale to another. Estimates of annual revenue assume full implementation by July 1, 2017. However, some options would likely require additional time to implement. For purposes of this report, we did not evaluate whether new product distribution options could affect revenues from the gaming compact between the State of Florida and the Seminole Tribe of Florida.⁵⁰ If the Lottery were to implement a new option, it would need to determine whether the implementation would have any potential impact on compact revenues.

Exhibit B-1

Expanding Product Distribution Has the Potential to Increase Revenues to Education

Option	Advantages	Disadvantages
<p>Internet Sales</p> <p>The Legislature would enact laws to authorize intrastate Internet sales of lottery products</p> <p>Implementing this option would require statutory changes to allow player-activated terminals (s. 24.105, <i>F.S.</i>) and use of credit cards or other instruments issued by a bank for lottery purchases without requiring purchase of \$20 in other goods (s. 24.118, <i>F.S.</i>)</p>	<ul style="list-style-type: none"> ▪ Could generate approximately \$8 million per year in additional recurring transfers to education¹ ▪ Provides more convenience to players who prefer to purchase their lottery products from their personal computer or cellular device 	<ul style="list-style-type: none"> ▪ Must comply with federal laws that require state regulations to include age and location verification to reasonably block access to minors and persons located outside the state ▪ Requires legislative budget approval for enhanced systems and technology ▪ Could be considered an expansion of gambling ▪ As has happened in other states, retailers may oppose this option due to concerns that they would lose lottery sales commissions and revenues from sales of other in-store products, as players would no longer need to visit a retailer to make a lottery purchase
<p>Subscription Play</p> <p>The state would allow players to subscribe to game drawings for up to one year in advance on the Florida Lottery website; for prizes under a specified amount (e.g., \$600), players would receive automatic credit or the Lottery would mail them a check</p> <p>Implementing this option may require statutory changes to allow player-activated terminals (s. 24.105, <i>F.S.</i>) and use of credit cards or other instruments issued by a bank for lottery purchases without requiring purchase of \$20 in other goods (s. 24.118, <i>F.S.</i>)</p>	<ul style="list-style-type: none"> ▪ Could generate approximately \$5 million per year in additional recurring transfers to education² ▪ Internet technology has made subscription services much easier and more cost-effective for lotteries to manage ▪ The Lottery would receive revenues from subscription sales in advance of drawings ▪ Key benefits for the consumers are no missed draws, no waiting in lines, and ease of prize claims ▪ Provides the ability for people to play who may not be able to otherwise, such as seasonal residents 	<ul style="list-style-type: none"> ▪ Must comply with federal laws that require state regulations to include age and location verification to reasonably block access to minors and persons located outside the state ▪ Game changes after tickets are purchased require communication with players and possibly a replacement ticket ▪ Could reduce unclaimed prize funds, as prizes may be automatically credited to players ▪ Could be considered an expansion of gambling ▪ As has happened in other states, retailers may oppose this option due to concerns that they would lose lottery sales commissions and revenues from sales of other in-store products, as players would no longer need to visit a retailer to make a lottery purchase

⁵⁰ A gaming compact between the State of Florida and the Seminole Tribe of Florida was approved by the Governor on April 7, 2010, ratified by Ch. [2010-29, Laws of Florida](#), and approved by the U.S. Department of the Interior on July 6, 2010. The gaming compact provides the Tribe with partial but substantial exclusivity with respect to the play of covered games in exchange for payments to the state derived from gaming proceeds.

Option	Advantages	Disadvantages
<p>Paying at the Pump for Lottery Products (Play at the Pump)</p> <p>Players would be able to purchase lottery products as part of the transaction involved in purchasing gasoline at the pump or using an ATM; most lotteries with this option charge players a \$1.00 flat fee for each transaction, which is for the vendor that provides the technology that enables play at the pump purchases^{3,4}</p> <p>Implementing this option may require statutory changes to</p> <ul style="list-style-type: none"> ▪ allow player-activated terminals (s. 24.105, F.S.) ▪ allow use of credit cards or other instruments issued by a bank for lottery purchases without requiring purchase of \$20 in other goods (s. 24.118, F.S.) ▪ modify the definition of and requirements for lottery retailers (ss. 24.103 and 24.112, F.S.) ▪ modify the definition of and requirements for lottery vending machines (s. 24.112, F.S.) ▪ address the prohibition against selling lottery tickets at anything other than the price set by the Lottery (s. 24.117, F.S.) 	<ul style="list-style-type: none"> ▪ A November 2015 impact conference adopted a positive, indeterminate impact estimate for lottery point-of-sale terminals⁵ ▪ The ability to purchase tickets at the pump would increase convenience and avoid the loss of sales from players who have no need to walk into the store to pay for gas ▪ Offering this option at ATMs may help expand the retailer network to non-traditional locations ▪ Purchases can be limited to a certain amount per week⁶ ▪ Can be configured to require verification of age⁷ 	<ul style="list-style-type: none"> ▪ Could be considered an expansion of gambling ▪ Paying at the pump eliminates the need for many consumers to go inside stores, which might affect the sale of other products retailers sell; however, Minnesota Lottery officials found that in-store sales were not negatively affected
<p>Expand Retailer Network</p> <p>Add additional corporate and independent Lottery retailers in both traditional locations, such as convenience and grocery stores, and non-traditional locations, such as chain drug stores, mass merchandisers, home improvement centers, bars, and restaurants</p>	<ul style="list-style-type: none"> ▪ Adding 200 new retailers has the potential to generate approximately \$6 million per year in additional recurring transfers to education⁸ ▪ Florida has been below average in terminal density compared to other successful Lottery states, so expanding its network could improve per capita sales ▪ Could increase product distribution and awareness, making products available to new players who do not shop where products are currently being sold 	<ul style="list-style-type: none"> ▪ May require legislative budget approval for more terminals, depending on the extent of growth ▪ The non-traditional lottery business model may require the development of different products, compensation frameworks, and distribution strategies ▪ May require additional lottery staff to service new accounts

¹ We estimated a range of potential Internet transfer revenue (\$2 million to \$74 million, with a median of \$8 million) based on the highest and lowest per capita sales in states that offer Internet sales, which we applied to Florida’s estimated population for 2018. Our estimate assumes a transfer rate to the Educational Enhancement Trust Fund of 25.41%, based on the December 2016 Revenue Estimating Conference draw game and scratch-off game projected transfers for Fiscal Year 2018-19. The estimate also assumes that 5% of sales would be shifted from existing game sales per the Florida Lottery.

² We estimated a range of potential subscription transfer revenue (\$1 million to \$11 million, with a median of \$5 million) based on the highest and lowest per capita sales in states that offer subscription sales, which we applied to Florida’s estimated population for 2018. Our estimate assumes a draw game transfer rate to the Educational Enhancement Trust Fund of 40.89%, based on the December 2016 Revenue Estimating Conference projected transfers for Fiscal Year 2017-18. The estimate also assumes that 5% of sales would be shifted from existing game sales per the Florida Lottery.

³ The Minnesota Lottery originally developed the technology and payment processes needed to implement this option in 2012, but the Minnesota Legislature passed legislation in 2015 to prohibit it. The Missouri Lottery began offering Play at the Pump and ATM sales in fall 2013 in select locations, followed by the California Lottery in the fall of 2014. California’s Play at the Pump sales are limited to participating gas stations in Sacramento and Los Angeles counties. The North Carolina Education Lottery began offering Play at the Pump in 2015 at a limited number of retailers. The Pennsylvania Lottery implemented this option in February 2016, followed by the New Mexico Lottery in July 2016.

⁴ To make purchases, players use a debit or credit card and select the option to purchase lottery tickets as part of the transaction for purchasing gas or using an ATM. (The Missouri, New Mexico, and North Carolina lotteries only allow use of debit cards but the California and Pennsylvania lotteries allow either a debit or credit card.) Players pay a flat fee of \$1.00 for each transaction. The lottery purchase shows on the receipt. The lottery automatically credits the account associated with the debit or credit card for prizes under a certain amount (e.g., \$600).

⁵ A Florida impact conference in November 2015 considered fiscal impact estimates for lottery point-of-sale terminals ranging from \$500,000 to \$3.2 million in recurring transfers based on the sales experience of North Carolina’s use of gas pump point-of-sale terminals in 2015.

⁶ The California and Pennsylvania lotteries limit Play at the Pump weekly purchases to \$50, while the North Carolina Education Lottery’s weekly limit is \$70, the New Mexico Lottery’s weekly limit is \$75, and the Missouri Lottery’s weekly limit is \$100.

⁷ To verify that a player is at least 18 years of age, the California Lottery requires players to swipe a driver’s license or state-issued identification card to make a Play at the Pump purchase. The North Carolina Education Lottery requires players to enter the year of their birth, which the system cross references to the birth date linked to the debit card used for purchase. The Missouri Lottery requires players to enter the last four digits of their social security number and their zip code, which is then verified by a third party provider. The Pennsylvania Lottery requires players to push a button to self-certify that they are of age before the transaction will continue.

⁸ We estimated potential transfer revenues from expanding the retailer network by assuming that the 200 retailers would achieve at least the average weekly gross sales new retailers achieved in Fiscal Year 2015-16. The estimate assumes all 200 terminals being active for a full year and that 20% of their sales would be shifted from existing retailers.

Source: OPPAGA analysis of lottery industry and Department of the Lottery information.

Appendix C

RICK SCOTT
Governor



TOM DELACENSERIE
Secretary

January 23, 2017

Mr. R. Philip Twogood
Coordinator
The Florida Legislature's Office of Program
Policy Analysis and Government Accountability
111 West Madison Street, Room 312
Tallahassee, FL 32399-1475

Dear Mr. Twogood:

Thank you for the opportunity to respond formally to your office's draft report: "Review of the Florida Lottery, 2016." We appreciate the diligence of your staff to thoroughly analyze the Lottery's performance over the years, to help identify opportunities to increase our revenues and efficiencies, and we will take your recommendations under consideration.

1. **Recommendation:** We recommend that the Department of the Lottery continue its efforts to expand the retailer network.

Response: The Department agrees with the recommendation and will continue its efforts to expand the retailer network. These efforts will be greatly aided by the new gaming contract, which will include a net increase in ticket vending machines of approximately 3,000, in order to provide consistent equipment throughout the network meeting both consumer and retailer demand and include potential new retailers who require vending machines to accommodate their trade styles.

2. **Recommendation:** We recommend that the Department of the Lottery improve its data analysis and reporting capabilities for identifying and investigating potential ticket theft or brokering by retailers, as well as increase the number of retailer locations with ticket self-checkers and provide a ticket scanning function in its mobile app so that players can more easily determine for themselves whether a ticket is a winner.

Response: The Department agrees with the recommendation and will benefit greatly by technological enhancements that will be part of the new gaming contract. These enhancements will provide significant security upgrades which will help protect consumers by improving data analysis and reporting capabilities for identifying and investigating potential ticket theft or brokering by retailers. Additionally, the new contract will dramatically increase the number of retailers with ticket self-checkers and

Phillip Twogood, Coordinator
Office of Program Policy Analysis and Government Accountability
January 23, 2017
Page 2 of 2

provide mobile app scanning capabilities so players can more easily check their tickets themselves.

Again, we would like to thank you and your staff for your diligent efforts to help us increase our revenues and efficiencies and offering us the opportunity to provide additional information to express our views. The Florida Lottery is proud of the record growth generated in both sales and transfers to the Educational Enhancement Trust Fund and will continue to remain true to our mission to serve as a reliable contributor to education in Florida.

Sincerely,



Thomas R. Delacenserie
Secretary

TRD/ms

cc: David Mica, Jr, Chief of Staff
Joan Schoubert, Deputy Secretary – Administration
Josie Tamayo, General Counsel
Andy Mompeller, Inspector General

The Florida Legislature

Office of Program Policy Analysis and Government Accountability



OPPAGA provides performance and accountability information about Florida government in several ways.

- [Reports](#) deliver program evaluation and policy analysis to assist the Legislature in overseeing government operations, developing policy choices, and making Florida government more efficient and effective.
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- Visit OPPAGA's website at www.oppaga.state.fl.us

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Project supervised by Becky Vickers (850/717-0515)

Project conducted by Mark Frederick and Jan Bush

David D. Summers (850/717-0555), Staff Director, Education Policy Area

R. Philip Twogood, Coordinator

24.123 Annual audit of financial records and reports.—

(1) The Legislative Auditing Committee shall contract with a certified public accountant licensed pursuant to chapter 473 for an annual financial audit of the department. The certified public accountant shall have no financial interest in any vendor with whom the department is under contract. The certified public accountant shall present an audit report no later than 7 months after the end of the fiscal year and shall make recommendations to enhance the earning capability of the state lottery and to improve the efficiency of department operations. The certified public accountant shall also perform a study and evaluation of internal accounting controls and shall express an opinion on those controls in effect during the audit period. The cost of the annual financial audit shall be paid by the department.

(2) The Auditor General may at any time conduct an audit of any phase of the operations of the state lottery and shall receive a copy of the yearly independent financial audit and any security report prepared pursuant to s. 24.108.

(3) A copy of any audit performed pursuant to this section shall be submitted to the secretary, the Governor, the President of the Senate, the Speaker of the House of Representatives, and members of the Legislative Auditing Committee.



Florida House of Representatives

Dan Raulerson

Representative, District 58

District Office:

110 West Reynolds Street
Suite 204
Plant City, FL 33563
(813) 757-9110 • Fax (813) 757-9109

Tallahassee Office:

209 House Office Building
402 South Monroe Street
Tallahassee, FL 32399
(850) 717-5058

February 9, 2017

The Honorable Debbie Mayfield
Joint Legislative Auditing Committee
111 W. Madison Street
Tallahassee, FL 32399-1400

Dear Chair Mayfield:

On June 1, 2016, while I was the current Chair of the Joint Legislative Auditing Committee, the City of Opa-Locka, Florida, determined that the local government entity was in a deteriorating financial condition and a financial emergency, as defined in § 218.503(1) of the Florida Statutes, was declared by a resolution of the Opa-Locka City Commission as well as by Executive Order 16-135 signed by Rick Scott, Governor of the State of Florida.

The Joint Legislative Auditing Committee (JLAC) has a great responsibility as it relates to oversight of local government entities and their reporting requirements and financial condition. JLAC has been observing the City of Opa-Locka for years as it failed to timely meet financial reporting requirements and failed to correct audit findings. According to § 218.503(2), F.S., when a determination of financial emergency has been made, the local government entity shall notify the Governor and the Legislative Auditing Committee. Since financial emergency has been declared, I have remained involved in this matter as the Alternating Chair of JLAC and my concern regarding the current and future financial health of Opa-Locka has only continued to grow.

In my capacity as Member of the Florida House of Representatives, a former mayor of a small municipality, a Certified Public Accountant in the State of Florida, and as the Alternating Chair of the Joint Legislative Auditing Committee, I am requesting that the Florida Auditor General conduct an operational audit for the City of Opa-Locka, Florida. Please let me know if you should have any additional questions relating to this matter and thank you for your consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read "Dan Raulerson", with a long horizontal line extending to the right.

Dan Raulerson
State Representative, District 58
Alternating Chair, Joint Legislative Auditing Committee

cc: Sherrill F. Norman, Florida Auditor General
Joint Legislative Auditing Committee Staff

STAFF ANALYSIS

Date: February 21, 2017

Subject: Request for an Audit of the City of Opa-locka

Analyst Coordinator

White *DW* DuBose *KD*

I. Summary:

The Joint Legislative Auditing Committee (Committee) has received a request from Representative Dan Raulerson to have the Committee direct the Auditor General to conduct an operational audit of the City of Opa-locka.

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 Audit of the City of Opa-locka

Representative Raulerson has requested the Committee to direct an operational audit of the City of Opa-locka (City). He stated that, in mid-2016 while he was Chair of the Committee, the City Commission declared by resolution, and the Governor declared by Executive Order, that the City was in a state of financial emergency as defined in Section 218.503, *Florida Statutes*. He further stated that the Committee has "a great responsibility as it relates to oversight of local government entities and their reporting requirements and financial condition" and, since the financial emergency was declared, he has

remained involved in this matter and his “concern regarding the current and future financial health of the City has only continued to grow.”

Background

The City of Opa-locka, Florida, was incorporated in 1926 as a municipality by Chapter 13187, *Laws of Florida*.¹ The City is located in Miami-Dade County and has an estimated population of 17,831.² The City operates under a Commission/Manager form of government,³ and the City is governed by a Mayor and a four-member City Commission, each elected from the City at-large for a four-year term.⁴ The City provides services to its residents, including general government, public safety, transportation, parks and recreation, water, sewer, storm water, and sanitation.⁵

Recent Events and Concerns

FBI Raid

In March 2016, the FBI raided City Hall in a corruption probe zeroing in on top City officials and administrators. The raid followed a two-year investigation into allegations of kickback schemes involving City officials and administrative staff. Since mid-2016, one City Commissioner, two City administrative staff, and the Mayor’s son have plead guilty to federal bribery and extortion conspiracy charges. In addition, in May 2016 one City Commissioner was killed in a suspected suicide automobile accident the day before he was expected to surrender to state prosecutors on bribery charges.⁶ To date, the FBI investigation is still ongoing.

Financial Emergency Declared

On June 1, 2016, the City Commission adopted Resolution No. 16-9189 requesting the Governor to appoint a financial oversight committee and other assistance pursuant to Section 218.503, *Florida Statutes* [entitled *Determination of financial emergency*]. The resolution stated, in part, that the City is experiencing financial challenges and believes it is in the City’s best interest to request that the Governor appoint a financial oversight committee to assist the City with its financial recovery.

Also, on June 1, 2016, the Governor issued Executive Order Number 16-135, declaring the City to be in a state of financial emergency, based upon the conditions reported to the Governor by City officials in accordance with Section 218.503(3), *Florida Statutes*. The Governor subsequently appointed a nine-member financial emergency oversight board (Board) to oversee the activities of the City.⁷ All decisions regarding staffing and expenditures made by the City Commission must be approved by the Board, which is chaired by the Governor’s Chief Inspector General.

¹ Note 1.A. to the Financial Statements, *City of Opa-locka Comprehensive Annual Financial Report for the Year Ended September 30, 2014*, page 24.

² University of Florida, College of Liberal Arts and Sciences, Bureau of Economic and Business Research, *Florida Estimates of Population 2016*, page 12.

³ Note 1.A. to the Financial Statements, *City of Opa-locka Comprehensive Annual Financial Report for the Year Ended September 30, 2014*, page 24.

⁴ Sections 2.1 and 2.4 of Article II, Charter of the City of Opa-locka.

⁵ Note 1.A. to the Financial Statements, *City of Opa-locka Comprehensive Annual Financial Report for the Year Ended September 30, 2014*, page 24.

⁶ Source: Miami Herald and other local media sources.

⁷ Section 218.503(3)(g)1., *Florida Statutes*

One of the responsibilities of the Board is to “review the operations, management, efficiency, productivity, and financing of functions and operations of the local governmental entity.”⁸

Other State Involvement

The Board requested the Department of Financial Services’ assistance in assessing the cash position of the City. The Department’s Bureau of Auditing conducted a cash analysis of the City’s bank records to assist the Board in determining the City’s cash position for the next fiscal year, October 1, 2016, through September 30, 2017. It focused on the City’s two main operating bank accounts – the General Operating Fund⁹ and the Water and Sewer account. The Department’s audit team (Team) analyzed the City’s bank statements for the period October 2015 through September 2016 in order to do a projection of the City’s cash receipts and cash disbursements.¹⁰

Conclusions from the cash analysis included:

- “The General Operating Fund cash projection shows a cash deficit in November 2016. The cash projection improves for December with the receipt of ad valorem taxes. Expanding the projections over the next 12 months shows the City with declining cash balances. The projections did not consider any unpaid invoices or other liabilities not evidenced by examination of bank statements. The Team noticed a reduction in cash disbursements starting in July 2016. Based on the cash projection, the City should continue their conservative spending from the past few months.”¹¹
- “The Water and Sewer account projections remain positive in the 12-month projection. The projections do not include payments for outstanding liabilities owed to Miami-Dade County, any unpaid invoices, deposit monies owed to utility customers, or other liabilities not evidenced by examination of bank statements.”¹²
- At the time of the Team’s analysis, the City was meeting its revenue bonds and revenue notes payment obligations as well as its state revolving loan payments. Forecasted tax receipts should be sufficient to meet revenue bonds and notes payment obligations for fiscal year 2016-17. The loan payments for the state revolving loans are paid from water and sewer operations which is forecasted to maintain a positive cash balance through September 2017. Repayment of amounts owed to Miami-Dade and to the Customer Utility Deposit account could however, impact the positive cash balance over the next 12 months.”¹³

The final report also included recommendations for process improvements related to the following 11 areas:

- | | |
|--------------------------------------|--|
| 1. Deposits | 7. Inactive bank accounts |
| 2. Bank Account Reconciliations | 8. Local Option Gas Tax |
| 3. Retirement Contributions | 9. State Revolving Loans |
| 4. General Fund Reserve bank account | 10. 2011 Capital Improvement Revenue Bonds |
| 5. Customer Deposit bank account | 11. 2015 Capital Improvement Revenue Bonds |
| 6. Unsupported bank accounts | |

⁸ Section 218.503(3)(g)1.c., *Florida Statutes*.

⁹ This is the title of the bank account; not to be confused with the governmental accounting definition of the term General Revenue Fund.

¹⁰ *City of Opa-Locka Cash Analysis Report*, November 2016; Florida Department of Financial Services, Division of Accounting and Auditing, Bureau of Auditing; page 2.

¹¹ *Id.* p. 11.

¹² *Id.*

¹³ *Id.*

Committee Action

At its meeting on January 26, 2017, the Committee approved state action against the City for its failure to submit the Annual Financial Report (AFR) and the Annual Financial Audit Report for the fiscal year ended September 30, 2015, to the Department of Financial Services and the Auditor General, respectively.¹⁴ The City has until April 28, 2017, to submit these financial reports in order to avoid state action.¹⁵

Other Information and Observations

Committee staff have been monitoring the events that have transpired prior to and since the City was declared to be in a state of financial emergency. Based on local media coverage, it appears at times that certain City officials have been unwilling to abide by the direction of the Board. For instance, certain City officials have complained that they have been required to give up their City-owned SUVs, gas cards, and other perks.¹⁶ Some have also criticized the Board for making tough financial decisions while trying to guide the City through this time of financial emergency.^{17 18}

There have been news articles regarding various issues at the City, including the following:

1. The City used approximately \$1.7 million in customer water and sewer security deposits belonging to residents and businesses. State law mandates that such deposits be refunded to customers after certain conditions are met; thus, the monies are restricted by law and are not available for use by the City in its general operations. The City began transferring such money in discreet transfers to the City's general fund, starting in August 2014. There are apparently some questions as to what happened to all of the money.¹⁹
2. The City spent hundreds of thousands of dollars on holiday bonuses, restaurant dinners, gifts for supporters, raises for certain employees, and pet projects, despite repeated warnings of deteriorating financial conditions and the threat of laying off workers. These expenditures were being incurred even while the City was failing to pay medical insurance premiums for its employees.²⁰

In addition, in a letter dated January 26, 2017, to the City Manager, the Governor's Chief Inspector General provided changes to the City's proposed Annual Budget for the fiscal year ended September 30, 2017. The letter stated that such changes were made "[i]n an effort to further help Opa-locka return to fiscal health" and "represent an effort to reduce the cost of city government while maintaining mission critical services to residents, particularly services for children and the elderly as well as public safety." The changes included, but were not limited to:

- (1) All travel items and monthly allowances were unfunded, stating that "[t]he City and its employees, as well as elected officials, must forego travel until the City is fiscally sound." and

¹⁴ These financial reports were due no later than June 30, 2016.

¹⁵ Section 11.40(2)(a), *Florida Statutes*, provides, in part, that, if the Committee determines one or more municipalities should be subjected to further state action, the Committee shall: 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 such entity until the entity complies with the law. The Committee shall specify the date such action shall begin, and the directive must be received by the Department of Revenue and the Department of Financial Services 30 days before the date of the distribution mandated by law.

¹⁶ Jay Weaver and Michael Sallah, *Opa-locka politicians must surrender SUVs, other perks*, Miami Herald, July 14, 2016.

¹⁷ Jay Weaver and Michael Sallah, *Opa-locka mayor to oversight board: Show respect – and let me keep my car*, Miami Herald, August 29, 2016.

¹⁸ Jay Weaver, *Opa-locka commissioner accuses state board of racism, rudeness*, Miami Herald, January 25, 2017.

¹⁹ Michael Sallah and Jay Weaver, *City raided customer deposits - \$1.7 million belonging to residents, businesses*, Miami Herald, October 7, 2016.

²⁰ Michael Sallah and Jay Weaver, *Opa-locka spent millions on parties, pet projects, bonuses; ignored warnings of financial collapse*, Miami Herald, September 17, 2016.

- (2) All non-fleet vehicles and vehicle allowances were unfunded, stating that “[t]he current number of vehicles provided to individual employees and elected officials is Opa-locka is excessive, and those vehicles can be repurposed to better serve the residents.”

An operational audit would be helpful in determining the extent of the issues at the City and provide useful information to the Board to assist with its oversight responsibilities.

Financial Audit

Except as noted under the heading *Committee Action* above, the City has obtained annual financial audits of its accounts and records by an independent certified public accountant (CPA) and has submitted the audit reports to the Auditor General’s Office in accordance with Section 218.39(1), *Florida Statutes*.²¹ The most recent audit report submitted to the Auditor General is for the 2013-14 fiscal year and included the following audit findings:²²

- *Deteriorating Financial Condition*: There has been a lack of information for timely reporting. There have been significant staff turnovers at the highest level, which has disrupted continuity and has caused ineffective training for finance staff, as well as a general lack of experience with specific matters related to the City. The auditors recommend that management develop a five-year plan to address its financial condition and stabilize the City before financial emergency conditions could potentially take effect. [Note: This is a repeat finding from the FY 2012-13 audit report.]
- *Budgets*: Budgets are not being adhered to, properly balanced, or being utilized by management as they should be. Staff is not being held accountable for the budget, and there is no monitoring from budget to actual expenditures. The auditors recommend that the City appoint someone within the finance department to take responsibility for the budget and to track budget to actual expenditures on a monthly basis in order to make informed financial decisions as well as necessary budget amendments. [Note: This is a repeat finding from the FY 2012-13 audit report.]
- *Checks outstanding for over 12 months*: Stale checks dating to the prior fiscal year are still being tracked in the monthly bank reconciliations. This is caused by the City not performing a complete monthly bank reconciliation. The auditors recommend the City research stale checks dating over a year and follow the City’s policies and procedures regarding stale checks.

Other Considerations

The Auditor General, if directed by the Committee, will conduct an operational audit as defined in Section 11.45(1)(g), *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

²¹ 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* (2011 Revision) as standards for auditing local governmental entities pursuant to Florida law.

²² *Section III, Current Year Financial Statement Findings of the Schedule of Findings and Questioned Costs, City of Opa-locka Comprehensive Annual Financial Report for the Year Ended September 30, 2014*, pages 87-88.

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.

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 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 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 Opa-locka, 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 Raulerson are considered. In addition, the Auditor General should be allowed to set the timing of the audit as audit resources are available, consistent with her work plan and so as not to jeopardize the timely completion of statutorily mandated assignments.

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.

STATE OF FLORIDA
OFFICE OF THE GOVERNOR
EXECUTIVE ORDER NUMBER 16-135
(Determination of Financial Emergency)

WHEREAS, officials from the City of Opa-locka, Florida, responsible for the fiscal affairs of the city's government have informed the Governor that a financial emergency exists within the local government entity based upon the occurrence or imminent occurrence of the conditions defined within section 218.503(1), Florida Statutes; and

WHEREAS, at a special meeting of the Opa-locka City Commission on June 1, 2016, a Resolution was adopted, requesting a declaration that the City of Opa-locka is in a state of financial emergency and seeking the appointment of a financial emergency board and other assistance pursuant to section 218.503(1), Florida Statutes; and

WHEREAS, a local government entity is subject to review and oversight by the Governor upon the occurrence of any of the conditions that constitute a financial emergency, as defined in section 218.503(1), Florida Statutes; and

WHEREAS, the exercise of the powers provided for in Part V, Chapter 218, Florida Statutes, is necessary to help the City of Opa-locka to recover from the financial emergency that currently exists.

NOW, THEREFORE, I, RICK SCOTT, Governor of Florida, pursuant to section 218.503, Florida Statutes, find as follows:

- A. The City of Opa-locka is in a state of financial emergency based upon the conditions reported to the Governor by city officials.

- B. The City of Opa-locka needs state assistance to resolve the state of financial emergency that currently exists through the implementation of measures authorized by Part V, Chapter 218, Florida Statutes.

BEING FULLY ADVISED in the premises, and in accordance with the Constitution and the Laws of the State of Florida, this Executive Order is issued, effective immediately:

Section 1. The City of Opa-locka shall execute and fully comply with a State and Local Agreement of Cooperation (“Agreement”) designed to resolve the financial emergency and provide assistance to the City.

Section 2. As detailed in the Agreement, the City of Opa-locka shall obtain written approval of its proposed annual budgets, and any amendments to such budgets, from the Governor before final approval of the budget.

Section 3. A financial emergency board shall be established by the Governor to oversee the activities of the City of Opa-locka. The board members and chair of the financial emergency board shall be appointed by, and serve at the pleasure of, the Governor. The financial emergency board shall adopt such rules as are necessary for conducting board business, and shall make regular reports to the Governor of its findings, recommendations, and actions.

Section 4. The City of Opa-locka is prohibited to issue bonds, notes, certificates of indebtedness, or any other form of debt without the prior written approval of the Governor.

Section 5. The City of Opa-locka shall make available for inspection and review all records, information, reports, and assets of the City at the request of the Governor.

Section 6. The City of Opa-locka shall obtain prior written approval from the Governor before it may seek application of the laws under the bankruptcy provisions of the United States Constitution and/or Federal Statutes.

Section 7. The City of Opa-locka shall notify the Governor in writing of any event, occurrence, transaction, or thing that might affect the financial condition of the City.

Section 8. The City of Opa-locka shall fully cooperate with the Governor in his efforts to provide technical assistance to the City, and in his efforts to consult with City officials regarding any steps necessary to bring the books of account, accounting systems, financial procedures, and reports into compliance with state requirements.

Section 9. The Department of Revenue and the Chief Financial Officer are authorized, pursuant to section 218.503(3)(b), Florida Statutes, to loan funds to the City of Opa-locka upon terms and conditions to be determined and approved by the Governor.

Section 10. The Office of the Chief Inspector General is designated as the lead agency in carrying out this Executive Order. The Governor names the Chief Inspector General of the State of Florida as his designee for purposes of this Executive Order and the Agreement. Other agencies are requested to provide full cooperation and support in providing assistance that the Chief Inspector General finds necessary to fulfill the duties of this designation.

Section 11. Nothing in this Executive Order shall be construed to limit or restrict the measures that may be implemented by the Governor to assist the City of Opa-locka to resolve the financial emergency, as provided by section 218.503(3), Florida Statutes.

Section 12. This Executive Order shall remain in effect until the termination of state action pursuant to section 218.504, Florida Statutes.



IN TESTIMONY WHEREOF, I have hereunto set my hand and have caused the Great Seal of the State of Florida to be affixed at The Capitol, Tallahassee, Florida, this 1st day of June, 2016.


Governor

ATTEST:


Secretary of State

FILED
2016 JUN - 1 PM 7:09
DEPARTMENT OF STATE
TALLAHASSEE, FLORIDA

Audit Findings Not Corrected (Three-Peats) – Materials Provided

- 1. Overview:** Failure to Correct Audit Findings – Educational Entities and Local Governments
- 2. Directory of Schedules for Repeat Audit Findings**
- 3. Schedules: Audit Findings Not Corrected and Recommended Action:**
(Detailed analysis regarding audit findings that have been reported to the Committee)

Educational Entities:

- State College and Universities
- District School Boards
- Charter Schools

Local Governmental Entities:

- County Constitutional Officers
- Municipalities
- Special Districts

Note: The green background used for some audit findings indicates that it appears that the entity has addressed the finding to the extent possible using existing resources. The determination is made based on previous correspondence the Committee has received from the entity.

- 4. Notifications** received from the Auditor General

Failure to Correct Audit Findings

Educational and Local Governmental Entities

The Joint Legislative Auditing Committee (Committee) has the authority to take action against educational and local governmental entities that fail to correct audit findings reported in three successive audits.

Statutory Authority

- **Colleges and Universities:** The Auditor General is required to notify the Committee of any financial or operational audit report prepared pursuant to s. 11.45, F.S., (*reports prepared by the Auditor General*) which indicates that a state university or Florida College System institution has failed to take full corrective action in response to a recommendation that was included in the two preceding financial or operational audit reports. Upon notification,

(1) The Committee may direct the governing body of the state university or Florida College System institution to provide a **written statement** to the Committee explaining why full corrective action has not been taken, or, if the governing body intends to take full corrective action, describing the corrective action to be taken and when it will occur.

(2) If the Committee determines that the written statement is not sufficient, the Committee may require the chair of the governing body of the state university or Florida College System institution, or the chair's designee, to **appear before the Committee**.

(3) If the Committee determines that the state university or Florida College System institution has failed to take full corrective action for which there is no justifiable reason or has failed to comply with Committee requests made pursuant to this section, the Committee shall refer the matter to the State Board of Education or the Board of Governors, as appropriate, to proceed in accordance with ss. 1008.32 or 1008.322, F.S., respectively.¹ [s. 11.45(7)(j), F.S.]

- **Other Educational Entities and Local Governmental Entities:** The Auditor General is required to notify the Committee of any audit report prepared pursuant to s. 218.39, F.S., (*reports prepared by private CPAs for audits of school districts, charter schools / charter technical career centers, counties, municipalities, and special districts*) which indicates that an audited entity has failed to take full corrective action in response to a recommendation that was included in the two preceding audit reports. Upon notification,

(1) The Committee may direct the governing body of the audited entity to provide a **written statement** to the Committee explaining why full corrective action has not been taken, or, if the governing body intends to take full corrective action, describing the corrective action to be taken and when it will occur.

(2) If the Committee determines that the written statement is not sufficient, the Committee may require the chair of the governing body of the local governmental entity or the chair's designee, the elected official of each county agency or the elected official's designee, the chair of the district school board or the chair's designee, the chair of the governing board of the charter school / charter technical career center or the chair's designee, as appropriate, to **appear before the Committee**.

(3) If the Committee determines that the audited entity has failed to take full corrective action for which there is no justifiable reason for not taking such action, or has failed to comply with Committee requests made pursuant to this section, the Committee may **proceed in accordance with s. 11.40(2), F.S.** [s. 218.39(8), F.S.]

Section 11.40(2), F.S., provides that the Committee may schedule a hearing to determine if the entity should be subject to further state action. If the Committee determines that the entity should be subject to further state action, the Committee shall:

(a) In the case of a local governmental entity or district school board, 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 such entity until the entity complies with the law. The Committee shall specify the date such action

¹ As revised by SB 1720 (2013) (Ch. 2013-51, L.O.F.), effective July 1, 2013.

shall begin, and the directive must be received by the Department of Revenue and the Department of Financial Services 30 days before the date of the distribution mandated by law. The Department of Revenue and the Department of Financial Services may implement the provisions of this paragraph.

(b) In the case of a special district, notify the Department of Economic Opportunity that the special district has failed to comply with the law. Upon receipt of notification, the Department of Economic Opportunity shall proceed pursuant to ss. 189.4044 or 189.421, F.S.

(c) In the case of a charter school or charter technical career center, notify the appropriate sponsoring entity, which may terminate the charter pursuant to ss. 1002.33 and 1002.34, F.S.

Notifications Received from the Auditor General

The Committee has received notifications from the Auditor General regarding this initiative for the past five years. The Auditor General is required by law to conduct audits of state universities, Florida College System institutions, and district school boards.² The Auditor General is required to conduct audits of county offices, municipalities, and special districts if directed by the Committee. Also, the Auditor General routinely reviews financial audits of district school boards, charter schools, and local governmental entities that are performed by private CPAs. Based on the Auditor General's review of all of these audit reports, the following is a breakdown of the entities that have failed to correct repeat audit findings for the 2010-11 fiscal year through the 2014-15 fiscal year, as reported to the Committee by November 21, 2016:

Type of Entity	Number of Entities with Repeat ³ Audit Findings During Last Five Fiscal Years (Total Number of Repeat Findings)				
	2010-11	2011-12	2012-13	2013-14	2014-15
Colleges	5 (8)	1 (2)	6 (6)	0 (0)	6 (7)
Universities	4 (12)	1 (1)	4 (5)	2 (2)	2 (3)
District School Boards	33 (93)	50 (107)	43 (114)	35 (93)	31 (66)
Charter Schools	27 (36)	31 (38)	23 (34)	20 (21)	15 (17)
County Offices ⁴	90 (182)	88 (172)	84 (151)	77 (123)	55 (93)
Municipalities ⁵	177 (445)	161 (401)	146 (370)	134 (294)	104 (193)
Special Districts ⁶	155 (282)	171 (298)	154 (268)	138 (217)	112 (167)
Total	491 (1,058)	503 (1,019)	460 (948)	406 (750)	325(546)

Recent Committee Action

Based on notifications received related to audit reports for the 2013-14 fiscal year, the Committee took action against 255 of the entities noted above during the meeting on November 30, 2015. As a result of the Committee's action, letters were sent to these entities to direct each governing body to provide a written statement regarding a total of 480 audit findings to the Committee to explain the corrective action that has occurred or is planned or to provide the reasons no corrective action is planned.

The Committee declined to take action regarding some additional findings reported for these entities and against the remaining 152 entities that were reported by the Auditor General for failing to correct audit findings reported in the 2012-13 fiscal year audit reports. These entities were smaller charter schools, district school boards, county

²All district school boards are required to have an annual financial audit performed. District school boards in counties with a population less than 150,000 are audited annually by the Auditor General; district school boards in larger counties are audited once every three years by the Auditor General and by a private CPA during the other years.

³ For the purpose of this document, repeat findings are those which have also been reported in the two prior audits; therefore, the auditor has reported these findings a minimum of three times in successive audits.

⁴ Separate audits are conducted of most County Constitutional Officers (Board of County Commissioners, Tax Collector, Property Appraiser, Clerk of Circuit Courts, Supervisor of Elections, and Sheriff).

⁵ There are 412 municipalities in Florida.

⁶ As of November 21, 2016, there are 1658 active special districts in Florida.

offices, municipalities, and special districts that had previously provided a response to the Committee and it appeared that the entities had address these findings to the extent possible using existing resources.

Action Available for the Committee to Take in Early 2017

The Committee may take action against the entities that were reported by the Auditor General for failing to correct audit findings that had been reported for at least the third time in the entities' 2014-15 fiscal year audit reports. In addition, the Committee may wish to direct Committee staff to send a letter requesting the status of uncorrected audit findings to all entities on future notification(s) from the Auditor General for late-filed audit reports for the 2014-15 fiscal year, or earlier.

Directory of Schedules for Repeat Audit Findings

A series of schedules follow that provide information related to entities with audit findings that have been reported in three successive audit reports. The schedules vary by type of entity, and, in some cases, whether it appears that the entity has taken all steps to correct certain audit findings using existing resources.

To assist you in locating all information related to a specific entity, the tables that follow list all entities included in the schedules, and indicate the schedule(s) in which their information appears.

Note: The green background used for some audit findings indicates that it appears that the entity has addressed the finding to the extent possible using existing resources.

State Universities and Colleges

State University or College	County	Schedule(s)
Florida Atlantic University	Palm Beach, Broward, St. Lucie	1
University of South Florida	Pinellas, Hillsborough, Manatee, Sarasota	1
Florida Keys Community College	Monroe	1
Florida State College at Jacksonville	Duval, Nassau	1
Hillsborough Community College	Hillsborough	1
Seminole State College	Seminole	1
St. Johns River State College	St. Johns, Putnam, Clay	1
Tallahassee Community College	Leon, Gadsden, Wakulla	1

District School Boards

<i>District School Board</i>	<i>Schedule(s)</i>	<i>District School Boards</i>	<i>Schedule(s)</i>
Alachua	2	Jefferson	2
Bradford	2	Leon	2
Broward	2	Madison	2
Clay	2	Martin	2
Columbia	2	Miami-Dade	2
Flagler	2	Monroe	2
Franklin	2	Nassau	2
Gadsden	2	Okaloosa	2
Gilchrist	2	Pinellas	2
Glades	2	Polk	2
Gulf	2	Putnam	2
Hamilton	2	Sarasota	2
Hardee	2	St. Lucie	2
Hernando	2	Wakulla	2
Holmes	2	Washington	2
Indian River	2		

Charter Schools

<i>Charter School</i>	<i>County</i>	<i>Schedule(s)</i>
Academy of Environmental Science	Citrus	4
Bay Haven Charter Academy Elementary School	Bay	4
Bay Haven Charter Academy Middle School	Bay	4
Byrneville Elementary School	Escambia	4
Central Charter School	Broward	3
Crossroad Academy Charter School	Gadsden	4
Escambia Charter School	Escambia	4
Highly Inquisitive and Versatile Education (HIVE) Preparatory School	Miami-Dade	3
North Bay Haven Charter Career Academy	Bay	4
North Bay Haven Charter (Academy) Elementary School	Bay	4
North Bay Haven Charter (Academy) Middle School	Bay	4
Oakland Avenue Charter School	Orange	3
Sebastian Charter Junior High	Indian River	4
S.O.C.K. Outstanding Students (SOS) Academy	Duval	3
St. Paul School of Excellence	St. Johns	3

Counties

County	County Office	Schedule(s)
Bradford	Clerk of the Circuit Court	5, 6
	Property Appraiser	6
Calhoun	Property Appraiser	6
	Sheriff	6
	Supervisor of Elections	6
	Tax Collector	6
Franklin	Board of County Commissioners	6
	Clerk of the Circuit Court	6
	Property Appraiser	6
	Sheriff	6
	Supervisor of Elections	6
	Tax Collector	6
Glades	Board of County Commissioners	6
	Clerk of the Circuit Court	5
	Sheriff	5
Gulf	Sheriff	6
Hardee	Board of County Commissioners	5
Holmes	Board of County Commissioners	6
	Clerk of the Circuit Court	6
	Property Appraiser	6
	Sheriff	6
	Supervisor of Elections	6
	Tax Collector	5, 6
Jackson	Board of County Commissioners	5, 6
	Property Appraiser	6
	Sheriff	6
	Tax Collector	6
Jefferson	Board of County Commissioners	5, 6
	Clerk of the Circuit Court	6
	Property Appraiser	6
	Sheriff	6
	Supervisor of Elections	6
	Tax Collector	6
Lafayette	Board of County Commissioners	6
	Clerk of the Circuit Court	6
	Property Appraiser	6
	Sheriff	6
	Supervisor of Elections	6
	Tax Collector	6
Levy	Board of County Commissioners	6
	Clerk of the Circuit Court	6
	Sheriff	6
Madison	Tax Collector	6
Miami-Dade	Board of County Commissioners	5
Monroe	Board of County Commissioners	5
Okaloosa	Board of County Commissioners	5

<i>County</i>	<i>County Office</i>	<i>Schedule(s)</i>
Okeechobee	Board of County Commissioners	5
Osceola	Clerk of the Circuit Court	5
Pinellas	Sheriff	5
Washington	Board of County Commissioners	5, 6
	Clerk of the Circuit Court	5, 6
	Property Appraiser	6
	Sheriff	6
	Supervisor of Elections	6
	Tax Collector	6

Municipalities

<i>Municipality</i>	<i>County</i>	<i>Schedule(s)</i>
Alford, Town of	Jackson	7, 8
Altha, Town of	Calhoun	7, 8
Anna Maria, City of	Manatee	7
Archer, City of	Alachua	7
Avon Park, City of	Highlands	7
Bell, Town of	Gilchrist	8
Blountstown, City of	Calhoun	8
Bonifay, City of	Holmes	8
Bowling Green, City of	Hardee	7
Bradenton Beach, City of	Manatee	8
Branford, Town of	Suwannee	8
Bristol, City of	Liberty	7, 8
Bronson, Town of	Levy	7, 8
Bushnell, City of	Sumter	7, 8
Callahan, Town of	Nassau	8
Campbellton, Town of	Jackson	8
Cedar Key, City of	Levy	7
Chiefland, City of	Levy	8
Clewiston, City of	Hendry	7, 8
Coleman, City of	Sumter	8
Cottondale, City of	Jackson	7, 8
Cross City, Town of	Dixie	8
Deerfield Beach, City of	Broward	7
Dunedin, City of	Pinellas	7
Dunnellon, City of	Marion	7
Eatonville, Town of	Orange	7
Ebro, Town of	Washington	7
Edgewood, City of	Orange	7
Fanning Springs, City of	Gilchrist, Levy	7
Fellsmere, City of	Indian River	8
Fort Lauderdale, City of	Broward	7
Fort White, Town of	Columbia	7, 8
Freeport, City of	Walton	7
Glen Saint Mary, Town of	Baker	8

Municipality	County	Schedule(s)
Graceville, City of	Jackson	7, 8
Grand Ridge, Town of	Jackson	8
Greensboro, Town of	Gadsden	8
Greenville, Town of	Madison	7, 8
Greenwood, Town of	Jackson	8
Gretna, City of	Gadsden	7
Gulf Breeze, City of	Santa Rosa	7
Hastings, Town of	St. Johns	8
Hialeah, City of	Miami-Dade	7
Hilliard, Town of	Nassau	8
Horseshoe Beach, Town of	Dixie	8
Howey-in-the-Hills, Town of	Lake	8
Indialantic, Town of	Brevard	7
Inglis, Town of	Levy	8
Interlachen, Town of	Putnam	8
Jennings, Town of	Hamilton	8
Jupiter, Town of	Palm Beach	7
LaBelle, City of	Hendry	8
Lake Hamilton, Town of	Polk	7, 8
Lake Helen, City of	Volusia	7
Lake Park, Town of	Palm Beach	7
Lakeland, City of	Polk	7
Lauderdale Lakes, City of	Broward	7
Lawtey, City of	Bradford	7, 8
Macclenny, City of	Baker	8
Madison, City of	Madison	8
Malone, Town of	Jackson	8
Mangonia Park, Town of	Palm Beach	7
Marianna, City of	Jackson	8
Mayo, Town of	Lafayette	7, 8
Medley, Town of	Miami-Dade	7, 8
Melbourne Village, Town of	Brevard	7
Miami, City of	Miami-Dade	7
Micanopy, Town of	Alachua	8
Midway, City of	Gadsden	7
Moore Haven, City of	Glades	8
Mount Dora, City of	Lake	7
North Miami Beach, City of	Miami-Dade	7
Oak Hill, City of	Volusia	7, 8
Oakland, Town of	Orange	7
Orchid, Town of	Indian River	8
Panama City, City of	Bay	8
Parker, City of	Bay	8
Paxton, City of	Walton	8
Penney Farms, Town of	Clay	8
Pierson, Town of	Volusia	7, 8
Pomona Park, Town of	Putnam	8
Ponce de Leon, Town of	Holmes	7, 8

<i>Municipality</i>	<i>County</i>	<i>Schedule(s)</i>
Ponce Inlet, Town of	Volusia	7
Port Orange, City of	Volusia	7
Quincy, City of	Gadsden	7
Sewall's Point, Town of	Martin	8
Sneads, Town of	Jackson	7, 8
Sopchoppy, City of	Wakulla	8
South Daytona, City of	Volusia	7
St. Cloud, City	Osceola	7
St. Lucie Village, Town of	St. Lucie	7
St. Marks, City of	Wakulla	8
Starke, City of	Bradford	7
Tallahassee, City of	Leon	7
Trenton, City of	Gilchrist	8
Waldo, City of	Alachua	8
Wauchula, City of	Hardee	7
Wausau, Town of	Washington	8
West Miami, City of	Miami-Dade	7
Wewahitchka, City of	Gulf	8
Wildwood, City of	Sumter	8
Windermere, Town of	Orange	8
Yankeetown, Town of	Levy	8
Zolfo Springs, Town of	Hardee	7

Special Districts

<i>Special District</i>	<i>County</i>	<i>Schedule(s)</i>
Aberdeen Community Development District	St. Johns	9
Alligator Point Water Resources District	Franklin	10
Amelia Concourse Community Development District	Nassau	9
Arlington Ridge Community Development District	Lake	9
Aucilla Area Solid Waste Administration	Dixie, Jefferson, Madison, Taylor	9
Baker County Development Commission	Baker	10
Baker County Hospital District	Baker	10
Beach Mosquito Control District	Bay	10
Big Bend Water Authority	Dixie, Taylor	10
Bolles Drainage District	Hendry	10
Business Improvement District of Coral Gables	Miami-Dade	9
Cedar Key Water and Sewer District	Levy	10
CFM Community Development District	Lee	9
Chapel Creek Community Development District	Pasco	9
Children's Services Council of Okeechobee County	Okeechobee	10
City Center Community Development District	Polk	9
City-County Public Works Authority	Glades	10
Collier Soil and Water Conservation District	Collier	9
Concorde Estates Community Development District	Osceola	9
Connerton West Community Development District	Pasco	9

Special District	County	Schedule(s)
Crossings at Fleming Island Community Development District, The	Clay	9
Cypress Creek of Hillsborough County Community Development District	Hillsborough	9
Deer Run Community Development District	Flagler	9
Disston Island Conservancy District	Glades, Hendry	10
Durbin Crossing Community Development District	St. Johns	9
Escambia-Pensacola Human Relations Commission	Escambia	10
Estero Fire Rescue District	Lee	9
Fellsmere Water Control District	Indian River	10
Fiddler's Creek Community Development District No. 2	Collier	9
Flaghole Drainage District	Glades, Hendry	10
Flagler Estates Road and Water Control District	St. Johns	10
Fred R. Wilson Memorial Law Library	Seminole	10
Gerber Groves Water Control District	Hendry	9
Gladeview Water Control District	Palm Beach	10
Gramercy Farms Community Development District	Osceola	9
Hamilton County Development Authority	Hamilton	9
Hendry Soil and Water Conservation District	Hendry	10
Hendry-Hilliard Water Control District	Hendry	10
Hendry-La Belle Recreation Board	Hendry	10
Heritage Isles Community Development District	Hillsborough	9
Highland Glades Water Control District	Palm Beach	10
Highland Meadows Community Development District	Polk	9
Indian River Farms Water Control District	Indian River	10
Indigo Community Development District	Volusia	9
Lake Ashton II Community Development District	Polk	9
Lake Shore Hospital Authority	Columbia	9
Lakeside Plantation Community Development District	Sarasota	9
Lee Memorial Health System	Lee	9
Leon County Educational Facilities Authority	Leon	9
Levy Soil and Water Conservation District	Levy	10
Madeira Community Development District	St. Johns	9
Magnolia Creek Community Development District	Walton	9
Magnolia West Community Development District	Clay	9
Marion County Law Library	Marion	10
Marshall Creek Community Development District	St. Johns	9
Matlacha/Pine Island Fire Control District	Lee	9
Meadow Pointe IV Community Development District	Pasco	9
Middle Village Community Development District	Clay	9
Midtown Miami Community Development District	Miami-Dade	9
Montecito Community Development District	Brevard	9
Municipal Service District of Ponte Vedra Beach	St. Johns	10
Naturewalk Community Development District	Walton	9
New Port – Tampa Bay Community Development District	Hillsborough	9
North Fort Myers Fire Control and Rescue Service District	Lee	9
North Okaloosa County Fire District	Okaloosa	10
North Palm Beach Heights Water Control District	Palm Beach	9
North St. Lucie River Water Control District	St. Lucie	10

<i>Special District</i>	<i>County</i>	<i>Schedule(s)</i>
Ocean City – Wright Fire Control District	Okaloosa	10
Okeechobee Soil and Water Conservation District	Okeechobee	10
Overoaks Community Development District	Osceola	9
Palatka Gas Authority	Putnam	10
Panhandle Public Library Cooperative System	Calhoun, Holmes, Jackson, Washington	10
Pine Island Community Development District	Lake	9
Portofino Cove Community Development District	Lee	9
Portofino Isles Community Development District	St. Lucie	9
Portofino Landings Community Development District	St. Lucie	9
Portofino Vista Community Development District	Osceola	9
Quincy-Gadsden Airport Authority	Gadsden	10
Reunion East Community Development District	Osceola	9
Reunion West Community Development District	Osceola	9
Ritta Drainage District	Hendry, Palm Beach	10
River Glen Community Development District	Nassau	9
River Place on the St. Lucie Community Development District	St. Lucie	9
Riverwood Estates Community Development District	Pasco	9
Rolling Hills Community Development District	Clay	9
San Carlos Estates Water Control District	Lee	10
Seminole County Port Authority	Seminole	10
Shawano Water Control District	Palm Beach	10
Six Mile Creek Community Development District	St. Johns	9
South Bay Community Development District (Hillsborough County)	Hillsborough	9
South Seminole and North Orange County Wastewater Transmission Authority	Orange, Seminole	10
St. Augustine Port, Waterway and Beach District	St. Johns	10
Sterling Hill Community Development District	Hernando	9
Stevens Plantation Community Development District	Osceola	9
Sugarland Drainage District	Glades, Hendry	10
Sun'n Lake of Sebring Improvement District	Highlands	9
Suwannee Water and Sewer District	Dixie	9, 10
Taylor Coastal Water and Sewer District	Taylor	10
Tern Bay Community Development District	Charlotte	9
Trails Community Development District	Duval	9
Treeline Preserve Community Development District	Lee	9
Venetian Community Development District	Sarasota	9
Villa Vizcaya Community Development District	St. Lucie	9
Waterford Estates Community Development District	Charlotte	9
Waterlefe Community Development District (Manatee County)	Manatee	9
Waterstone Community Development District	St. Lucie	9
West Villages Improvement District	Sarasota	9
Westridge Community Development District	Polk	9
Westside Community Development District	Osceola	9
Woodlands Community Development District, The	Sarasota	9
Wyld Palms Community Development District	Citrus	9
Zephyr Ridge Community Development District	Pasco	9

**Three-Part:
Educational Entities**

STATE COLLEGES AND UNIVERSITIES

State Colleges and Universities

Failed to Take Full Corrective Action in Response to a Recommendation Included in the
2014-15 Fiscal Year Audit Report and the Two Preceding Audit Reports

Entity	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
Florida Atlantic University	AG Report No. 2016-134 (#1 - Textbook Affordability): The University had not established monitoring procedures to ensure that textbook information is posted on the University's web site at least 30 days prior to the first day of classes, as required by state law. In addition, the University should enhance textbook affordability policies and procedures to ensure textbooks are available to students at the lowest and best prices within acceptable quality. (See PDF Pages 4-5)	N/A	2015 (2012-13)	Over the course of the past two operational audits, several additional internal procedures for formal notifications on textbook affordability have been implemented.	Yes
	AG Report No. 2016-134 (#4 - Information Technology Security Controls - User Authentication): Certain University security controls related to user authentication continue to need improvement. (See PDF Pages 7-8)	N/A	2015 (2012-13)	While the University believes that current controls over security are adequate to establish a secure environment, the Office of Information Technology continuously reviews protocols to assure that data are protected.	Yes
University of South Florida	AG Report No. 2016-133 (#5 - Information Technology - Security Controls - User Authentication and Logging and Monitoring of System Activity): Certain University security controls related to IT user authentication and logging and monitoring of system activity needed improvement. (See PDF Page 9)	N/A	N/A	N/A	Yes
Florida Keys Community College	AG Report No. 2016-111 (#1 - Information Technology - Access Privileges): 1) Two IT Department employees had inappropriate update access rights within the finance and human resources (HR) modules, and the College didn't monitor the system activity of these employees; 2) Although unnecessary for job responsibilities, one HR Department employee had update access to certain transactions within the HR module, which allowed the employee to modify employees' work time in the payroll module. The access privilege was unnecessary for the employee's job responsibilities. Subsequent to audit inquiry, this access privilege was terminated by the College. (See PDF Pages 3-4)	N/A	N/A	N/A	Yes

State Colleges and Universities

Failed to Take Full Corrective Action in Response to a Recommendation Included in the 2014-15 Fiscal Year Audit Report and the Two Preceding Audit Reports

Entity	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
Florida State College at Jacksonville	AG Report No. 2016-114 (#5 - Adult General Education): The College should strengthen its controls to ensure instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education. (See PDF Pages 7-8)	N/A	N/A	N/A	Yes
Hillsborough Community College	AG Report No. 2016-183 (#5 - Adult General Education): The College should strengthen its controls to ensure instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education. (See PDF Page 8)	N/A	N/A	N/A	Yes
Seminole State College	AG Report No. 2016-101 (#2 - Information Technology - Risk Assessment): College management should develop a comprehensive, written IT risk assessment plan to provide a documented basis for managing IT-related risks. (See PDF Pages 4-5)	N/A	N/A	N/A	Yes
	AG Report No. 2016-101 (#3 - Information Technology - Security Controls - User Authentication and Logging and Monitoring of System Activity): The College should improve security controls related to user authentication and logging and monitoring of system changes. (See PDF Page 5)	N/A	N/A	N/A	Yes
St. Johns River State College	AG Report No. 2016-100 (#2 - Adult General Education): The College should strengthen its controls to ensure instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education (FDOE). Also, the College over-reported hours for the 2014-15 fiscal year due to a programming error and should contact FDOE for proper resolution of such. (See PDF Page 5)	N/A	N/A	N/A	Yes

State Colleges and Universities

Failed to Take Full Corrective Action in Response to a Recommendation Included in the
2014-15 Fiscal Year Audit Report and the Two Preceding Audit Reports

Entity	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
Tallahassee Community College	AG Report No. 2016-135 (#6 - Information Technology - Timely Deactivation of Access Privileges): The College did not timely deactivate the network access privileges of some employees who separated from College employment during the 2014-15 fiscal year. (See PDF Pages 7-8)	N/A	N/A	N/A	Yes

LEGEND:

Material Weakness (MW): a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that one of the following will not be prevented, or detected and corrected, on a timely basis:

- a. a material misstatement of the entity’s financial statements, or
- b. material noncompliance with a type of compliance requirement.

For example, a deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis.

The severity of the deficiency would determine whether it should be classified as a material weakness, a significant deficiency, or an additional matter.

Significant Deficiency (SD): less severe than a material weakness, yet important enough to merit attention by those charged with governance.

DISTRICT SCHOOL BOARDS

District School Boards

Failed to Take Full Corrective Action in Response to a Recommendation Included in the
2014-15 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

County	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
Alachua	<p><u>AG Report #2016-079 (#12 - Information Technology - Written Policies and Procedures)</u>: Although the District had policies and procedures addressing certain IT functions, the District had not developed written policies and procedures for timely deactivating access privileges for terminated or reassigned contractors, including the removal of confidential information from contractors' IT equipment; and periodically reviewing application access privileges for appropriateness. (See PDF Pages 98-99)</p>	N/A	N/A	N/A	Yes
	<p><u>AG Report #2016-079 (#14 - Information Technology - Security Awareness Training Program)</u>: Although the District offered employees a security awareness training program consisting of a series of videos addressing various security-related topics, the District had not, as of May 2015, made employee participation mandatory or documented security awareness training to all employees in another manner. Effective October 2015, the District implemented a security awareness training program that employees are required to complete. (See PDF Pages 99-100)</p>	N/A	N/A	N/A	Yes
	<p><u>AG Report #2016-079 (#15 - Information Technology - Security Controls - User Authentication, Data Loss Prevention, and Logging and Monitoring of Security Changes)</u>: Certain District security controls related to user authentication, data loss prevention, and logging and monitoring of security changes continue to need improvement. (See PDF Page 100)</p>	N/A	N/A	N/A	Yes
Bradford	<p><u>AG Report #2016-145 (#7 - Information Technology - Security Awareness Training Program)</u>: Although the District required employees to watch a video about e-mail usage and liability issues and to sign an agreement annually, due to staffing issues, the District had not implemented a comprehensive security awareness training program to facilitate all users' ongoing education and training on security responsibilities, including acceptable or prohibited methods for storage and transmission of data, password protection and usage, and handling of sensitive or confidential information. (See PDF Pages 75-76)</p>	N/A	2016 (2013-14)	While steps have been taken to better train employees in some areas of security and technology, it is imperative that we expand to areas of data management, password protection and usage, and the handling of sensitive or confidential information. District attempts to meet this need from within have been stymied by staffing and financial hardships. Now that the District has improved its financial condition, we are now in the process of collection estimates from outside vendors to meet the need of a comprehensive security awareness training program.	Yes

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Bradford (continued)	<u>AG Report #2016-145 (#8 - Information Technology - Disaster Recovery Plan)</u> : The District's disaster recovery plan consisted of a formal disaster recovery agreement with three other school districts whereby the districts agreed to serve as alternate-processing sites for each other in the event of a disaster that interrupted critical IT operations. However, the District had not established a comprehensive, written disaster recovery plan that assigned responsibilities for recovery activities to key employees and backup personnel, prioritized critical operations and data, and detailed the specific procedures to be followed when the three other school districts were inoperable or other events interrupted District operations and affected the recovery and restoration of financial, payroll, and other critical applications. (See PDF Page 76)	N/A	2015 (2012-13)	The Disaster Recovery Plan is a component now in place within the District's Information and Instructional Technology (IIT) Policies and Procedures manual.	Yes
	<u>AG Report #2016-145 (#9 - Information Technology - Application Access Authorization Controls)</u> : The District had not maintained, because of staffing constraints, access authorization documentation or classified IT data documentation by sensitivity or level of significance. (See PDF Pages 76-77)	N/A	2015 (2012-13)	Classification of data can now be found in the IIT Policies and Procedures manual. An inventory of access of each position/employee will be maintained and monitored. Administrators are required to submit a request accompanied by rationale to expand or reduce access areas of data to specified personnel.	Yes
	<u>AG Report #2016-145 (#10 - Information Technology - Program Change Controls)</u> : The District has not developed written program change control procedures or restricted programming personnel from accessing or updating production programs and data. The District indicated that it would be migrating to a new software, at which time new program change control procedures would be developed. (See PDF Page 77)	N/A	2016 (2013-14)	The District is currently working with a third-party vendor to convert over to a new software system. This third party is assisting with programming and implementation of the product. Once full implementation has occurred, written procedures will be put in place to create a separation of duties between programming and accessing/updating the production program.	Yes
	<u>AG Report #2016-145 (#11 - Information Technology - Security Controls - Logging and Monitoring of System Activity and User Authentication)</u> : Certain District security controls related to user authentication and logging and monitoring of system activity needed improvement. (See PDF Pages 77-78)	N/A	2016 (2013-14)	The District is currently working to improve the areas of concern identified in confidence to management in relation to logging and monitoring of system activity and user authentication. Processes and procedures for tracking activity and adding additional controls in these areas are being developed and put on a schedule to regularly occur.	Yes

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Broward	<u>AG Report #2016-180 (#2 - Payroll Processing - Overpayments and Time Records)</u> : The District should enhance its procedures to ensure that, prior to payment, salary payments are accurate, properly documented, and timely reviewed and approved by supervisory personnel. Also, the District should continue its efforts to remedy uncollected salary overpayments. (See PDF Pages 103-104)	N/A	2014 (2011-12)	The District has strengthened procedures to reduce overpayments and inaccurate payrolls. The letter describes steps being taken to address issues.	Yes
	<u>AG Report #2016-180 (#3 - Payroll Processing - Overtime Payments)</u> : The District needs to enhance its procedures to ensure overtime payments are properly documented and approved. Also, given the amount of overtime expenditures incurred, the District should enhance management controls to require overtime and staffing analyses to ensure the most cost-effective management of human resources. In addition, the District should document the basis for the payments totaling \$2,960 made to two employees or recover the appropriate amounts from the respective employees. (See PDF Pages 104-105)	N/A	2014 (2011-12)	The District has strengthened monitoring requirements for overtime expenditures. The letter describes steps being taken to address issues.	Yes
	<u>AG Report #2016-180 (#7 - Annual Facility Inspections)</u> : Improvements were needed to ensure that deficiencies noted in fire-safety inspection reports are timely corrected. (See PDF Pages 109-110)	N/A	2014 (2011-12)	Although staff and funding resources remain limited, the District is pursuing options to be able to execute this work. Staff is actively identifying the most effective methods to address the deficiencies in order to achieve more timely correction.	Yes
	<u>AG Report #2016-180 (#8 - Tangible Personal Property)</u> : The District should strengthen procedures to provide for complete annual physical inventories of tangible personal property (TPP) at all District locations and reconciliations of inventory records to TPP subsidiary records. Any differences should be thoroughly investigated and resolved, and any items not located after such investigation should be timely reported to the Board for appropriate disposition and, as applicable, to the appropriate law enforcement agency. (See PDF Page 110)	N/A	2014 (2011-12)	The letter describes specific steps being taken to address issues.	Yes
	<u>AG Report #2016-180 (#12 - Information Technology - Security Controls - User Authentication)</u> : Certain security controls related to user authentication needed improvement. (See PDF Page 113)	N/A	2014 (2011-12)	The letter describes specific steps being taken to address issues, including changes being made to password guidelines and required complexity.	Yes

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Clay	<p><u>AG Report #2016-157 (#1 - Financial Condition)</u>: During the 2014-15 fiscal year, the District experienced a decline in its financial condition as the General Fund total assigned and unassigned fund balance decreased by \$299,821.97, or 5.6 percent, from \$5,389,495.40 to \$5,089,673.43. In a letter dated September 21, 2015, the Superintendent notified the Board and the FDOE that factors contributing to the decline included a reduction in required local effort tax revenue, a higher than projected funding of McKay scholarships, the opening of a new charter school for which funding was not included in prior financial position projections, and terminal pay for accumulated leave balances in amounts greater than budgeted. The financial condition ratio has been relatively constant, slightly above two percent, for the past three years. However, as such, the District has fewer resources available for emergencies and unforeseen situations than other school districts of comparable size. (See PDF Pages 83-84)</p>	N/A	N/A	N/A	Yes
	<p><u>AG Report #2016-157 (#5 - Compensation and Salary Schedules)</u>: The Board had not adopted formal policies and procedures establishing a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Florida Statutes. In response to audit inquiry, District personnel indicated that the District was at a standstill in the negotiating process with its teachers union and the differentiated pay process had not been finalized, but will be addressed when the negotiations resume. (See PDF Pages 87-88)</p>	N/A	N/A	N/A	Yes

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Clay (continued)	<u>AG Report #2016-157 (#8 - Adult General Education)</u> : Audit tests disclosed that instructional contact hours were over-reported a total of 354 hours for 12 students due to programming errors in the computer software used to calculate and report these hours. The District should strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education (FDOE), and determine to what extent such hours were misreported for the 2014-15 fiscal year and contact the FDOE for proper resolution. (See PDF Page 90)	N/A	2014 (2011-12)	Since 2012, the District has purchased and implemented a new student information system. With the close partnership with the developers of the program and more aligned system of reporting, this will ensure that more quality, accurate, and concise data is transmitted to the FDOE. The letter further outlines steps taken to address finding.	Yes
	<u>AG Report No. 2016-157 (#17 - Information Technology - Access Controls)</u> : Audit test of selected IT access privileges to the District's business application, including finance and human resources, and the supporting operating system disclosed that some access privileges assigned to certain employees were unnecessary for their assigned job duties or inappropriately permitted certain employees to perform incompatible functions. District management should ensure IT access privileges granted are necessary, enforce appropriate separation of duties, and develop procedures for the periodic review of IT access privileges and timely removal of unnecessary or inappropriate access privileges detected. (See PDF Pages 96-97)	N/A	2014 (2011-12)	The District has modified the methodology for the deactivation or deletion of inappropriate access for employees. Current protocol has been analyzed and has been modified to weekly account review with the disabling of inactive accounts for the first 30 days followed by full deletion.	Yes
	<u>AG Report #2016-157 (#20 - Information Technology - Security Controls - Use Authentication, Data Loss Prevention, and Monitoring of System Activity)</u> : Certain District IT security controls related to user authentication, data loss prevention, and monitoring of system activity needed improvement to ensure the continued confidentiality, integrity, and availability of District data and IT resources. (See PDF Page 98)	N/A	2014 (2011-12)	Additional security issues regarding security controls were noted, and the District has taken appropriate action to avoid compromising District and IT resources.	Yes
Columbia	<u>AG Report #2016-146 (#3 - Other Postemployment Benefits)</u> : Contrary to Generally Accepted Accounting Principles, District personnel did not obtain the required biennial actuarial valuation for the other postemployment benefits plan. (See PDF Pages 77-78)	N/A	N/A	N/A	Yes

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Columbia (continued)	<u>AG Report #2016-146 (#9 - Information Technology - Data Loss Prevention)</u> : Certain District IT security controls related to data loss prevention need improvement. (See PDF Page 81)	N/A	2015 (2012-13)	The 2013-14 fiscal year audit report does not include the portion relating to User Authentication. As of February 1, 2015, the remaining portion of the audit finding has also been resolved. The District converted the student database to FOCUS and the business and human resources to Skyward during the 2014-15 fiscal year, which offer superior logging of system activity for District staff to monitor.	Yes
Flagler	<u>AG Report #2016-158 (#6 - Information Technology - Access Privileges)</u> : Audit test of selected access privileges to the District's business application, including finance and human resources, disclosed that some District employees had access privileges that permitted them to perform unnecessary or incompatible functions. District management indicated that the access privileges were necessary to provide security administration functions and to modify and prepare data for state reporting. Nevertheless, complete update access privileges to the applications were not necessary for these employees' job responsibilities related to technical support of the application and were contrary to an appropriate separation of IT and end-user functions. While the District had certain controls that somewhat mitigated the deficiencies, the existence of these inappropriate or unnecessary access privileges increased the risk of unauthorized disclosure, modification, or destruction of District data and IT resources. (See PDF Pages 87-88)	N/A	N/A	N/A	Yes
Franklin	<u>AG Report #2016-110 (#1 - Compensation and Salary Schedules)</u> : The Board has not adopted formal policies and procedures establishing a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Florida Statutes. (See PDF Page 69)	N/A	2016 (2013-14)	The District continues to negotiate with our labor union to develop a differentiated pay plan that complies with Florida Statutes. An executive session is scheduled for January 19, 2016, with a collective bargaining session to occur, on or before January 31, 2016. The Board anticipates the plan to be finalized by June 30, 2016.	Yes

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Gadsden	AG Report #2016-156 (#1 - Financial Reporting): The District should improve its financial reporting procedures to ensure that financial statement account balances and transactions and Schedule of Expenditures of Federal Awards (SEFA) expenditure amounts are properly reported. (See PDF Pages 71-72)	MW	2016 (2013-14)	Fiscal staff who prepared the allocation of the tax revenue receipts for recording, as well as staff who approved and recorded the tax levy revenue receipts, were unaware of the reduction to the adopted millage rate effective for the 2013-14 fiscal year. When the root cause was determined, the District immediately updated the allocation method and implemented the use of an allocation spreadsheet that should alert staff regarding futures changes in millage rates. The District also took corrective action and transferred \$212,654 into the Capital Projects-Local Capital Improvement Fund to correct the error noted by the audit for the 2013-14 fiscal year, as well as made similar correction for the 2014-15 fiscal year incorrect allocation. We do not anticipate that the tax levy allocation will be continued in the 2014-15 fiscal year report.	Yes
	AG Report #2016-156 (#6 - Adult General Education): Instructional contact hours were under-reported a total of 793 hours (ranging from 2 to 56 under-reported hours) for 30 selected students. The District should strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education (FDOE). Also, the District should determine to what extent the adult general education hours were misreported for the 2014-15 fiscal year and contact the FDOE for proper resolution. (See PDF Page 75)	N/A	2016 (2013-14)	As of June 30, 2015, this finding was not fully corrected. Newly appointed data entry position will review the data reports and attend Florida Department of Education summer data entry trainings. We anticipate correct reporting for the 2015-16 school year.	Yes

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Gilchrist	<p><u>AG Report #2016-105 (#1 - Information Technology - Access Privileges)</u>: Review of selected access privileges to the District's business applications, including finance and human resources (HR), disclosed that the Director of Finance and two finance officers had systemwide access privileges that allowed update access to all functions within the finance and HR applications, including transaction origination, correction, and changes to finance and payroll data and security tables. District management indicated that the District assigned certain employees systemwide access privileges to ensure District operations continue during personnel absences within the Finance Office. Nevertheless, complete update access privileges to the District's business application were not necessary for these employees' day-to-day responsibilities and were contrary to an appropriate separation of incompatible duties. Although the District had certain controls in place that compensated, in part, for the deficiencies, the existence of unnecessary or inappropriate IT access privileges increases the risk that unauthorized disclosure, modification, or destruction of District data and IT resources may occur. (See PDF Page 68)</p>	SD	N/A	N/A	Yes
Glades	<p><u>AG Report #2016-148 (#3 - Information Technology - Security Controls)</u>: Certain District security controls related to data loss prevention needed improvement. (See PDF Page 69 of 73)</p>	N/A	2016 (2013-14)	The District has contracted with a technology group and is in the process now of making the needed improvements.	Yes

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Gulf	AG Report No. 2016-104 (#1 - Adult General Education Classes): Instructional contact hours were over-reported a total of 94 hours (ranging from 3 to 12 over-reported) for 16 selected students. The District should strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education (FDOE). Also, the District should determine to what extent the adult general education hours were misreported for the 2014-15 fiscal year and contact the FDOE for proper resolution of the over-reported instructional contact hours. (See PDF Page 63)	N/A	2016 (2013-14)	The District recognizes the need to strengthen its controls to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE and has developed an action plan to address the need (specifics provided in letter). The District is confident that with these procedures firmly in place accurate reporting of instructional contact hours will be possible.	Yes
Hamilton	AG Report No. 2016-120 (#1 - Compensation and Salary Schedules): The Board has not established a documented process for identifying instructional personnel and school administrators entitled to differentiated pay using the factors prescribed in Florida Statutes and adopted salary schedules that specify the differentiated pay based on those factors. (See PDF Page 67)	N/A	2016 (2013-14)	The District is in negotiations with the Hamilton County Education Association (The Union). Management continues to work in a corroborative effort to agree on factors to adopt and remove this finding. We met on February 17, 2016, and will continue to meet through the rest of the 2015-16 fiscal year in an effort to settle this issue.	Yes
	AG Report No. 2016-120 (#2 - Information Technology - Access Privileges): The District should improve the periodic review of access privileges within the finance and human resources applications to ensure that inappropriate or unnecessary access privileges detected are promptly removed. Additionally, the District should promptly remove the District's Technology and Information Services (TIS) Coordinator's and the TIS Specialist's unnecessary access privileges. (See PDF Pages 67-68)	N/A	N/A	N/A	Yes

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Hamilton (continued)	<u>AG Report No. 2016-120 (#3 - Information Technology - Security Controls)</u> : Certain District IT security controls related to data loss prevention and logging and monitoring of data changes and network security events needed improvement. (See PDF Page 69)	N/A	2016 (2013-14)	The District does not agree with this finding because it maintains that this level of access is necessary to properly support the applications software in an environment of limited staff in a small, rural District that has limited resources to hire sufficient staff. The District believes that there are compensating controls sufficient to ensure the continued confidentiality, integrity, and availability of District data and IT resources, and that security controls are sufficient to prevent data loss and able to detect logging and monitoring of security changes or unauthorized use of permissions.	Yes
Hardee	<u>AG Report No. 2016-137 (#3 - Information Technology - Risk Assessment)</u> : The District had not developed a comprehensive, written IT risk assessment evidencing consideration of specific threats and vulnerabilities. (See PDF Pages 76-77)	N/A	N/A	N/A	Yes
	<u>AG Report No. 2016-137 (#4 - Information Technology - Security Controls - Data Loss Prevention)</u> : Certain District IT security controls related to data loss prevention needed improvement. (See PDF Page 77)	N/A	2016 (2013-14)	In February 2016, District Information Technology (IT) staff developed data loss prevention procedures to address data backup, hardware security, confidential information, data storage, data disposal, security breaches and consequences for non-compliance. These procedures were completed after the 2014-15 fiscal year audit. We are confident that this finding will not be repeated in our audit report for the 2015-16 fiscal year.	Yes
Hernando	<u>AG Report No. 2016-167 (#7 - Payroll Processing)</u> : Audit tests of District records supporting salary payments to 21 employees selected for one payroll period disclosed that 6 employees' time reports did not evidence supervisory review and approval. (See PDF Pages 11-12)	N/A	N/A	N/A	Yes

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Hernando (continued)	<u>AG Report No. 2016-167 (#13 - Information Technology - Access Privileges)</u> : Audit test of selected access privileges to the District's operating system supporting the business application, including finance and human resources (HR), disclosed some access privileges that were unnecessary or that permitted certain employees to perform incompatible functions. Although the District performed periodic reviews of business application access privileges, the District had not performed a review of operating system access privileges. District management indicated that a review of operating system access privileges would be included in their internal audit process, and further indicated certain controls somewhat compensated for the inappropriate access. However because the confidentiality, integrity, and availability of data within the finance and HR applications is dependent on the security of the operating system, the existence of unnecessary or inappropriate access privileges increased the risk that unauthorized disclosure, modification, or destruction of District data and IT resources may occur. (See PDF Pages 16-17)	N/A	N/A	N/A	Yes
Holmes	<u>AG Report No. 2016-141 (#1 - Compensation and Salary Schedules)</u> : The Board has not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Florida Statutes. (See PDF Page 72)	N/A	2016 (2013-14)	The District is working to implement full corrective action. The District's bargaining team met with the teacher's union on April 30, 2015, and proposed language that meets the statutory requirements for differentiated pay. The union was open to the language, but it was not accepted or approved during the 2014-15 school year. The District's bargaining team will begin negotiations in February 2016 to agree on contract language for differentiated pay.	Yes

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Indian River	AG Report No. 2016-077 (#2 - Adult General Education Classes): Instructional contact hours were over reported a total of 2,408 net hours, including 2,422 over-reported hours (ranging from 10 to 380 hours) for 28 students and 14 under-reported hours for 1 student. The District should strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education (FDOE). Also, the District should determine to what extent the adult general education hours were misreported for the 2014-15 fiscal year and contact the FDOE for proper resolution. (See PDF Pages 4-5)	N/A	N/A	N/A	Yes
Jefferson	AG Report No. 2016-169 (#1 - Financial Reporting): Financial reporting procedures could be improved to ensure that financial statement account balances and transactions are properly reported and the annual financial report (AFR) is timely submitted to the Florida Department of Education. (See PDF Pages 68-69)	MW	2016 (2013-14)	The District has a 1980s accounting software which is not user friendly. The latest manual was dated 1990, and training is no longer available. A new financial/human resources software system is being purchased, and the District will eventually be going live with the financial part of the software system on April 1, 2016. The District believes this will eradicate this finding. In addition, District staff have over the years developed bad accounting practices and shortcuts that have led to numerous errors in the ledgers. Proper training for all users of the software, plus built-in controls, will assist the District to maintain more accurate records and complete state returns in a timely manner.	Yes

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Jefferson (continued)	AG Report No. 2016-169 (#2 - Bank Account Reconciliations): District personnel routinely reconciled the bank account and the cash book balances and prepared a June 2015 reconciliation. However, for June 2015, the cash book cash balance was approximately \$400,000 more than the general ledger balance. District records did not identify the reason for this difference and did not document a reconciliation of the bank account and the general ledger used for financial reporting purposes. In addition, District personnel did not provide for an appropriate separation of duties as the Chief Financial Officer was responsible for preparing the bank account reconciliations and could also update the accounting records. The District did not have other procedures to compensate for limited staff or to mitigate the risk associated with the inappropriate separation of duties. (See PDF Pages 69-70)	SD	2016 (2013-14)	The District has reduced the number of active bank accounts from 10 to 5. In addition, the District changed the appearance of our checks and the method of printing and sealing our checks. Each check is ready for the mail once it leaves the folding machine. This eliminates the need for any hand-written checks. Both of these changes will enable the District to use modern technology to assist in reconciling its bank accounts to the ledgers. The reason why the cash book had not been reconciled to the general ledger in January 2015 was because District staff were waiting to agree a balance that could be posted to the ledgers. The District is still a ways away from doing this, but are moving forward.	Yes
	AG Report No. 2016-169 (#4 - Budgetary Controls and Financial Monitoring): While the original budget was prepared and approved in accordance with applicable laws and rules, District budgetary and financial monitoring procedures continue to need improvements to ensure that budgets and related budget amendments limit expenditures to available resources and that financial reports are provided monthly to the Board. (See PDF Pages 71-72)	N/A	2016 (2013-14)	The District's budget was adopted and expenditures monitored and presented to the Board on a monthly basis and approved by the Board. The District's budget reforms will focus on steps to restore the District's financial condition during the 2014-15 fiscal year.	Yes
	AG Report No. 2016-169 (#5 - Adult General Education Classes): The District should strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education (FDOE). The District should also determine to what extent adult general education hours were misreported for the 2014-15 fiscal year and contact the FDOE for proper resolution. (See PDF Page 73)	N/A	2016 (2013-14)	The District has strengthened its controls for reporting contact hours to FDOE. A new manual was produced at the beginning of 2014-15 school year that instructed staff how to enroll students, the amount of fees that are due, and how to enter the student data into FOCUS, our student data software package. Thus moving forward, our records should accurately reflect student attendance and instructional contact hours for FDOE. We have also contacted FDOE and resolved the errors identified with them.	Yes

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Leon	CPA Report FY 2014-15 (#2015-002 - Financial Reporting): Financial reporting procedures could be improved to ensure that financial statement account balances, transactions, and note disclosures are properly reported. The District's Annual Financial Report (AFR) submitted to the Florida Department of Education contained errors and inaccuracies due to lack of adequate procedures, supervision, and staffing resources over the preparation process of the AFR. (See PDF Page 98)	SD	2016 (2013-14)	Process modifications to address this particular finding were developed in the 2014-15 fiscal year, finalized in FY 2016, and will be fully implemented after the 2015-16 fiscal year books are closed and the Annual Financial Report (AFR) has been completed.	Yes
Madison	AG Report No. 2016-132 (#7 - Compensation and Salary Schedules): The Board has not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Florida Statutes. (See PDF Pages 74-75)	N/A	2016 (2013-14)	This finding has not been completed at this time. The District and the Madison County Education Association are currently meeting to create a new Collective Bargaining Agreement, which will address the compensation and salary schedules in question.	Yes
	AG Report No. 2016-132 (#15 - Information Technology - Security Controls - Data Loss Prevention): Certain District security controls related to data loss prevention needed improvement. (See PDF Page 80)	N/A	2016 (2013-14)	The District has provided information to the local auditing personnel during our FY 2014-15 audit to address this finding.	Yes
Martin	AG Report No. 2016-065 (#2 - Compensation and Salary Schedules): Contrary to Florida Statutes, the Board-approved 2014-15 fiscal year salary schedule did not provide for differentiated pay of instructional personnel and school administrators based on critical shortage areas and level of job performance difficulties. (See PDF Pages 4-5)	N/A	2016 (2013-14)	The District is in the process of working on a salary schedule proposal to provide for differentiated pay for instructional personnel and school administrators based on critical shortage areas and level of job performance difficulties. The goal is to have a Board-adopted schedule that meets state laws for school-based administrators and through collective bargaining provide a differentiated schedule for instructional personnel as required by state law during the 2016-17 fiscal year.	Yes

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Miami-Dade	CPA Report FY 2014-15 (#2015-01 - Information Technology User Access Reviews): The District does not have a formalized procedure to review IT access rights and privileges for SAP (Systems, Applications, and Products) database and operating system users. (See PDF Page 240 of 243)	N/A	2016 (2013-14)	In order to facilitate the process of reviewing employee access in SAP (Systems, Applications, and Products), District IT System (ITS) personnel have developed the SAP Security Roles Report. This Report has already been vetted and placed into production and will soon be disseminated to site administrators. The letter describes updates to the District Network Security Standards and states that the ITS will programmatically disable all consultant, contractor, or other non-employee accounts on February 12, 2016 (proposed date). Accounts will remain disabled or expired until such time that an explicit request to restore access is received by ITS. Access will then be restored for a period not to exceed six months or the length of engagement, whichever comes first.	Yes
Monroe	AG Report No. 2016-092 (#2 - Payroll Processing Procedures): District records did not always document employees' time worked, supervisory review and approval, and appropriate accountability for leave taken and related leave balances. In April 2015, the Board contracted with a software firm for a new time and attendance management system; however, as of November 2015, the District had not fully implemented the software. The District should continue to enhance payroll processing procedures to ensure that all employee work and leave time is in accordance with Board policy and appropriately documented, approved, accurately recorded in the payroll system, and reconciled to payroll leave records. (See PDF Pages 5-6)	N/A	2015 (2012-13)	On April 28, 2015, the School Board approved the implementation of a new electronic time and attendance system that will address the audit concerns. The automated process will require that employee work time is properly documented and approved prior to submission to the Payroll Department and will ensure that leave times are accurately recorded and reconciled.	Yes
Nassau	AG Report No. 2016-127 (#1 - Information Technology - Security Controls - Data Loss Prevention): Certain District security controls related to data loss prevention needed improvement. (See PDF Page 69)	N/A	N/A	N/A	Yes

District School Boards

Failed to Take Full Corrective Action in Response to a Recommendation Included in the
2014-15 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

County	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
Okaloosa	<p><u>AG Report No. 2016-129 (#2 - Collection and Use of Social Security Numbers):</u> Contrary to Florida Statutes, the District did not provide written statements indicating the purpose for collecting social security numbers (SSN). The District should provide individuals with a written statement indicating whether the collection of their SSN is authorized or mandatory under Federal or State law and identifying the specific Federal or State law governing the collection, use, or release of the SSN for each purpose for which the SSN is being collected. (See PDF Pages 77-78)</p>	N/A	N/A	N/A	Yes
	<p><u>AG Report No. 2016-129 (#12 - Information Technology - Security Awareness Training Program):</u> District management had not implemented an ongoing security training and awareness program through periodic reminders or training sessions after the initial new hire training. (See PDF Pages 84-85)</p>	N/A	N/A	N/A	Yes
	<p><u>AG Report No. 2016-129 (#13 - Information Technology - Access Privileges):</u> Review of selected IT access privileges to the District's business software application, such as finance and human resources applications, and the operating system, disclosed that some employees had access privileges that permitted them to perform unnecessary or incompatible functions. Although the District had certain controls in place that somewhat compensated for the noted deficiencies, the existence of unnecessary or inappropriate IT access privileges increase the risk that unauthorized disclosure, modification, or destruction of District data and IT resources may occur. (See PDF Pages 85-86)</p>	N/A	N/A	N/A	Yes
	<p><u>AG Report No. 2016-129 (#14 - Information Technology Security Controls - User Authentication, Data Loss Prevention, and Monitoring of Application Activity):</u> Certain District security controls related to user authentication, data loss prevention, and monitoring of application activity needed improvement. (See PDF Page 86)</p>	N/A	N/A	N/A	Yes

District School Boards

Failed to Take Full Corrective Action in Response to a Recommendation Included in the
2014-15 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

County	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
Pinellas	CPA Report FY 2014-15 (#17 - Information Technology - Access Privileges): Certain inappropriate and unnecessary IT access privileges existed. (See PDF Page 86)	N/A	2016 (2013-14)	Technology and Information Systems (TIS) has reviewed the access privileges and ensured that assigned access privileges restrict employees to only the functions necessary for their assigned job responsibilities on an annual basis. A Systems Administrator in TIS will run the annual report for the Assistant Superintendent - Technology and Information Systems, who will then share the report with the Executive Leadership Team (ELT). Every ELT member will review and verify the access privileges for their department and ensure that all assigned access privileges restrict employees to only functions necessary for their assigned job responsibilities.	Yes
	CPA Report FY 2014-15 (#18 - Information Technology - Security Program): While the District's security program procedures addressed application development, they did not include procedures for developing an application or managing changes. (See PDF Page 86)	N/A	N/A	N/A	Yes
	CPA Report FY 2014-15 (#19 - Information Technology - Security Controls - User Authentication): Certain District security controls related to user authentication needed improvement. (See PDF Page 86)	N/A	2016 (2013-14)	Two procedures were completed by the TIS Security Council in January 2015, to improve the security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of District data and IT resources. The same two procedures were reviewed by the TIS Security council in January 2016.	Yes
Polk	AG Report No. 2016-081 (#9 - Security Awareness): District management had not developed a comprehensive security awareness training program to facilitate all employees' ongoing education and training on security responsibilities, including password protection and usage, copyright issues, malicious software and virus threats, workstation and personal mobile device controls, and handling of sensitive and confidential information. (See PDF Page 10)	N/A	N/A	N/A	Yes

District School Boards

Failed to Take Full Corrective Action in Response to a Recommendation Included in the
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County	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
Putnam	AG Report No. 2016-170 (#1 - Compensation and Salary Schedules): The Board has not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Florida Statutes. (See PDF Page 82)	N/A	2016 (2013-14)	The District has made full corrective action and established a documented process to identify instructional personnel entitled to Differentiated Pay. The District worked collaboratively with the Putnam Federation of Teachers United to develop and implement a specific plan during the fall of 2015. Though the District has made full corrective action, a similar finding may show up in the audit report for the 2014-15 fiscal year as the plan was finalized after June 30, 2015.	No
	AG Report No. 2016-170 (#4 - Bus Drivers): The District should enhance its procedures to ensure that school bus drivers are appropriately licensed to drive buses. The auditors compared District records to Florida Department of Highway Safety and Motor Vehicle records for all 122 school bus drivers and reviewed other District records and found that several school bus drivers who drove regularly scheduled bus routes had suspended licenses for various reasons. (See PDF Pages 84-85)	N/A	N/A	N/A	Yes
	AG Report No. 2016-170 (#5 - Information Technology - Access Privileges): Audit test of selected access privileges to the District's finance and human resources applications disclosed that some access privileges were unnecessary or permitted employees to perform incompatible functions, indicating a need for periodic review of access privileges. Although the District had certain controls that somewhat mitigated the noted deficiencies, the existence of these unnecessary and inappropriate access privileges increased the risk of unauthorized disclosure, modification, and destruction of District data and IT resources. (See PDF Pages 85-86)	N/A	2016 (2013-14)	A security information officer has been appointed. At the current time, inappropriate access has been removed from employees who do not require the level of access previously granted to them. Monthly reports of access privileges are now being run and reviewed. The District believes that we have this area under control.	Yes
	AG Report No. 2016-170 (#8 - Information Technology - Security Controls - Data Loss Prevention): Certain District security controls related to data loss prevention needed improvement. (See PDF Page 87)	N/A	2016 (2013-14)	The finding was related to the District not having a formally written plan for disaster recovery. In the past the District had piggybacked off of the North East Florida Educational Consortium's Disaster Recovery Plan. The IT Department is in the process of adding required detail to the formal written plan.	Yes

District School Boards

Failed to Take Full Corrective Action in Response to a Recommendation Included in the
2014-15 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

County	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
Sarasota	<p><u>AG Report No. 2016-074 (#10 - Information Technology - Access Privileges)</u>: Review of selected access privileges to the District's network; business application, including finance and human resources; and the business application's supporting infrastructure disclosed some access privileges that were unnecessary or that permitted employees and contractors to perform incompatible functions. Subsequent to audit inquiry, the inappropriate access privileges were removed. The District should continue efforts to ensure the assignment of appropriate access privileges, periodic review of administrator access privileges, and timely removal or adjustment of any unnecessary or inappropriate access detected. (See PDF Pages 11-12)</p>	N/A	2015 (2012-13)	Access control to the District's business application and network are reviewed on an annual basis by each cost center head for District schools and departments. In addition, timely deactivation of access privileges is now automated through the Security application of the District's business system. When an employee's last date of employment is entered in the Human Resources application, it automatically populates the deactivation date in the Security application to deny access to the system.	Yes
	<p><u>AG Report No. 2016-074 (#11 - Information Technology - Security Controls - User Authentication and Logging and Monitoring of System Activity)</u>: Certain District security controls related to user authentication and logging and monitoring of system activity needed improvement. (See PDF Page 12)</p>	N/A	N/A	N/A	Yes
St. Lucie	<p><u>AG Report No. 2016-139 (#7 - Information Technology - Access Privileges)</u>: Review of selected IT access privileges to the District's network and business application, including finance and human resources, disclosed some access privileges that were unnecessary or that permitted employees to perform incompatible functions. Although the District had controls in place to mitigate some of the control deficiencies noted, the existence of inappropriate or unnecessary IT access privileges increases the risk that unauthorized disclosure, modification, or destruction of District data and IT resources may occur. (See PDF Pages 86-87)</p>	N/A	N/A	N/A	Yes
	<p><u>AG Report No. 2016-139 (#8 - Information Technology - Security Controls - User Authentication and Logging and Monitoring of System Activity)</u>: Certain District security controls related to user authentication and logging and monitoring of system activity needed improvement. (See PDF Page 87)</p>	N/A	N/A	N/A	Yes

District School Boards

Failed to Take Full Corrective Action in Response to a Recommendation Included in the
2014-15 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

County	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
Wakulla	<u>AG Report No. 2016-083 (#2 - Adult General Education Classes)</u> : The District should strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education (FDOE). The District should also determine to what extent of adult general education hours were misreported for the 2014-15 fiscal year and contact the FDOE for proper resolution. (See PDF Pages 74-75 of 80)	N/A	2016 (2013-14)	In the 2014-15 fiscal year, the District corrected the procedure for entering withdrawal dates for students with six consecutive absences. Additionally, the District identified that two set of calendars within the student record system were not synchronized, resulting in over reporting of instructional contact hours. The calendars are now synchronized and hours are being reported correctly.	Yes
	<u>AG Report No. 2016-083 (#4 - Information Technology - Disaster Recovery Plan)</u> : The IT disaster recovery plan needs to be updated to include the specific processes and procedures to follow when the Northwest Regional Data Center is inoperable. (See PDF Page 76)	N/A	2016 (2013-14)	A comprehensive Disaster Recovery Plan for the District has been implemented and tested according to provisions within the Plan. An addendum to the existing Recovery Plan will address the additional scenario, in which the Northwest Regional Data Center (NWRDC) is inoperable, to include how payroll will be processed based on direct deposit information retrieved from the bank's cash management system. Also, procurement options have expanded to include the usage of a procurement card program with a regional bank that would allow systematic accounting of such disbursements to continue on the bank's platform until operations of NWRDC are restored. We anticipate that the proper implementation and testing of the addendum to our Plan and further review and updating of the entire Plan will preclude further audit findings.	Yes
	<u>AG Report No. 2016-083 (#5 - Information Technology - Security Incident Response Plan)</u> : District procedures did not include an established process for reporting security violations and incidents to the appropriate law enforcement agency, notifying affected parties in accordance with Florida Statutes, and periodically reviewing critical system resources. The District should enhance IT security incident response procedures to provide reasonable assurance that the District will respond in an appropriate and timely manner to events that may jeopardize the confidentiality, integrity, or availability of District data and IT resources. (See PDF Page 76-77)	N/A	2016 (2013-14)	The current Director of Technology Services is terminating her employment with the District. During this transitional period, an outside IT consultant has been hired to review and recommend changes to our incident response plan. The reported areas of deficiencies regarding the process of notifying law enforcement, notifying affected parties, and periodically reviewing critical systems will be addressed by the consultants and District staff.	Yes

District School Boards

Failed to Take Full Corrective Action in Response to a Recommendation Included in the
2014-15 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

County	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
Washington	AG Report No. 2016-122 (#3 - Information Technology - Security Controls - Data Loss Prevention and Management of Access Privileges): Certain District security controls related to data loss prevention and management of access privileges needed improvement to ensure the continued confidentiality, integrity, and availability of District data and IT resources. (See PDF Page 86 of 93)	N/A	2016 (2013-14)	The District IT staff is working to update the Data Loss Prevention Plan. The District is in the process of implementing a new finance software system that will provide improved security controls.	Yes

LEGEND:

1. These audits have been conducted either by the Auditor General or by private certified public accountants, as required by Section 218.39(1), Florida Statutes.
2. **Material Weakness (MW):** a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that one of the following will not be prevented, or detected and corrected, on a timely basis:
 - a. a material misstatement of the entity's financial statements, or
 - b. material noncompliance with a type of compliance requirement.

For example, a deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis.

The severity of the deficiency would determine whether it should be classified as a material weakness, a significant deficiency, or an additional matter.
3. **Significant Deficiency (SD):** less severe than a material weakness, yet important enough to merit attention by those charged with governance.

CHARTER SCHOOLS

Charter Schools

Failed to Take Full Corrective Action in Response to a Recommendation Included in the
2014-15 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

County	Charter School	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
Broward	Central Charter School	#2011-1 - <u>Reconcile Bank and Investment Accounts</u> : The school does not reconcile bank and investment accounts in a timely manner. (See PDF Page 42)	MW	2016 (2013-14)	The School's most recent audit report for the 2015-16 fiscal year cited that this finding is no longer relevant.	No [Corrected - see FY 2015-16 CPA Report (PDF Page 46)]
		#2012-1 - <u>General Ledger Maintenance</u> : It was necessary for the auditors to post various journal entries to reconcile a number of accounts on the trial balance and reclassify incorrectly coded transactions. (See PDF Page 42)	MW	2016 (2013-14)	To remedy this finding, the School is implementing a new procedure with our accountant who maintains the general ledger to assure that postings to the general ledger are done properly and on a timely basis.	Yes
		#2013-5 - <u>Accounting manual, checklists and procedures</u> : The School needs to update its documentation of the accounting process in order to help with the flow of necessary accounting related information. (See PDF Page 42)	MW	N/A	N/A	Yes
Duval	S.O.C.K. Outstanding Students (SOS) Academy	#2015-1 - <u>Policies and Procedures</u> : Some invoices were not entered as payables when received as required by accrual basis accounting; instead they were recorded when the school had funds to pay them. (See PDF Page 32)	N/A	N/A	N/A	Yes
Miami-Dade	Highly Inquisitive and Versatile Education (HIVE) Preparatory School	#2012-02 - <u>Income Tax Status</u> : : The School has filed for exempt status under Section 501(c)3 of the Internal Revenue Code, but has yet to receive notice of qualification from the IRS. (See PDF Pages 33, 36, & 37)	N/A	2016 (2013-14)	Full action was taken to correct the audit finding. Attached to letter was the IRS correspondence confirming approval of exempt status.	No [Corrected - see FY 2015-16 CPA Report (PDF Pages 33 & 36)]

MW = Material Weakness (see 2. in Legend)
SD= Significant Deficiency (see 3. in Legend)

Charter Schools

Failed to Take Full Corrective Action in Response to a Recommendation Included in the 2014-15 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

County	Charter School	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
Orange	Oakland Avenue Charter School	#13-1 - <u>Qualified Public Deposits</u> : In the prior year, the auditors reported that the School's funds were not protected from loss under Section 280.18, Florida Statutes and recommended that the School comply with all the requirements of Section 280.18, Florida Statutes. Management was unable to provide documentation to show compliance for the 2014-15 fiscal year. (See PDF Page 38)	N/A	N/A	N/A	No [Corrected - see FY 2015-16 CPA Report (PDF Page 35)]
St. Johns	St. Paul School of Excellence	#15-3 - <u>An Entry Had To Be Posted to Accrue Professional Fees For the Current Year</u> : There was no accrual for an estimate of this year's audit fee. (See PDF Page 37)	N/A	N/A	N/A	Yes

LEGEND:

1. These audits have been conducted by private certified public accountants, as required by Section 218.39(1), Florida Statutes.
2. **Material Weakness (MW)**: a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that one of the following will not be prevented, or detected and corrected, on a timely basis:
 - a. a material misstatement of the entity's financial statements, or
 - b. material noncompliance with a type of compliance requirement.

For example, a deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis.

The severity of the deficiency would determine whether it should be classified as a material weakness, a significant deficiency, or an additional matter.
3. **Significant Deficiency (SD)**: less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Charter Schools

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2014-15 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

County	Charter School	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
Bay	Bay Haven Charter Academy Elementary School	#15-1 - Records Management: Significant adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles. (See PDF Pages 42-43)	MW	2013 (2010-11)	Management believes costs for correction would outweigh benefits of corrective action.	Yes
	Bay Haven Charter Academy Middle School	#15-1 - Records Management: Significant adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles. (See PDF Pages 43-44)	MW	2013 (2010-11)	Management believes costs for correction would outweigh benefits of corrective action.	Yes
	North Bay Haven Charter Career Academy	#15-1 - Records Management: Significant adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles. (See PDF Pages 43-44)	MW	2015 (2012-13)	Management believes the costs required to correct this would outweigh the benefits derived from implementing corrective action.	Yes
	North Bay Haven Charter (Academy) Elementary School	#15-1 - Records Management: Significant adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles. (See PDF Pages 42-43)	MW	2015 (2012-13)	Management believes the costs required to correct this would outweigh the benefits derived from implementing corrective action.	Yes
	North Bay Haven Charter (Academy) Middle School	#15-1 - Records Management: Significant adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles. (See PDF Pages 43-44)	MW	2015 (2012-13)	Management believes the costs required to correct this would outweigh the benefits derived from implementing corrective action.	Yes
Citrus	Academy of Environmental Science	#2013-001 - Separation of Duties: Employee who maintains accounting records also handles cash collections, cosigns checks, and reconciles bank statements. While auditor acknowledges that personnel may not always be available to permit appropriate separation, the auditor thinks it is important that the School is made aware of the condition. (See PDF Page 30)	SD	2013 (2010-11)	Insufficient funding to hire additional personnel to correct this problem.	Yes

MW = Material Weakness (see 2. in Legend)
SD = Significant Deficiency (see 3. in Legend)

Charter Schools

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Escambia	Byrneville Elementary School	#2015-01 - <u>Lack of Segregation of Duties</u> : The School's day-to-day administrative operations are administered by a small number of personnel. The school secretary/bookkeeper generally makes deposits, signs checks, reconciles bank statements, prepares and mails cash disbursements, and posts transactions to the accounting system. (See PDF Pages 37-38)	MW	2014 (2011-12)	Due to limited size of staff and budget, we will never be able to have proper segregation of duties. However, several steps have been implemented to mitigate the lack of segregation.	No [Corrected - see FY 2015-16 CPA Report (PDF Page 39)]
	Escambia Charter School	#2009-1 - <u>Segregation of Duties</u> : Small size of staff is a factor; however, management should continue to review its internal control structure and segregate duties among its staff to the greatest extent possible. Individuals outside of accounting can be used to mitigate situations where incompatible duties exist. (See PDF Pages 6 & 34)	SD	2013 (2010-11)	Very small office with only two administrative positions; school utilizes services of outside CPA to perform all input data into accounting software and uses an outside agency for all employees. Duties have all been segregated to greatest extent possible without hiring another employee.	No [Corrected - see FY 2015-16 CPA Report (PDF Page 32)]
Gadsden	Crossroad Academy Charter School	#2015-01 - <u>Preparation of Financial Statements</u> : Management relies on the audit firm to draft the financial statements and related disclosures. (See PDF Pages 13-14)	SD	2013 (2010-11)	Fiscal Administrator prepares monthly budget to actual financial statements, which are submitted to Board each month. No cost benefit in hiring CPA solely for purpose of drafting financial statements ahead of year-end audit procedures.	No [Corrected - see FY 2015-16 CPA Report (PDF Page 14)]

Charter Schools

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County	Charter School	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
Indian River	Sebastian Charter Junior High	#2015-1 - Separation of Duties: Inadequate segregation of employee duties between authorization, custody, and recordkeeping processes for assets such as cash in bank accounts and purchased goods and services. Auditors recognize that small size of staff limits extent to which duties can be separated and recommend that the Board of Directors continue its high degree of involvement in financial process. (See PDF Pages 27-29)	MW	2013 (2010-11)	Small organization; describes some procedures implemented to address finding; Board members have a high degree of involvement/oversight in the financial processes.	Yes

LEGEND:

1. These audits have been conducted by private certified public accountants, as required by Section 218.39(1), Florida Statutes.
2. **Material Weakness (MW):** a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that one of the following will not be prevented, or detected and corrected, on a timely basis:
 - a. a material misstatement of the entity's financial statements, or
 - b. material noncompliance with a type of compliance requirement.

For example, a deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis.

The severity of the deficiency would determine whether it should be classified as a material weakness, a significant deficiency, or an additional matter.
3. **Significant Deficiency (SD):** less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Three-Part:
Local Governmental Entities

COUNTIES

**Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
Included in the FY 2014-15 Fiscal Year Audit Report and the Two Preceding Audit Reports¹**

County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Bradford County	Clerk of the Circuit Court	<u>ML 2013-1 - Court Registry Deposits</u> : Several court registry deposits have been held for more than five years with no activity. (See PDF Page 123)	N/A	N/A	N/A	Yes
Glades County	Clerk of the Circuit Court	<u>ML 2010-001 - Timely Remittance of Agency Transactions</u> : The Clerk's agency fund contained balances that were not current or, for those balances that are held for a period of time, were not supported by subsidiary schedules that are reconciled to the general ledger. (See PDF Page 122)	N/A	2016 (FY 2013-14)	The Clerk's Office has implemented spreadsheets to track the remittances of fines and fees in order to create subsidiary schedules for accounts such as Tax Deed Suspense, General Suspense, Court Registry, Bond Forfeitures, etc. The Clerk's Office has been and is continuing to work on reconciling the old account balances, dating back to 2002 in some accounts such as Tax Deed Suspense and General Suspense as time permits, in order to remit funds where they need to be paid. However, there is a limited amount of staff and time to dedicate to this project.	Yes
	Sheriff	<u>ML2015-001 - Formal Written Policies</u> : Certain financial policies for cash receipts, payroll-related disbursements and credit/debit card purchases were not in formal approved written form. (See PDF Page 176)	N/A	N/A	N/A	Yes
Hardee County	Board of County Commissioners	<u>2015-001 - Material Audit Adjustment</u> : Internal controls in place did not identify proper reporting of transactions. Audit adjustments were required to adjust account balances for deferred revenue, deferred inflows of resources, and grant revenue. (See PDF Page 111)	MW	N/A	N/A	Yes
Holmes County	Tax Collector	<u>2013-01 - Information Technology General Controls - Passwords</u> : Passwords to log in to the AS400 financial system do not expire and do not require both an alpha and numeric code. (See PDF Page 234)	SD	N/A	N/A	Yes

**Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
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County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Jackson County	Board of County Commissioners	<u>ML 06-02 - Payroll and Personnel Administration</u> : The Board had not adopted written policies and procedures governing the accounting or administration of its grant programs. (See PDF Page 99)	N/A	2016 (FY 2013-14)	Staff have been working for months to prepare and review the policies, and the final drafts of the policies were presented to the Board on May 24, 2016, for review. The Board anticipates meeting on July 12, 2016, at which time the policies should be approved and adopted.	Yes
		<u>ML 06-03 - Travel</u> : The Board does not have a policy covering travel reimbursement when an employee with a County vehicle elects to use their personal car for trips to allow their spouse to accompany them. (See PDF Page 99)	N/A	2016 (FY 2013-14)	Staff have been working for months to prepare and review the policies, and the final drafts of the policies were presented to the Board on May 24, 2016, for review. The Board anticipates meeting on July 12, 2016, at which time the policies should be approved and adopted.	Yes
		<u>ML 06-04 - Policies and Procedures</u> : The Board does not have a written cell phone or internet usage policy. (See PDF Page 99)	N/A	2016 (FY 2013-14)	Staff have been working for months to prepare and review the policies, and the final drafts of the policies were presented to the Board on May 24, 2016, for review. The Board anticipates meeting on July 12, 2016, at which time the policies should be approved and adopted.	Yes
Jefferson County	Board of County Commissioners	<u>2012-001 - Fixed Assets</u> : The County lacks internal controls necessary to record capital outlay items as fixed assets. There were capital outlay items that were not added to the County's fixed asset schedule according to its capitalization policy. (See PDF Page 80)	MW	2016 (FY 2013-14)	The County developed a County Capital Asset Policy that went into effect July 1, 2014. The intent of this policy is to train and educate the employees involved in the procurement process, particularly identifying fixed assets that need to be capitalized. The policy also documents the workflow and forms used when purchases are made to help ensure proper asset valuation. The County feels that these additional measures and safeguards have allowed it to resolve this finding.	Yes
		<u>2013-002 - Accounts Receivable</u> : The allowance for doubtful accounts related to ambulance accounts receivable was understated. (See PDF Page 80)	SD	N/A	N/A	Yes

MW = Material Weakness (see 2. In Legend)
SD = Significant Deficiency (see 3. In Legend)

Prepared by the Staff of the Joint Legislative Auditing Committee
February 2017

**Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
Included in the FY 2014-15 Fiscal Year Audit Report and the Two Preceding Audit Reports¹**

County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Miami-Dade County	Board of County Commissioners	<u>2015-02 -Bank Reconciliation Review</u> : Bank reconciliations were not completed in a timely manner. (See PDF Page 340)	N/A	N/A	N/A	Yes
		<u>2015-01 - Self-Insurance Fund Deficit</u> : The County's self-insurance fund had an accumulated deficit of approximately \$209.9 million as of September 30, 2015, which increased approximately \$139.7 million from the previous year. The rates established to charge each participating fund and/or departments of the County were not sufficient to reimburse the costs of operating the self-insurance fund. (See PDF Page 339)	N/A	2016 (FY 2013-14)	Worker's Compensation rates are reviewed annually as part of the budget process, with the goal to budget sufficient funds to cover annual costs and reduce the fund deficit. While the deficit has increased significantly within the last two years, County funding has been sufficient to pay current year claims. Further, the Incurred But Not Reported (IBNR) claims are long-term in nature (over a 30-year period) and are not expected to become due in any given year. More importantly, the County does monitor fund balances closely and confer with the Actuary and the Claims Administrators regularly. (Note: The response letter also provided more detailed information regarding this issue.)	Yes
Monroe County	Board of County Commissioners	<u>2015-001 - Training and Review</u> : There was a large volume of unique and complex transactions requiring significant management analysis and consultation and certain transaction recorded in error were either not detected through review processes or were recorded later than normally expected. (See PDF Page 264)	SD	N/A	N/A	Yes
Okaloosa County	Board of County Commissioners	<u>2015-2 - Revenues/Collections</u> : Airport Lease and Billing Revenue, and Documentation of Airport Accounting Policies and Procedures: Non-material exceptions were found when testing lease revenue and related expenses. Department personnel do not necessarily have the time or the degree of accounting and financial specialization necessary. (See PDF Page 381)	SD	N/A	N/A	Yes

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Okeechobee County	Board of County Commissioners	<u>2015-001 - Revenue Recognition and Audit Adjustments</u> : Certain grants were not evaluated for reimbursable expenditures incurred but not submitted for reimbursement as of the fiscal year-end. As a result revenue receivables, deferred inflows of resources, fund balances, and transfers were misstated. (See PDF Page 147)	MW	2016 (FY 2013-14)	This finding related to recording derived tax revenues when they were received rather than when they were earned. The County does not anticipate that this finding will be repeated in FY 2014-15. The prior year findings related to revenues that were not available to meet current period obligations. While the County acknowledges these findings are all related to internal control over financial reporting and revenue recognition, they are not one in the same. The letter also describes some changes in the Finance division which should help mitigate future issues.	Yes
Osceola County	Clerk of the Circuit Court	<u>2013-008 - Budget Administration: Budget Process</u> : Management did not post the Clerk's approved budget to the accounting system. (See PDF Page 326)	SD	N/A	N/A	Yes
		<u>2013-001 - Cash: Cash Reconciliation</u> : Due to several changes in management positions during the year, cash reconciliations were not prepared or reviewed timely. (See PDF Page 324)	MW	N/A	N/A	Yes
		<u>2013-003 - Excess Fee Payment</u> : Due to the fact that cash reconciliations and journal entries were not properly prepared or reviewed timely, excess fees were not properly calculated. (See PDF Page 325)	SD	N/A	N/A	Yes
Pinellas County	Sheriff	<u>2013-2 - Information Systems Controls</u> : Due to staffing shortfalls, there is only one system analyst responsible for user administration, development, testing, and migration of program changes for one application. Also, there was one instance in which a terminated employee was still listed as having access to another application. (See PDF Page 403)	N/A	N/A	N/A	Yes

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Washington County	Board of County Commissioners	<u>BCC10-001 - Reporting and Monitoring</u> : The County has not uploaded electronic versions of financial statements to the REAC website as required by U.S. Department of Housing and Urban Development. [Note: Also refers to finding as #BCC2010-001] (See PDF Page 93)	SD	2016 (FY 2013-14)	This matter has been corrected.	Yes
		<u>BCC2013-002 - Posting Errors and Reporting</u> : The County did not process project files in a timely manner resulting in errors in posting as well as in estimating revenue and receivables, which resulted in need for change in estimate in current year. (See PDF Page 92)	SD	N/A	N/A	Yes
		<u>BCC1997-001 - Capital Assets Records</u> : Property, equipment, and infrastructure were not recorded on the capital asset listing, and property records do not include a complete listing of buildings, land, and infrastructure owned by the County. Because of the lack of sufficient detail, the capital asset listing is unauditible. [Note: Also refers to finding as #BCC1997-01] (See PDF Page 84)	MW	2016 (FY 2013-14)	The County had designated an employee to take an inventory of all County-owned property and has made much progress in this area. Establishing such records, while not impossible, is a very significant undertaking for a small rural county with limited resources and has required much time and effort. Nonetheless, the County is committed to seeing this project to its completion and asks for some patience in this matter. The finding is expected to remain until the work in this area is completed.	Yes
		<u>BCC2003-001 - Depreciation Records</u> : The County did not compute accumulated depreciation on purchases of capital assets prior to fiscal year ending September 30, 2003, due to the lack of capital asset records. (See PDF Page 84)	SD	2016 (FY 2013-14)	The County had designated an employee to take an inventory of all County-owned property and has made much progress in this area. Establishing such records, while not impossible, is a very significant undertaking for a small rural county with limited resources and has required much time and effort. Nonetheless, the County is committed to seeing this project to its completion and asks for some patience in this matter. The finding is expected to remain until the work in this area is completed.	Yes

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Washington County (continued)	Board of County Commissioners (continued)	<u>BCC2009-003 - Accounting Transactions</u> : Certain accounting transactions were misclassified. The items were related to non-recurring and unusual transactions. (See PDF Page 86)	SD	2016 (FY 2013-14)	The County has retained the services of a CPA to assist the accounting staff in the proper recording of nonrecurring and unusual transactions. These transactions are infrequent in nature, and the County does not expect that this audit finding will be noted in the FY 2014-15 report.	Yes
		<u>BCC2009-004 - Emergency Management Services</u> : Accounts receivable for EMS charges were not recorded at year-end. Contractual adjustments for EMS were not recorded for part of 2009. (See PDF Page 86)	SD	2016 (FY 2013-14)	Although the responsibility for the EMS operations has been transferred to the Sheriff, accounting personnel in that department has not yet completely implemented a policy to properly record EMS receivables at year-end. While the County does expect that this finding will remain for FY 2014-15, the County is committed to providing the necessary training to ensure that this matter is resolved for future periods.	Yes
		<u>ML 05-01 - General Accounting Records</u> : There are no written accounting policies and procedures. (See PDF Page 95)	N/A	2016 (FY 2013-14)	The County recognizes the need for more comprehensive policy and procedures manual and is committed to developing one in the very near future. The County anticipates that this effort will be completed by the end of the FY 2015-16.	Yes
		<u>ML 05-02 - Expenditures/Expenses</u> : Documentation of personal and/or business use of automobiles does not appear to be in compliance with Internal Revenue Service regulations. (See PDF Page 95)	N/A	2016 (FY 2013-14)	Supporting documentation for these payments is not always received in a timely manner as required by IRS regulations. The County will continue to seek to improve compliance with County policies and IRS regulations.	Yes
	Clerk of the Circuit Court	<u>CC2013-001 - Bookkeeping Procedures</u> : General bookkeeping procedures including bank account reconciliations and court-related reporting were not being performed on a timely basis. [Note: Also refers to finding as #CC13-001] (See PDF Page 133)	SD	N/A	N/A	Yes

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FOOTNOTE/LEGEND:

1. Most of these audits have been conducted by private certified public accountants, as required by Section 218.39(1), Florida Statutes.
2. **Material Weakness (MW)**: a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that one of the following will not be prevented, or detected and corrected, on a timely basis:
 - a. a material misstatement of the entity's financial statements, or
 - b. material noncompliance with a type of compliance requirement.

For example, a deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis.

The severity of the deficiency would determine whether it should be classified as a material weakness, a significant deficiency, or an additional matter.

3. **Significant Deficiency (SD)**: less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Bradford County	Clerk of the Circuit Court	<u>2009-1 - Separation of Duties</u> : Because of a limited number of available personnel, it was not always possible to adequately separate certain incompatible duties so that no one employee has access to both the physical assets and the related accounting records, or to all phases of a transaction. Where feasible, the Clerk should separate incompatible duties. (See PDF Page 119)	SD	2013 (FY 2010-11)	Small county with limited staff; have asked auditors what can be done, if anything, to address finding.	Yes
	Property Appraiser	<u>2009-1 - Separation of Duties</u> : Because of a limited number of available personnel, it was not always possible to adequately separate certain incompatible duties so that no one employee has access to both the physical assets and the related accounting records, or to all phases of a transaction. Where feasible, the Property Appraiser should separate incompatible duties. (See PDF Page 220)	SD	2013 (FY 2010-11)	Extremely limited staff; it is not feasible to divide the financial duties.	Yes
Calhoun County	Property Appraiser	<u>04-01 - Separation of Duties</u> : There is a lack of segregation of duties between employees who have recordkeeping responsibility and employees in custody of assets. The auditors realize that the small size of the office makes it difficult to achieve ideal separation duties; however, the Property Appraiser should remain very active and involved in the day-to-day operations. Controls should be implemented to help compensate for the weaknesses and to provide checks and balances. (See PDF Page 138)	SD	2013 (FY 2010-11)	The cost/benefit ratio is far too great for this office to employ more budget personnel. Have implemented some compensating controls.	Yes

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Calhoun County (continued)	Sheriff	04-02 - Separation of Duties: Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. The auditors realize that due to a limited number of employees and certain incompatible duties being performed by the same employee, it is difficult to achieve ideal separation of duties. Nevertheless, internal control is strengthened when incompatible duties are separated and review procedures are established and adhered to. The auditor also recommends that the Sheriff receive and review the unopened bank statements each month. (See PDF Page 168)	MW	2013 (FY 2010-11)	Small agency, limited funding. Sheriff involved in monitoring finances.	Yes
	Supervisor of Elections	04-01 - Separation of Duties: There is a lack of segregation of duties between employees who have recordkeeping responsibility and employees in custody of assets. The auditors realize that due to the size of the office it is difficult to achieve ideal separation duties; however, the Supervisor of Elections should remain very active and involved in the day-to-day operations. Controls should be implemented to help compensate for the weaknesses and to provide checks and balances. (See PDF Page 194)	SD	2013 (FY 2010-11)	Invoices and checks are verified by the supervisor and asst. supervisor to ensure invoices were processed properly.	Yes

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Calhoun County (continued)	Tax Collector	<u>TC06-01 - Separation of Duties:</u> There is a lack of segregation of duties between employees who have recordkeeping responsibility and employees in custody of assets. The auditors realize that due to the size of the office it is difficult to achieve ideal separation duties; however, the Tax Collector should remain very active and involved in the day-to-day operations. Controls should be implemented to help compensate for the weaknesses and to provide checks and balances. (See PDF Page 220)	SD	2013 (FY 2010-11)	Considering the number of employees, I believe we have a good segregation of duties. Tax Collector involved in day-to-day operations.	Yes
Franklin County	Board of County Commissioners	<u>2015-001 - Financial Reporting:</u> There is an inadequate design of internal controls over the preparation of the financial statements being audited. The auditors assist with the preparation of the financial statements. (See PDF Page 91)	MW	2013 (FY 2010-11)	Benefits derived from investing in the resources do not outweigh the cost of those resources.	Yes
	Clerk of the Circuit Court	<u>2015-002 - Financial Reporting:</u> There is an inadequate design of internal controls over the preparation of the financial statements being audited. The auditors assist with the preparation of the financial statements. (See PDF Page 123)	MW	2013 (FY 2010-11)	Benefits derived from investing in the resources do not outweigh the cost of those resources.	Yes
		<u>2015-001 - Lack of Segregation of Duties:</u> Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. The limited number of employees precludes proper segregation of duties in the office. The auditors recommend that, in the absence of the ability to hire additional employees, mitigating procedures including additional oversight with regard to certain duties be performed regularly to reduce the risks caused by this lack of segregation of duties. (See PDF Page 123)	MW	2013 (FY 2010-11)	Due to small number of employees, it is virtually impossible to maintain complete separation.	Yes

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Franklin County (continued)	Property Appraiser	<u>2015-001 - Financial Reporting</u> : There is an inadequate design of internal controls over the preparation of the financial statements being audited. The auditors assist with the preparation of the financial statements. (See PDF Page 209)	MW	2013 (FY 2010-11)	In the near future, benefits derived from investing in the resources do not outweigh the cost of those resources.	Yes
	Sheriff	<u>2015-03 - Financial Reporting</u> : There is an inadequate design of internal controls over the preparation of the financial statements being audited. The auditors assist with the preparation of the financial statements. (See PDF Page 155)	MW	2013 (FY 2010-11)	In the near future, benefits derived from investing in the resources do not outweigh the cost of those resources.	Yes
		<u>2015-02 - General Accounting Records</u> : Significant adjustments to the financial statements were made in order for the financial statements to conform to generally accepted accounting principles. (See PDF Page 155)	MW	2013 (FY 2010-11)	In the near future, benefits derived from investing in the resources do not outweigh the cost of those resources.	Yes
		<u>2015-01 - Lack of Segregation of Duties</u> : Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. The limited number of employees precludes proper segregation of duties in the office. The auditors recommend that, in the absence of the ability to hire additional employees, mitigating procedures including additional oversight with regard to certain duties be performed regularly to reduce the risks caused by this lack of segregation of duties. (See PDF Page 155)	MW	2013 (FY 2010-11)	Due to small number of employees, it is virtually impossible to maintain complete separation.	Yes
	Supervisor of Elections	<u>15-002 - Financial Reporting</u> : There is an inadequate design of internal controls over the preparation of the financial statements being audited The auditors assist with the preparation of the financial statements. (See PDF Page 233)	MW	2013 (FY 2010-11)	In the near future, benefits derived from investing in the resources do not outweigh the cost of those resources.	Yes

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Franklin County (continued)	Supervisor of Elections (continued)	<u>15-001 - Lack of Segregation of Duties:</u> Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. The limited number of employees precludes proper segregation of duties in the office. The auditors recommend that, in the absence of the ability to hire additional employees, mitigating procedures including additional oversight with regard to certain duties be performed regularly to reduce the risks caused by this lack of segregation of duties. (See PDF Page 233)	MW	2013 (FY 2010-11)	Due to small number of employees, it is virtually impossible to maintain complete separation.	Yes
	Tax Collector	<u>2015-002 - Financial Reporting:</u> There is an inadequate design of internal controls over the preparation of the financial statements being audited. The auditors assist with the preparation of the financial statements. (See PDF Page 184)	MW	2013 (FY 2010-11)	In the near future, benefits derived from investing in the resources do not outweigh the cost of those resources.	Yes
		<u>2015-001 - Lack of Segregation of Duties:</u> Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. The limited number of employees precludes proper segregation of duties in the office. The auditors recommend that, in the absence of the ability to hire additional employees, mitigating procedures including additional oversight with regard to certain duties be performed regularly to reduce the risks caused by this lack of segregation of duties. (See PDF Page 184)	MW	2013 (FY 2010-11)	Due to small number of employees, it is virtually impossible to maintain complete separation.	Yes

MW = Material Weakness (see 2. In Legend)
SD = Significant Deficiency (see 3. In Legend)

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Glades County	Board of County Commissioners	<u>2010-001 - Audit Adjustments</u> : The auditors proposed audit adjustments to revise the County's financial statements at year-end. These adjustments involved the recording of accruals, reclassifications of revenues, and disbursements to the proper accounts, and fund balance reclassifications. The auditors recommend County management be consistently aware of all procedures and processes involved in recording receipts, disbursements, and reclassifications, and develop internal control policies to ensure proper recording of these items. (See PDF Page 85)	MW	2014 (FY 2011-12)	The Clerk's Office implemented a Reconciliation Policy effective June 6, 2014. A policy has also been implemented that requires all journal entries to be reviewed and approved by the Finance Director or the Clerk. There are a limited number of personnel in the Finance Office; however, the Clerk's Office is diligently working to improve policies and procedures.	Yes
Gulf County	Sheriff	<u>2015-001 - Lack of Segregation of Duties</u> : Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. The limited number of employees precludes proper segregation of duties in the office. The auditors recommend that, in the absence of the ability to hire additional employees, mitigating procedures including additional oversight with regard to certain duties be performed regularly to reduce the risks caused by this lack of segregation of duties. (See PDF Page 166)	MW	2013 (FY 2010-11)	Due to limited staff and required duties, complete separation of duties not always practical; has implemented mitigating procedures to compensate.	Yes
Holmes County	Board of County Commissioners	<u>2010-001 - Financial Statement Preparation Knowledge</u> : The auditors' assistance was necessary to prepare the financial statements including note disclosures in accordance with generally accepted accounting principles. The auditors recommend County personnel continue to develop their knowledge of generally accepted accounting principles in order to ultimately prepare or provide technical reviews of the financial statements. (See PDF Page 95)	MW	2013 (FY 2010-11)	Budget constraints prohibit an "in-house" CPA.	Yes

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Holmes County (continued)	Clerk of the Circuit Court	<u>2010-01 - Financial Statement Preparation Knowledge:</u> Management's lack of familiarity with Governmental Accounting and Financial Accounting Standards prohibits the office from being able to prepare financial statements and note disclosures as required by those standards. The auditors encourage the Clerks' personnel to increase their knowledge of these standards sufficiently to allow them to prepare financial statements, including the notes, in accordance with generally accepted accounting principles. (See PDF Page 131)	MW	2013 (FY 2010-11)	Budget restraints prohibit employment of an "in-house" CPA.	Yes
	Property Appraiser	<u>2012-02 - Disbursement Controls:</u> Due to a limited number of personnel involved in the cash disbursement process, some critical duties are not adequately segregated. The auditors recommend implementing control procedures to separate the bank reconciliation, check writing, check distribution and creating new vendor file responsibilities. The audit report addresses some steps that should be taken, including to limit the responsibilities of the Chief Deputy. (See PDF Page 155)	MW	2016 (FY 2013-14)	The Property Appraiser's Office does not currently have the funding to hire additional personnel to segregate all disbursement duties. This is a small office with employees who have overlapping duties. The current plan of correction includes: (1) draft checks are reviewed, approved, and signed by the Property Appraiser and distributed by a third person; and (2) all bank reconciliations are sent directly to the Property Appraiser for review and approval.	Yes
		<u>2010-01 - Financial Statement Preparation Knowledge:</u> Management's lack of familiarity with Governmental Accounting and Financial Accounting Standards prohibits the office from being able to prepare financial statements and note disclosures as required by those standards. The auditors encourage the Property Appraiser's personnel to increase their knowledge of these standards sufficiently to allow them to prepare financial statements, including the notes, in accordance with generally accepted accounting principles. (See PDF Page 154)	MW	2013 (FY 2010-11)	Addressing issue, but will continue to rely on external auditor.	Yes

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Holmes County (continued)	Sheriff	<p><u>2010-02 - Financial Statement Preparation Knowledge:</u> Management's lack of familiarity with Governmental Accounting and Financial Accounting Standards prohibits the office from being able to prepare financial statements and note disclosures as required by those standards. The auditors encourage the Sheriff's personnel to increase their knowledge of these standards sufficiently to allow them to prepare financial statements, including the notes, in accordance with generally accepted accounting principles. (See PDF Page 207)</p>	MW	2013 (FY 2010-11)	This requirement is a financial burden.	Yes
		<p><u>2010-01 - Segregation of Duties:</u> Due to the limited number of personnel involved in the cash disbursement process, some control duties are not adequately segregated. The auditors recommend that control procedures be implemented to separate the accounts payable, bank reconciliation, and check writing responsibilities. The audit report provides some recommendations for steps that should be taken, including limiting the responsibilities of the Chief Financial Officer. (See PDF Page 206)</p>	MW	2013 (FY 2010-11)	Management has implemented some changes. Sheriff now reviews, approves, and signs checks, and a third party distributes the checks.	Yes
	Supervisor of Elections	<p><u>2010-01 - Financial Statement Preparation Knowledge:</u> Management's lack of familiarity with Governmental Accounting and Financial Accounting Standards prohibits the office from being able to prepare financial statements and note disclosures as required by those standards. The auditors encourage the Supervisor of Elections' personnel to increase their knowledge of these standards sufficiently to allow them to prepare financial statements, including the notes, in accordance with generally accepted accounting principles. (See PDF Page 178)</p>	MW	2013 (FY 2010-11)	Due to budget constraints, it is not feasible to have a CPA on staff.	Yes

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Holmes County (continued)	Tax Collector	<u>2010-01 - Financial Statement Preparation Knowledge:</u> Management's lack of familiarity with Governmental Accounting and Financial Accounting Standards prohibits the office from being able to prepare financial statements and note disclosures as required by those standards. The auditors encourage the Tax Collector's personnel to increase their knowledge of these standards sufficiently to allow them to prepare financial statements, including the notes, in accordance with generally accepted accounting principles. (See PDF Page 233)	MW	2013 (FY 2010-11)	Due to budgetary constraints, cannot hire additional employee or consultant.	Yes
Jackson County	Board of County Commissioners	<u>ML 06-01 - Revenues/Collections:</u> The individual responsible for the receipt of payments in the Fire and Rescue Department also is responsible for the posting of payments and charges to the accounts receivable ledger and is responsible for mailing the statements. The auditors recommend that a better separation of duties be established. (See PDF Page 99)	N/A	2013 (FY 2010-11)	Due to financial pressure and lack of funding, cannot hire additional staff; have implemented compensating controls.	Yes
	Property Appraiser	<u>PA06-01 - Separation of Duties:</u> Need for Segregation of Duties: The size of the Property Appraiser's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. There is a lack of segregation of duties between employees who have record keeping responsibility and custody of assets. The auditors state that the Property Appraiser should be aware of this internal control weakness and continue to separate record keeping duties from custody of assets as much as possible. The auditors also recommend that management require mandatory vacations of at least one week in duration for financial personnel and that their duties be assigned to other personnel while on vacation. (See PDF Page 158)	SD	2013 (FY 2010-11)	Small size of office; compensating controls have been implemented - property appraiser involved in day-to-day operations.	Yes

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Jackson County (continued)	Sheriff	<u>SH06-01 - Need for Segregation of Duties</u> : Separation of certain of accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. At a minimum, the auditors recommend the Sheriff receive and review unopened bank statements each month. (See PDF Page 187)	MW	2013 (FY 2010-11)	Due to budget constraints, cannot add administrative positions; financial duties have been broken down between three employees. Describes procedures implemented to compensate.	Yes
	Tax Collector	<u>TC06-01 - Need for Segregation of Duties</u> : The size of the Tax Collector's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. There is a lack of segregation of duties between employees who have record keeping responsibility and custody of the office's assets. The auditors recommend the Tax Collector be aware of internal control weakness and continue to separate record keeping duties from custody of assets as much as possible. The auditors also recommend that management require mandatory vacations of at least one week in duration for financial personnel and that their duties be assigned to other personnel while on vacation. (See PDF Page 238)	SD	2013 (FY 2010-11)	Due to size of office, this area will always be of concern. Measures have been implemented to help compensate.	Yes
Jefferson County	Board of County Commissioners	<u>2008-002 - Preparation of GAAP-Based Financial Statements</u> : No individual on staff has the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The County relies on the CPA firm to prepare the annual financial statements including the note disclosures. The auditors understand that the cost-benefit ratio of hiring staff with this expertise is not practical and recommend the County continue to request outside assistance when preparing annual financial statements. (See PDF Page 82)	SD	2013 (FY 2010-11)	The cost/benefit ratio is far too great to employ more personnel; effort being made to improve quality of accounting staff.	Yes

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County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Jefferson County (continued)	Board of County Commissioners (continued)	<u>2008-001 - Separation of Duties</u> : Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. At a minimum, the auditors recommend the Constitutional Officers should receive and review the unopened bank statements each month, indicating on the statement evidence of his/her review. (See PDF Page 81)	SD	2013 (FY 2010-11)	Due to financial pressure and lack of funding, cost/benefit ratio is far too great to employ more personnel; have implemented compensating controls.	Yes
	Clerk of the Circuit Court	<u>C08-02 - Preparation of GAAP-Based Financial Statements</u> : No individual on staff has the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Management relies on the CPA firm to prepare the annual financial statements including the note disclosures. The auditors understand that the cost-benefit ratio of hiring staff with this expertise is not practical and recommend the Clerk continue to request outside assistance when preparing annual financial statements. (See PDF Page 117)	SD	2013 (FY 2010-11)	The cost/benefit ratio is far too great to employ more personnel; effort being made to improve quality of accounting staff.	Yes
		<u>C08-01 - Need for Segregation of Duties</u> : Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. Auditors realize that, due to the limited number of employees and certain incompatible duties being performed by the same employee, it is difficult to achieve ideal separation of duties. At a minimum, the auditors recommend the Constitutional Officers receive and review the unopened bank statements each month, indicating on the statement evidence of his/her review. (See PDF Page 117)	SD	2013 (FY 2010-11)	Due to financial pressure and lack of funding, cost/benefit ratio is far too great to employ more personnel; have implemented compensating controls.	Yes

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County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Jefferson County (continued)	Property Appraiser	<p><u>PA08-02 - Preparation of GAAP-Based Financial Statements</u>: No individual on staff has the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Management relies on the CPA firm to prepare the annual financial statements including the note disclosures. The auditors understand that the cost-benefit ratio of hiring staff with this expertise is not practical and recommend the Property Appraiser continue to request outside assistance when preparing annual financial statements. (See PDF Page 144)</p>	SD	2013 (FY 2010-11)	Indicates that in 2012 staff with accounting and financial experience was hired, but will continue to rely on CPA firm to prepare financial statements and related notes.	Yes
		<p><u>PA08-01 - Need for Segregation of Duties</u>: Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. Auditors realize that, due to the limited number of employees and certain incompatible duties being performed by the same employee, it is difficult to achieve ideal separation of duties. At a minimum, the auditors recommend the Property Appraiser receive and review the unopened bank statements each month, indicating on the statement evidence of his/her review. (See PDF Page 144)</p>	SD	2013 (FY 2010-11)	In 2012 staff with accounting and financial experience was hired, and new policies and procedures have been implemented to help address issues.	Yes

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County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Jefferson County (continued)	Sheriff	<p><u>S08-02 - Preparation of GAAP-Based Financial Statements</u>: No individual on staff has the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Management relies on the CPA firm to prepare the annual financial statements including the note disclosures. The auditors understand that the cost-benefit ratio of hiring staff with this expertise is not practical and recommend the Sheriff continue to request outside assistance when preparing annual financial statements. (See PDF Page 170)</p>	SD	2013 (FY 2010-11)	Due to financial pressure and lack of funding, cost/benefit ratio is far too great to employ more personnel; will continue to rely on CPA firm to prepare financial statements.	Yes
		<p><u>S08-01 - Need for Segregation of Duties</u>: Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. Auditors realize that, due to the limited number of employees and certain incompatible duties being performed by the same employee, it is difficult to achieve ideal separation of duties. At a minimum, the auditors recommend the Constitutional Officers receive and review the unopened bank statements each month, indicating on the statement evidence of his/her review. (See PDF Page 170)</p>	SD	2013 (FY 2010-11)	Due to financial pressure and lack of funding, cost/benefit ratio is far too great to employ more personnel; have implemented compensating controls.	Yes

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County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Jefferson County (continued)	Supervisor of Elections	<p><u>SOE08-02 - Preparation of GAAP-Based Financial Statements</u>: No individual on staff has the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Management relies on the CPA firm to prepare the annual financial statements including the note disclosures. The auditors understand that the cost-benefit ratio of hiring staff with this expertise is not practical and recommend the Supervisor of Elections continue to request outside assistance when preparing annual financial statements. (See PDF Page 194)</p>	SD	2013 (FY 2010-11)	Due to financial pressure and lack of funding, cost/benefit ratio is far too great to employ more personnel; will continue to rely on CPA firm to prepare financial statements.	Yes
		<p><u>SOE08-01 - Need for Segregation of Duties</u>: Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. Auditors realize that, due to the limited number of employees and certain incompatible duties being performed by the same employee, it is difficult to achieve ideal separation of duties. At a minimum, the auditors recommend the Constitutional Officers receive and review the unopened bank statements each month, indicating on the statement evidence of his/her review. (See PDF Page 194)</p>	SD	2013 (FY 2010-11)	Due to financial pressure and lack of funding, cost/benefit ratio is far too great to employ more personnel; have implemented compensating controls.	Yes

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County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Jefferson County (continued)	Tax Collector	<p><u>TC08-02 - Preparation of GAAP-Based Financial Statements:</u> No individual on staff has the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Management relies on the CPA firm to prepare the annual financial statements including the note disclosures. The auditors understand that the cost-benefit ratio of hiring staff with this expertise is not practical and recommend the Tax Collector continue to request outside assistance when preparing annual financial statements. (See PDF Page 221)</p>	SD	2013 (FY 2010-11)	Due to financial pressure and lack of funding, cost/benefit ratio is far too great to employ more personnel; will continue to rely on CPA firm to prepare financial statements.	Yes
		<p><u>TC08-01 - Need for Segregation of Duties:</u> Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. Auditors realize that, due to the limited number of employees and certain incompatible duties being performed by the same employee, it is difficult to achieve ideal separation of duties. At a minimum, the auditors recommend the Tax Collector receive and review the unopened bank statements each month, indicating on the statement evidence of his/her review. (See PDF Page 221)</p>	SD	2013 (FY 2010-11)	Due to financial pressure and lack of funding, cost/benefit ratio is far too great to employ more personnel; have implemented compensating controls.	Yes

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County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Lafayette County	Board of County Commissioners	12-01 - Financial Statement Preparation Knowledge: County personnel's lack of knowledge and familiarity with Governmental Accounting and Financial Accounting Standards prohibits the County from being able to prepare financial statements with adequate and proper disclosures and free of material misstatements. The auditor recommends that County personnel increase their knowledge of these standards sufficiently to allow them to prepare financial statements, including the notes, in accordance with generally accepted accounting principles (GAAP). (See PDF Page 54)	MW	2016 (FY 2013-14)	Lafayette County is a small county with limited resources and employing an accountant with the expertise to prepare financial statements in accordance with governmental accounting and financial accounting standards is not fiscally feasible. The County relies on the auditor to assist in the preparation of the financial reports.	Yes
	Clerk of the Circuit Court	12-01 - Financial Statement Preparation Knowledge: Clerk of Courts personnel's lack of knowledge and familiarity with Governmental Accounting and Financial Accounting Standards prohibits the Clerk of the Circuit Courts from being able to prepare financial statements with adequate and proper disclosures and free of material misstatements. The auditor recommends that Clerk of Courts personnel increase their knowledge of these standards sufficiently to allow them to prepare financial statements, including the notes, in accordance with generally accepted accounting principles (GAAP). (See PDF Page 89)	MW	2016 (FY 2013-14)	Lafayette County is a small county with limited resources and employing an accountant with the expertise to prepare financial statements in accordance with governmental accounting and financial accounting standards is not fiscally feasible. The Clerk of Court relies on the auditor to assist in the preparation of the financial reports.	Yes

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County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Lafayette County (continued)	Property Appraiser	<u>12-01 - Financial Statement Preparation Knowledge:</u> Property Appraiser personnel's lack of knowledge and familiarity with Governmental Accounting and Financial Accounting Standards prohibits the Property Appraiser from being able to prepare financial statements with adequate and proper disclosures and free of material misstatements. The auditor recommends that Property Appraiser personnel increase their knowledge of these standards sufficiently to allow them to prepare financial statements, including the notes, in accordance with generally accepted accounting principles (GAAP). (See PDF Page 168)	MW	2016 (FY 2013-14)	Lafayette County is a small county with limited resources and employing an accountant with the expertise to prepare financial statements in accordance with governmental accounting and financial accounting standards is not fiscally feasible. The Property Appraiser relies on the auditor to assist in the preparation of the financial reports.	Yes
	Sheriff	<u>12-01 - Financial Statement Preparation Knowledge:</u> Sheriff personnel's lack of knowledge and familiarity with Governmental Accounting and Financial Accounting Standards prohibits the Sheriff from being able to prepare financial statements with adequate and proper disclosures and free of material misstatements. The auditor recommends that Sheriff personnel increase their knowledge of these standards sufficiently to allow them to prepare financial statements, including the notes, in accordance with generally accepted accounting principles (GAAP). (See PDF Page 116)	MW	2016 (FY 2013-14)	Lafayette County is a small county with limited resources and employing an accountant with the expertise to prepare financial statements in accordance with governmental accounting and financial accounting standards is not fiscally feasible. The Sheriff relies on the auditor to assist in the preparation of the financial reports.	Yes

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County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Lafayette County (continued)	Supervisor of Elections	<u>12-01 - Financial Statement Preparation Knowledge:</u> Supervisor of Elections personnel's lack of knowledge and familiarity with Governmental Accounting and Financial Accounting Standards prohibits the Supervisor of Elections from being able to prepare financial statements with adequate and proper disclosures and free of material misstatements. The auditor recommends that Supervisor of Elections personnel increase their knowledge of these standards sufficiently to allow them to prepare financial statements, including the notes, in accordance with generally accepted accounting principles (GAAP). (See PDF Page 192)	MW	2016 (FY 2013-14)	Lafayette County is a small county with limited resources and employing an accountant with the expertise to prepare financial statements in accordance with governmental accounting and financial accounting standards is not fiscally feasible. The Supervisor of Elections relies on the auditor to assist in the preparation of the financial reports.	Yes
	Tax Collector	<u>12-01 - Financial Statement Preparation Knowledge:</u> Tax Collector personnel's lack of knowledge and familiarity with Governmental Accounting and Financial Accounting Standards prohibits the Tax Collector from being able to prepare financial statements with adequate and proper disclosures and free of material misstatements. The auditor recommends that Tax Collector personnel increase their knowledge of these standards sufficiently to allow them to prepare financial statements, including the notes, in accordance with generally accepted accounting principles (GAAP). (See PDF Page 142)	MW	2016 (FY 2013-14)	The Lafayette County Tax Collector's Office is an extremely small entity with limited resources and staff. At this time the Office is unable to employ the services of a CPA. Therefore, there are certain aspects of the Financial Accounting Standards in which the Office staff may not be familiar with.	Yes
Levy County	Board of County Commissioners	<u>2015-001 - Financial Reporting:</u> It was necessary for the auditors to assist with the preparation of the Board's financial statements. The auditors recommend that the Board consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process. (See PDF Page 84)	SD	2013 (FY 2010-11)	Due to limited staff, it is in the best interest to outsource this task to independent auditors.	Yes

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County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Levy County (continued)	Clerk of the Circuit Court	<u>2015-001 - Financial Reporting</u> : It was necessary for the auditors to assist with the preparation of the Clerk's financial statements. The auditors recommend that the Clerk consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process. (See PDF Page 121)	SD	2013 (FY 2010-11)	Would require additional personnel, which is not cost effective.	Yes
	Sheriff	<u>2015-001 - Separation of Duties</u> : Because of a limited number of available personnel, it is not always possible to segregate certain incompatible duties. To the extent possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of a transaction. (See PDF Page 155)	MW	2013 (FY 2010-11)	Continuing to improve dual role responsibilities.	Yes
Madison County	Tax Collector	<u>TC 2015-01 - Separation of Duties</u> : Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. The auditors recommend that, in the absence of the ability to hire additional employees, alternative procedures, including additional oversight with regard to certain functions be performed regularly to mitigate the risk caused by this deficiency in internal control. (See PDF Page 183)	MW	2014 (FY 2011-12)	Small county with limited funds.	Yes

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County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Washington County	Board of County Commissioners	<u>BCC2007-001 - Deficiency Over Financial Reporting</u> : The County does not have an individual on staff with the accounting education and experience to properly record more complex accounting transactions and prepare financial statements in accordance with generally accepted accounting principles (GAAP). The auditors understand that hiring someone with this expertise may not be cost effective and recommend that the County continue to rely on a CPA firm to prepare their financial statements. The auditors also recommend that the County continue to request outside assistance in recording more complex transactions and that additional training and/or education be provided to existing staff to enable them to more accurately record financial activities. (See PDF Page 85)	SD	2013 (FY 2010-11)	Due to financial pressures and lack of funding, cost/benefit ratio too great to employ more personnel; describes some actions taken to address issue.	Yes
		<u>BCC2005-001 - Separation of Duties</u> : There is a lack of segregation of duties. The custody of assets, recording, and authorization should be separated to the greatest extent possible without this, there is a greater risk of misstatement. The auditors realize due to the limited number of employees it is difficult to maintain ideal separation of duties, but recommend controls be implemented to help compensate for these weaknesses to the greatest extent possible. (See PDF Page 85)	SD	2013 (FY 2010-11)	Due to financial pressures and lack of funding, cost/benefit ratio too great to employ more personnel; describes some actions taken to address issue.	Yes

MW = Material Weakness (see 2. In Legend)
SD = Significant Deficiency (see 3. In Legend)

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County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Washington County (continued)	Clerk of the Circuit Court	CC2007-009 - <u>Preparation of Financial Statements</u> : The Clerk does not have an individual on staff with the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The auditors understand that the cost-benefit of hiring someone with this expertise is not practical and recommend the Clerk continue to request outside assistance. [Note: Also refers to finding as #CC07-009] (See PDF Page 132)	SD	2013 (FY 2010-11)	Due to financial pressures and lack of funding, cost/benefit ratio is far too costly.	Yes
		CC2003-003 - <u>Need for Segregation of Duties</u> : Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. This is due to the limited number of employees, and certain incompatible duties being performed by the same employee. [Note: Also refers to finding as #CC03-003] (See PDF Page 132)	SD	2013 (FY 2010-11)	Due to financial pressures and lack of funding, cost/benefit ratio is far too costly.	Yes
	Property Appraiser	07-11 - <u>Preparation of GAAP-based Financial Statements</u> : The Property Appraiser does not have an individual on staff with the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The auditors understand that the cost-benefit of hiring someone with this expertise is not practical and recommend the Property Appraiser continue to request outside assistance. [Note: Also refers to finding as #PA07-011] (See PDF Page 161)	SD	2013 (FY 2010-11)	Cost-benefit of hiring someone with such expertise is not feasible.	Yes

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County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Washington County (continued)	Property Appraiser (continued)	<u>03-03 - Need for Segregation of Duties</u> : There is a lack of segregation of duties between employees who have recordkeeping responsibility and employees in custody of assets. The auditors realized that, due to the size of the administrative staff, it is difficult to achieve ideal separation of duties; however, the Property Appraiser should remain very active and involved in the day-to-day operations. Controls should be implemented to help compensate for these weaknesses and to provide appropriate checks and balances. [Note: Also refers to finding as #PA03-003] (See PDF Page 161)	SD	2013 (FY 2010-11)	Indicates that this will always be an issue due to size of office; have implemented measures to help compensate.	Yes
	Sheriff	<u>07-10 - Preparation of GAAP-based Financial Statements</u> : The Sheriff does not have an individual on staff with the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The auditors understand that the cost-benefit of hiring someone with this expertise is not practical and recommend the Sheriff continue to request outside assistance. [Note: Also refers to finding as #SH07-010] (See PDF Page 189)	SD	2013 (FY 2010-11)	It is not feasible for our agency to employ additional staff.	Yes
		<u>03-01 - Need for Segregation of Duties</u> : Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. The auditors realize that, due to the limited number of employees and certain incompatible duties being performed by the same employee, it is difficult to achieve ideal separation of duties. [Note: Also refers to finding as #SH03-001] (See PDF Page 188)	SD	2013 (FY 2010-11)	It is not feasible for our agency to employ additional staff.	Yes

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County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Washington County (continued)	Supervisor of Elections	<u>SOE03-03 - Need for Segregation of Duties</u> : There is a lack of segregation of duties between employees who have recordkeeping responsibility and employees in custody of assets. The auditors realize that, due to the limited number of employees and certain incompatible duties being performed by the same employee, it is difficult to achieve ideal separation of duties. [Note: Also refers to finding as #SOE03-003] (See PDF Page 214)	SD	2013 (FY 2010-11)	Board of County Commissioners is responsible for maintaining financial record keeping related to this Office. Limited staff; will continue to ensure there are checks and balances in daily work.	Yes
		<u>SOE07-12 - Preparation of GAAP-Based Financial Statements</u> : The Supervisor of Elections does not have an individual on staff with the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The auditors understand that the cost-benefit of hiring someone with this expertise is not practical and recommend the Supervisor of Elections continue to request outside assistance. [Note: Also refers to finding as #SOE07-012] (See PDF Page 214)	SD	2013 (FY 2010-11)	It is not feasible for our office to hire someone with this expertise.	Yes
	Tax Collector	<u>TC07-11 - Preparation of GAAP-based Financial Statements</u> : The Tax Collector does not have an individual on staff with the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The auditors understand that the cost-benefit of hiring someone with this expertise is not practical and recommend the Tax Collector continue to request outside assistance. [Note: Also refers to finding as #TC07-011] (See PDF Page 241)	SD	2013 (FY 2010-11)	Cost-benefit of hiring someone with this expertise is not feasible.	Yes

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County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Washington County (continued)	Tax Collector (continued)	TC03-03 - <u>Need for Segregation of Duties</u> : There is a lack of segregation of duties between employees who have recordkeeping responsibility and employees in custody of assets. The auditors realize that due to the size of the Tax Collector's staff it is difficult to achieve ideal separation of duties; however, the Tax Collector should remain very active and involved in the day-to-day operations. Controls should be implemented to help compensate for these weaknesses and to provide appropriate checks and balances. [Note: Also refers to finding as #TC03-003] (See PDF Page 241)	SD	2013 (FY 2010-11)	States that this will always be an area of concern because of size of office.	Yes

FOOTNOTE/LEGEND:

1. Most of these audits have been conducted by private certified public accountants, as required by Section 218.39(1), Florida Statutes.
2. **Material Weakness (MW)**: a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that one of the following will not be prevented, or detected and corrected, on a timely basis:
 - a. a material misstatement of the entity's financial statements, or
 - b. material noncompliance with a type of compliance requirement.

For example, a deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis.

The severity of the deficiency would determine whether it should be classified as a material weakness, a significant deficiency, or an additional matter.

3. **Significant Deficiency (SD)**: less severe than a material weakness, yet important enough to merit attention by those charged with governance.

MUNICIPALITIES

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Municipality	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Town of Alford	Jackson County	<u>2013-02 - Accounting Transactions</u> : Adjustments were needed at year end to properly adjust for various receivables and depreciation. Adjustments were also necessary to reconcile fund balance. The auditors recommend that all transactions be properly recorded. (See PDF Page 46)	MW	N/A	N/A	Yes
		<u>2010-01 - Other Post-Employment Benefits</u> : The Town did not implement GASB Statement 45 or obtain the actuarial report necessary to determine the amounts to report in the financial statements. The auditors recommend that an actuarial study and all other items necessary to implement GASB Statement 45 be performed. (See PDF Page 47)	MW	2016 (FY 2013-14)	The Town is a very small rural community with a very limited budget and a staff of less than five employees. The Clerk performs the day-to-day operations, subject to the Mayor's oversight. The Town's small budget cannot handle the costs of an actuarial report. The Town is under the assumption that The State of Florida Retirement System is reporting this to the cities for the year 2014-15 so this will allow the Town to comply with this requirement in future audits.	Yes
		<u>2011-01 - Accounts Receivable - Collections</u> : The Town does not always implement cut off and subsequent collection procedures on delinquent accounts in a timely manner. The auditors recommend the Town follow procedures for delinquent accounts. (See PDF Page 47)	MW	2016 (FY 2013-14)	The Town has updated its billing software and has made a concerted effort to stay on top of collections issues. Unless an extension is approved by the Town Council, the account is cut off after 30 day delinquent. Proper procedures for delinquent accounts are being followed. This finding should not appear in the FY 2014-15 audit.	Yes
Town of Altha	Calhoun County	<u>2013-014 - Budgetary Controls</u> : The Town did not amend, after year end, the budget to include appropriate amounts available from taxation and other sources. The Town also did not post the final budget as required by Florida Statutes. The auditors recommend the Town implement a policy to adhere to Florida Statutes, Section 166.241(2). (See PDF Page 59)	N/A	2016 (FY 2013-14)	The Town will begin the process of amending the budget following the annual audit to ensure that all carry forward funds agree to the final fund equities. Each physical year the Town will hold quarterly budget meetings to ensure expenditures are not exceeding appropriations. Amendment will be approved by the Town Council if needed.	Yes

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Municipality	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Town of Altha (continued)	Calhoun County (continued)	<u>2013-16 - Financial Condition:</u> There continues to be evidence of unfavorable financial indicators including a decrease in the ratio of unrestricted cash to total expenditures, deficiencies of revenues over expenditures in the governmental fund, and continuing operating losses in the water and wastewater fund, as well as a deficit in unrestricted net assets in the water and wastewater fund. The auditors recommend that the Town take appropriate corrective action to resolve any findings and also that the Town monitor its expenses. (See PDF Page 60)	N/A	2016 (FY 2013-14)	The Town will and has taken appropriate corrective action to resolve any findings or recommendations as well as monitor the Town's expenses.	Yes
		<u>2013-010 - Property Records and Inventory of Property:</u> The Town has not complied with the Florida Department of Financial Services' rules which require governmental units to: (1) maintain adequate records of property in their custody, (2) mark each property item with an identification number assigned to that item to establish its identify and ownership, and (3) complete a physical inventory of all property annually and when there is a change related to the custodian. The auditors recommend that the Town: (1) maintain adequate property records, (2) record depreciation, (3) mark each property item with an identification number, and (4) complete a physical inventory of all property annually. Additional details related to the recommendation provided in audit report. (See PDF Page 56)	SD	2016 (FY 2013-14)	The Town has started the process of providing detailed records for property, plant and equipment. The Town will then be able to record depreciation as required. The Town is in the process of marking all property with identification numbers and will complete an annual inventory as required.	Yes
		<u>2013-011 - Fraud Prevention Services:</u> The Town has not developed policies for communicating and reporting known or suspected fraud. The auditors recommend that the Town develop policies for communicating known or suspected fraud to the appropriate parties. (See PDF Page 58)	N/A	N/A	N/A	Yes

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City of Anna Maria	Manatee County	<u>2013-2 - Segregation of Duties</u> : Due to the small size of the City's business office, a lack of segregation of duties exists. The auditors recommend the City review the mitigating controls it has put in place to ensure they are adequate and are being followed. The auditors also recommend the City: (1) separate the duties of preparing, making and posting deposits to ensure proper controls over the cash receipts function, and (2) establish proper controls over the check signing process. (See PDF Page 43)	N/A	N/A	N/A	Yes
City of Archer	Alachua County	<u>2013-1 - Financial Statement Preparation</u> : A deficiency in internal control exists in instances where the City is not capable of drafting the financial statements and all required footnotes disclosures in accordance with generally accepted accounting principles (GAAP). (See PDF Page 48)	SD	N/A	N/A	Yes
		<u>2012-1 - Employee Leave Records</u> : Leave records in the current and prior years, did not consistently record leave earned and taken. This resulted in inaccurate leave balances at year end, and also apparent incorrect payments for unused annual and sick leave in accordance with the City's leave policies. The auditors recommend that the City recompute the employee leave balances for the ensuing year using the adjusted leave balances at September 30, 2015, from the audit and also review employee leave balances at least quarterly for accuracy and compliance with the City's leave policies. (See PDF Page 53)	N/A	2016 (FY 2013-14)	Employee leave balances are reviewed monthly for accuracy and compliance with the City's leave policies.	Yes

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City of Avon Park	Highlands County	<u>2015-001 - Community Redevelopment Districts</u> : The City has not amended or modified the community redevelopment district plans since their respective adoption dates. The plans are, in certain circumstances, ambiguous with the types of expenditures allowed under the plan. In other circumstances, the plans are outdated as it relates to management's current plans with utilization of community redevelopment funds. The auditors recommend a comprehensive analysis of all current and future plans. (See PDF Page 92)	N/A	2016 (FY 2013-14)	This finding should be resolved in the City's audit report for the 2016-17 fiscal year because the City adopted its revised and amended redevelopment plans for each of its three redevelopment districts on March 28, 2016.	Yes
City of Bowling Green	Hardee County	<u>2015-01 - Year End Adjustments</u> : Numerous year-end adjustments were required to correctly reflect the City's financial position and results of operations. The auditors suggest that monthly financial statement review procedures be increased to reduce the need for year-end corrections. (See PDF Page 48)	SD	2016 (FY 2013-14)	Through ongoing monitoring, the City has managed to drop the number of adjustments for the FY 2014-15 audit down to 14. The City continues to work closely with the auditing firm for assistance and training in the self-auditing process of all financial statements. The audit recommendations have been implemented and continue to be refined in an effort to eliminate this finding.	Yes
City of Bristol	Liberty County	<u>2015-002 - Segregation of Duties</u> : The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. (See PDF Page 49)	MW	N/A	N/A	Yes
Town of Bronson	Levy County	<u>ML 2009-4 - Water and Sewer Fund</u> : The Town's water and sewer fund has not been able to operate self-sufficiently under the current rate structure, and has recorded operating losses for the last several years. The auditors recommend the Town continue to increase the water and sewer rates to a level that will recover all operating expenses and eliminate future operating losses. (See PDF Page 41)	N/A	2016 (FY 2013-14)	New water and conservation rates were adopted in February 2015 and implemented as of July 1, 2015. The Town added approximately 100 new sewer connections with an expected \$55,000 in total revenue. Rates regarding sewer and water will be reviewed and adjusted accordingly on an annual basis is necessary.	Yes

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City of Bushnell	Sumter County	<u>2011-1 - Financial Condition Assessment - Wastewater Fund</u> : The wastewater fund continues to show a net operating loss and is operating with borrowed funds from both outside sources and through interfund borrowings from the electric and water funds. The auditors stated that an increase in overall revenues and cash flows is necessary to increase liquidity, provide for debt repayment, including debt requirements, and to improve the overall financial position of the fund. (See PDF Page 121)	N/A	2016 (FY 2013-14)	The Wastewater Fund is producing enough revenue to meet cash obligations, but is not fully funding depreciation. It is expected that the fund will continue to improve during the current and future fiscal years, primarily due to increased customer connections brought about by new development within the City's utility services area. The City also anticipates a phasing in of capacity reservation charges later in the current fiscal year, which will provide additional revenue tied to new development. The City is also evaluating options for refinancing debt obligations beginning in FY 2016-17.	Yes
City of Cedar Key	Levy County	<u>ML 2013-2 - Cedar Key Community Redevelopment Agency (CKCRA)</u> : During the last five years, the CKCRA tax increment revenues received have been less than the annual debt service on the Series 2007 Redevelopment Revenue Note. This has resulted in a reduction in the CKCRA fund balance. The auditors recommend that the CKCRA Board monitor its fund balance and take steps to ensure that sufficient resources are available to pay the future debt service requirements. (See PDF Page 46)	N/A	N/A	N/A	Yes

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City of Clewiston	Hendry County	<u>2012-1 - Decrease In Unassigned Fund Balance of Governmental Funds:</u> Governmental net revenues have been less than governmental expenditures. Over the past ten years the unassigned fund balance of the governmental funds of the City has decreased from \$2,678,969 as of September 30, 2006, to a deficit balance of \$1,056,150 as of September 30, 2015. The City has budgeted expenditures for the governmental funds equal to revenues for the fiscal year ending September 30, 2016. The auditors recommend that the City re-evaluate its future spending plans within the governmental funds to ensure that adequate reserves are maintained. (See PDF Page 100)	N/A	2016 (FY 2013-14)	This condition stems from the economic variables of our region combined with the history of our ad valorem tax base. The economic climate has begun to stabilize which will aid in remedying this situation. Steps have been taken to focus heavily on finding cost saving measures and reviewing departmental revenue streams to insure the City is in line with other like entities. The City is monitoring expenditures closely and have trimmed them when possible. The City is also focusing on a plan for replacing reserves necessary for providing a much needed positive percentage for unassigned fund balance.	Yes
City of Cottondale	Jackson County	<u>2004-2 - Capital Asset Inventory:</u> The City should take periodic inventories of its capital assets (property and equipment). The auditors recommend management adopt reasonable policies for what items will be tagged, and those that will not. These policies should take into account reasonable levels of control. (See PDF Page 58)	N/A	2016 (FY 2013-14)	Department heads have been advised to tag equipment to allow an inventory of assets. The City has updated its inventory and is in the process of tagging or labeling assets.	Yes
		<u>09-1 - General Accounting Records:</u> The City uses a separate computer program to record and track its utility revenues and billings. Only cash receipts data is entered into the general ledger program. The totals in the general ledger are not reconciled to the utility billing records. Also, there was no significant attempt to reconcile the billing records to the general ledger, and, in the current year, the general ledger accounts payable account for the general and enterprise funds were either off from the subsidiary reports, had debit balances, or both. The auditors recommend that policies be instituted requiring regular detail reports to be generated and general ledger totals to be reconciled to detail records where applicable. (See PDF Page 51)	MW	2016 (FY 2013-14)	Policies will be instituted requiring regular detail report be generated and general ledger totals be reconciled to detail records where applicable. The City is working with the Software Company and discrepancies are being solved. Additional training from an external source will be requested. Supervision from the governing commissioners is being implemented.	Yes

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SD = Significant Deficiency (see 3. In Legend)

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City of Cottdale (continued)	Jackson County (continued)	<u>09-2 - General Accounting Records</u> : Since the 2006 fiscal year, the City has changed City Clerk several times, and most of the office staff has changed in this period of time as well. Partially as a result of these changes, there appears to have been poor communications and some friction between staff members, and between staff and the City Council. Although this area is somewhat improved, there continues to be staff turnover and inadequate communications. The auditors recommend the City Council stay apprised of the status of the financial accounting and controls systems and follow up on any problems that continue to exist. (See PDF Page 52)	MW	2016 (FY 2013-14)	Supervision from the governing commissioners will be mandatory especially in the areas of the status of financial accounting and controls systems. The commissioners are involved in the day-to-day activities of the office.	Yes
City of Deerfield Beach	Broward County	<u>ML 08-2 - Accounting Policies and Procedures Manual</u> : Although the City has policies and procedures in place for purchasing through codification in City ordinances, there is no actual documentation of the individual employee job responsibilities and descriptions of how each process is performed. The auditors recommend that an accounting policy and procedures manual be developed to provide documentation of transaction flows, accounting routines, editing routines, and internal controls including review and supervision. Additional details provided in audit report. (See PDF Page 161)	N/A	2016 (FY 2013-14)	The City has made substantial progress in the development of its accounting policies and procedures. The City has updated its purchasing policies and has incorporated the updates into its code of ordinances. The City is almost done with its policies and procedures manual and hopes to present it to the City Commission for formal approval by the end of FY 2015-16.	Yes

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City of Deerfield Beach (continued)	Broward County (continued)	<u>ML 2013-01 - General Accounting Records</u> : Financial Accounting and Reporting: In the prior five years, due to the lack of adequate staffing, the City did not issue its comprehensive annual financial report (CAFR) by the March 31st reporting deadline established by the Government Finance Officers Association (GFOA) Certificate of Achievement program as a best practice. Delays were attributed, at least in part, to issues related to account and bank reconciliations, an accrued payroll discrepancy, and a lack of policy related to uncollected accounts receivable. This finding has been partially corrected. The CAFR was timely filed by the March 31st deadline; however, although written policies and procedures have been drafted, they have not been finalized or approved. (See PDF Page 147)	N/A	N/A	N/A	Yes
		<u>ML 11-4 - New Hire Access Request Process and Terminated User Disablement and Removal Process</u> : The City has only partially addressed the prior audit finding which noted that the City does not have a consistent, formal communication process in place either to ensure that all terminated employees or other resources having access to City applications are promptly disabled and/or removed from the network and relevant applications. The auditors recommend that the City continue the process of completing its IT Department Policies and Procedures Manual. (See PDF Page 151)	N/A	2016 (FY 2013-14)	The section of IT Policies and Procedures that directly addresses this topic is in review and will be implemented prior to the end of FY 2015-16.	Yes

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City of Deerfield Beach (continued)	Broward County (continued)	<u>ML 11-5 - Network Domain and AS-400 Password Parameters</u> : The City has only partially addressed the prior audit finding which noted that the City's domain policy parameters are not set sufficiently to align with industry standards and best practices as it relates to network access due to increasing changes in the IT security arena and the increased vulnerabilities that exist in today's world. The auditors recommend that the City continue the process of completing its Information Technology Department Policies and Procedures Manual. (See PDF Page 153)	N/A	2016 (FY 2013-14)	Network Domain and AS-400 Password Parameters are maintained separately within the environment. Current IT efforts and projects will allow IT to roll out Single Sign On to users, which combined with approved Policies and Procedures, will make this item no longer relevant. AS-400 passwords are set to expire on most accounts and will be implemented across all accounts by September 30, 2016.	Yes
		<u>ML 11-6 - Logging and Monitoring of Security and Auditable Events</u> : The Information Technology Department has only partially addressed the prior audit finding which noted that the City had not reviewed available monitoring mechanisms and reports and had not established formal review controls and related processes. The auditors recommend that the City continue to improve its attempts to create a formal policy. (See PDF Page 156)	N/A	2016 (FY 2013-14)	Network monitoring mechanisms are in place along with the logging of failed and successful attempts on the network. The department will improve in providing a formal review cycle of logged data that can be shown as evidence. This item has been formalized and will be implemented by September 30, 2016.	Yes
		<u>ML 11-8 - Change Management Policies and Procedures and Change Management Approval and Testing</u> : The Information Technology Department has only partially addressed the prior audit finding which noted that the City should maintain a record of every change executed in the production environment and document formal change management policies and procedures to include the different types of changes and requirements for testing, validation, and approvals prior to being placed into production. Additional details provided in the audit report. The City should continue the process of completing its Information Technology Department Policies and Procedures Manual. (See PDF Page 157)	N/A	2016 (FY 2013-14)	A Change Management Policy and Procedure has been formally documented and will satisfy this statement. The process includes the elements of testing and attaching results to the Change Request showing before and after conditions for scenarios under scope. This item will be implemented by September 30, 2016.	Yes

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City of Deerfield Beach (continued)	Broward County (continued)	<u>ML 11-9 - Disaster Recovery Plan and Data Restoration Testing</u> : The Information Technology Department has only partially addressed the prior audit finding which noted that the City does not appear to have a documented Disaster Recovery Plan or process in place for periodic data restoration testing and communication of results. The auditors recommend that the City continue the process of completing its IT Department Policies and Procedures Manual. (See PDF Page 159)	N/A	2016 (FY 2013-14)	IT has a Disaster Recovery Plan & Data Retention policy. A contractor has been hired to work with the department to improve upon existing backup strategies, thereby increasing the success in executing the Recovery plan to a second server. This exercise will allow IT to bring up a remote server location for business continuity in the event of a disaster. As a compensating control, the department routinely refreshes data from production into the test environment providing confidence that data can be restored in an emergency situation with formalized processes. This item will be implemented by September 30, 2016.	Yes
		<u>ML 11-1 - Compliance with Investment Policy</u> : Written policies and procedures have been drafted, but have not been finalized or approved. (See PDF Page 150)	N/A	2016 (FY 2013-14)	The City has since updated its investment policies. All individuals who have check-signing authority have been bonded.	Yes
		<u>ML 10-2 - Segregation of Duties - Payroll</u> : The payroll accountant has access to the payroll data system, is charged with printing the checks with an electronic signature, and also delivers or mails the checks to the individual employees. The same individual should not be able to initiate, process, and record transactions. The auditors recommend that the City review its policies and procedures to provide for appropriate segregation of duties for payroll processing. (See PDF Page 160)	N/A	2016 (FY 2013-14)	The City's Human Resources Department will be assuming the duty of entering all personal actions. The City is currently in the process of migrating to a new ERP System and plans to migrate to this system by September 30, 2016. Upon conversion to the new system, the person assigned to process the City's payroll will no longer be involved in updating employees' personnel files.	Yes
City of Dunedin	Pinellas County	<u>MLO 2013-004 - Municipal Firefighters' Pension Trust Fund Audit</u> : The Trust Fund audit was not completed in accordance with Government Auditing Standards. (See PDF Page 165)	N/A	N/A	N/A	Yes

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City of Dunnellon	Marion County	<u>2013-02 - Fixed Assets</u> : The City's detailed fixed assets did not agree with the corresponding general ledger balances. The auditors recommend the City perform a comprehensive review and reconciliation of all of its fixed assets during the current year and that the general ledger balances be adjusted accordingly. (See PDF Page 80)	N/A	N/A	N/A	Yes
Town of Eatonville	Orange County	<u>2006-A - Financial Condition Assessment</u> : The Town had a deficit fund balance at fiscal year-end when aggregating the General Fund and enterprise funds, and thus had deteriorating financial conditions that could lead to a state of financial emergency. The auditors recommend the Town's budgeting, financial management, and strategic planning process provide for strengthening of the Town's financial position in order to ensure adequate liquidity and ability to address long-term capital and other needs. (See PDF Page 68)	N/A	2016 (FY 2013-14)	The Mayor and Town Council continue to encourage new business and now the Town and Orange County School Board have put the RFP out for a Developer to submit regarding the 90 acres within Town limits. This will bring in more revenue and tourists once this property is developed with retail stores, restaurants and housing. In addition, the Town continues to stream-line expenses and find other resources to improve the Town's revenue.	Yes
		<u>2006-01 - Reconciliations</u> : Reconciliations were not provided for billed and unbilled receivables and interfund balance sheet accounts, and prepaid balances and allowance for doubtful accounts were not analyzed and adjusted at year end. In addition, the cash reconciliation was not prepared accurately. The auditors recommend that the Finance Department prepare regular reconciliations of its balance sheet subsidiary ledgers to the general ledger balances in order to ensure accuracy of general ledger balances. These reconciliations should be reviewed and adjustments should be made to avoid errors or omissions of financial data. (See PDF Page 64)	MW	2016 (FY 2013-14)	Measures have been put in place to ensure that all financial activity is captured in the Town's accounting record.	Yes

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Town of Eatonville (continued)	Orange County (continued)	<u>2012-C - Water and Sewer Fund Transfers and Accountability:</u> It appears the Water and Sewer Fund has effectively borrowed from other funds in order to finance transfers made to the General Fund in recent years, resulting in an improved fund balance position for the General Fund but leaving a deficit in unrestricted Water and Sewer Fund balance of approximately \$2.3 million at fiscal year-end. It is unclear as to the portion of Water and Sewer Fund transfers to the General Fund that might represent payments for administrative overhead versus simply transfers of equity. Accordingly, fund level accountability is compromised, and it is unclear as to how interfund balances will be eliminated. The auditors recommend interfund activity be evaluated in order to determine how interfund balances will be eliminated and to establish an appropriate methodology for future transfers and/or administrative charges. Additional details provided in audit report. (See PDF Page 68)	N/A	2016 (FY 2013-14)	In the future, the Public Works Director will be developing a clear, concise and effective methodology for the future transfers and operating activity based on the cost of services provided Water and Sewer fund transfers.	Yes
Town of Ebro	Washington County	<u>2009-02 - Financial Statement Preparation:</u> There is no Town personnel with the experience, background and knowledge of Governmental Accounting and Financial Accounting Standards to prepare the financial statements internally including full note disclosures as required by those standards. The auditors recommend that Town personnel continue to develop their knowledge of generally accepted accounting principles in order to ultimately prepare or provide technical reviews of the financial statements. (See PDF Page 36)	MW	N/A	N/A	Yes

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Town of Ebro (continued)	Washington County (continued)	<u>2009-04 - Fixed Asset Management Policy</u> : The Town has not implemented a formal written fixed asset management policy. The auditors recommend that the Town adopt and implement a fixed asset management policy to ensure proper accounting and safeguarding of Town assets. (See PDF Page 38)	MW	N/A	N/A	Yes
		<u>2009-05 - Accounting for Accruals</u> : Town personnel lack the necessary experience, background, and knowledge of accrual accounting to properly maintain its records and financial reporting on the accrual/modified accrual basis of accounting. The auditors recommend that the Town comply with the accrual/modified accrual basis of accounting. (See PDF Page 38)	MW	N/A	N/A	Yes
		<u>2009-06 - Investment Policy</u> : The Town has not implemented a written investment policy. The auditors recommend that the Town adopt a formal written investment policy in accordance with Section 218.415, Florida Statutes. (See PDF Page 39)	MW	N/A	N/A	Yes
		<u>2009-03 - Segregation of Duties</u> : The Town lacks sufficient personnel to design and implement adequate separation of duties. Due to a lack of personnel required to establish proper separation of duties, a recommendation to correct this weakness is prohibitive. However, the auditors strongly recommend that the Town Council, Mayor, or representative monitor ongoing operations to include systematic reviews of monthly financial activity and reporting. (See PDF Page 37)	MW	N/A	N/A	Yes
City of Edgewood	Orange County	<u>2012-2 - Ensure Compliance with Charter Provisions</u> : As of fiscal year-end, the City's "unassigned" fund balance of the governmental funds exceeded 75% of the gross annual revenues, contrary to charter provisions; it was approximately 77.6%. (See PDF Page 47)	N/A	2016 (FY 2013-14)	The current unrestricted reserve is 77.6%. This is a significant improvement from the 96% noted in the FY 2013-14 budget, and represents the endeavors taken by the City to comply with the City Charter.	Yes

MW = Material Weakness (see 2. In Legend)
SD = Significant Deficiency (see 3. In Legend)

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City of Fanning Springs	Gilchrist County, Levy County	<u>2013-1 - Financial Statement Preparation</u> : The City does not have the expertise necessary to prevent, detect, and correct misstatements in the financial statements. This is a deficiency in internal control. (See PDF Page 61)	SD	N/A	N/A	Yes
City of Fort Lauderdale	Broward County	<u>2012-006 - IT Controls</u> : Select individuals have access to modify and move changes into production resulting in a lack of controls and segregation of duties. Information systems controls should reasonably assure that electronic information is not compromised by unauthorized access to systems and that access is granted only as needed for individuals within the entity to perform their assigned responsibilities while maintaining adequate segregation of duties. The auditors recommend that management improve the user administration process to ensure that user access is restricted to only those employees that require such access for their job responsibility and to ensure that terminated employees are removed in a timely manner. Additional details are provided in the audit report. (See PDF Page 180)	SD	2016 (FY 2013-14)	The Corrective Action Plan is in progress and all audit findings are planned for completion by September 30, 2016.	Yes
Town of Fort White	Columbia County	<u>2009-2 - Pumped vs. Billed Variances</u> : The auditors noted, during their audit of revenues in the Town's Enterprise Fund for the prior and current years, large undocumented gallons variances between the amounts of water pumped and the amounts billed for water usage. The auditors recommend that the Town investigate possible causes for the current year and prior year variances and make all necessary repairs and/or corrections to decrease the variances to normal levels, which should be no more than five million gallons. (See PDF Page 45)	N/A	2016 (FY 2013-14)	To address this finding, the Town will begin utilizing the Excel-based monthly water report that has been adapted by the auditors. On this monthly report, the Town will compute variances and document accountable losses such as blowoffs and flushing needs regarding the levels of lead and other contaminants. This corrective action should fully address this finding.	Yes

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City of Freeport	Walton County	<u>15-01 - General Accounting Records</u> : Some of the audit adjustments the auditors proposed were to record capital expenditures and current year depreciation expense were not recorded on the City's general ledger in accordance with their capitalization policy and U.S. generally accepted accounting principles. (See PDF Page 59)	MW	N/A	N/A	Yes
City of Graceville	Jackson County	<u>2012-2 - Cash</u> : The City's Utility Customer Deposit Listing is not reconciled to the Utility Deposit bank account or the General Ledger. The auditors recommend that these items be reconciled monthly in order to straighten internal controls. (See PDF Page 66)	N/A	2016 (FY 2013-14)	The City has since upgraded software affording capability to complete automated reconciliations on a monthly basis.	Yes
		<u>2012-1 - Fixed Assets</u> : An inventory of property owned by the City has not been completed in several years. The auditors recommend that the City establish a policy for periodic review of property records in compliance with Florida Statute 274.02. (See PDF Page 65)	N/A	2016 (FY 2013-14)	Staff will work toward completing a comprehensive inventory of equipment and property.	Yes
		<u>2010-1 - Revenues/Collections</u> : The City's water and sewer revenue is not reconciled to the water and sewer billing system. The auditors recommend that reconciliations be prepared on a monthly basis between the general ledger and utility software to maintain proper internal controls. (See PDF Page 65)	N/A	2016 (FY 2013-14)	The City has since upgraded software affording capability to complete automated reconciliations on a monthly basis.	Yes
Town of Greenville	Madison County	<u>2015-003 - Monthly Closeout Procedures</u> : The Town did not have any formalized monthly or year-end financial statement closeout procedures. In addition the QuickBooks accounting system does not require a "close" of each month. Transactions can be backdated to the prior period, thus changing the previously reported financial statements. The auditors recommend that the Town implement QuickBooks' close feature monthly, including restricting access to prior period data. (See PDF Page 51)	MW	N/A	N/A	Yes

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City of Gretna	Gadsden County	<u>I-2011-01 - Financial Reporting</u> : The City is not able to prepare its own financial statements. The City does not have Finance Department personnel skilled and trained to perform sophisticated financial reporting functions such as the preparation of financial statements. The auditors had to perform additional procedures to assist the City in drafting its financial statements. The auditors recommend that the City augment its resources in terms of acquiring the skill to prepare financial statements accurately and on a timely basis. (See PDF Page 77)	MW	N/A	N/A	Yes
		<u>IC-2011-03 - General Accounting Records</u> : During the course of the audits, there were several accounts that needed reconciliations and adjusting journal entries being made after June 30. The auditors recommend that management provide timelines for the consultant to deliver the reconciliations and analyses in a more timely fashion in order to meet the State's reporting deadlines. (See PDF Page 78)	MW	2016 (FY 2013-14)	The City is small with an administrative staff of three. The City has acquired the services of a contract financial consultant to provide services to assist the City staff with more timely account reconciliations, preparation of schedules, and the needed pre-audit financial analysis. The City has purchased a financial reporting component of its financial management software and is awaiting the installation. The new functionality will be in place and deployed prior to September 30, 2016.	Yes
City of Gulf Breeze	Santa Rosa County	<u>2015-001 - Financial Reporting</u> : Certain audit adjustments were found during the FY 2014-15 audit that should have been recorded during the annual closeout for financial reporting purposes. Also, management identified and made significant adjustments to the trial balance after providing it to the auditors at the start of the audit. The auditors recommend the City continue its efforts to improve the year-end closeout procedures to ensure that all transactions, year-end adjustments, and accruals are recorded in a timely manner. (See PDF Page 190)	MW	2016 (FY 2013-14)	The process has, and continue to improve, but is not yet fully remedied. Staff continues to balance ongoing responsibilities with efforts to improve procedures, reports, and systems necessary to alleviate this audit finding.	Yes

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City of Hialeah	Miami-Dade County	<u>2015-02 - Storm Water Fund Deficit</u> : The Storm Water fund had an operating loss of approximately \$1,643,086. The auditors recommend that the City review its current charges for storm water services to ensure the fees cover the costs of operations and also continue to reduce costs of operations while maintaining quality of service. (See PDF Page 181)	N/A	2016 (FY 2013-14)	This finding was updated and eliminated the comment related to the Solid Waste Fund deficit in the 2014-15 audit report.	Yes
Town of Indialantic	Brevard County	<u>IC 2012-01 - Accounting Policies and Procedures</u> : Management does not have procedures in place to provide reasonable assurance that the general ledger is free of material misstatements. The Town does not have a financial professional on staff. The auditors recommend management develop such procedures. Specific guidance is provided in the audit report regarding needed procedures and year-end action that should be performed by management and staff. (See PDF Page 77)	MW	2016 (FY 2013-14)	The Town has developed a relationship with a local CPA who will serve in a consultant role toward the end of the fiscal year to assist with year-end closing procedures. This arrangement should satisfy the concern as previously expressed by our outside audit firm.	Yes
Town of Jupiter	Palm Beach County	<u>2010-3 - Purchase Approvals</u> : For 12 of the 55 purchases tested, the purchase requisition or other documentation was approved after the vendor invoice date of the transaction. Additionally, for 14 of the 55 disbursements a requisition, purchase order, or other documentation was not prepared for the purchase. The auditors recommend that Town management review the requirements of the Town's purchasing policy with the originating departments to improve compliance with the Town's purchasing requirements for the use of requisitions. Additional guidance related to small dollar purchases is provided in the audit report. (See PDF Page 155)	N/A	2016 (FY 2013-14)	Town staff has engaged an outside consultant to review the purchasing policy for compliance with state guidelines on these matters. The Town will review our purchasing policy and consider any changes recommended by the consultant in an attempt to avoid these audit comments in the future.	Yes
Town of Lake Hamilton	Polk County	<u>2013-4 - Debt Administration</u> : The Town did not maintain water rates and charges sufficient to satisfy bond requirements. The auditor recommends the Town maintain water rates and charges sufficient to satisfy bond requirements. (See PDF Page 42)	N/A	N/A	N/A	Yes

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City of Lake Helen	Volusia County	<u>2015-007 - IT Policies and Procedures</u> : The City does not yet have a formal set of policies and procedures related to information technology. The auditors recommend the City continue working on developing policies and procedures related to information technology in order to finalize a document. Additional guidance is provided in the audit report. (See PDF Page 65)	N/A	N/A	N/A	Yes
Town of Lake Park	Palm Beach County	<u>2013-1 - Written Accounting Procedures Manual</u> : The Town has prepared an accounting policy manual. However, there is not a detailed written accounting procedures manual. Written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficiencies, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. The auditors recommend that the Town establish written monthly and year-end closing procedures and continue work on the accounting procedures manual. (See PDF Page 138)	SD	2016 (FY 2013-14)	The finance staff continues to work to simplify and document the department processes and procedures. In FY 2015-16, \$5,000 was budgeted for a consultant to begin to help in this project, and vendors are currently being evaluated for the project. Additional funds will be considered in future budgets to professionally complete this task.	Yes
City of Lakeland	Polk County	<u>2015-003 - IT Policies and Procedures - Logical Access</u> : The City's logical security controls for the three significant financial reporting systems and the network revealed that several areas would require further control enhancements to meet industry best practices and standards. The auditors recommend that management review the areas specified in the audit report and conform with industry best practices where possible. (See PDF Page 230)	N/A	2016 (FY 2013-14)	It is the City's position that these findings are addressed.	Yes

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City of Lauderdale Lakes	Broward County	<u>2011-05 - Timely Completion of Bank Reconciliations</u> : The City did not timely reconcile its pooled cash bank account and, as a result, cash balances and related transactions had to be adjusted after the auditors began field work to reflect accurate cash balances. The auditors recommend that all bank accounts be reconciled more timely to ensure accuracy and accountability for all cash transactions of the City. Additional details provided in audit report. (See PDF Page 151)	SD	2016 (FY 2013-14)	Policies and Procedures have been implemented which include the addition of trained staff to perform this function on a monthly basis. This audit finding was addressed and will not be repeated for FY 2015.	Yes
		<u>2010-02 - Year-End Closing Entries</u> : Balance sheet accounts which include accrued liabilities, capital assets and interfund balances in all funds reflected on the respective trial balances were not properly reconciled to reflect the appropriate balances as of fiscal year-end. The auditors recommend that the City develop formal year-end closing procedures. Additional details provided in the audit report. (See PDF Page 150)	SD	2016 (FY 2013-14)	Corrective action to address the Year-End Closing Entries finding was implemented in 2015. This recurring finding will not be repeated in the fiscal year audit report 2015-16.	Yes
		<u>2012-06 - Grant Administration and Review Process</u> : The City as a sub-recipient for federal grant awards was not properly reconciling and recording the grant activity to reflect the appropriate balances as of the fiscal year-end. The auditors recommend that the City develop a system of controls over its grant administration and review process. Additional details provided in audit report. (See PDF Page 152)	MW	2016 (FY 2013-14)	To ensure that the City follows all reporting guidelines for all grants received, additional staff was hired in 2015 to address the audit report finding. The City is confident that this finding will not be reported in the future.	Yes
City of Lawtey	Bradford County	<u>2015-6 - Financial Condition</u> : Due to the continued operating losses in the water and sewer fund, the water and sewer fund unrestricted fund net position reflects a deficit balance. The auditors recommend that the City have a rate study completed and adjust the rates charged to customers for water, sewer, and garbage collections services, accordingly. (See PDF Page 42)	SD	N/A	N/A	Yes

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City of Lawtey (continued)	Bradford County (continued)	<u>2015-7 - Revenues/Collections</u> : The City currently does not charge a late fee for customer accounts with balance over 30 days outstanding. (See PDF Page 42)	SD	N/A	N/A	Yes
Town of Mangonia Park	Palm Beach County	<u>2011-03 - Excess of Expenditures Over Appropriations</u> : There were departments with expenditures in excess of budgeted amounts contrary to Section 166.241(2), Florida Statutes. (See PDF Page 53)	N/A	2016 (FY 2013-14)	The Town Council approved the budget amendment process in a timely manner for those expenditures seen and unforeseen via its regular Town Council as required. Additionally, the Town has re-allocated expenditures in the correct categories. The Town has implemented safeguards to circumvent this in the future by providing directives to the newly hired Town Manager and his budgeting/accounting staff.	Yes
		<u>2009-02 - Capital Assets Record Keeping</u> : The Town did not have a complete detailed listing of capital assets. The auditors recommend that the Town establish policies and procedures to monitor fixed assets and finish the detailed listing of capital assets. (See PDF Page 49)	MW	2016 (FY 2013-14)	Although the Town purchased a "Fixed Assets" Module to help address this finding, issues have been raised pertaining to previous "assets" that are not recordable due to loss of information and/or misplaced documentation. Staff have completed a majority of the fixed assets training; however, the software support system has encountered a few glitches within the fixed assets module. Town staff expect to clean this up inter-departmentally within the next 90 days.	Yes
		<u>2012-01 - Grant Administrating and Monitoring</u> : The Town does not have appropriate internal controls over grants to ensure that grant funds are being spent in accordance with grant conditions and with Town policies and procedures. The auditors recommend that: (1) someone be designated to oversee grants, (2) policies and procedures be put in place for the evaluation of all grant proposals before submission, and (3) a standard set of policies and procedures should be developed for monitoring grant administration and compliance requirements. See audit report for additional details. (See PDF Page 50)	MW	2016 (FY 2013-14)	Due to several different entities handling various grants privately and through other intergovernmental agencies, the Town will have a repeat comment. The Town Council has reassessed the process regarding the pursuit of all grants on all levels to ensure this paperwork remains in-house.	Yes

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Town of Mayo	Lafayette County	<u>2007-1 - Pumped vs. Billed Variances</u> : Revenues in the Town's Enterprise Fund continue to show large variances between the amounts of water pumped and the amounts billed to water usage. The auditors recommend that the Town continue to investigate possible causes for the substantial variances and make all necessary repairs and corrections to decrease the variances to normal levels, which should be no more than 5 million gallons. The variances were 24 million gallons and 17 million gallons for the current and prior years, respectively. (See PDF Page 61)	N/A	2016 (FY 2013-14)	Numerous leaks have been located and repaired. The hydrant leak continues to be a source of water loss. It is the Town's intent to make the necessary repairs to the hydrant to stop the water loss. However, limited staff and resources make it difficult to do the very costly repair.	Yes
Town of Medley	Miami-Dade County	<u>2015-02 - Capital Assets</u> : The Town has not performed a recent physical inventory. Also, the Town has numerous pump station sites in its boundaries that have not been dedicated nor have easement language contained in their plats to conclusively establish proper dedication in accordance with Florida Statutes. The auditors recommend the Town perform periodic or annual inventories of its capital assets and continue to vigorously pursue the conveyance of completed Town infrastructure constructed by third parties. (See PDF Page 79)	MW	2016 (FY 2013-14)	For material assets such as vehicles and heavy equipment, the Town does perform physical inventories on an annual basis, by accounting for and reporting these assets to our insurance company for coverage. In March 2015 our insurance company performed an insurable value/replacement cost appraisal of all our insurable real and personal properties. For smaller items, such as office furniture, desktops, and other miscellaneous assets, the Town believes that an annual physical inventory is not cost effective and not material to our operations or financial statements. The Town is a small municipality and knows when certain assets are disposed of. In regard to the conveyance of certain pump stations, in recent years the Town has to change legal representation three times, which has delayed the process of title conveyance. Pump stations conveyance is an on-going process with an additional pump station conveyed in fiscal year 2015 and another one in January 2016.	Yes

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Town of Medley (continued)	Miami-Dade County (continued)	<u>2015-04 – Purchasing Procedures:</u> There is no centralized purchasing system in place. Instead, departments have the ability to make their own purchases which leads to circumvention of the Town's ordinance. The auditors recommend the Town review its policies over credit card purchases and implement strict guidelines to follow its ordinance when purchases meet the requirements of obtaining quotes or competitive bids. (See PDF Page 80)	SD	N/A	N/A	Yes
		<u>2015-03 - Licenses and Permits:</u> The auditors noticed several discrepancies and internal control weaknesses, when testing of licenses and permits, as follows: (1) subsidiary ledgers for licensing and permitting functions do not interface with the general ledger, and (2) the Town periodically receives cash payments for licenses and permits and there are little to no controls over such receipts and the safeguarding of these payments. Amounts received are not consistently posted and deposited daily. The auditors recommend the Town implement an automated system which allows interface between the permitting and licensing function and the financial reporting function and implement a centralized cash register system which interfaces with the financial reporting functions and ensures daily entry and deposit of amounts received. (See PDF Page 80)	SD	2016 (FY 2013-14)	The Town has added personnel in the Building Department, thereby lessening the work load and increasing internal controls. The Town has also published a RFP for information system software, with requirements for a fully integrated system which will link all departments including licensing and permits to the financials. A provider has been chosen, and the Town expects to agree to a contract at the March 2016 Council meeting. Implementation is expected to take upwards of six months.	Yes

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Town of Melbourne Village	Brevard County	<u>Finding 001 - Year-End Accounting Procedures</u> : The Town has not yet developed a process for year-end closing procedures that includes required tasks and completion dates well in advance of the state's June 30 deadline. The financial statements and notes have not been provided to the Town's internal reviewer to permit sufficient oversight, nor has the auditor received the data in a timely enough manner to complete the audit within a reasonable number of hours per day. The auditor recommends that the Town develop a year-end closing procedure that: (1) defines each task with the required completion dates for each and (2) identifies who performed the task and the date it was completed for submission to the Mayor or his designee; for all pre-compilation and post-compilation duties. (See PDF Page 43)	MW	2016 (FY 2013-14)	The Town has undertaken to develop a schedule for year-end closing procedures by the end of FY 2016-17. The schedule will define each task with the required completion dates for each and identify who performed the task and the date it was completed for submission to the Mayor or his designee.	Yes
City of Miami	Miami-Dade County	<u>ML 2014-06 - Change Management</u> : Network changes are not being formally documented on a consistent basis as required by the City's established policies and procedures. The auditors recommend that management adhere to its change management program and policies which requires proper documentation for all changes to the City's IT systems. (See PDF Page 266)	N/A	N/A	N/A	Yes
		<u>ML 2015-01 - Use of Restricted Resources</u> : The City is not expending available capital project bond proceeds in a timely manner. The auditors recommend that management develop a plan and budget appropriately to allow for the utilization of available bond proceeds to fund allowable City projects. Additionally, the City should establish defined funding timelines for individual capital projects, prior to obtaining debt financing to fund such projects. (See PDF Page 260)	N/A	N/A	N/A	Yes

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City of Midway	Gadsden County	<u>13-08 - General Fixed Assets</u> : The City had not taken a complete physical inventory of property and equipment. The City also did not include an ID number for each item. The auditors recommend each property and equipment item be tagged with an ID number and the ID number be included on the physical inventory list. The inventory should be compared to the City's property records and differences should be communicated to the City Council for proper disposition. See audit report for additional details. (See PDF Page 49)	N/A	2016 (FY 2013-14)	The City has hired additional personnel to complete a physical inventory of all City property and equipment. Each item inventoried will be tagged with an ID number to be included on a physical inventory list. A report will be presented at the City annual budget hearing noting any discrepancies between physical inventory and detailed property records.	Yes
		<u>13-01 - Prepare Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP) and Significant Adjustments</u> : There were certain material adjustments that were required to be made to the accounting records subsequent to the start of the audit process. (See PDF Page 49)	MW	2016 (FY 2013-14)	The City hired an outside CPA firm to assist in preparing monthly financial statements, filing of payroll tax returns, the preparation of monthly retirement reports, and the paying of bills. They were not engaged until after the start of FY 2013-14.	Yes
City of Mount Dora	Lake County	<u>2014-1 - Self-Insurance Monitoring</u> : An annual actuarial report should be prepared and submitted each year for the self-insured health insurance program. (See PDF Page 163)	N/A	N/A	N/A	Yes
City of North Miami Beach	Miami-Dade County	<u>2011-1 - Accounts Receivable Management Criteria</u> : Accounts receivable in the Enterprise Funds' trial balances revealed that many questionable items are included in the old balances. Additionally, the accounting system currently is unable to generate aging accounts receivable reports. The auditors recommend the preparation of an aged trial balance each month and an evaluation, for collectability and related valuation, of any balances over sixty days old. See audit report for additional details. (See PDF Page 198)	SD	2016 (FY 2013-14)	In FY 2012-13, the City initiated the process for the purchase of a new financial management system. In August 2014, the City awarded the implementation of the ERP system. The implementation process of the new ERP system has been an ongoing one and full implementation of all phases should be completed within the next three years. On October 6, 2015, the City went live with Phase 1 - Financials of the new ERP system and anticipates completion of the General Billing/Accounts Receivable model by the end of FY 2015-16.	Yes

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City of Oak Hill	Volusia County	<u>ML 2011-04 - Disposition of Restricted Police Funds</u> : The City continues to hold balances of police funds that are exclusively restricted pursuant to Florida Statutes. Since the City no longer operates in the capacity to utilize these funds, all retained amounts should be forwarded to the Sheriff's Department for disposition. (See PDF Page 81)	N/A	2016 (FY 2013-14)	Since the City terminated its local police activities, it has no known way to appropriately and legally dispose of these restricted funds. The City Commission has since taken action to close out and forward these funds to the Volusia County Sheriff's Department (the successor law enforcement agency for disposition).	Yes
		<u>SD01 (2009) - Capital Asset Records and Inventory</u> : The City continues to have difficulty in developing a property control system that includes all data elements necessary in recording and maintaining its investment in capital assets. A physical inventory of the City's personal property items was not performed since many of the records required for current year purchases were not generated. The auditors recommend that the City develop and implement authoritative procedures and policies to make certain that a process of recording and maintaining fixed asset records is put in use and also perform a complete physical inventory of the City's capital assets. The audit report includes additional details. (See PDF Page 75)	SD	2016 (FY 2013-14)	Due the extremely limited staffing capabilities, the City has continued to experience difficulty in developing and maintaining a comprehensive, stand-alone, capital assets inventory system. While the City continues to maintain capital assets inventory listings in the form of detailed depreciation schedules, it does not presently have the necessary human resource capabilities to examine archived prior year files to obtain additional supporting documentation for all prior year asset acquisitions. The City is currently attempting to create complete departmental physical inventories and to develop new and improved procedures to track newly acquired assets. The City is also developing procedures and policies to maintain records of all fixed assets.	Yes
		<u>SD03 (2012) - Uniform Accounting System Manual</u> : There were frequent discrepancies between the account numbers used to identify revenue and expense accounts in the approved budget and the account numbers included in the general ledger. Additional instances of account miscodings were found over various expense accounts, specifically including capital outlay, debt payments and payroll expense accounts. (See PDF Page 77)	SD	2016 (FY 2013-14)	The City is reviewing possible corrective actions in order to update the individual account numbers that were originally developed in the City's QuickBooks software to conform to the current UAS Manual.	Yes

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Town of Oakland	Orange County	<u>12-3 - Capital Asset Inventory</u> : An inventory of the Town's capital asset property for FY 2013-14 was not performed. (See PDF Page 56)	N/A	2016 (FY 2013-14)	Due to limited staff, the Town is seeking options to handle an inventory of all Town property.	Yes
		<u>10-05 - Internal Control over Financial Reporting</u> : Auditors continued to find many financial statement misstatements, some considered material. (See PDF Page 55)	MW	2016 (FY 2013-14)	The Town is still in the process of implementing controls and procedures.	Yes
		<u>11-5 - Approval and Support of Journal Entries</u> : Some journal entries lack adequate documentation and evidence of supervisory review. (See PDF Page 56)	MW	2016 (FY 2013-14)	Due to the size of the Town, the Town is seeking options to correct this finding.	Yes
		<u>10-04 - Payroll</u> : Payroll related activity is still being posted to the general ledger incorrectly and without reconciliation between the accrued liabilities and the actual amounts paid for benefits. (See PDF Page 55)	N/A	2016 (FY 2013-14)	Resolved in FY 2014-15.	Yes
		<u>10-01 - Utility Billing Subledgers should be Reconciled to the General Ledger</u> : It was necessary for the auditors to propose immaterial adjustments to the general ledger control accounts to reconcile them to the detail customer accounts receivable subsidiary ledger. The auditors also noted that a monthly analysis is not taking place as recommended. In the past six audits the auditors have recommended that management implement monthly reconciliations between the detailed utility customer accounts receivable and customer deposit subsidiary ledgers to the general ledger control accounts. (See PDF Page 55)	MW	2016 (FY 2013-14)	The Town is still in the process of implementing internal controls.	Yes
		<u>10-06 - Restricted Cash Monitoring Needs Improvement</u> : The auditors noted that the amount of cash set aside in the water fund was approximately \$83,000 less than required and cash set aside in the general fund was approximately \$497,000 less than required. As noted in previous audit reports, management was not always monitoring the restrictions placed on revenues that are restricted as to use by enabling legislation or contract. (See PDF Page 55)	SD	2016 (FY 2013-14)	Resolved in FY 2014-15.	Yes

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Town of Oakland (continued)	Orange County (continued)	<u>12-4 - Refuse Collection</u> : The Town code of ordinances has not been amended to reflect the refuse collection rates being charged. (See PDF Page 56)	N/A	2016 (FY 2013-14)	Resolved in FY 2014-15.	Yes
Town of Pierson	Volusia County	<u>2012-01 - Utility Billing</u> : The Town's accounts receivable detail report and the customer deposit detail report are not being reconciled to the general ledger accounting system on a monthly basis. The auditors recommend that: (1) the account detail be reconciled to the general ledger and that a member of the Town Council review this reconciliation, and (2) a review be performed on all accounts that are past due in excess of 60 days to ensure that service has been cut off and determine if a lien needs to be recorded on the property. (See PDF Page 41)	SD	2016 (FY 2013-14)	The Town has taken to correcting and reconciling the customer deposits and the customer accounts receivable to the general ledger on a monthly basis and hope to have a compliant response within our next audit.	Yes
Town of Ponce de Leon	Holmes County	<u>2005-04 - Sinking and Reserve Fund Deposits</u> : Sewer and Water Bond covenant requires that, by the 15th of each month, 1/12 of the annual principal and interest debt service requirement be deposited into a sewer sinking fund account and a water sinking fund account. As of fiscal year-end, all required deposits had been made, but not timely. The auditors recommend compliance with the covenant. (See PDF Page 47)	SD	2016 (FY 2013-14)	The finding may never be fully resolved due to limited resources. The Town recognizes that monthly payments are required to be in compliance with the sewer and water bond covenants; however, monthly payments cannot be made at all times. Unexpected expenses that require immediate attention take precedence. The Town has never failed to make the annual debt service payment and will continually strive to make monthly payments in the future.	Yes
		<u>2012-01 - Financial Condition Assessment</u> : The Town's overall financial condition weakened in 2015, due largely to operating losses in the proprietary fund. The auditors recommend management be vigilant in controlling expenses and implementing cost control measures and continue to monitor its financial condition. (See PDF Page 46)	SD	2016 (FY 2013-14)	The overall financial condition of the Town continues to fluctuate. The Town Council continues to be watchful of increased expenses.	Yes

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Town of Ponce de Leon (continued)	Holmes County (continued)	<u>2008-05 - Accrual Basis of Accounting:</u> The Town keeps its books on the cash basis of accounting. Generally accepted accounting principles require the financial statements to be on the modified accrual basis of accounting. The Town does not have a system in place to keep its books on the accrual basis. The auditors recommend the Town convert to the modified accrual basis of accounting. (See PDF Page 48)	MW	2016 (FY 2013-14)	The finding may never be fully resolved due to limited staff and resources. The cash basis method is still being used for its simplicity, being that the Town employs one clerk that is custodian of all books of the Town.	Yes
Town of Ponce Inlet	Volusia County	<u>ML 2012-01 - Financial Condition Assessment Procedures:</u> The Town is continuing to face declining financial position, and the declines appear to be the result of deteriorating financial position. The auditors acknowledge that a significant portion of the Town's decline in liquidity and net reserves for the past three fiscal years can be attributed to the unanticipated and continuing costs of legal services incurred representing the Town as the defendant in a material and ongoing legal proceeding. The auditors continue to recommend that steps should be considered to ensure that the Town is continually monitoring its liquidity and reserve requirements to ensure that it can continue to meet its ongoing operational funding requirements. Additional details provided in audit report. (See PDF Page 113)	N/A	2016 (FY 2013-14)	The Town's decline in liquidity over the past three years, which was the basis for the inconclusive financial assessment result, is attributed to unanticipated and continuing costs incurred for legal services while representing the Town as the defendant in a material and ongoing legal proceeding. The Town Manager and Council continually monitor its liquidity and reserve requirements to ensure that the Town continues to meet its ongoing operational funding requirements. Furthermore, the Town has successfully retained unassigned and assigned fund equity, including amount committed for contingency funding of 25% of the annual operating revenue in the General Fund as of the end of 2014 which is sufficient to provide continued stability during this period.	Yes

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City of Port Orange	Volusia County	<u>2015-009 - Tracking of Electronic Funds Transfers</u> : The City makes some payments via electronic funds transfer (EFT) in place of physical checks, primarily as a means of increased efficiency. Previously, all such transfers are recorded in the general ledger as journal entries, and no specific tracking mechanism was in place for EFT transactions. This was partially corrected during the year, with the City beginning to process recurring EFT transactions through the City's accounts payable system. The auditors recommend all EFT transfers, including nonrecurring transactions, be recorded in the accounting system as an accounts payable check for which a separate numbering sequence can be established. (See PDF Page 150)	N/A	2016 (FY 2013-14)	During FY 2014-15, recurring Electronic Funds Transfers (EFTs) were recorded and tracked through the City's Accounts Payable sub-ledger, instead of through general ledger journal entries. In FY 2015-16, both recurring and non-recurring EFTs are being recorded through the Accounts Payable sub-ledger. This phased approach was necessitated by low staffing and unprecedented turnover in the finance department. The City anticipates its progress on this item will be reflected in this year's report.	Yes
		<u>2015-010 - Consolidation and/or Elimination of Funds</u> : The City has a number of special revenue and capital projects funds for which the funds hold minimal balances and/or had minimal activity during the year. The auditors recommend the City perform an analysis of all open funds and identify any applicable instances in which it may be beneficial to close out the fund for increased efficiency and clarity in financial reporting. (See PDF Page 151)	N/A	N/A	N/A	Yes
City of Quincy	Gadsden County	<u>2013-IC-02 - Bond Compliance</u> : The City is not in compliance with the various provisions of three City revenue bonds. Specifically, the City has failed to: (1) make monthly transfers to debt and interest sinking funds as required by the Bond Ordinance, and (2) set up and fund various other required funds, such as reserve funds, renewal and replacement funds. The City does not always have adequate cash flow to meet all the funding requirements of the debt and interest sinking funds. The auditors recommend that the City review all of the compliance requirements of the various bonds and adhere to those bond requirements. (See PDF Page 94)	MW	N/A	N/A	Yes

MW = Material Weakness (see 2. In Legend)
SD = Significant Deficiency (see 3. In Legend)

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City of Quincy (continued)	Gadsden County (continued)	<u>2013-IC-03 - \$6,000,000 City of Quincy Utility System Revenue Bonds Series 2011</u> : The City is not in compliance with the various provisions of the Bond, specifically with the use of the proceeds. The original intent of the proceeds of the Bond was to finance the acquisition and construction of various capital improvements to the City's Utility System. Prior to the 2015 year, the City's Electric fund borrowed approximately \$1.4 million of the "Smart Grid" cash and transferred it to the General Fund. It has since been classified as an advance to other funds. The auditors recommend that the City review all the compliance requirements of the Bond and adhere to those loan requirements. (See PDF Page 94)	MW	N/A	N/A	Yes
Town of Sneads	Jackson County	<u>00-1 - Fixed Assets</u> : The Town's capital asset records are materially accurate related to cost, date acquired and description. However, they do not provide sufficient required information related to source of funds, restrictions, etc. The deficiency could result in improper use or disposal of equipment or property, possibly in violation of law. The auditors recommend the Town continue to update its capital asset records by reconciling the cost records with a current complete physical inventory. These records should be updated with other required data such as source of funds and restrictions. The Town should not rely on the external auditor to update these records. (See PDF Page 59)	SD	2016 (FY 2013-14)	The Town does not have the personnel or resources at this time to complete these records. This would require many hours of work. The Town has limited staff and funding to overtake a project of this size.	Yes
City of South Daytona	Volusia County	<u>2013-1 - Interfund Receivables</u> : The Water/Sewer Fund owes the General Fund \$1,011,041 at fiscal year-end. The City paid down a substantial portion of the planned payment in 2015. The auditors recommend the City continue to monitor its plan on a monthly basis until the loan has been repaid. (See PDF Page 154)	N/A	N/A	N/A	Yes

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City of St. Cloud	Osceola County	<u>2015-1 - Notice of Event of Default (Stevens Plantation Improvement Project Dependent Special District (the District))</u> : The District was formed in 2003 and is presented as a blended component unit of the City of St. Cloud. In May 2013, the Bond Holders of the District's Revenue Bonds, Series 2003, received a Notice of Event of Default because the Trustee (U.S. Bank National Association) did not receive sufficient payments from the District for the payment of the: (i) interest due on the Bonds on May 1, 2013, and (ii) principal maturity on the Bonds due and payable on May 1, 2013. The amounts on deposit in the Revenue Fund and the Reserve account were insufficient to pay the interest and principal on the Bonds due and payable on May 1, 2013. No subsequent payments have been made since the notice of default. The District is not in compliance with certain provisions of the Bonds. (See PDF Page 157)	N/A	N/A	N/A	Yes
		<u>2015-2 - Stevens Plantation Dependent Special District</u> : The District is included as a blended component unit in the government-wide financial statements of the City. Review of the financial condition of the District indicates the following issues that management needs to continue to address: (1) bonds payable of the District of \$4,460,000 are currently in default, (2) land held for sale is reported in the accounting records at \$3,652,697, which is based on the historic values at which the land was purchased for resale, and (3) the District has obtained interfund borrowings from both the General Fund and OUC Interlocal Agreement Fund to cover the deficit and meet the operating needs of the fund for several years. The auditors provide recommendations for addressing these issues in the audit report. (See PDF Page 162)	N/A	2016 (FY 2013-14)	Describes history of Stevens Plantation Dependent Special District (District) that was created by the City (See response for specifics). During the fiscal year ended September 30, 2015, the District closed on the sale of a portion of the commercial property on which a national brand neighborhood grocery and gas station are being constructed. Additional outparcels on the commercial site are under contract. Looking forward, the District will continue to market the unsold District Lands and explore other avenues to increase interest in the remaining District Lands. It will also continue to pursue restructuring terms and/or document amendments from the bond trustees and bondholders.	Yes

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Town of St. Lucie Village	St. Lucie County	<u>No Number - Organizational Structure</u> : The Town's accounting and administrative staff are small and precludes certain internal controls that would be preferred if the office staff were large enough. The auditors recommend that the Commission remain involved in the financial affairs of the Town to provide oversight and review functions to assist the segregation of duties in the accounting department. (See PDF Page 20)	N/A	N/A	N/A	Yes
City of Starke	Bradford County	<u>2013-03 - Deposits for Utility Services</u> : Some commercial accounts did not have a deposit for utility services. In one instance, a commercial account that typically incurs over \$40,000 per month did not have a deposit with the City. The current policy requires commercial accounts to have a deposit with the City of approximately twice the average monthly assessment. Certain older accounts were in existence prior to this policy change. The auditors recommend the City consider requiring older accounts to have the same deposit requirements as the newer accounts. (See PDF Page 70)	N/A	N/A	N/A	Yes
City of Tallahassee	Leon County	<u>2015-01 - Schedule of Expenditures of Federal Awards and State Financial Assistance</u> : During the audit, adjustments were required to correct the amount of federal and state expenditures reported on the City's Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule). The City's Accounting Services Division relies on information supplied by the program managers in various departments when it prepares the Schedule. The auditors recommend the City consider establishing a position of central responsibility for federal and state grant administration in order to provide an independent review of the information provided by the program managers and perform an oversight function with respect to program compliance. (See PDF Page 210)	N/A	N/A	N/A	Yes

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City of Wauchula	Hardee County	<u>2013-1 - Year End Adjustments</u> : Various adjustments were required to correctly reflect the City's financial position and results of operations. Management has reviewed and approved all of these adjustments or was involved in the process of determining the adjustments. The auditors recommend that the City continue its efforts to improve the monthly closing process and reconciliations of all balance sheet accounts be performed monthly. (See PDF Page 81)	N/A	N/A	N/A	Yes
City of West Miami	Miami-Dade County	<u>2010-1 - Restricted Cash and Customer Deposits</u> : As of fiscal year-end, the City did not have sufficient cash and/or deposits in the Water System Enterprise Fund to restrict for customer deposits. This has been an issue for several years; however, in the current year it is compounded by the fact that the water system fund has a net asset deficit. The auditors recommend the City collect interfund amounts due to the water system fund in an effort to have enough cash to be able to restrict for customer deposits. If this is not feasible during the following year, the City should develop a repayment plan for amounts owed across funds in order to be able to reduce the interfund balance in the water system fund. Most Recent Status: "The deficiency was corrected during fiscal year ending September 30, 2016. Management transferred cash to the water system fund and currently has sufficient funds to restrict for customer deposits." (See PDF Page 79)	N/A	2016 (FY 2013-14)	The City has addressed the finding by designating two bank accounts held in the City of West Miami Water Department public funds. The combination total for the two bank accounts will satisfy the issue of customer's water department for a total of \$200,462.92.	No
Town of Zolfo Springs	Hardee County	<u>2013-3 - Adjustments</u> : Various adjustments were required during the audit process. The auditors recommend that the Town adopt a monthly closing process to ensure accounts are reconciled and adjusted on a monthly basis to ensure accurate and timely financial reporting. (See PDF Page 46)	N/A	N/A	N/A	Yes

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FOOTNOTE/LEGEND:

1. Most of these audits have been conducted by private certified public accountants, as required by Section 218.39(1), Florida Statutes.
2. **Material Weakness (MW)**: a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that one of the following will not be prevented, or detected and corrected, on a timely basis:
 - a. a material misstatement of the entity's financial statements, or
 - b. material noncompliance with a type of compliance requirement.

For example, a deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis.

The severity of the deficiency would determine whether it should be classified as a material weakness, a significant deficiency, or an additional matter.

3. **Significant Deficiency (SD)**: less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Town of Alford	Jackson County	<u>2007-03 - Preparation of GAAP Based Financial Statements:</u> The Town has a capable individual providing bookkeeping services, however, the Town does not have an individual on staff with the accounting education and experience to properly record more complex accounting transactions and prepare financial statement in accordance with generally accepted accounting principles (GAAP). The auditors understand the cost-benefit of hiring someone with this expertise is not practical and, therefore, recommends the Town continue to request outside assistance in recording more complex transactions. (See PDF Page 47)	MW	2013 (FY 2010-11)	States that, due to budget constraints, finding will never be fully resolved; not financially feasible to hire staff with necessary expertise.	Yes
		<u>2007-02 - Segregation of Duties:</u> Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. This is due to the limited number of employees, and certain incompatible duties being performed by the same employee. The auditors recommend that the Town continue to seek ways to strengthen internal control through segregation of duties. (See PDF Page 46)	MW	2013 (FY 2010-11)	Very small rural community with very limited budget and staff; describes some procedures implemented to compensate.	Yes
Town of Altha	Calhoun County	<u>2013-005 - Preparation of Generally Accepted Accounting Principles (GAAP) Based Financial Statements:</u> Financial statements were submitted to the auditors by management that were generated as a by-product of the bookkeeping system. The auditors proposed certain material adjustments to the financial statements, drafted both the financial statements and required note disclosures, and submitted the draft to management for approval. The auditors understand the cost-benefit of hiring someone with the necessary experience to prepare the financial statements is not practical and recommends the Town continue to request outside assistance in recording more complex transactions. (See PDF Page 53)	MW	2014 (FY 2011-12)	This is due to the nature and size of the town, it will not be practical for the staff to prepare financial statements in accordance with GAAP. We do expect to have some help at least at year end to do most of the significant adjustments.	Yes

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Town of Altha (continued)	Calhoun County (continued)	<u>2013-002 - Segregation of Duties</u> : Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. The auditors recommend that the Town continue to seek ways to strengthen internal control through segregation of duties. Specific recommendations include: (1) a responsible official should review all checks and related source documents before signing checks, (2) disbursements should be supported by detailed invoices and approved by an appropriate member of management prior to payment, (3) the Town should maintain a Council approved vendor list, (4) employees should complete timesheets, (5) journal entries should include adequate supporting documentation and be approved by an employee other than the one who prepared the entry, (6) waivers of utility account suspension would be approved by a designated member of the Town Council, and (7) cash collections should be supported by and customers should receive receipts. (See PDF Page 51)	MW	2013 (FY 2010-11)	Describes some procedures implemented to compensate.	Yes
Town of Bell	Gilchrist County	<u>2009-1 - Financial Statement Preparation</u> : The Town is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles, and it does not have the expertise necessary to prevent, detect, and correct misstatements. (See PDF Page 38)	SD	2015 (FY 2012-13)	The Town is a very small government and has used available resources to employ a competent accountant who maintains excellent accounting records and provides monthly financial reports prepared generally on the cash basis. The Town uses an audit firm to utilize these records and prepare annual financial statements. Both staff and Town Council review the reports and formally present it at a scheduled meeting of the Town Council.	Yes

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City of Blountstown	Calhoun County	07-01 - <u>Deficiency Over Financial Reporting</u> : The City has a capable individual providing bookkeeping services; however, the City does not have an individual on staff with the accounting education and experience to properly record more complex accounting transactions and prepare financial statements in accordance with generally accepted accounting principles (GAAP). The auditors acknowledge that the cost-benefit of hiring someone with this expertise is not practical and, therefore, recommends that the City continue to require outside assistance in recording more complex transactions. (See PDF Page 70)	SD	2013 (FY 2010-11)	Size of City and staff not sufficient; City staff doesn't have expertise or resources to prepare financial statements.	Yes
		06-01 - <u>Segregation of Duties</u> : The City continues to have a lack of segregation of duties between employees who have recordkeeping responsibilities and employees with custody of City assets. The auditors have recommended that the City continue to seek ways to strengthen internal control through segregation of duties. (See PDF Page 70)	SD	2013 (FY 2010-11)	Size of City and staff not sufficient; cost/benefit ratio far too great to employ more personnel; have implemented some procedures to compensate.	Yes
City of Bonifay	Holmes County	2010-03 - <u>Analysis of Financial Condition Assessment</u> : Governmental fund revenues have not been sufficient to cover expenditures during the past few years thereby creating a fund balance deficit in the general fund. This causes the City to redirect assets from other funds, primarily the utility funds, to the general fund to sustain its current level of services. The auditors recommend that the City closely monitor general fund revenues and expenditures conserving general fund assets whenever possible. (See PDF Page 48)	SD	2013 (FY 2010-11)	Management is keenly aware of budget constraints facing the City; closely monitoring expenditures, etc.	Yes

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City of Bonifay (continued)	Holmes County (continued)	<u>2010-01 - Financial Statement Preparation Knowledge:</u> Management's lack of knowledge and familiarity with Governmental Accounting and Financial Accounting Standards prohibits the City's personnel from being able to prepare financial statements and note disclosures as required by those standards. The auditors recommend that the City's personnel increase their knowledge of these standards sufficiently to allow them to prepare financial statements including the notes in accordance with generally accepted accounting principles. (See PDF Page 48)	MW	2013 (FY 2010-11)	Sufficient revenue not generated to warrant hiring accountant with such skill level.	Yes
City of Bradenton Beach	Manatee County	<u>2010-1 - Segregation of Duties:</u> The City has an employee who has access to the general ledger system and is also an authorized check signer, which creates a lack of separation of duties. The City does have mitigating controls in place by using dual signatures on checks and a review of financial statements by department head and the City Commission. The auditors recommend that the City continue to utilize the mitigating controls and also consider performing a review of the necessary access to the system for each employee, as well as its authorized signers. (See PDF Page 38)	N/A	2015 (FY 2012-13)	The City recognized that segregation of duties is essential and makes every effort to comply with recommended practices. The City Commissioners, along with the Mayor, have segregated the duties with the Finance Department as much as deemed cost effective for the City. Describes various controls in place to compensate.	Yes
Town of Branford	Suwannee County	<u>2010-1 - Financial Statement Preparation:</u> The Town does not have the expertise necessary to draft the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. (See PDF Page 53)	SD	2014 (FY 2011-12)	We are a very small government and have used our available resources to hire a competent bookkeeper. We do not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements.	Yes

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City of Bristol	Liberty County	<u>2015-001 - Prepare Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP) and Significant Adjustments:</u> Financial statements provided to auditors were generated as a by-product of bookkeeping system. Auditors proposed certain material adjustments to the financial statements, drafted financial statements and related note disclosures required by auditing standards and submitted draft to management for approval. (See PDF Page 49)	MW	2013 (FY 2010-11)	Due to nature and size of city, it would be cost prohibitive to engage separate accounting firm to draft financial statements and related notes.	Yes
Town of Bronson	Levy County	<u>2009-1 - Segregation of Duties:</u> Separation of certain accounting and administrative duties among employees was not considered possible because of the limited number of employees. The auditors recommend that incompatible duties be separated among employees where it is feasible to do so. (See PDF Page 34)	MW	2013 (FY 2010-11)	States that one additional staff added in 2012 and procedures implemented to compensate.	Yes
City of Bushnell	Sumter County	<u>2008-2 - Segregation of Duties:</u> The City operates a small finance, accounting, and customer service department and does not have the resources to properly segregate duties among employees so that no one employee has sole control over approving, recording, and accounting for transactions. The auditors recommend that the City's finance, accounting, and customer service departments continue to develop and, if necessary, expand its current staff to ensure more effective internal control structure over financial reporting. (See PDF Page 117)	SD	2014 (FY 2011-12)	The City did not have sufficient resources to properly segregate duties in finance area in FY 2012-13. An additional employee was transferred to finance at the beginning of FY 2013-14 and assigned duties that would allow proper segregation. However, due to a finance staff illness and subsequent reassignment of some duties, some segregation of duties was eliminated.	Yes
Town of Callahan	Nassau County	<u>2015-002 - Financial Reporting:</u> The auditors proposed material adjustments to the Town's financial statements and assisted in the preparation of the financial statements. The auditors recommend that the Town consider and evaluate the cost and benefits of improving internal controls relative to the financial reporting process. (See PDF Page 49)	MW	2013 (FY 2010-11)	States that measures put in place to ensure all financial activity is captured in accounting records; does not address preparation of financial statements though.	Yes

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Town of Callahan (continued)	Nassau County (continued)	<u>2015-001 - Separation of Duties</u> : Because the Town has a limited number of personnel, it is not always possible to adequately separate incompatible duties so that no one individual has access to both physical assets and the related accounting records or to all phases of a transaction. The auditors recommend that, to the extent possible, given the available number of personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of a transaction. (See PDF Page 49)	MW	2013 (FY 2010-11)	Due to limited staff, not always possible to separate incompatible duties; have separated whenever possible to minimize impact of control deficiency.	Yes
Town of Campbellton	Jackson County	<u>04-01 - Separation of Duties</u> : Custody of assets, recordkeeping, and recording of assets should have adequate separation. Due to the size of the Town, proper separation of duties may not be feasible. The auditor recommends that the Town compensate for this lack of segregation of duties by being conscious of the financial affairs of the Town. The Mayor and/or Council should review all bills before they are paid and evidence their approval on the invoice even though two signatures are required on all checks. (See PDF Page 45)	SD	2013 (FY 2010-11)	Due to budget constraints in a small rural town; describes controls added and procedures implemented to compensate.	Yes
City of Chiefland	Levy County	<u>2015-001 - Segregation of Duties</u> : The City's limited number of available personnel does not always make it possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. (See PDF Page 51)	MW	2013 (FY 2010-11)	States that it's not cost beneficial to hire additional staff; have adopted review and control oversight procedures by management and city commission, where possible.	Yes
City of Clewiston	Hendry County	<u>2009-1 - Internal Control Over Financial Reporting</u> : The City does not currently have the skills and competencies necessary to prepare the financial statements and to prevent, detect, and correct a material misstatement in the financial statements. The auditors recommend that the City develop a strategy to address the material weakness in internal control over financial reporting. (See PDF Page 100)	MW	2013 (FY 2010-11)	Due to limited financial resources and fiscal staffing, may not be resolved in the foreseeable future; have implemented compensating controls where possible.	Yes

MW = Material Weakness (see 2. In Legend)
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Prepared by the Staff of the Joint Legislative Auditing Committee
February 2017

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City of Coleman	Sumter County	<u>2015-1 - Improve Knowledge of Internal Control Over Financial Reporting:</u> The person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording the City's financial transactions or preparing its financial statements. The auditors suggest possible solutions that include training accounting staff, hiring additional staff, or engaging outside consultants or obtaining assistance from knowledgeable volunteers to prepare financial statements in accordance with generally accepted accounting principles. (See PDF Page 60)	SD	2013 (FY 2010-11)	Indicates that cost vs. benefit evaluation made and in city's best interest to outsource this task to outside auditors; not possible to afford salary of a qualified individual.	Yes
		<u>2015-2 - Lack of Segregation of Duties:</u> The small size of the City's accounting staff precludes certain internal controls and separation of duties afforded by a larger staff. The Financial and Operations Manager performs all of the accounting tasks. The auditors recommend that the City implement any practical controls to overcome this inherent weakness in internal control, including that management and the City Council remain closely involved in the financial affairs of the City to provide oversight and independent review functions. (See PDF Page 60)	SD	2013 (FY 2010-11)	Limited personnel and resources; describes some procedures that have been implemented to compensate.	Yes
City of Cottdale	Jackson County	<u>07-1 - Financial Reporting:</u> The City relies on the external auditor to assist with preparing and explaining financial statements in conformity with generally accepted accounting principles. The auditors recommend that the City continue to consider the effects of the cost of developing and benefits of implementing such a system as compared with understanding that, due to the size of its accounting department, it will continue to need external assistance with the preparation and understanding of financial statements in accordance with generally accepted accounting principles. (See PDF Page 50)	MW	2013 (FY 2010-11)	The City does not have an internal auditor; other options reviewed, but not cost effective to hire additional auditor to prepare documents for current auditor.	Yes

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SD = Significant Deficiency (see 3. In Legend)

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City of Cottondale (continued)	Jackson County (continued)	<u>03-1 - Separation of Duties</u> : The City has not designed their internal control system to include sufficient segregation of duties. Staff members having custody of accounting records also have access to assets. The auditors recommend that, due to limited staff numbers, the City should make every effort to allocate duties for recording assets and access to assets among full-time staff, as well as use Council members to provide review and approval procedures where possible. (See PDF Page 50)	SD	2013 (FY 2010-11)	Describes some procedures implemented to compensate.	Yes
Town of Cross City	Dixie County	<u>2015-001 - Separation of Duties</u> : Because of a limited number of available personnel, it is not always possible to adequately separate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records. The auditors recommend that the Town provide compensating controls whenever possible. (See PDF Page 46)	MW	2013 (FY 2010-11)	The Town is working to ensure all appropriate controls are adhered to; due to limited staff, finding may never be fully resolved.	Yes
City of Fellsmere	Indian River County	<u>2014-01 - Review Over Manual Journal Entries</u> : The City lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties related to the review of manual journal entries, and therefore the same individual that prepares journal entries also approves them. Staffing constraints cause a lack of review over manual journal entries booked in the accounting system. The auditors recommend that the City implement a review approval process over the recording of manual journal entries by knowledgeable personnel. (See PDF Page 85)	SD	2013 (FY 2010-11)	Not likely to improve in the near future.	Yes
Town of Fort White	Columbia County	<u>2011-1 - Financial Statement Preparation</u> : The Town staff does not have the expertise and is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. (See PDF Page 43)	SD	2015 (FY 2012-13)	Due to the size of the Town, we do not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements. We will continue to monitor this situation in the future.	Yes

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Town of Glen Saint Mary	Baker County	<u>2015-002 - Financial Reporting</u> : It was necessary for the auditors to propose material adjustments to the financial statements and assist with the preparation of the financial statements. The auditors recommend that the Town consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process. (See PDF Page 47)	MW	2014 (FY 2011-12)	Due to budget constraints it is not feasible to have someone on staff with the knowledge and experience to correctly prepare the financial statements.	Yes
		<u>2015-001 - Separation of Duties</u> : Because of the limited number of personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. The auditors recommend that to the extent possible, given available personnel, steps should be taken to segregate employee duties so no one individual has access to both physical assets and the related accounting records, or all phases of a transaction. (See PDF Page 47)	MW	2013 (FY 2010-11)	Due to budget constraints and small size of Town and staff, Town Council gets copies of check registers each month to review.	Yes
City of Graceville	Jackson County	<u>2007-01 - Financial Reporting</u> : The City relies on the external auditor to assist with preparing and explaining financial statements in conformity with generally accepted accounting principles. The auditors recommend that the City continue to consider the effects of the cost of developing and benefits of implementing such a system as compared with understanding that due to the size of the accounting department, the City will continue to need external assistance with the preparation and understanding of financial statements in accordance with generally accepted accounting principles. (See PDF Page 61)	MW	2013 (FY 2010-11)	City currently has no plan of hiring additional staff or outside consulting due to budget constraints.	Yes

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City of Graceville (continued)	Jackson County (continued)	<u>2006-01 - Separation of Duties</u> : Custody of assets, recordkeeping, and recording of assets should have adequate separation. Due to the City's size, proper separation of duties may not be feasible. The auditors recommend that management remain very active and involved in the day-to-day operations and that controls be established to provide checks and balances. (See PDF Page 61)	SD	2013 (FY 2010-11)	City will continue to operate w/ as much separation of duty as can be achieved w/ limited staff available.	Yes
Town of Grand Ridge	Jackson County	<u>2015-001 - Prepare Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP) and Significant Adjustments</u> : Financial statements that were generated as a by-product of the accounting system were submitted to the auditors by management. The auditors proposed certain material adjustments to these financial statements as a result of the audit, drafted the final financial statements, drafted the disclosures required by professional standards, and submitted the draft to management for approval. (See PDF Page 46)	MW	2013 (FY 2010-11)	States that it would be cost prohibitive to engage another accounting firm to draft financial statements and related disclosures.	Yes
Town of Greensboro	Gadsden County	<u>2015-001 - Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP)</u> : A key element of financial reporting is the ability of management to select and apply the appropriate accounting principles to prepare the financial statements in accordance with GAAP. The Town had no one on staff with sufficient knowledge to prepare GAAP-based financial statements. (See PDF Page 46)	MW	2013 (FY 2010-11)	One-person clerical staff & limited resources; not able to hire staff with such expertise.	Yes

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Town of Greensboro (continued)	Gadsden County (continued)	<u>2015-002 - Segregation of Duties</u> : The same person within the accounting department handled cash and checks, posted receipts and disbursements to the general ledger, and prepared bank reconciliations. The auditors suggested that the Town have another designated person receive all cash and checks and make required deposits and return a summary of receipts along with a validated deposit slip before turning them over to the accounting department. Additional suggestions provided in audit report. (See PDF Page 46)	MW	2013 (FY 2010-11)	One-person clerical staff & limited resources; some compensating controls.	Yes
Town of Greenville	Madison County	<u>2015-001 - Significant Adjustments and Preparation of Financial Statements</u> : Financial statements that were generated as a by-product of the bookkeeping system were submitted to the auditors by management. The auditors proposed certain material adjustments to these financial statements as a result of the audit, drafted the final financial statements, drafted the disclosures required by professional standards, and submitted the draft to management for approval. The auditors acknowledged that, due to the nature and size of the Town, it may not be practical or possible to prepare financial statements and relating notes in accordance with generally accepted accounting principles (GAAP) and management may wish to accept this deficiency or develop compensating controls. Management should also review monthly financial statements for correctness. (See PDF Page 50)	MW	2013 (FY 2010-11)	States that town cannot feasibly prepare or hire another firm to prepare financial statements due to limited funds and staff.	Yes

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Town of Greenville (continued)	Madison County (continued)	<u>2015-002 - Segregation of Duties</u> : One employee should not have access to both physical assets and the related accounting records or to all phases of a transaction. Although the size of the Town's accounting staff prohibits complete adherence to this concept, certain practices, described in the audit report, could be implemented to improve existing internal controls without impairing efficiency. (See PDF Page 50)	MW	2015 (FY 2012-13)	Due to the limited staffing, the Town cannot feasibly have complete segregation of duties. The Town has put into place practices that should help in this area.	Yes
Town of Greenwood	Jackson County	<u>07-01 - Preparation of Generally Accepted Accounting Principles (GAAP) Based Financial Statements</u> : The Town has a capable individual providing bookkeeping services; however, the Town does not have an individual on staff with the accounting education and experience to properly record more complex accounting transactions and prepare financial statements in accordance with GAAP. Management relies on an outside auditor to prepare their annual financial statements including the note disclosures. The auditors recommend that the Town continue to request outside assistance in recording more complex transactions, as the cost-benefit of hiring someone with this expertise is not practical. (See PDF Page 35)	MW	2013 (FY 2010-11)	States that town doesn't have expertise or resources to prepare annual financial statements as required.	Yes
		<u>05-01 - Segregation of Duties</u> : Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedures, was not adequate. This is due to the limited number of employees and certain incompatible duties being performed by the same employee. The auditors recommend that the Town continue to seek ways to strengthen internal control through segregation of duties. (See PDF Page 35)	MW	2013 (FY 2010-11)	Small town - not feasible to hire additional staff; describes some procedures implemented to compensate.	Yes

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Town of Hastings	St. Johns County	<u>2015-002 - General Accounting Records</u> : As part of the audit process it was necessary for the auditors to propose a material adjustment and assist with the preparation of the Town's financial statements, enabling the financial statements to be fairly presented in conformity with generally accepted accounting principles. The auditors recommend that the Town consider and evaluate the cost and benefits of improving internal controls relative to the financial reporting process. (See PDF Page 47)	MW	2013 (FY 2010-11)	Have evaluated cost/benefit and determined that, due to limited budget and staff, it's in town's best interest to outsource task to independent auditors.	Yes
		<u>2015-001 - Separation of Duties</u> : Because of a limited number of available accounting personnel, it is not always possible to adequately segregate incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. The auditors recommend that, to the extent possible given available personnel, that the Town take steps to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of a transaction. (See PDF Page 47)	MW	2013 (FY 2010-11)	Due to limited staff, difficult to separate duties; have implemented some procedures to compensate.	Yes
Town of Hilliard	Nassau County	<u>2009-1 - Financial Statement Preparation</u> : The Town does not have the expertise necessary to prevent, detect, and correct misstatements in the financial statements. Also, the Town is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. (See PDF Page 72)	MW	2013 (FY 2010-11)	Describes procedures implemented to address internal controls issue; however, due to Town's small size, it was a cost-benefit decision to outsource services and rely on auditors' financial expertise rather than incurring internal resource cost to hire staff with such expertise.	Yes
Town of Horseshoe Beach	Dixie County	<u>2011-1 - Financial Statement Preparation</u> : The Town does not have the expertise necessary to prevent, detect, and correct misstatements in the financial statements. Also, the Town is not capable of drafting the financial statements and all required note disclosures in accordance with generally accepted accounting principles. (See PDF Page 44)	SD	2014 (FY 2011-12)	We are a very small government and have used our available resources to hire a competent bookkeeper. We do not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements.	Yes

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Town of Howey-in-the-Hills	Lake County	<u>2015-001 - Financial Reporting</u> : It was necessary for the auditors to propose material adjustments to the Town's financial statements and to assist with the preparation of the financial statements. The auditors recommend that the Town evaluate the costs and benefits of improving internal controls relative to the financial reporting process. (See PDF Page 53)	MW	2013 (FY 2010-11)	The Town will continue to evaluate cost/benefit of adding staff; cannot financially commit at current time.	Yes
Town of Inglis	Levy County	<u>2015-001 - Separation of Duties</u> : Because of the limited number of available personnel, it is not always possible to adequately separate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. The auditors recommend that, to the extent possible given the availability of personnel, the Town implement a system of checks and balances. Steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of a transaction. (See PDF Page 46)	MW	2013 (FY 2010-11)	Small town with one person performing accounting responsibilities; not cost beneficial to hire additional staff; have implemented review and oversight procedures where possible to compensate.	Yes
Town of Interlachen	Putnam County	<u>2007-01 - Preparation of Financial Statements</u> : The Town does not have the expertise to draft financial statements and all required disclosures. The auditors recommend that management may wish to take an active role in the drafting of the financial statements and related disclosures. (See PDF Page 37)	SD	2013 (FY 2010-11)	Town started using an accounting consultant re: various accounting related topics; will continue to look for additional mitigating procedures to address finding.	Yes

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Town of Jennings	Hamilton County	<u>2015-002 - Financial Reporting</u> : There was no one on staff with sufficient knowledge to prepare Generally Accepted Accounting Principles (GAAP) based financial statements or to conclude that the financial statements and related disclosures were complete and presented in accordance with GAAP. Certain adjustments were required to be made to the accounting records subsequent to the start of the auditing process, and management requested that the auditors prepare a draft of the financial statements, including the related footnote disclosures. The auditors acknowledged that there is no practical solution for this finding, as the outsourcing of these services is common for governments of this size and is the result of management's cost benefit decision to outsource rather than incur this internal resource cost. (See PDF Page 61)	SD	2013 (FY 2010-11)	Staff doesn't have sufficient knowledge to prepare GAAP-based financial statements; rely on assistance from external auditors.	Yes
		<u>2015-001 - Separation of Duties</u> : There is an inadequate segregation of accounting duties among personnel. Certain functions are not segregated including collection/deposit of cash and recording of cash receipts and general ledger; cash receipts/disbursements and preparation of bank reconciliation; accounts payable and recording of general ledger and payroll processing and general ledger due to limited staff size. The auditors recommend increased management oversight of the accounting function to mitigate risk. (See PDF Page 61)	MW	2013 (FY 2010-11)	Due to limited staff, may never be able to fully separate duties to eliminate finding; have implemented some procedures to compensate.	Yes
City of LaBelle	Hendry County	<u>2009-1 - Internal Controls Over Financial Reporting</u> : The City does not currently have the skills and competencies necessary to prepare the financial statements and to prevent, detect, and correct a material misstatement in its financial statements. The auditors recommend that the City develop a strategy to address the material weakness in internal control over financial reporting. (See PDF Page 98)	MW	2013 (FY 2010-11)	Due to limited resources and fiscal staffing, may never be able to fully resolve finding; auditors have helped staff learn how to calculate and create a majority of year-end adjustments needed for financial statements.	Yes

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Town of Lake Hamilton	Polk County	<u>2009-1 - Separation of Duties</u> : There is a lack of separation of duties. Administrative personnel continue to perform conflicting duties due to a limited number of personnel. The auditor recommends that the Town consider hiring additional staff to provide additional control. (See PDF Page 42)	MW	2013 (FY 2010-11)	Due to limited staff and lack of funding - may never be able to fully separate duties to eliminate finding.	Yes
City of Lawtey	Bradford County	<u>2015-2 - Financial Reporting</u> : The City does not have someone on staff to prepare the financial statements including disclosure in accordance with generally accepted accounting principles and to record complex adjustments resulting in a significant deficiency under professional standards. The auditor recommends the hiring of an experienced independent accountant to address this finding. (See PDF Page 41)	MW	2013 (FY 2010-11)	States that it would be a financial hardship to hire someone to perform such duties; current approach is most cost effective one for the City.	Yes
		<u>2015-1 - Separation of Duties</u> : Due to limited personnel, the City does not adequately separate the duties in the accounting department. The auditor recommends that the City hire an experienced independent accountant to perform monthly bank reconciliations, assist in reconciling other material accounts, and review financial statements for obvious errors. (See PDF Page 41)	MW	2013 (FY 2010-11)	Due to limited personnel and limited financial resources, the City doesn't have sufficient staff to adequately separate duties; have implemented some procedures to compensate.	Yes
City of Macclenny	Baker County	<u>2015-2 - Financial Reporting</u> : It was necessary for the auditors to propose material adjustments to the City's financial statements and to assist with the preparation of the financial statements. The auditors recommend that the City consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process. (See PDF Page 64)	MW	2013 (FY 2010-11)	Will continue to train key personnel responsible for financial statement preparation; believe that new software implemented will make some adjustments easier for staff to prepare; may never be resolved due to limited staff.	Yes

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City of Macclenny (continued)	Baker County (continued)	<u>2015-1 - Separation of Duties</u> : Because of the limited number of available accounting personnel, it is not always possible to adequately separate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. The auditors recommend that, to the extent possible given available personnel, steps be taken to segregate employee duties so no one individual has access to both physical assets and the related accounting records, or all phases of a transaction. (See PDF Page 63)	MW	2013 (FY 2010-11)	Due to limited financial resources, the City doesn't have sufficient staff to adequately separate duties; have implemented new financial software, as well as some procedures to compensate; may never be resolved due to limited staff.	Yes
City of Madison	Madison County	<u>2012-1 - Financial Statement Preparation</u> : The City does not have the expertise necessary to prevent, detect, and correct misstatements in the financial statements or to draft the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. (See PDF Page 74)	N/A	2016 (FY 2013-14)	The City is a very small government and have used our available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports prepared generally on the cash basis. Both staff and the City Commission review the annual financial reports and have the opportunity to ask the auditor any questions. At this time, the City does not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements.	Yes
Town of Malone	Jackson County	<u>07-01 - Financial Reporting</u> : The Town relies on the external auditors to assist with preparing and explaining financial statements in conformity with generally accepted accounting principles (GAAP). The auditors recommend that the Town continue to consider the effects of the cost of developing and benefits of implementing such a system as compared with understanding that, due to the size of its accounting department, it will continue to need external assistance for the preparation and understanding of financial statements in accordance with generally accepted accounting principles. (See PDF Page 44)	MW	2013 (FY 2010-11)	Limited resources; not cost effective for Town to prepare financial statements in accordance with GAAP.	Yes

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Town of Malone (continued)	Jackson County (continued)	<u>04-01 - Separation of Duties</u> : Custody of assets, recordkeeping, and recording of assets should have adequate separation. Due to the size of the Town, proper separation of duties may not be feasible. The auditors recommend that management remain very active and involved in the day-to-day operations. (See PDF Page 44)	SD	2013 (FY 2010-11)	Due to small staff and limited resources; mayor and town council are actively involved and will continue to be involved.	Yes
City of Marianna	Jackson County	<u>03-01 - Segregation of Duties</u> : There is a lack of separation of duties between employees who have recordkeeping responsibilities and employees in custody of City assets. The auditors acknowledge that, due to the size of the City's administrative staff, it is difficult to achieve ideal separation of duties. However, the City should be aware of this internal control weakness and attempt to separate recordkeeping duties from custody of assets as much as possible. (See PDF Page 102)	SD	2013 (FY 2010-11)	Due to financial pressures and lack of funding, cost/benefit ratio is far too great to employ more personnel to adequately separate duties; have implemented procedures to compensate.	Yes
Town of Mayo	Lafayette County	<u>2011-1 - Financial Statement Preparation</u> : The Town does not have the expertise necessary to draft the financial statements and required footnotes in accordance to generally accepted accounting principles. (See PDF Page 59)	SD	2015 (FY 2012-13)	The Town is a very small government with a competent bookkeeper on staff that maintains excellent accounting records and provides accurate monthly financial reports to the Mayor and Town Council. At this time, the Town does not intend to staff a full or part time accountant to prepare the annual financial statements.	Yes

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Town of Medley	Miami-Dade County	<u>2015-01 - Supervisory Review</u> : Due to the small size of the entity, there is a lack of separation of duties in some accounting and financial reporting functions. Although quarterly financial statements are provided to the Mayor and the Town Council, they are not approved. Journal entries can be prepared, entered, and posted by one individual without review or approval. The auditors recommend that the Mayor and Town Council establish a periodic review and approval of the Town's financial statements and a system of review and approval for nonstandard journal entries be implemented. (See PDF Page 79)	MW	2013 (FY 2010-11)	Due to small size of finance department, not always practicable to have journal entries reviewed; have implemented some compensating controls.	Yes
Town of Micanopy	Alachua County	<u>2011-1 - Financial Statement Preparation</u> : The Town does not have the expertise necessary to prevent, detect, and correct misstatements in the financial statements or draft the financial statements and required footnotes in accordance with generally accepted accounting principles. (See PDF Page 43)	SD	2015 (FY 2012-13)	The Town is a very small government and has used available resources to employ a competent accountant who maintains excellent accounting records and provides accurate financial reports prepared generally on the cash basis. The Town has confidence in the audit firm to utilize these records and prepare annual financial statements. The Town has recently hired a Town Administrator who is a competent accountant and will be able to take responsibility for the financial report preparation and review, which will clear up this finding in the future.	Yes

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City of Moore Haven	Glades County	<u>2015-001 - Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)</u> : The City does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and related note disclosures are complete and presented in accordance with GAAP. The auditors recommend that management continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial. (See PDF Page 91)	MW	2013 (FY 2010-11)	Due to limited resources, the City feels it is cost prohibitive to hire an employee or consultant in order to resolve finding.	Yes
		<u>2015-002 - Audit Adjustments</u> : It was necessary for the external auditors to propose audit adjustments to revise the City's books at year-end. These adjustments involved the recording of accruals, reclassifications of revenues and disbursements to the proper accounts, and fund balance reclassifications. The auditors acknowledge that this material weakness is already known to management and represents a conscious decision by management and the Council to accept that degree of risk because of cost or other considerations. (See PDF Page 91)	MW	2013 (FY 2010-11)	Due to limited resources, the City feels it is cost prohibitive to hire an employee or consultant in order to resolve finding.	Yes
City of Oak Hill	Volusia County	<u>SD02 (2009) - Segregation of Duties</u> : Due to the limited number of staff working with the administrative and finance departments, many of the critical duties are combined with virtually no managerial oversight or control. Presently, a single individual performs the majority of the accounting functions. The auditors continue to recommend the City complete formal written accounting policies and procedures. The auditors also suggest that the segregation of duties be reviewed and adjusted where possible to strengthen the system of internal control. (See PDF Page 76)	SD	2013 (FY 2010-11)	The City doesn't have the ability to separate accounting functions due to limited staffing and financial resources; will continue to explore options to separate the important finance functions and duties to further strengthen internal controls.	Yes

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Town of Orchid	Indian River County	<u>2015-001 - Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP) and Significant Audit Adjustment:</u> It was necessary for the auditors to propose several significant adjustments (which were approved and posted by management) to adjust the Town's general ledger to the appropriate balances. The Town lacks complete internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task. The auditors recommend that the Town reconcile all general ledgers to subsidiary detail at least on a quarterly basis in order to have a more accurate financial picture throughout the year. (See PDF Page 37)	SD	2016 (FY 2013-14)	Working with the auditors, the Town has developed or modified procedures and processes that maximize the Town's ability to segregate financial function with a small office and address the internal controls necessary for the preparation of the financial statements. The Town is currently in the process of reconciling all accounts and making adjusting entries as required. A new process will allow Town staff to correctly record fixed assets and depreciation. Journal entry procedures have been corrected to provide segregation of functions and improved documentation.	Yes
		<u>2015-003 - Segregation of Duties:</u> The Town lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. The Town has several accounting functions that are performed by the same individual and are not subject to a documented independent review and approval. The auditors recommend that the Town mitigate the risk by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible. (See PDF Page 39)	SD	2013 (FY 2010-11)	Due to limited staff (2 full-time and 1 part-time), unlikely that finding will ever be fully resolved; describes procedures implemented to compensate.	Yes
City of Panama City	Bay County	<u>2007-1 - Segregation of Duties - Component Unit - Panama City Downtown Improvement Board:</u> Due to the limited number of people working in the Panama City Downtown Improvement Board office (a component unit of the City), many duties are combined and assigned to the available employees. The auditors recommend that the segregation of duties be reviewed and adjusted where possible to strengthen the system of internal control. (See PDF Page 219)	SD	2013 (FY 2010-11)	Due to limited staff and funding, separation of duties will always be a concern; describes some procedures implemented to compensate.	Yes

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City of Parker	Bay County	<u>15-01 - General Accounting Records</u> : Significant adjustments to the financial records were necessary in order for the financial statements to conform to generally accepted accounting principles (GAAP). (See PDF Page 63)	MW	2016 (FY 2013-14)	This finding may never be fully resolved due to the limited staff and resources of our small City. The City has hired a new bookkeeper who has made significant progress in correcting some previous poor practices. Management is reviewing the adjustments by the bookkeeper and the auditors. While there will continue to be adjustments needed from our auditors, those should be decreasing for this year's and following years' audits.	Yes
		<u>15-02 - Separation of Duties</u> : Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate to reduce the risk of fraud or misappropriation of assets to an acceptable level. (See PDF Page 64)	MW	2016 (FY 2013-14)	This finding may never be fully resolved due to the limited staff and resources of our small City. The City has segregated an instance of an employee handling accounts receivable from the ability to be a backup for accounts payable and have removed the Clerk's ability to do financial system transactions for receivables and payables.	Yes
City of Paxton	Walton County	<u>2015-01 - Financial Reporting</u> : The City does not have personnel with sufficient knowledge to analyze complex transactions to ensure that all transactions were properly recorded in the accounting records or to prepare financial statements in accordance with generally accepted accounting principles. (See PDF Page 47)	SD	2014 (FY 2011-12)	The City does not have anyone on staff to prepare GAAP-based financial statements. With the small size of the City and budget constraints, employing a full-time accountant is not practical; we will continue to rely on external auditors.	Yes
		<u>2015-02 - Separation of Duties</u> : Due to the small size of the City, the accounting and administrative staff are precluded from performing certain internal controls that would be preferred. (See PDF Page 47)	SD	2014 (FY 2011-12)	The City is small, with limited staff, and complete segregation of duties is not always possible. The City does separate duties to the extent possible.	Yes

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Municipality	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Town of Penney Farms	Clay County	<u>2011-1 - Financial Statement Preparation</u> : The Town does not have the expertise necessary to prevent, detect, and correct misstatements in the financial statements or draft financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. (See PDF Page 48)	SD	2013 (FY 2010-11)	Due to small size of entity, expense to employ an accountant not justified at this time.	Yes
Town of Pierson	Volusia County	<u>2009-01 - Financial Statement Preparation</u> : Management requested the auditors to prepare a draft of the financial statements, including the related notes to the financial statements. (See PDF Page 41)	MW	2013 (FY 2010-11)	Limited staffing; Town Clerk does prepare financial reports for financial statements to be completed.	Yes
		<u>2009-02 - Segregation of Duties</u> : The Town Clerk is responsible to all accounting functions. Monthly financial statement balances should be reviewed by a council member or another employee of the Town. They should be reviewed by someone who can determine whether the balances are reasonable. Additionally, bank statements should be received by a council member or someone independent of cash receipts and disbursements and canceled checks should be reviewed for unusual items. (See PDF Page 42)	MW	2013 (FY 2010-11)	Limited staffing; difficult to separate duties since only 2 people in Town office; Chairman of Town Council now provided with monthly financial statements and bank statements for review.	Yes
Town of Pomona Park	Putnam County	<u>2009-IC-1 - Segregation of Duties</u> : Because of the number of personnel in the finance department, there is a lack of separation of duties between employees that prepare the transaction and those that review the transaction. (See PDF Page Part 2, Page 12)	SD	2013 (FY 2010-11)	Due to small staff size, finding will most likely not be resolved for many years; letter attached describes some procedures implemented to compensate.	Yes

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Town of Ponce de Leon	Holmes County	<u>2007-04 - Financial Statement Preparation</u> : There is no Town personnel with experience, background, and knowledge of the governmental accounting and financial accounting standards to prepare the financial statements internally, including full note disclosures as required by those standards. The auditors recommend that Town personnel continue to develop their knowledge of generally accepted accounting principles in order to ultimately prepare or provide technical reviews of the financial statements. (See PDF Page 47)	MW	2013 (FY 2010-11)	Town Council has been advised by external auditor of reporting requirements; trying to address issue, but for foreseeable future will continue to rely on external auditors to prepare financial statements.	Yes
		<u>2005-02 - Separation of Duties</u> : The Town lacks sufficient personnel to appropriately separate all accounting functions. The auditors recommend that the Council implement detection controls independent of the Clerk, to monitor daily activities. (See PDF Page 46)	MW	2013 (FY 2010-11)	Town operates on a very limited budget and has only one clerical employee; Town Council reviews financial statements and bank reconciliations monthly; Chairman monitors all expenditures weekly.	Yes
Town of Sewall's Point	Martin County	<u>2011-1 - Organizational Structure</u> : The size of the Town's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum separation of duties. The auditors recommend that the Commission/Town Manager remain involved in the financial affairs of the Town to provide oversight and independent review functions, along with the continued efforts of the Town staff. (See PDF Page 43)	N/A	2013 (FY 2010-11)	Describes procedures implemented to compensate for Town's small size.	Yes

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Town of Sneads	Jackson County	<u>07-1 - Financial Reporting</u> : The Town relies on the external auditor to assist with preparing and explaining financial statements in conformity with generally accepted accounting principles. The auditors recommend that the Town continue to consider the effects of the cost of developing and benefits of implementing such a system as compared with understanding that, due to the size of its accounting department, it will continue to need external assistance with the preparation and understanding of financial statements in accordance with generally accepted accounting principles. (See PDF Page 60)	MW	2013 (FY 2010-11)	Limited resources; costs still not in Town's budget capabilities to correct this problem.	Yes
City of Sopchoppy	Wakulla County	<u>15-01 - Preparation of Financial Statements</u> : The City relies on the external auditors to assist with preparing and explaining financial statements in conformity with generally accepted accounting principles. The auditors recommend no change because it would be cost prohibitive for the City to engage another accounting firm to draft the financial statements and related disclosures in advance of year-end audit procedures. (See PDF Page 48)	SD	2013 (FY 2010-11)	No cost benefit to City in hiring a CPA solely for purpose of drafting financial statements ahead of year-end audit procedures.	Yes
City of St. Marks	Wakulla County	<u>2015-01 - Segregation of Duties - Utility Department</u> : The same person within the accounting department handled cash and checks and posted receipts and disbursements to the general ledger. The auditors recommend that the City have another designated person receive all cash and checks and to make required deposits and return a summary of receipts along with a validated deposit slip before turning them over to the accounting department. The auditor also noted that utilities are not being cut off in accordance with policy for non-payments. (See PDF Page 44)	MW	2013 (FY 2010-11)	The financial resources of the City are limited due to its size; two employees are employed who must perform all accounting duties. The City will try to segregate duties whenever possible. The City has also engaged another outside CPA firm to assist in bank reconciliations and budget versus actual comparisons to present for the City Council on a monthly basis.	Yes

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Municipality	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
City of Trenton	Gilchrist County	<u>2009-1 - Financial Statement Preparation</u> : The City does not have the expertise necessary to prevent, detect, and correct misstatements in the financial statements and related notes or draft the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. (See PDF Page 61)	SD	2015 (FY 2012-13)	The City is a very small government and has used available resources to employ a competent accountant who maintains excellent accounting records and provides accurate monthly financial reports generally on the cash basis. The City has confidence in the audit firm to utilize these records and prepare annual financial statements. At this time, the City does not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements.	Yes
City of Waldo	Alachua County	<u>2011-1 - Financial Statement Preparation</u> : The City does not have the expertise necessary to prevent, detect, and correct misstatements in financial statements. The City is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. (See PDF Page 52)	SD	2014 (FY 2011-12)	The City is a very small government and has used available resources to hire a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports generally on the cash basis. The City does not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements.	Yes
Town of Wausau	Washington County	<u>2010-02 - Financial Statement Preparation</u> : The Town's finance officer lacks the experience, background and knowledge of governmental accounting and financial accounting standards to prepare the Town's financial statements including all note disclosures in accordance with generally accepted accounting principles. The auditors recommend that Town personnel continue to develop their knowledge of generally accepted accounting principles in order to prepare the financial statements and that a current disclosure checklist from the AICPA be used to ensure propriety and completeness of the footnotes. (See PDF Page 56)	MW	2013 (FY 2010-11)	Will continue to provide educational opportunities for employees to increase knowledge in areas that are lacking.	Yes

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Municipality	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Town of Wausau (continued)	Washington County (continued)	<u>2010-01 - Segregation of Duties</u> : The Town lacks sufficient clerical personnel to design and implement adequate separation of duties. The Town presently employs only one full-time clerical employee. This individual's responsibilities include billing, collecting, receipting, depositing and recording all revenues. Additionally, she is also responsible for preparing and documenting all disbursements. The auditors recommend that the Mayor and/or Council monitor daily activities. (See PDF Page 56)	MW	2013 (FY 2010-11)	Limited resources; this is and will be an ongoing situation; one-person operation; describes some procedures implemented to compensate.	Yes
City of Wewahitchka	Gulf County	<u>2011-1 - Financial Statement Preparation</u> : The City does not have the expertise necessary to prevent, detect, and correct misstatements in the financial statements. The City is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. (See PDF Page 56)	SD	2013 (FY 2010-11)	Small staff; will continue to request outside assistance needed in reporting more complex transactions.	Yes
City of Wildwood	Sumter County	<u>2015-001 - Financial Reporting</u> : The auditors proposed material adjustments to the City's financial statements. Also, it was necessary for the auditors to assist the City with the preparation of the financial statements. The auditors recommend that the City consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process. (See PDF Page 57)	MW	2013 (FY 2010-11)	Costs outweigh benefits; it is in City's best interest to continue to outsource task to auditors; due to additional cost that would have to incur to resolve finding.	Yes
Town of Windermere	Orange County	<u>15-01 - Internal Controls Over the Preparation of Financial Statements</u> : The Town does not have the necessary expertise to draft the financial statements without assistance from the auditors. The auditors recommend continued training of existing staff to improve financial reporting. (See PDF Page 48)	SD	2015 (FY 2012-13)	Due to the size, limited staff and resources of our small entity, management acknowledges and accepts this deficiency.	Yes

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Town of Yankeetown	Levy County	<u>2015-001 - Separation of Duties</u> : Because of the limited number of available personnel, it is not always possible to adequately separate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. The auditors recommend that the Council provide ongoing monitoring procedures to help mitigate this internal control deficiency. (See PDF Page 44)	MW	2013 (FY 2010-11)	Due to small size of Town, all accounting responsibilities are performed by one person; Town has adopted review and oversight procedures by management and Town Council, where possible, to compensate; not cost beneficial to hire additional staff needed to eliminate finding.	Yes

FOOTNOTE/LEGEND:

1. Most of these audits have been conducted by private certified public accountants, as required by Section 218.39(1), Florida Statutes.
2. **Material Weakness (MW)**: a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that one of the following will not be prevented, or detected and corrected, on a timely basis:
 - a. a material misstatement of the entity's financial statements, or
 - b. material noncompliance with a type of compliance requirement.

For example, a deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis.

The severity of the deficiency would determine whether it should be classified as a material weakness, a significant deficiency, or an additional matter.

3. **Significant Deficiency (SD)**: less severe than a material weakness, yet important enough to merit attention by those charged with governance.

SPECIAL DISTRICTS

**Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
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Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Aberdeen Community Development District	St. Johns County	<u>2015-01 - Reserve Requirement</u> : The Debt Service Reserve Requirement for the Series 2005 Bonds was not met at fiscal year-end. (See PDF Page 34, also see Revised Management Letter, PDF Page 1)	N/A	2016 (FY 2013-14)	Describes history and current status of the District; landowners failed to pay debt service special assessment; as a result, District filed foreclosure actions and was granted final judgments of foreclosure in late 2011; landowners filed for bankruptcy and mediation conferences have been held during 2014. On February 25, 2015, the Bankruptcy Court approved a global settlement agreement between the parties and the case was dismissed. Pursuant to this agreement, a new developer purchased the defaulted land and related Series 2005A and Series 2006 Bonds (Bonds). The District, new developer/bondholder, and Trustee negotiated the restructuring of the Bonds. The Restructuring and Cancellation was effective September 1, 2015, at which time the Bonds were no longer in default.	Yes
Amelia Concourse Community Development District	Nassau County	<u>2012-01 - Reserve Requirement</u> : The Debt Service Reserve Requirement was not met at fiscal year-end. (See PDF Page 35)	N/A	2016 (FY 2013-14)	The prior year response described the history and status of the District; the Special Purpose Entity (SPE) that was created to hold foreclosed property continued to fund its share of the District's operating and maintenance costs and was actively marketing the property for resale. After the sale of the property, the net proceeds from the sale will be paid to the bondholders. Most recent status: On October 26, 2015, the District approved a purchase and sale agreement between the SPE and a developer for the developer to acquire all remaining undeveloped land within the District in two transactions. The first transaction closed on January 15, 2016. Until the second transaction is completed, the SPE will continue to fund a portion of the District's operating and maintenance costs. As a result of the acquisition, the District's audit comments should be eliminated from future audit reports.	Yes

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Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Amelia Concourse Community Development District (continued)	Nassau County (continued)	<u>2012-02 - Financial Condition Assessment</u> : The District's financial conditions continue to deteriorate, and the future of the project remains uncertain. The Debt Service Fund has reported deficit fund balances at the end of the last four fiscal years. Nonpayment of assessments by the former developer caused there to be insufficient funds available to make certain required debt service payments. During the prior fiscal year, the District made all past due principal payments, as well as the prior year payment. However, during the current fiscal year, the District did not make the current year principal payment, pay any of the past due interest, or make the full payment of current year interest due. Additionally, the District had a net deficit fund balance in the Debt Service Fund at fiscal year-end. (See PDF Page 36)	N/A	2016 (FY 2013-14)	See response for Finding # 2012-01 above.	Yes

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Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Arlington Ridge Community Development District	Lake County	<u>IC2010-01 - Debt Administration</u> : The District is not in compliance with certain provisions of its bond Indenture including those relating to: (1) collecting assessments to provide payment of debt service; (2) maintaining adequate funds in debt service reserve accounts; and (3) making its semi-annual debt service principal and interest payments. (See PDF Page 37)	N/A	2016 (FY 2013-14)	At the Bondholder's direction, the District created a Special Purpose Entity (SPE) to take title to the foreclosed property and hold it for the benefit of the District and the Bondholder. Foreclosure of the assessment lien on the property did not affect the principal amount of Bonds allocated to that property from a financial perspective and the interest continued to accrue thereon until such sale. However, since the foreclosure there are no longer debt special assessments due from or on that property and the amount of total principal and interest to be paid from the property is determined at the time of the property's disposition from the SPE and will be distributed pursuant to the Tri-Party Agreement. On September 30, 2015, the land held by the SPE was sold, and the funds were disbursed per the Try-Party Agreement and the principal and interest due from the property was written down. On March 31, 2016, the forbearance terms were satisfied, and the District expects the findings to now be remedied.	Yes
Aucilla Area Solid Waste Administration	Dixie County, Jefferson County, Madison County, Taylor County	<u>2013-1 - Financial Statement Preparation</u> : The Administration is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. (See PDF Page 33)	SD	N/A	N/A	Yes
Business Improvement District of Coral Gables	Miami-Dade County	<u>A-03 - Proper Cut Off of Expenditures</u> : The District's internal controls over financial reporting are not adequate to ensure that expenditures are recorded in the proper accounting period. The auditors recommend that the executive director review the accrued expenditures on a quarterly basis to ensure they are recorded in the proper accounting period and make adjusting journal entries on a quarterly basis as necessary. (See PDF Page 28)	SD	N/A	N/A	Yes

MW = Material Weakness (see 2. In Legend)
SD = Significant Deficiency (see 3. In Legend)

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Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
CFM Community Development District	Lee County	<u>IC2010-1 - Debt Administration</u> : At fiscal year-end, the District was not in compliance with certain provisions of its Debt Service Bond indenture, including: (1) collecting amounts to provide payment of debt service; (2) maintaining adequate funds in debt service reserve accounts; and (3) making its semi-annual debt service principal and interest payments. (See PDF Page 31)	N/A	2016 (FY 2013-14)	Describes history and current status of the District; a Special Purpose Entity (SPE) was formed by the Trustee and the Bondholders to take ownership of the undeveloped land subject to certain delinquent debt service assessments. Certain debt service assessments remain delinquent and, once collected, will be used to pay past due debt service payments. At this time, it is uncertain if the debt service reserve will be replenished. Efforts of the District and the Bondholders to remedy this finding are ongoing.	Yes
Chapel Creek Community Development District	Pasco County	<u>12-01 - Failure to Make Debt Service Payments When Due</u> : In current and prior years, the District did not pay all of the principal and interest due on the Series 2006A Bonds. At fiscal year-end, the District was not in compliance with the requirements of the Bond Indenture and has met a financial emergency condition described in Florida Statutes. (See PDF Page 36)	N/A	2016 (FY 2013-14)	The Trustee, on behalf of the bondholders, created a Special Purpose Entity (SPE) to own, manage, and dispose of the land purchased at a tax deed sale. The District, Trustee, and SPE entered into a tri-party agreement whereby the SPE assumed responsibility for the prior year debt service assessments owed to the District related to the land owned by the SPE. The Trustee has temporarily deferred payment of the principal and interest on the bonds and had directed the District to defer collection of debt service assessments until such time as the District receives notice from the Trustee to the contrary.	Yes
		<u>12-03 - Failure to Include Component Unit Financial Statements in the Financial Report</u> : The District did not include the Special Purpose Entity (SPE) New Chapel Creek, LLC as a component unit in the District's financial report as required by generally accepted accounting principles. (See PDF Page 35)	MW	2016 (FY 2013-14)	Management does not agree that the SPE should be included as a blended component unit on the government-wide financial statements. It is the position of the auditor that it should be included. The finding will not be resolved until the SPE has sold the property it holds and is dissolved.	Yes

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Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Chapel Creek Community Development District (continued)	Pasco County (continued)	<u>12-04 - Land Held for Resale Not Recorded:</u> No appraisal was performed on the land held for resale owned by the Special Purpose Entity (SPE) Chapel Creek CDD Holdings, LLC. As a result, the market values of the land could not be determined at fiscal year-end, and no amount was recorded in the financial statement for this asset. (See PDF Page 35)	MW	2016 (FY 2013-14)	No appraisal was performed on the land owned by the SPE. Due to this the market value of the land could not be determined and no amount was recorded in the financial statements for the asset.	Yes
City Center Community Development District	Polk County	<u>2015-01 - Failure to Meet Debt Service Reserve Account Requirements:</u> The District did not adequately meet the reserve requirements on the Series 2005A and 2007A Special Assessment Revenue Bonds as set forth in the Trust Indenture. (See PDF Page 33)	N/A	2016 (FY 2013-14)	Following five years of litigation and bankruptcy proceedings, the District's bondholders acquired title to the former developer's property in September 2014, and began the process of restoring the District's financial condition. As of April 2015, the District received sufficient funding to bring its outstanding accounts current and resume relatively normal operations. Some, but not all, of the District's bonded indebtedness was also restructured. Further, the District entered into a formal Forbearance Agreement with the bondholders and the successor landowner for the purpose of suspending payment obligations under the bond indenture until March 25, 2017, which provides time for the successor landowner to reposition the property for sale. The Board of Supervisors anticipates that, upon sale of the property, the bond indebtedness will be restructured and the District's financial condition will be restored.	Yes

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Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
City Center Community Development District (continued)	Polk County (continued)	<u>2015-03 - Failure to Make Debt Service Payment When Due</u> : During the 2014-15 fiscal year, the District did not pay the required principal and interest due on the Series 2005A and Series 2007A Bonds. Current status: The District's bonds were bifurcated into performing and non-performing portions. The District resumed making debt service payments on the performing bonds and entered into a forbearance agreement for the non-performing portion of the bonds. Interest due on the non-performing portion of the bonds was not paid. (See PDF Page 34)	N/A	2016 (FY 2013-14)	See response to Finding #2015-01 above.	Yes
		<u>2015-02 - Financial Condition Assessment</u> : For the past few years, the District has had a net position deficit, net governmental funds balance deficit, and debt service payments are not being made. Current status: The District's bonds were bifurcated into performing and non-performing portions. The District resumed making debt service payments on the performing bonds and entered into a forbearance agreement for the non-performing portion of the bonds. (See PDF Page 34)	N/A	2016 (FY 2013-14)	See response to Finding #2015-01 above.	Yes
Collier Soil and Water Conservation District	Collier County	<u>ML 2013-001 - Florida Department of Financial Services Form DFS-J1-1295 (Florida Statutes 280)</u> : The District maintains accounts at two separate Qualified Public Depositories (QPD). The District did not have the required signed forms in its possession. (See PDF Page 46)	N/A	N/A	N/A	Yes

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Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Collier Soil and Water Conservation District (continued)	Collier County (continued)	<u>2013-001 - Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP):</u> The District relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, management reviews and approves them. The audit firm recommends that management continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial. (See PDF Page 48)	MW	N/A	N/A	Yes
		<u>2013-002 - Audit Adjustments:</u> Management relies on the auditor to help make the necessary entries at year-end; however, they review and approve the audit adjustments. Proposed audit adjustments involved adjusting the trial balance to fund basis of accounting and adjusting the fund balance to prior year financial statements. (See PDF Page 49)	MW	N/A	N/A	Yes
		<u>2013-003 - Trial Balance:</u> Management was unaware that capital assets are not recorded on the fund basis of accounting. The audit firm recommends that the governmental fund trial balance be maintained on the proper basis. Also, capital assets should be maintained in a separate depreciation schedule. (See PDF Page 50)	MW	N/A	N/A	Yes

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Concorde Estates Community Development District	Osceola County	<u>13-01 - Financial Condition Assessment</u> : The District's financial condition has deteriorated. In prior years, the Developer failed to pay debt service assessments, causing the District to be unable to pay certain debt service payments when due. An event of default was declared, and the debt was subsequently restructured with the agreement of the bondholders. The restructured agreement requires no current payments, and the District is now funded; however, the overall effect of these actions on the District's financial condition cannot be determined at this time. (See PDF Page 37)	N/A	N/A	N/A	Yes
		<u>12-01 - Failure to Include Component Unit Financial Statements in the Financial Report</u> : The District did not include the Special Purpose Entity (SPE) as a component unit in the District's financial report. (See PDF Page 36)	MW	2016 (FY 2013-14)	Management does not agree that the Special Purpose Entity (SPE) should be included as a discretely-presented component unit on the government-wide financial statements. Management feels that it would be misleading to the users of the financial statements for the following reasons: (1) The District has no ownership and/or control over the SPE and in no way can it impose its will on the SPE; (2) The District will not benefit from the activities of the SPE; and (3) When the land held by the SPE is sold, the proceeds will be paid to the Bondholders to satisfy the Bond debt, and the District will not be responsible for any deficiency between the net proceeds of the sale of the land and the associated Bond debt.	Yes

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Connerton West Community Development District	Pasco County	<u>13-01 - Failure to Make Bond Debt Service Payments When Due:</u> In the current and prior years, the District did not pay principal or interest due on the Series 2006A Bonds. At fiscal year-end, the District was not in compliance with the requirements of the Bond Indentures and has met a financial emergency condition as described in Florida Statutes 218.503(1). (See PDF Page 35)	N/A	2016 (FY 2013-14)	This finding has been corrected. [Response received in 2015 related to the FY 2012-13 audit finding: Subsequent to the end of FY 2013-14, the District and the Developer entered into an agreement to issue Series 2015A-2 refunding bonds to refund a portion of the 2006A-1 bonds together with all past due interest and penalties. The District will not accelerate the 2006 debt assessments; however, the delinquent assessments will remain subject to the terms of the second forbearance agreements. The District will also issue Series 2015A-1 Capital Improvement Revenue and Refunding Bonds to fund the additional capital improvements on the benefitted parcels. The District is not in default of bond obligations as of July 2015.]	Yes
		<u>13-02 - Failure to Make Debt Service Account Reserve Requirements:</u> Debt Service Accounts for the Series 2006A Bonds were deficient at fiscal year-end. (See PDF Page 35)	N/A	2016 (FY 2013-14)	The reserve requirement has not been met and will continue as a finding.	Yes
Crossings At Fleming Island Community Development District, The	Clay County	<u>15-01 - Failure to Make Debt Service Payments When Due:</u> In the current and prior years, the District did not pay the entire principal and interest due on the Golf Course Revenue Bonds Series 1999. (See PDF Page 43)	N/A	2016 (FY 2013-14)	The District has recently completed approximately \$1.5M of capital improvements designed to improve the financial performance of the golf course and its related facilities. While the course is not yet generating sufficient excess revenues to resolve the issues addressed in the FY 2014 audit report, the Board of Supervisors continues to work diligently toward that goal.	Yes
		<u>15-02 - Failure to Meet Debt Service Reserve Account Requirements:</u> At fiscal year-end, the Debt Service Reserve Account was deficient. The balance in the Debt Service Reserve Account was used to pay debt service requirements. (See PDF Page 44)	N/A	2016 (FY 2013-14)	See response for Finding # 15-01 above.	Yes

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Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Cypress Creek of Hillsborough County Community Development District	Hillsborough County	<u>IC2015-1 - Financial Statement Accruals</u> : Certain fiscal year 2015 assessment revenue and capital project expenditures were received and paid, respectively, in fiscal year 2016 and not accrued at year end. As a result, assessment revenue and related receivables and capital project expenditures and related payables were understated. (See PDF Page 32)	MW	N/A	N/A	Yes
Deer Run Community Development District	Flagler County	<u>2015-01 - Debt Administration</u> : The Debt Service reserve requirement for the Series 2008 bonds was not met at fiscal year-end. (See PDF Page 35, also see Revised Management Letter, PDF Page 2)	N/A	2016 (FY 2013-14)	The prior year response stated: This financial condition is due to the major landowners failing to pay their annual debt service assessments securing the Series 2008 Bonds. In 2012, the District filed a Complaint for foreclosure against the major landowners, seeking to foreclose unpaid assessments due to the District. On February 13, 2014, the District, the Trustee, and major landowners entered into a settle agreement. A Special Purpose Entity (SPE) delayed any further litigation and places the enforcement of collecting annual debt service assessment in abeyance until the property is sold. The SPE continues to fund the operating cost of the District on a quarterly basis. Most recent-year response: Please be advised there has been no material additional corrective action taken by the District from what was provided in the prior response.	Yes

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Deer Run Community Development District (continued)	Flagler County (continued)	<u>2015-02 - Financial Condition</u> : The District's financial condition continues to deteriorate. As of fiscal year-end, the District reported a fund balance deficit for which sufficient resources were not available to cover the deficit in the debt service fund. The District has not had sufficient funds to make a scheduled debt service payment since November 2011, and the Series 2008 Bonds remain in default. Also, the 2008 Construction Project was halted, and the future of the project remains uncertain. (See PDF Page 35, also see Revised Management Letter, PDF Page 2)	N/A	2016 (FY 2013-14)	See response for Finding # 2015-01 above.	Yes
Durbin Crossing Community Development District	St. Johns County	<u>2011-01 - Debt Administration</u> : The District is not in compliance with provisions of the 2006-1 Bond Indentures in that the District did not maintain the required reserve requirement. Reserve funds were utilized in a prior year to make certain debt service payments at the request of the bondholders. (See PDF Page 34)	N/A	2016 (FY 2013-14)	The District failed to make its debt service payments when due on its Special Assessment Revenue Bonds, Series 2006-1. This was due to the failure of the owner to pay debt service assessments. The District pursued collection and enforcement along with other special assessments, and in May 2014 fee title to the Delinquent Land was obtained by a Special Purpose Entity (SPE) established by the Bond Trustee for the benefit of owners of another series of bonds issued by the District (Series 2005A). The District subsequently entered into a forbearance agreement with the Bond Trustee and the SPE, providing for payment of debt service assessments by a date certain. Most Recent Status: The Delinquent Land was sold to a national homebuilder in December 2015. As part of that transaction, the 2005A and 2006-1 assessments on the Delinquent Land were brought current, the next two years of assessments were placed in escrow to secure future payment, and a new two-year forbearance agreement was entered into with respect to the 2006-1 assessments on the Delinquent Land. Accordingly, the Delinquent Land is now performing in accordance with applicable District resolutions and agreements.	Yes

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Estero Fire Rescue District	Lee County	<u>2013-008 - System Password Resets</u> : System user passwords are not required to be reset. User passwords could remain the same for years and lend themselves to detection and misuse. Although a policy has been approved by the Board, it recommends rather than requires password changes every six months. It also requires passwords to be shared with the IT Administrator, whereas passwords should not be shared with others. (See PDF Page 63)	N/A	N/A	N/A	Yes
		<u>2013-009 - Conflict of Interest Statements</u> : Conflict of Interest statements are not required from all employees. It is the auditors' understanding that a policy has been drafted and is being reviewed by legal counsel. The auditors recommend that annual Conflict of Interest statements be completed by all employees who are authorized to approve purchases of goods and services in order to document and determine if there are any potential conflicts with vendors. (See PDF Page 64)	N/A	N/A	N/A	Yes
Fiddler's Creek Community Development District Number 2	Collier County	<u>2010-01 - Failure to Maintain Adequate Reserve Account Balances</u> : The Series 2003A and 2003B reserve accounts reflect deficits at fiscal year-end (See PDF Page 36)	N/A	2016 (FY 2013-14)	At the June 24, 2015, meeting, the Board approved a proposal to refund these bonds; unfortunately, as the financial consultants proceeded forward with the refunding efforts, it was realized that there were not sufficient funds within the Trust Estate to pay all Bondholders. Intense negotiation efforts to encourage all Bondholders to take payment reductions and allow refunding to proceed failed, and the matter has been filed as an interpleader action with the State circuit court. The District and all parties involved continue to work through the action with the court system; however, a time table for final resolve is difficult to predict at this time.	Yes

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Fiddler's Creek Community Development District Number 2 (continued)	Collier County (continued)	<u>2013-01 - Failure to Meet Debt Service Requirements:</u> The District did not meet the debt service requirements for the Special Assessment Revenue Bonds, Series 2003A and 2003B for the year ended September 30, 2015. (See PDF Page 36)	N/A	N/A	N/A	Yes
Gerber Groves Water Control District	Hendry County	<u>2012-1 - Transparency Requirements:</u> The District was unable to document that the tentative budget was posted to the District website 2 days before the proposed budget hearing or that the final budget was posted 30 days after adoption. (See PDF Page 41)	N/A	N/A	N/A	Yes
Gramercy Farms Community Development District	Osceola County	<u>12-01 - Failure to Include Component Unit Financial Statements in the Financial Report:</u> The Special Purpose Entities (SPEs) are not included as component units in the District's financial report. (See PDF Page 36)	MW	2016 (FY 2013-14)	Management does not agree that the Special Purpose Entity (SPE) should be included as a blended component unit on the government-wide financial statements. Management feels that it would be misleading to the users of the financial statements to include the SPE as a component unit for the following reasons. The District has no ownership and/or control over this SPE and in no way can it impose its will on this SPE. In addition, the District will not benefit from the activities of this SPE. When the land held by the SPE is sold, the proceeds will be paid to the Bondholders to satisfy the Bond debt. The District will not be responsible for any deficiency between the net proceeds of the sale and the associated Bond debt not satisfied or secured by assessments.	Yes

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Gramercy Farms Community Development District (continued)	Osceola County (continued)	<u>12-03 - Failure to Meet Debt Service Reserve Account Requirement:</u> The District did not maintain a minimum balance in the Series 2007 Debt Service Reserve Accounts. The Debt Service Reserve Accounts were deficient at fiscal year-end. (See PDF Page 37)	N/A	2016 (FY 2013-14)	The District has taken all necessary and available actions in order to comply with the Trust Indenture. A SPE was formed and took ownership of the unplatted land. During a prior year, the bonds were restructured to enable the District to continue with development of the property and completion of the construction project as amended. Due to the restructure, there is no anticipation that funds deposited in the trust accounts will be used to replenish the reserve account. Such bonds will either be paid off or forgiven when all SPE land is sold.	Yes
		<u>12-04 - Financial Condition Assessment:</u> The District's financial condition has deteriorated. In a prior year, the Developer failed to pay debt service assessments, causing the District to be unable to pay certain debt service payments when due. An event of default was declared, and the debt was subsequently restructured with the agreement of the bondholders. The restructured agreement requires no current payments, and the Special Purpose Entity (SPE) is now funding the District; however, the overall effect of these actions on the District's financial condition cannot be determined at this time. (See PDF Page 38)	N/A	2016 (FY 2013-14)	The restructured agreement requires no current payments, and the SPE is now funding the District; however, the overall effect of these actions on the District's financial condition cannot be determined at this time. The District's position is that corrective action, to the extent it can be at this time, has been taken.	Yes

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Hamilton County Development Authority	Hamilton County	<u>2013-001 - Petty Cash</u> : Two accounts continued to be treated as petty cash. For each account, a check was written periodically to provide funds, and schedules were maintained of the amounts expended. Without using the petty cash imprest system in which a fixed amount of cash is established and periodically replenished, current procedures do not ensure that all petty cash expenditures are documented and, furthermore, lack the reconciliation process between the petty cash balance and calculated amount. (See PDF Page 44)	N/A	N/A	N/A	Yes
		<u>2013-002 - Expenditure Justification</u> : Purchases of local meals and supplies (food and associated items) should be justified by notation of the expenditure's purpose. Purchases of food supplies and refreshments totaling \$541 were made without detailed justification. Many of the items are questionable costs without adequate rationale for the purchase. (See PDF Page 45)	N/A	N/A	N/A	Yes

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Heritage Isles Community Development District	Hillsborough County	<u>2014-01 - Financial Condition</u> : The Restaurant and Golf Course operated at a deficit for the fiscal years ended September 30, 2014, and September 30, 2015. Although the Restaurant was leased to a new tenant during the year, a lease dispute occurred, and the tenant stopped paying the rent. Subsequent to year-end, an amended lease was signed, and the tenant is again paying rent. (See PDF Page 44)	N/A	2016 (FY 2013-14)	The prior year response described a brief history and status of the District, stating that the District's Recreational Revenue Bonds are true "revenue bonds," solely payable from and secured by the "Pledged Revenues" for the Bonds, effectively defined in the Bond Indenture as the net operating revenues from the golf course and restaurant. Therefore, if the golf course and restaurant fail to generate net operating profits, the bondholders do not receive payment. The Board has diligently worked to reduce the operational expenses and maximize profitability of the golf course related operations; however, such operations did not generate sufficient net operating revenues to make further payments on the Bonds for FY 2012-13 or FY 2013-14. Most recent status: There has been no material changes or events since the prior year response (2015). The Board will continue with diligent efforts to maximize and improve the net revenues generated from golf course operations. However, this condition will likely continue to be reported on the FY 2015-16 audit.	Yes

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Highland Meadows Community Development District	Polk County	<u>2014-1 - Debt Administration</u> : The District was unable to make scheduled debt service payments due on November 1, 2009, and thereafter, which was the result of financial difficulties by the landowners in the District and the resultant non-payment of special assessments to the District. (See PDF Page 37)	N/A	2016 (FY 2013-14)	The prior year response described history and current status of the District; a Special Purpose Entity (SPE) was created to own, manage, and dispose of the land obtained through tax deed; the District, Trustee, and SPE entered into a Tri-Party Agreement, whereby the SPE assumed responsibility for the prior year debt service assessments owed to the District related to the land owned by the SPE; stated that it is the District's position that corrective action, within the ability of the District, has been taken relating to the finding. As of July 2015, the SPE sold its remaining property; however, the results of the sale, as it applies to the delinquent debt service payments, had not been determined. Most recent status: In November 2015 the past due principal was either paid or forgiven and a portion of the bonds were canceled. The District is current with respect to the repayment of the bonds. This finding was repeated in the FY 2014-15 as the past due debt service payments and the cancellation of debt happened after year end.	Yes
Indigo Community Development District	Volusia County	<u>2015-01 - Financial Condition Assessment</u> : The District's financial conditions continue to deteriorate. The debt service fund had a deficit fund balance at fiscal year-end. In the prior, current, and subsequent fiscal years, major landowners in the District failed to pay significant portions of their assessments; the District is economically dependent on the major landowners. As a result, certain debt service payments were not made, resulting in events of default. In addition, the District has not met the debt service reserve requirement. Title work necessary to commence foreclosure proceedings has been completed, but a foreclosure complaint has not yet been filed by the District. (See PDF Page 31)	N/A	2016 (FY 2013-14)	The prior year response described the history and status of the District and stated that efforts of the District and the Bondholders to remedy this finding are ongoing. Most recent status: No material additional corrective action has been taken by the District. The operating revenues continue to exceed operating expenses; however, the District does not require any financial assistance from the state.	Yes

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Lake Ashton II Community Development District	Polk County	<u>2015-01 - Financial Condition Assessment</u> : The Developer failed to pay assessments during the current and prior years. As a result, certain scheduled debt service payments were made, in part, by draws on the debt service reserve accounts which resulted in the reserve requirement not being met. Also, certain scheduled debt service payments were not made, resulting in events of default. In addition, the debt service funds reported a deficit fund balance at fiscal year-end. (See PDF Page 30)	N/A	2016 (FY 2013-14)	Describes brief history and current status of the District. The District continues to work with the developer and bondholders to collect the past due assessments and is optimistic that the finding will be corrected during FY 2015-16. Negotiations between the bondholders and the developer are concluded, and all or most of the delinquent bonds have been purchased and a restructuring of the bonds is anticipated to be brought before the District's Board for consideration during FY 2015-16. The District is collecting sufficient annual assessments to fully fund the administration, maintenance, and operation of the District and fund the annual debt service payments on the Series 2005A bonds.	Yes
Lake Shore Hospital Authority	Columbia County	<u>2011-1 - Financial Statement Preparation</u> : The Hospital Authority is not capable of drafting the financial statement and all required footnote disclosures in accordance with generally accepted accounting principles. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures. (See PDF Page 48)	SD	N/A	N/A	Yes

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Lakeside Plantation Community Development District	Sarasota County	<u>07-01 - Failure to Meet Reserve Account Requirement</u> : The District did not meet the reserve requirement on the Series 1999 Bonds at fiscal year-end. At the direction of the Trustee, the District had to use amounts in the reserve account to pay a portion of the debt service on the Bonds in a prior year. (See PDF Page 33)	N/A	2016 (FY 2013-14)	Describes brief history and current status of the District. There has been no material changes in relation to the amount of funding in the District's Reserve Account. Given the circumstances in which the Reserve Account was depleted, the District has not previously desired and does not presently intend to assess landowners and residents in order to replenish the Reserve Account and remains under no obligation to do so. Despite the Board's ongoing interest, as of February 2016 the District has yet to be presented with any viable refinancing options.	Yes
Lee Memorial Health System	Lee County	<u>2010-04 - Fixed Asset Inventory</u> : The System does not perform full physical inventories of capital assets on an annual basis. In addition, a significant amount of fully depreciated assets remain on the capital asset listing as capital assets are typically only removed from the accounting records as they are replaced. (See PDF Page 9)	N/A	2016 (FY 2013-14)	Lee Memorial Health System has made significant progress over the past three fiscal years and believes this finding will be fully satisfied during FY 2015-16 and will not be included in subsequent reports.	Yes

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Leon County Educational Facilities Authority	Leon County	<u>2015-002 - Fixed Charges Coverage Ratio:</u> The loan agreement related to the financing of the Heritage Grove Project requires that the project be operated in such a manner that the Fixed Charges Coverage Ratio (Ratio) be at least 1.2. If it falls below 1.2, the LCEFA Ocala Road, LLC (LLC) is required to engage a financial consultant to submit a report containing recommendations to remedy the noncompliance. In no event shall the Ratio fall below 1.00. The Ratio for the current fiscal year was .85. Since the Ratio is less than 1.00, the LLC is in default per section 8.08 of the loan agreement. (See PDF Page 35)	N/A	2016 (FY 2013-14)	In January 2015, the Authority engaged Wye River Independent Financial Advisors, which possesses extensive national public finance and educational facilities experience, as well as considerable experience serving governmental and non-profit clients in Florida. Based on their interviews and analysis, there does not appear to be any meaningful action (that is not already being undertaken) which will improve significantly the Heritage Grove Project's operating performance. Possible solutions were offered, which the Authority has investigated and determined that, at the present time, none of them are feasible due primarily to the ongoing lawsuit (as referenced in the audit report) involving significant construction defects at the Heritage Grove property. The Authority believes that continued prosecution of the construction lawsuit, resulting in sufficient recovery for repairs to the property, is its best option to put the property back into a position where actions consistent with the possible solutions offered by Wye might be feasible.	Yes
		<u>2015-001 - Significant Adjustments:</u> Significant adjustments were made in order for the financial statements to be presented in accordance with generally accepted accounting principles. (See PDF Page 35)	MW	2016 (FY 2013-14)	The Authority has recently retained outside bookkeeping and financial oversight assistance to work with its Executive Director in order to maintain Authority administrative fund accounting records and to reconcile various financial reports and the like as prepared by the two separate management companies operating the Authority's two projects. Additionally, two new members, both CPAs, have joined the Authority board within the past year and will be working closely with the property managers and the Executive Director to minimize the need for significant adjustments in the future. The Authority will enlist the assistance of our Auditor in this effort.	Yes

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Madeira Community Development District	St. Johns County	<u>2015-01 - Financial Condition Assessment</u> : The District's financial conditions are deteriorating. The Developer failed to pay a significant portion of its assessments during the 2010 and 2011 fiscal years. As a result, certain scheduled debt service payments due in fiscal years 2011-2015 and subsequent to fiscal year-end were not made, resulting in events of default. Furthermore, certain debt service assessments were not billed for the 2012-2015 fiscal years as a result of the defaults. In addition, the debt service fund reported a deficit fund balance at fiscal year-end. (See PDF Page 31)	N/A	2016 (FY 2013-14)	The District is pursuing delinquent assessments. Subsequent to fiscal year-end, the District redeemed a portion of the 2007B Bonds. Pursuant to the Bond's trust indenture, the trustee and Bondholders are authorized to direct remedial proceedings upon the failure of the District to make debt service payments on the Bonds. To date, the Bondholders have directed the District to refrain from remedial actions. Accordingly, the District is deferring to the direction of the trustee and Bondholders regarding such remedial proceedings. Should the Bondholders direct the District to commence remedial actions, the District believes it to be very likely that it would be successful in conducting such actions.	Yes
Magnolia Creek Community Development District	Walton County	<u>12-01 - Failure to Meet Debt Service Reserve Requirements</u> : The Trust Indentures require the District to keep minimum amounts in the Debt Service Reserve Accounts. At fiscal year-end, the Series 2007 Debt Service Reserve Accounts were deficient. (See PDF Page 36)	N/A	2016 (FY 2013-14)	Describes history and current status of the District. One of the original landowners and developers failed to pay the assessments; the District filed a foreclosure case and successfully obtained a final judgment of foreclosure. A special purpose entity (SPE) was created to own, manage, and dispose of the land taken through foreclosure. The District, Trustee, and SPE entered into a tri-party agreement whereby the SPE assumed responsibility for and agreed to pay future operating and maintenance assessments. While the District was successful on the merits of the foreclosure proceedings, it remains possible that the parties may reach a settlement as it relates to the remaining properties. However, the amount of proceeds the District will receive as a result of either a foreclosure sale or settlement is difficult to determine at this time.	Yes
		<u>12-02 - Failure to Make Bond Debt Service Payments When Due</u> : In prior years and in the current year, principal and interest were not paid when due on the Capital Improvement Revenue Bonds, Series 2007. (See PDF Page 36)	N/A	2016 (FY 2013-14)	The District's position is that corrective action, within the ability of the District, has been taken relating to this finding.	Yes

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Magnolia West Community Development District	Clay County	<u>12-01 - Failure to Meet Debt Service Payments When Due:</u> In the current and prior years, the District did not pay all of the principal and interest due on the Series 2006 Bonds. (See PDF Page 36)	N/A	2016 (FY 2013-14)	During a prior year, the District created a special purpose entity (SPE) to own, manage, maintain and sell the Developer's land within the District that was purchased at a foreclosure sale. Funds will be used to pay bond debt when and if the SPE is successful in selling the land.	Yes
		<u>12-02 - Failure to Meet Debt Service Reserve Account Requirement:</u> The Trust Indenture requires the District to keep minimum balance in the Debt Service Reserve Account. At fiscal year-end, the Reserve Account was deficient. (See PDF Page 36)	N/A	2016 (FY 2013-14)	In prior years, the Trustee used funds from the debt service reserve account to make partial debt service payments which resulted in a deficiency in the debt service reserve fund. The District is uncertain at this time if proceeds from a sale of the land, which and if sold, will be used to replenish the debt service reserve fund.	Yes
		<u>12-03 - Land Held for Resale Not Recorded:</u> Due to the lack of funding, the District was unable to perform an appraisal on the land held for resale, owed by the special purpose entity. As a result, the market value of the land could not be determined at fiscal year-end, and no amount was recorded in the financial statements for this asset. (See PDF Page 35)	MW	N/A	N/A	Yes

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Marshall Creek Community Development District	St. Johns County	<u>2014-02 - Reserve Requirement Series 2002 Bonds:</u> As a result of draws on the Series 2002 Debt Service Reserve Account, the reserve requirement was not met at fiscal year-end. (See PDF Page 38)	N/A	2016 (FY 2013-14)	Due to the failure of the prior owner of certain lands within the District to pay the 2002 Bonds special assessments due on such property, the District commenced foreclosure proceedings against such property and subsequently was awarded a Summary Final Judgment of Foreclosure on the property. At the request of the majority of the Series 2002 bondholders, the District formed a Special Purpose Entity (SPE) solely to own, manage, maintain, sell and/or dispose the property. In 2013, with the consent of the bondholders, the Series 2002 Bonds Reserve Account was depleted pursuant to a tri-party agreement between the Trustee, District, and SPE and the Third Supplemental Trust Indenture. Given the circumstances in which the Series 2002 Bonds Reserve Account was depleted, the District does not presently intend to assess the landowners and residents in order to replenish the Reserve Account and remains under no obligation to do so.	Yes
Matlacha / Pine Island Fire Control District	Lee County	<u>2013-004 - Financial Condition Assessment:</u> The District has deteriorating financial conditions as of fiscal year-end. Of 14 applicable financial indicators, 8 indicated an unfavorable rating. (See PDF Page 54)	N/A	N/A	N/A	Yes

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Meadow Pointe IV Community Development District	Pasco County	<u>15-01 - Failure to Make Bond Debt Service Payments When Due</u> : The District has failed to make bond interest payments when due in the prior and current fiscal years on the Series 2004, 2005, and 2007 bonds. In prior years, debt service assessments were not being paid to the District due to landowner bankruptcies. Due to the bond restructures in the prior year, the special assessment liens on the unexchanged bonds have been extinguished. (See PDF Page 42)	N/A	2016 (FY 2013-14)	In a prior year, the Trustee, on behalf of the bondholders, created a special purpose entity (SPE) to own, manage, and dispose of land taken in lieu of foreclosure from three significant landowners of the District. In the prior year, the bonds were restructured and portions of the Series 2004, 2005, and 2007 bonds were exchanged for Series 2012A-1 and A-2 bonds. The unexchanged portions are still outstanding. Due to the lack of special assessment revenue to pay the unexchanged portion of the bonds, no principal or interest payments can be made. The District's position is that corrective action, to the extent it can be at this time, has been taken. However, the findings will remain until all lots are sold and the remaining bonds are paid or extinguished per the Trust Indenture.	Yes
		<u>15-02 - Failure to Meet Debt Service Reserve Requirements</u> : At fiscal year-end, the Series 2004, 2005, and 2007 Debt Service Reserve Accounts were deficient. (See PDF Page 42)	N/A	2016 (FY 2013-14)	Portions of the Series 2004, 2005, and 2007 Bonds were exchanged for Series 2012 Bonds. Subsequent to this, a portion of the 2012B-2 Bonds were exchanged for Series 2014A Bonds. As part of this exchange, any remaining funds in the Series 2004, 2005, and 2007 bond trust funds were transferred to the trust funds relating to the Series 2012 bond trust funds. At this time, there is no plan to replenish the reserves for the unexchanged portions of the Series 2004, 2005, and 2007 Bonds. Also see response for Finding #15-01 above.	Yes

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Meadow Pointe IV Community Development District (continued)	Pasco County (continued)	<u>15-03 - Failure to Include Component Unit Financial Statements in the Financial Report:</u> The Special Purpose Entity (SPE) is not included as a component unit in the District's financial report. (See PDF Page 41)	MW	2016 (FY 2013-14)	Management does not agree that the Special Purpose Entity (SPE) should be included as a discretely-presented component unit on the government-wide financial statements. Management feels that it would be misleading to the users of the financial statements for the following reasons: (1) The District has no ownership and/or control over the SPE and in no way can it impose its will on the SPE; (2) The District will not benefit from the activities of the SPE; (3) When the land held by the SPE is sold, the proceeds will be paid to the Bondholders to satisfy the Bond debt; and (4) The District will not be responsible for any deficiency between the net proceeds of the sale of the land and the associated Bond debt.	Yes

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Middle Village Community Development District	Clay County	<u>2015-01 - Reserve Requirement</u> : As a result of unscheduled draws on the Debt Service Reserve Account to make certain scheduled debt service payments, the reserve requirement was not met at fiscal year-end. (See PDF Page 33)	N/A	2016 (FY 2013-14)	Describes history and current status of the District; states that the District will continue to work with all interested parties to resolve this matter and is optimistic that it will be successful. In mid-2013, the District entered into an agreement with various delinquent property owners to delay, reduce, and eliminate portions of their annual debt assessments for a defined time period. Those property owners are currently being assessed at their original assessment levels and full payment of their annual debt service assessments is anticipated. In addition, the District negotiated with another delinquent property owner to deed their property in lieu of a costly foreclosure proceeding to a special purpose entity (SPE) created to administer, control, and manage the property for ultimate resale. The property owned by the SPE represents approximately 5% of the total annual assessments and is currently burdened with a large property tax certificate that is significantly higher than the value of the property. However, the tax certificate is likely to be cancelled no later than 6/1/17, at which time the property should become marketable for resale. Unfortunately, until this property is relieved of this enormous debt obligation, the District will continue utilizing a small portion of the Reserve Account in order to pay the scheduled debt payments.	Yes
Midtown Miami Community Development District	Miami-Dade County	<u>2012-01 - Fund Equity</u> : The District continues to report a net asset deficit in the Enterprise Fund for which sufficient resources were not available to cover the deficit. (See PDF Page 41)	N/A	2016 (FY 2013-14)	The District refunded its outstanding bonds during May 2014, which resulted in a significant cash flow savings. Management has also continued to work on improving the operations of the parking garage by adjusting rates and reducing costs. As a result, revenues nearly doubled from FY 2012-13 to FY 2013-14 and again from FY 2013-14 to FY 2014-15. In addition, it is important to note that the net asset deficit is in large part due to depreciation (a non-cash item).	Yes

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Montecito Community Development District	Brevard County	<u>2015-01 - Financial Condition Assessment</u> : The District's financial conditions continue to deteriorate. The Developer and certain major landowners failed to pay a significant portion of the assessments in fiscal years 2009-2015 resulting in significant delinquent assessments. As a result, reserve funds were used to partially pay certain required debt service payments during prior fiscal years. In addition, certain required debt service payments were not made during the prior, current, and subsequent fiscal years. Further, the debt service fund reported a deficit fund balance at fiscal year-end. (See PDF Page 34)	N/A	2016 (FY 2013-14)	The District and Bondholders are working to alleviate this issue through efforts to collect delinquent assessments. The Trustee, on behalf of the Bondholder, created or caused to be created a Special Purpose Entity (SPE) to own, manage, and dispose of the property subject to the delinquent Series 2006 assessments. The District, Trustee, and SPE entered into a tri-party agreement whereby the District will bill the SPE for operations and maintenance assessments. However, the debt service assessments will be held in abeyance and continue to constitute a lien on the property. If the SPE is successful in selling the land, the amount of debt service assessments to be collected by the District is uncertain at this time. Also, at this time, it is uncertain as to when the findings will be corrected.	Yes
Naturewalk Community Development District	Walton County	<u>12-01 - Failure to Meet Debt Service Reserve Requirements</u> : The Trust Indentures require the District to keep minimum amounts in the Debt Service Reserve Accounts. At fiscal year-end, the Series 2007 Debt Service Reserve Accounts were deficient. (See PDF Page 36)	N/A	2016 (FY 2013-14)	The District's lack of sufficient funds was due to certain landowners failing to pay their debt service special assessments when due. The District and the Bondholders have been working to alleviate the issues. Certain property identified in the Forbearance Agreement was conveyed to a special purpose entity (SPE) established by the Trustee for purposes of owning, managing, and selling such property in an effort to minimize the adverse impacts resulting from nonpayment of a portion of the debt service assessments. It is uncertain as to when and if the reserve fund will be replenished with funds received either per the Forbearance Agreement or in connection with a sale of the property owned by the SPE.	Yes
		<u>12-02 - Failure to Make Bond Debt Service Payments When Due</u> : In the current year, principal on the 2007A Bonds and partial interest were not paid when due on the 2007 Bonds. (See PDF Page 36)	N/A	2016 (FY 2013-14)	In January 2015, outstanding principal and interest payments on the Bonds were satisfied. Findings 12-01 and 12-02 are repeated in FY 2014-15 audit as the May 2015 principal and interest payments had not been made in full at year end. It is the District's position that corrective action, within the ability of the District, has been taken relating to the findings.	Yes

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New Port - Tampa Bay Community Development District	Hillsborough County	<u>IC 2009-002 - Debt Administration</u> : The District is not in compliance with certain provisions of its bond indenture including those relating to: (1) levying and collecting assessments to provide payment for debt service; (2) maintaining adequate funds in debt service reserve accounts; and (3) making semi-annual debt service principal and interest payments. (See PDF Page 33)	N/A	2016 (FY 2013-14)	The former developer of the land within the District encountered financial difficulties during the economic downturn and was not able to pay District bond debt service assessments assigned to the developer's property. The District's inability to collect its bond debt service assessments caused the District to default on its bond debt service obligations. Pursuant to the Trust Indenture, several years ago the District initiated a foreclosure suit to gain ownership to all developer-owned property within the District. The foreclosure suit was eventually successful and title to all developer-owned property within the District was obtained by a special purpose entity controlled by the District for the benefit of the bondholders. This property is now controlled by a bondholder-related entity that is developing and/or marketing the parcels for sale. As a result of the District's successful foreclosure and the bondholders taking title to the parcels within the District, District staff consider the District's financial problems to be substantially addressed. The District is now working with its auditors and bondholders to formally write-off and extinguish all bond debt related to the earlier default(s).	Yes

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North Fort Myers Fire Control and Rescue Service District	Lee County	<u>2013-1 - Certain Indications of a Deteriorating Financial Condition Noted, As Amended:</u> Financial condition assessment procedures had an overall result of inconclusive, although three financial indicators reflected unfavorable results: (1) changes in net assets/beginning net position; (2) ratio of cash and investment/current liabilities; and (3) ratio of accumulated depreciation/capital assets. The District has resolved to place a referendum on the August 2016 ballot to raise the District's millage cap; if passed, this increase could increase revenue, and the new millage rate would take effect for FY 2017-18. (See PDF Page 74)	N/A	N/A	N/A	Yes
North Palm Beach Heights Water Control District	Palm Beach County	<u>2012-01 - Excess of Expenditures Over Appropriations:</u> Several departments had expenditures in excess of appropriations contrary to Section 166.241(2), Florida Statutes. (See PDF Page 32)	N/A	2016 (FY 2013-14)	The District experienced unplanned work and expenses which caused expenditures overruns in various budget line items. In budget year 2014-15, corrective action was taken, and the District amended the budget to provide for cost overruns. In addition, the District will review a budget to actual expense comparison midyear to see if any budget amendments are necessary.	Yes

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Overoaks Community Development District	Osceola County	<u>2009-01 - Debt Administration</u> : The District continues to meet conditions described in s. 218.503(1), F.S., related to the failure to make certain scheduled debt service payments. (See PDF Page 35)	N/A	2016 (FY 2013-14)	The financial condition is due to the failure of two landowners, owning 347 vacant lots, to pay the special assessments pledged to repay the Series 2004 Bonds issued by the District. In lieu of foreclosure, fee title to the delinquent owners' land was transferred to a special purpose entity (SPE) established as a component of the Trust Estate for the Series 2004 Bonds. The delinquent land was marketed for sale, and sales contracts were subsequently entered into with builders. Fee title to all delinquent land has been transferred to the builders, of which 209 lots have been transferred to retail purchasers through 6/30/2015. Also, a substantial portion of the Series 2004 Bonds were exchanged for Series 2010 Bonds in July 2010. The unexchanged portion of the Series 2004 Bonds remain outstanding solely for the purpose of capturing excess special assessment revenues generated over and above those revenues necessary to fund debt service on the exchanged bonds. The unexchanged Series 2004 Bonds outstanding at such time as the last of the delinquent land is transferred to retail purchasers will be cancelled. Because of such, the District anticipates that the finding will be repeated.	Yes
		<u>2012-01 - Fund Equity</u> : The District continues to report a fund balance deficit for which sufficient resources were not available to cover the deficit. (See PDF Page 36)	N/A	2016 (FY 2013-14)	See response for Finding #2009-01 above.	Yes

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Pine Island Community Development District	Lake County	<u>2011-01 - Debt Administration</u> : The District continues to meet a financial emergency condition described in Section 218.503(1), Florida Statutes, in that the District is unable to redeem the Series 2004 Utility System Bonds, which matured on 11/1/2010. This condition was met as a result of the District's failure to make certain debt service payments. (See PDF Page 39)	N/A	2016 (FY 2013-14)	The prior year response described the current status of the District and stated that the owners of the vacant lots within the District continued to slowly pay their connection fees in order to build homes on their property. The District had started the process of refunding the Utility System Bonds, Series 2004, the material terms have been agreed upon, and it was anticipated that the refunding would be completed during 2015. Upon successful refunding of the bonds, all audit comments related to account balances and payment of annual debt service will be eliminated, as the default will be cured. Most recent status: The District continues to pursue refunding the Utility System Bonds Series 2004, but has not completed the financial transaction as of March 2016 (date of response). The Bondholders have approved the refunding terms proposed by the developer and intend to assist the District in completing this transaction during the upcoming fiscal year.	Yes
		<u>2011-02 - Debt Administration</u> : The District did not meet the reserve requirement on the Series 2004 Utility System Bonds. In a prior year, the District used reserve funds for debt service payments. Due to the continued lack of funding by the original and successor developer, the District is unable to replenish reserve funds. (See PDF Page 40)	N/A	2016 (FY 2013-14)	See response for Finding #2011-01 above.	Yes

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Portofino Cove Community Development District	Lee County	<u>2015-01 - Financial Condition Assessment</u> : The District's financial conditions continue to deteriorate. The debt service fund reported a deficit fund balance at fiscal year-end. The Developer stopped funding the District during a prior fiscal year, resulting in significant delinquent assessments from fiscal years 2009-2015. Due to such, the District did not have sufficient funds to make certain scheduled debt service payments in the prior, current, and subsequent fiscal years. The reserve accounts have deficits as a result of the deteriorating financial condition. Further, construction of the project has stopped and the future of the projects remain uncertain. Lastly, in the prior fiscal year, the District filed a lawsuit seeking to foreclose on all of the land in the District for which there are delinquent assessments. The District is economically dependent on the Developer. (See PDF Page 30)	N/A	2016 (FY 2013-14)	The prior year responses described history and current status of the District; due to developer not paying assessments; lawsuit filed seeking foreclosure on all property benefitted by specified bonds for which assessments are delinquent; successful conclusion to foreclosure proceedings would eliminate delinquent assessments financially burdening property and allow District to sell property at market value; proceeds of sale would eliminate specified bonds and fund operations; property owned by the previous Developer for which the District filed the foreclosure complaint has changed ownership and foreclosure complaint was amended; lawsuit continues and, until concluded, the audit findings will remain a part of future audit reports. Most recent status: No material additional corrective action has been taken by the District from what was provided in the prior year response.	Yes

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Portofino Isles Community Development District	St. Lucie County	<u>2015-01 - Financial Condition Assessment:</u> The District's financial conditions continue to deteriorate. The debt service fund had a deficit fund balance at fiscal year-end. The Developer stopped funding the District during a prior fiscal year, resulting in significant delinquent assessments and unfunded contributions in prior fiscal years. As a result, the District did not have sufficient funds necessary to make certain debt service payments. As a result of the delinquent assessments and in lieu of foreclosure, during a prior fiscal year, a Special Purpose Entity (SPE) was created to own, manage, maintain, and dispose of the property comprised by the delinquent assessments, and title to such property was conveyed to the SPE. (See PDF Page 32)	N/A	2016 (FY 2013-14)	The prior year responses described brief history and current status of the District; a Special Purpose Entity (SPE) was created and holds title to certain developer-owned property within the District in lieu of foreclosure; the SPE was funding its share of the operating cost of the District; however, the findings had not been corrected and would not be corrected until the property is sold. Most recent status: No material additional corrective action was taken by the District from what was provided in the prior year response.	Yes

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Portofino Landings Community Development District	St. Lucie County	<u>2015-01 - Financial Condition Assessment:</u> The District's financial conditions continue to deteriorate. The general fund, debt service fund, and capital projects fund had a deficit fund balance at fiscal year-end. The Developer stopped funding the District during a prior fiscal year and has not paid its share of assessments for the prior, current, and subsequent years, resulting in significant delinquent assessments. As a result, certain scheduled debt service payments were not made, resulting in events of default. In addition, the deficit in the capital projects fund is due to the Developer's failure to pay certain costs relating to the project per the completion agreement, and the future of the project remains uncertain. Furthermore, as a result of lack of funds, the District has not been paying certain operating costs of creditors as they come due. (See PDF Page 31)	N/A	2016 (FY 2013-14)	The prior year responses stated the District's foreclosure lawsuit was slowly progressing with completion date of the lawsuit unknown at this time; the District would not be able to correct the findings until the lawsuit is completed. Most recent status: No material additional corrective action was taken by the District from what was provided in the prior year response.	Yes

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Portofino Vista Community Development District	Osceola County	<u>2015-01 - Financial Condition Assessment:</u> The District's financial conditions continue to deteriorate. The Developer owns almost all of the benefitted property associated with the Series 2006 Bonds and has not paid its share of assessments for prior, current, and subsequent fiscal years. As a result, the District did not have sufficient funds to make certain scheduled debt service payments. The District also has deficits in the debt service reserve funds. Furthermore, the District reported deficit fund balances in the general fund and debt service fund. The District commenced foreclosure proceedings on all land with delinquent assessments. The District is economically dependent on the Developer. (See PDF Page 30)	N/A	2016 (FY 2013-14)	The prior year responses described the history and status of the District; developer stopped paying assessments in prior fiscal years, and the District filed a lawsuit seeking to foreclose on all property benefitted by Series 2006 Bonds for which there were delinquent assessments; the District dismissed the foreclosure lawsuit subject to negotiations of a settlement agreement between landowner, debt holders, and the District; the District entered into a settlement agreement in November 2014 and established a Special Purpose Entity (SPE) to own, maintain, and market for resale the property within the District that has delinquent assessments; once the property is sold, the outstanding delinquent assessments will be satisfied, and the bonds secured by the assessments on this property will be paid or cancelled; unfortunately, the District is not able to correct the findings while this process continues. Most recent status: No material additional corrective action was taken by the District from what was provided in the prior year response.	Yes

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Reunion East Community Development District	Osceola County	<u>13-01 - Failure to Make Bond Debt Service Payments When Due</u> : The Developer has not paid debt service special assessments to the District. Therefore, all of the debt service payments due on the Series 2005 and Series 2002A-2 Bonds have not been made as of fiscal year-end. (See PDF Page 38)	N/A	2016 (FY 2013-14)	The District did issue the Series 2015, Special Assessment Refunding Bonds in order to refund the defaulted Special Assessment Bonds, Series 2002A-2 and Series 2005 Bonds (Prior Bonds). However, at the request of the debt holders of the Prior Bonds, the Series 2015 Bonds did not refund 100% of the Prior Bonds; a portion of the Prior Bonds remains outstanding and in a defaulted state. Therefore, the audit findings will continue until the full cancelation of the Prior Bonds is completed. The District is continuing to pursue resolution to this matter. A Bond exchange and the Series 2015 Bond issue provided the District with the opportunity for the orderly and continued development of a portion of the Reunion development within the District, permitted the District to resolve delinquencies related with the exchanged bonds, and provided the District additional time within which to retire the obligations originally evidence by exchanged bonds.	Yes
		<u>13-02 - Failure to Meet Reserve Account Requirement</u> : The District did not meet the reserve requirement on the Series 2005 Bonds at fiscal year-end. The District had to use amounts in the reserve account to pay debt service since the Developer has not paid their special assessments to the District. (See PDF Page 38)	N/A	2016 (FY 2013-14)	See response to Finding #13-01 above.	Yes
Reunion West Community Development District	Osceola County	<u>13-01 - Failure to Make Bond Debt Service Payments When Due</u> : The Developer and significant landowner have not paid their debt service special assessments to the District. At fiscal year-end, there is approximately \$1 million of interest due, but not paid, due to lack of funds. (See PDF Page 38)	N/A	N/A	N/A	Yes

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River Glen Community Development District	Nassau County	<u>2015-02 - Financial Condition Assessment</u> : The District's financial conditions continue to deteriorate. The Developer failed to pay assessments during prior fiscal years, and the District foreclosed on the related property, which was acquired by the Special Purpose Entity (SPE). As a result of the foreclosure, the debt service assessment lien on the property was released. Due to lack of sufficient funds, certain scheduled debt service payments were not made in the prior, current, and subsequent fiscal years, resulting in events of default. In addition, the reserve requirement has not been met, and the debt service fund reported a deficit fund balance at fiscal year-end. (See PDF Page 33)	N/A	2016 (FY 2013-14)	The District and Trustee formed a SPE to hold, manage, and dispose of the property on behalf of the Bondholders, which took title to the Developer property through foreclosure. Due to the foreclosure, the assessment lien on the property was released. At this time, it is uncertain as to when and if the property will be sold. The proceeds from the sale will go to the Bondholders as payment toward the outstanding bond debt.	Yes
		<u>2015-01 - Appraisal Not Performed and Land Held for Resale Not Recorded</u> : No appraisal was performed on the property owned by the Special Purpose Entity (SPE). Consequently, while the Property should be recorded in the financial statements as land held for resale, no amount was recorded on the financial statements related to this asset as the market value of the property could not be determined. (See PDF Page 33)	MW	2016 (FY 2013-14)	No appraisal has been performed on the property owned by the SPE; therefore, no value has been recorded in the financial statements as the market value could not be determined.	Yes
River Place on the St. Lucie Community Development District	St. Lucie County	<u>13-01 - Debt Administration</u> : The Capital Improvement Revenue Bonds Series 2001B matured in 2010 and were not paid. The balance owed at fiscal year-end was \$870,000 matured principal and \$272,085 matured interest. The auditors recommend that the District utilize all legal remedies to collect the past due special assessments and pay the outstanding balances due. (See PDF Page 36)	N/A	2016 (FY 2013-14)	The District won its foreclosure case; no one met the minimum bid amounts so the District took title of the 82 parcels. The District will try to sell or negotiate with a builder to develop the property. It is unknown how long this process will take; therefore, it is unlikely the findings will be remedied for quite some time. In addition, there are three additional parcels that have become delinquent on their assessments.	Yes

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River Place on the St. Lucie Community Development District (continued)	St. Lucie County (continued)	<u>13-02 - Debt Administration</u> : The District did not meet the reserve requirement of the Series 2001 Capital Improvement Revenue Bonds at fiscal year-end. (See PDF Page 36)	N/A	2016 (FY 2013-14)	See response to Finding #13-01 above.	Yes
Riverwood Estates Community Development District	Pasco County	<u>15-01 - Failure to Make Debt Service Payments When Due</u> : In the current and prior years, the District did not make the required debt service interest and principal payments due on the Series 2006 Bonds. The Trustee has directed the District not to collect debt service special assessments. The District, therefore, is not receiving debt service assessments due to the Developer's nonpayment and the Special Purpose Entity (SPE) purchase of the land within the District. (See PDF Page 38)	N/A	2016 (FY 2013-14)	The Trustee formed a SPE to hold, manage and dispose of the property on behalf of the Bondholders. During a prior year, the SPE took title to the Developer property through a credit bid sale and assumed responsibility for the operations and maintenance payments. The past due and future debt service payments will be held in abeyance until the Trustee notifies the District to the contrary.	Yes
		<u>15-02 - Failure to Meet Debt Service Reserve Account Requirement</u> : The Debt Service Reserve Account was deficient at fiscal year-end. The balance in the Debt Service Reserve Account was used to pay District operating and maintenance expenses and Trustee fees. (See PDF Page 38)	N/A	2016 (FY 2013-14)	As mentioned in the response for Finding #15-01 above, the SPE has assumed responsibility for the operations and maintenance assessments. The Trustee on behalf of the Bondholders is funding the SPE using bond proceeds, which is in turn, funding the District. This has resulted in the deficiency in the Debt Service Reserve Account.	Yes

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Riverwood Estates Community Development District (continued)	Pasco County (continued)	<u>15-03 - Failure to Include Component Unit Financial Statements in the Financial Report:</u> The Special Purpose Entity (SPE) was not included as a component unit in the District's financial report. (See PDF Page 37)	MW	2016 (FY 2013-14)	Management does not agree that the SPEs should be included as blended component units on the government-wide financial statements. In summary, management feels that it would be misleading to the users of the financial statements for the following reasons: (1) The District has no ownership and/or control over the SPEs and in no way can it impose its will on the SPEs; (2) The District will not benefit from the activities of the SPEs; (3) When the land held by the SPEs is sold, the proceeds will be paid to the Bondholders to satisfy the Bond debt; and (4) The District will not be responsible for any deficiency between the net proceeds of the sale of the SPE owned land and the associated Bond debt not satisfied or secured by assessments.	Yes
Rolling Hills Community Development District	Clay County	<u>2012-01 - Debt Payments:</u> The District did not make all required debt service payments. The District did pay some of the matured balances during the current fiscal year; however, the finding was not fully corrected as of fiscal year-end. (See PDF Page 33)	N/A	2016 (FY 2013-14)	The District has corrected this finding with the issuance of its Capital Improvement Revenue Refunding Bonds, Series 2015. The Series 2015 Bonds refunded and replaced the existing bonds, and eliminated all outstanding debt service obligations for the same.	Yes

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Six Mile Creek Community Development District	St. Johns County	<u>2015-01 - Financial Condition Assessment</u> : The District's financial conditions continue to deteriorate. The debt service and capital projects funds have deficit fund balances at fiscal year-end. Due to the Developer's failure to pay debt assessments securing its Bonds in the prior and current fiscal years, the District did not have sufficient funds to make certain scheduled debt service payments in the past, current, and subsequent fiscal years. In addition, the District did not meet the debt service reserve requirement. (See PDF Page 30)	N/A	2016 (FY 2013-14)	The prior year responses described brief history and current status of the District. A portion of the Series 2007 Bonds still remained outstanding and in default. The District anticipated that, as the project further developed, the remaining bonds would be restructured. Most recent status: The District is in the process of issuing Special Assessment Bonds, Series 2016, which will result in the cancellation or tender of a large portion of the defaulted Series 2007 Bonds. Additionally, the default assessments securing the Series 2007 Bonds to be canceled or tendered will be replaced with new assessments securing the Series 2016 Bonds. A portion of the Series 2007 Bonds will remain outstanding and in default after the issuance of the Series 2016 Bonds. The District anticipates that, as the project further develops, the remaining Series 2007 Bonds and assessments will be restructured.	Yes
South Bay Community Development District (Hillsborough County)	Hillsborough County	<u>IC2010-01 - Supporting Documentation</u> : The District has approximately \$157,708 of expenditures recorded relating to the Debt Service Fund that have no supporting documentation available to verify their existence, appropriateness, and proper classification. The expenditures were made from a trust account over which the District has no direct control or authority. The funds were removed from the account by the Bond Trustee and transferred to a different account and no indication given on the investment trust statement as to the use of these funds. In addition, the auditors identified a debt service default cash account managed by the Bond Trustee totaling \$159,092 that was not recorded on the District's books. The District could not provide information on this cash account or how it was funded. (See PDF Page 33)	MW	2016 (FY 2013-14)	The Series 2005 Bonds were in default from 2008 until 2015 when the Bonds were restructured. Since the default occurred, the Trustee has paid extraordinary expenditures (usually legal) out of the District's Trustee Account. Because the Bonds were in default, the Trustee did not need the District's approval to pay these expenditures. The District has requested the supporting documentation from the Trustee for expenditures made by the Trustee from District Trust Accounts. The Trustee has not provided the requested information. The District will continue to request documentation from the Trustee for financial transactions processed through District accounts.	Yes

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Sterling Hill Community Development District	Hernando County	<u>12-03 - Failure to Meet Debt Service Reserve Account Requirement:</u> The Debt Service Reserve Accounts were deficient at fiscal year-end. The balances in the Debt Service Reserve Accounts were used to pay prior year debt service on the Bonds. (See PDF Page 38)	N/A	2016 (FY 2013-14)	The District and the Bondholder have been working to alleviate this issue. During a prior year, the Trustee formed Special Purpose Entity (SPE 1) to own and maintain the property subject to delinquent Series 2006 assessments. In addition, during prior years, the District filed foreclosure against three landowners for failure to pay assessments due on the Series 2003B Bonds, and the Trustee formed SPE 2 to own and maintain the property subject to delinquent Series 2003B assessments upon transfer of ownership to the SPE. One landowner conveyed land to the SPE in lieu of foreclosure, and the foreclose lawsuits are still pending against the other two. A third SPE was formed to own and control land taken through foreclosure of the assessment lien. The District is taking all necessary and available actions in order to collect both Operations & Maintenance assessments and Debt assessments. Once the assessments have been collected, the Trustee and the District will determine if the debt service reserve funds will be replenished.	Yes

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Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Sterling Hill Community Development District (continued)	Hernando County (continued)	<u>12-04 - Failure to Make Debt Service Payments When Due:</u> In current and prior years, the District did not pay principal and/or interest due on the Series 2003B and Series 2006 Bonds. The District is not receiving debt service assessments due to landowner nonpayment and Special Purpose Entity purchase of the land within the District. (See PDF Page 38)	N/A	2016 (FY 2013-14)	The District and the Bondholder have been working to alleviate this issue. During a prior year, the Trustee formed Special Purpose Entity (SPE 1) to own and maintain the property subject to delinquent Series 2006 assessments. In addition, during prior years, the District filed foreclosure against three landowners for failure to pay assessments due on the Series 2003B Bonds, and the Trustee formed SPE 2 to own and maintain the property subject to delinquent Series 2003B assessments upon transfer of ownership to the SPE. One landowner conveyed land to the SPE in lieu of foreclosure, and the foreclose lawsuits are still pending against the other two. A third SPE was formed to own and control land taken through foreclosure of the assessment lien. The District is taking all necessary and available actions in order to collect both Operations & Maintenance assessments and Debt assessments. Once the assessments have been collected, the delinquent debt service payments will be made.	Yes
		<u>12-01 - Failure to Include Component Unit Financial Statements in the Financial Report:</u> The District did not include the Special Purpose Entities as blended component units in the District's financial statements. (See PDF Page 37)	MW	2016 (FY 2013-14)	Management does not agree that the SPEs should be included as blended component units on the government-wide financial statements. In summary, management feels that it would be misleading to the users of the financial statements for the following reasons: (1) The District has no ownership and/or control over the SPEs and in no way can it impose its will on the SPEs; (2) The District will not benefit from the activities of the SPEs; (3) When the land held by the SPEs is sold, the proceeds will be paid to the Bondholders to satisfy the Bond debt; and (4) The District will not be responsible for any deficiency between the net proceeds of the sale of the SPE owned land and the associated Bond debt.	Yes

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Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Stevens Plantation Community Development District	Osceola County	<u>2015-01 - Financial Condition Assessment:</u> The District's financial conditions continue to deteriorate. The debt service fund had a deficit fund balance at fiscal year-end. In prior, current, and subsequent fiscal years, the District has been unable to make its debt service payments on the Series 2003A and 2003B bonds since November 2012 due to lack of funds. In addition, the District has not met the debt service reserve requirement. (See PDF Page 30)	N/A	N/A	N/A	Yes
Sun'n Lake of Sebring Improvement District	Highlands County	<u>2015-01 - Financial Condition Assessment:</u> The Debt Service Fund had a deficit fund balance at fiscal year-end. Landowners within the District failed to pay their share of the current and prior years' assessments; as a result, the Series 2008 Note debt service payments were not made in full. (See PDF Page 51)	N/A	2016 (FY 2013-14)	Describes history and current status; in prior years, due to declining economic conditions, a multitude of landowners failed to remit to the District some, or all, of the required assessments under the Series 2008 Note (Note). The Note expressly states that neither the Note nor interest payable on the Note shall constitute a general obligation or indebtedness of the District. Most recent status: The District's Debt Service Fund continues to deteriorate. The Note does not affect the District's ongoing operations, and the District remains in excellent financial condition. The District agrees with the auditors' recommendation to start the process of consulting with legal counsel to settle and possibly restructure the debt. The District cannot currently make a statement as to whether it intends to take corrective action and when the corrective action will occur. The District continues to collect payments from landowners and remit these collections, less a 1% collection fee, to the trustee on a monthly basis.	Yes

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Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Suwannee Water and Sewer District	Dixie County	<u>2015-002 - Fixed Assets</u> : Although the District maintains a list of tangible personal property, it does not have complete, detailed records of all its property and equipment. Currently, the list provided for audit does not include cost or acquisition date. (See PDF Page 34)	MW	2016 (FY 2013-14)	The District is in the process of cataloging and tracking all capital assets within the District. Many of these assets were installed more than ten years ago, and at that time they were not cataloged or tracked. At this time, many of these assets are being replaced by the District as they become obsolete and/or inoperable. When replaced, the asset is being cataloged and tracked.	Yes
Tern Bay Community Development District	Charlotte County	<u>IC2009-01 - Financial Condition</u> : The District is not in compliance with certain provisions of its Bond Indenture, including those relating to: (1) collecting assessments to provide payment of debt service; (2) maintaining adequate funds in debt service reserve accounts; and (3) making its semi-annual debt service principal and interest payments. (See PDF Page 31)	N/A	2016 (FY 2013-14)	The subject District bonds are in default solely due to the former developer abandonment of the entire project, including the facts that no new developer has shown interest in acquiring the property. The District has initiated a foreclosure action on all property, subject to the assessment and has a final judgment in favor of the District for the delinquent properties and has foreclosed on all delinquent properties. The District has thus fully complied with the obligations set forth in the bond indenture in the event of special assessment defaults and has fully cooperated with direction provided by the Trustee with respect to such defaults. There is no foreseeable conclusion to the findings unless and until another developer purchases the property and/or works out an agreeable solution to the delinquent assessments.	Yes

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Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Trails Community Development District	Duval County	<u>14-01 - Financial Condition Assessment</u> : The District's financial condition has deteriorated. In a prior year, the Developer failed to pay debt service assessments, causing the District to be unable to pay certain debt service payments when due. An event of default was declared, and the debt was subsequently restructured with the agreement of the bondholders. The restructured agreement requires no current payments and the Special Purpose Entity (SPE) is now funding the District; however, the overall effect of these actions on the District's financial condition cannot be determined at this time. (See PDF Page 37)	N/A	2016 (FY 2013-14)	The deterioration of the District's financial conditions relate to the nonpayment of debt service assessments, which are secured by the land within the District. In lieu of foreclosing on such lands, and in cooperation with the Trustee and bondholders, the District entered into a settlement agreement which required the developer to convey the property to a special purpose entity (SPE) established on behalf of the Trustee. Accordingly, it is the District's position that it has taken every available measure to comply with the bond trust indenture. It is the District's understanding that the SPE is searching for a developer to finish the project and/or sell the land subject to the special assessment lien. At that time, the District anticipates that its financial conditions will significantly improve.	Yes
Treeline Preserve Community Development District	Lee County	<u>15-02 - Failure to Meet Debt Service Reserve Account Requirement</u> : The Debt Service Reserve Account was deficient at fiscal year-end. The balance in the Debt Service Reserve Account was used to pay debt service expenditures. The District is not in compliance with the Trust Indenture. (See PDF Page 37)	N/A	N/A	N/A	Yes

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Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Treeline Preserve Community Development District (continued)	Lee County (continued)	<u>15-01 - Failure to Make Debt Service Payments When Due:</u> In current and prior years, the District did not pay all of the principal and interest due on the Series 2007A Bonds. The Developer did not pay debt service assessments owed to the District. (See PDF Page 36)	N/A	2016 (FY 2013-14)	The prior year response stated that the District's foreclosure lawsuit continues and the District was defending a counterclaim; the court had not provided a trial date for this case; therefore, the trial may begin anytime on or after September 11, 2015; unfortunately, the District will not be able to correct the findings until the lawsuit is completed. Most recent status: No material additional corrective action has been taken by the District from what was provided in the prior year response. In regard to the ongoing foreclosure case, on February 25, 2016, the Court granted the District's Motion for Summary Judgment against the Defendant/Counter-Claimant, as to all claims. Also, the District has obtained an order for summary judgment against all remaining parties.	Yes
Venetian Community Development District	Sarasota County	<u>13-01 - River Club Accounting:</u> The general ledger accounting and reporting process for the River Club Special Revenue Fund is inadequate. A full balance sheet is not maintained and updated; the balance sheet is not updated annually, resulting in several audit adjustments to adjust year-end balances. The trial balance as presented to the auditors was incomplete and inadequate. (See PDF Page 33)	MW	N/A	N/A	Yes

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Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Villa Vizcaya Community Development District	St. Lucie County	<u>2015-01 - Financial Condition Assessment</u> : The District's financial conditions continue to deteriorate. The Debt Service Fund had a deficit fund balance at fiscal year-end. The Developer stopped funding the District during a prior fiscal year resulting in significant delinquent assessments and unfunded contributions in prior fiscal years. As a result, certain costs were paid out of the Debt Service Reserve Account and the debt service reserve requirement was not met. Furthermore, the District did not have sufficient funds to make the scheduled debt service payments during FY 2010-11 to FY 2014-15, resulting in events of default. (See PDF Page 31)	N/A	2016 (FY 2013-14)	The prior year responses described brief history and current status of the District; a Special Purpose Entity (SPE) was created, and the developer and major landowner deeded the majority of the land within the District to the SPE in lieu of foreclosure; no collection of past or future debt assessments will be made until certain provisions of a Forbearance Agreement between the District and SPE were reached; the District is unable to correct the finding(s) at this time. Most recent status: No material additional corrective action has been taken by the District from what was provided in the prior year response.	Yes
Waterford Estates Community Development District	Charlotte County	<u>2015-01 - Financial Condition Assessment</u> : The District's financial conditions continue to deteriorate. As a result of delinquent assessments for current and prior fiscal years, certain scheduled debt service payments were not made, resulting in events of default. In addition, the debt service funds reported a deficit fund balance at fiscal year-end, and the reserve requirement has not been met. (See PDF Page 31)	N/A	2016 (FY 2013-14)	The prior year response stated that a Special Purpose Entity (SPE) was created and deeded the property formerly owned by the developer and major landowner in lieu of foreclosure; the SPE continued to own, maintain, manage and market the property for resale; however, until the property owned by the SPE is sold, the findings would not be corrected. Most recent status: As of 3/1/16, the District has sold 97 lots to a builder.	Yes
Waterlefe Community Development District (Manatee County)	Manatee County	<u>IC2010-01 - Debt Administration</u> : The District is not in compliance with certain provisions of its Golf Course Revenue Bond indenture, including those relating to: (1) collecting amounts to provide payment of debt service; (2) maintaining adequate funds in debt service reserve accounts; and (3) making semi-annual principal and interest payments. (See PDF Page 42)	N/A	2016 (FY 2013-14)	The District is continuing to work diligently to increase the profitability of the golf course in order to meet the requirements of the bond indenture for the Golf Course Revenue Bonds. The bondholders continue to engage consultants to provide recommendations on areas of improvement to help increase the profitability of the golf course.	Yes

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Waterstone Community Development District	St. Lucie County	<u>2015-01 - Financial Condition Assessment:</u> The District's financial conditions continue to deteriorate. The debt service fund had a deficit fund balance at fiscal year-end. The Developer stopped funding the District during FY 2008-09 and did not pay its share of assessments for the prior fiscal year. In addition, reserve requirement has not been met. Furthermore, the District did not have sufficient funds to make certain scheduled debt service payments during FY 2008-09 to 2014-15, resulting in events of default. (See PDF Page 29)	N/A	2016 (FY 2013-14)	The prior year response stated that the majority of the property within the District remained in the ownership of the Special Purpose Entity (SPE); therefore, no debt assessments were being collected; until the property is sold by the SPE, the District would be unable to correct the findings, and the timeframe for the sale was unknown. Most recent status: No material additional corrective action has been taken by the District from what was provided in the prior year response.	Yes
West Villages Improvement District	Sarasota County	<u>2015-01 - Debt Service Reserve Requirements:</u> The debt service reserve requirements for the Series 2006 Unit 3 Bonds and the Series 2005 Unit 2 Bonds were not met as of fiscal year-end. In the prior fiscal year, funds from the debt service reserve accounts were used to cover partial debt obligations. (See PDF Page 31)	N/A	2016 (FY 2013-14)	Describes history and current status of the District. The issues with two of the three bonds have been resolved as of FY 2013-14. The issues with the remaining bond have not been resolved, and it is unknown when this situation will be resolved, although there are encouraging signs of development activity with the new developers/property owners.	Yes
		<u>2015-02 - Financial Condition Assessment:</u> A deteriorating financial condition exists. The District had approximately \$1.3 million in delinquent assessments due from a major landowner as of fiscal year-end. Consequently, the District did not make certain scheduled debt service payments in the current and prior fiscal years. Subsequent to fiscal year-end, FY 2014-15 principal was not paid. (See PDF Page 31)	N/A	2016 (FY 2013-14)	See response to Finding #2015-01 above.	Yes

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Westridge Community Development District	Polk County	<u>13-01 - Failure to Meet Debt Service Reserve Account Requirement:</u> The Debt Service Reserve Account was deficient at fiscal year-end. The balance in the Debt Service Reserve Account was used to pay debt service expenditures. (See PDF Page 36)	N/A	2016 (FY 2013-14)	The District created a Special Purpose Entity (SPE) to own, manage and dispose of the land acquired at a foreclosure sale. The special assessment lien has been foreclosed on and the collateral for the bonds is the land. Once the land is sold, any proceeds will remain in the trust estate for the benefit of the bondholders. At this time, it is uncertain as to if and when the land will be sold and what the proceeds will be.	Yes
		<u>13-02 - Failure to Make Debt Service Payments When Due:</u> In current and prior fiscal years, the District did not pay all of the principal and interest payments due on the Series 2005 Bonds. The Developer did not pay debt service assessments owed to the District. (See PDF Page 36)	N/A	2016 (FY 2013-14)	See response for Finding #13-01 above.	Yes

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Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Westside Community Development District	Osceola County	<u>2011-01 - Debt Administration</u> : The District continues to be unable to make certain scheduled debt service payments and meet debt service reserve requirements on the Series 2005 and Series 2007 Bonds. (See PDF Page 34)	N/A	2016 (FY 2013-14)	The prior year response stated that Special Purpose Entities were created to own, maintain, and market delinquent assessment properties for resale; fortunately, all litigation/foreclosure cases involving the District have been dismissed or settled, several real estate parcels are under contract for sale to new developer(s), and a payment agreement with one landowner for past due assessments has been executed (and payments have been successfully made to date). Most recent status: No material additional corrective action has been taken by the District from what was provided in the prior year response. However, there has been significant progress on a bulk real estate sale of a portion of the real property held for the benefit of the bond trust estate. A first phase closing to a new developer is currently scheduled for June 3, 2016. The sale of this parcel is the beginning of the remedy of the bond default as it will add assessment-paying landowners, it will provide some funds to the bondholders in lieu of apportion of the defaulted debt, and it will assist the District in obtaining operational assessments and having access for all its lands to a complete system of public infrastructure for transportation and stormwater management.	Yes
		<u>2012-01 - Financial Condition</u> : The District reported a fund balance deficit in the Series 2005 Debt Service Fund and Series 2007 Debt Service Fund for which sufficient resources were not available to cover the deficit. (See PDF Page 35)	N/A	2016 (FY 2013-14)	See response for Finding #2011-01 above.	Yes
Woodlands Community Development District, The	Sarasota County	<u>13-02 - Failure to Meet Debt Service Reserve Account Requirement</u> : The Series 2004A Debt Service Reserve Account was deficient at fiscal year-end. The balance in the Series 2004A Debt Service Reserve Account was used to pay debt service payments. (See PDF Page 34)	N/A	2016 (FY 2013-14)	See response for finding #13-01 below.	Yes

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Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Woodlands Community Development District, The (continued)	Sarasota County (continued)	<u>13-01 - Failure to Make Debt Service Payments When Due:</u> In the current and prior years, the District did not pay the principal and interest due on the Series 2004A Bonds. The District did not receive special assessments from certain landowners. (See PDF Page 34)	N/A	2016 (FY 2013-14)	The prior year responses stated that, in a prior year, the developer defaulted on assessment payments owed to the District, and the District's financial condition deteriorated because it was economically dependent on the developer who owned the majority of land in the District; the Board was acutely aware of the financial condition of the District and desired to rectify the deficiencies identified at the earliest practical date; the condition of the general fund and the amount of outstanding payables had recently improved due to collection of some of the delinquent operations and maintenance assessments; however, foreclosure of the delinquent operations and maintenance assessments was not financially feasible; the Trustee and the landowners entered into a First Amendment to the Forbearance Agreement, which required the District to forbear in enforcement and collection of the delinquent debt assessments, including foreclosure, until October 31, 2017. Most recent status: During the past two years, new construction has occurred, and the District has received revenue from tax certificate sales, which significantly improved its financial position. As of the close of FY 2014-15, the District's general fund no longer has a deficit, and all outstanding accounts have been brought current. The District expects the findings to continue throughout the period the Forbearance Agreement remains in effect.	Yes

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Wyld Palms Community Development District	Citrus County	<u>14-01 - Compliance with Bond Indenture Covenants:</u> The District has not made the required debt service payments since May 2009. Also, the District did not meet the reserve requirement on the Series 2007 Bonds at fiscal year-end. (See PDF Page 33)	N/A	2016 (FY 2013-14)	Describes history and current status of the District; the former developer of the land within the District encountered financial difficulties during the economic downturn and was not able to pay the bond debt service assessments assigned to the developer's property. The District initiated a foreclosure suit to gain ownership to all developer-owned property located within the District several years ago. The foreclosure suit was successful and a Special Purpose Entity was created and now holds title to all of the developer-owned property within the District. The District continues to cooperate with the Trustee and bondholders in marketing this property for sale, with the net sale proceeds provided to the bondholders to satisfy all outstanding bond indebtedness. The District's balance sheet will improve dramatically upon the sale of the foreclosed property.	Yes
Zephyr Ridge Community Development District	Pasco County	<u>09-01 - Failure to Make Bond Debt Service Payments When Due:</u> In the current and prior years, the District did not pay required debt service on the Series 2006 Bonds. The District was unable to make the required debt service payments due to nonpayment of debt assessments owed to the District. (See PDF Page 36)	N/A	2016 (FY 2013-14)	The District is continuing to work diligently to collect assessments in order to pay the required debt service assessments. A Special Purpose Entity (SPE) was created to own, manage, and dispose of the property related to the delinquent assessments which represents 88% of the total property within the District. Until a purchaser of the property is found or a new developer becomes involved, the debt assessments are held in abeyance; therefore, no assessments will be collected to enable the District to make the scheduled debt service payments. There is no estimate as to the timing of the resolution of this finding.	Yes
		<u>09-02 - Failure to Meet Debt Service Reserve Requirements:</u> The Series 2006 Debt Service Reserve Accounts were deficient at fiscal year-end. In prior years, the Debt Service Reserves were used to pay debt service on the Bonds due to the former Developer's nonpayment of assessments owed. (See PDF Page 36)	N/A	2016 (FY 2013-14)	Upon the sale of the property related to the delinquent assessments, it is uncertain as to if the debt service reserve will be replenished as the proceeds from the sale will go to the Bondholders.	Yes

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Zephyr Ridge Community Development District (continued)	Pasco County (continued)	<u>12-01 - Failure to Include Component Unit Financial Statements in the Financial Report:</u> The Special Purpose Entity is not included as a component unit in the District's financial report. (See PDF Page 35)	MW	2016 (FY 2013-14)	Management does not agree that the SPE should be included as a blended component unit on the government-wide financial statements. In summary, management feels that it would be misleading to the users of the financial statements for the following reasons: (1) The District has no ownership and/or control over the SPE and in no way can it impose its will on the SPE; (2) The District will not benefit from the activities of the SPE; (3) When the land held by the SPE is sold, the proceeds will be paid to the Bondholders to satisfy the Bond debt; and (4) The District will not be responsible for any deficiency between the net proceeds of the sale of the SPE owned land and the associated Bond debt not satisfied or secured by assessments.	Yes

FOOTNOTE/LEGEND:

1. Most of these audits have been conducted by private certified public accountants, as required by Section 218.39(1), Florida Statutes.
2. **Material Weakness (MW):** a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that one of the following will not be prevented, or detected and corrected, on a timely basis:
 - a. a material misstatement of the entity's financial statements, or
 - b. material noncompliance with a type of compliance requirement.

For example, a deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis.

The severity of the deficiency would determine whether it should be classified as a material weakness, a significant deficiency, or an additional matter.

3. **Significant Deficiency (SD):** less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Alligator Point Water Resources District	Franklin County	<u>2015-01 - Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP):</u> Staff does not have sufficient knowledge of appropriate accounting principles to prepare the GAAP-based financial statements. As a result, a number of adjustments were required to be made to the accounting records subsequent to the start of the audit process (See PDF Page 19)	MW	2013 (FY 2010-11)	Cost prohibitive for the District to hire an additional firm to draft financial statements and related notes in accordance with GAAP in advance of year-end audit procedures.	Yes
		<u>2015-02 - Separation of Duties:</u> The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if staff was large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remain involved in the financial affairs of the District to provide oversight and independent review functions. (See PDF Page 19)	MW	2015 (FY 2012-13)	The District is aware of this control problem, which is due to the lack of staff and funding for additional staff. The District's Board of Directors will remain involved in the financial affairs of the District as legally acceptable and to the benefit of the District's customers.	Yes
Baker County Development Commission	Baker County	<u>2015-002 - Financial Reporting:</u> As part of the audit process, the auditors proposed material adjustments to the Commission's financial statements and assisted with the preparation of the financial statements. The auditors recommend that the Commission consider and evaluate the costs and benefits of improving internal control relative to the financial reporting process. By improving this process, the Commission will have an enhanced ability to monitor its budget position on an ongoing basis. (See PDF Page 29)	MW	2016 (FY 2013-14)	The Commission has no employees; it contracts with the Baker County Chamber of Commerce (Chamber) for management and administrative services. Due to budget constraints of a non-profit in a small rural community, the Chamber has only one full-time employee, an executive director, and two part-time employees. While none of the Chamber employees have the education, training, or experience to always prepare the financial statements correctly, the executive director does have the business experience to discuss entries and approve corrections when they are suggested by the accounting firm conducting the audit.	Yes

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Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Baker County Development Commission (continued)	Baker County (continued)	<u>2015-001 - Separation of Duties</u> : Because of a limited number of personnel, it is not always possible to adequately separate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or all phases of a transaction. The Commission has implemented compensating controls to the extent possible, given available staff, to mitigate the risk of unintentional or intentional errors occurring and not being detected. (See PDF Page 29)	MW	2013 (FY 2010-11)	Due to small staff size; describes controls added to compensate.	Yes
Baker County Hospital District	Baker County	<u>2015-02 - Financial Reporting</u> : As part of the audit process, the auditors proposed material adjustments to the District's financial statements and assisted with the preparation of the financial statements. The auditors recommend that the District consider and evaluate the costs and benefits of improving internal control relative to the financial reporting process. By improving this process, the District will have an enhanced ability to monitor its budget position on an ongoing basis. (See PDF Page 23)	MW	2016 (FY 2013-14)	The District has no employees; it contracts with the Baker County Chamber of Commerce (Chamber) for administrative services. Due to budget constraints of a non-profit in a small rural community, the Chamber has only one full-time employee, an executive director, and two part-time employees. While none of the Chamber employees have the education, training, or experience to always prepare the financial statements correctly, the executive director does have the business experience to discuss entries and approve corrections when they are suggested by the accounting firm conducting the audit.	Yes
		<u>2015-01 - Separation of Duties</u> : Because of a limited number of personnel, it is not always possible to adequately separate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or all phases of a transaction. The District has implemented compensating controls to the extent possible, given available staff, to mitigate the risk of unintentional or intentional errors occurring and not being detected. (See PDF Page 23)	MW	2013 (FY 2010-11)	Due to small staff size; describes controls added to compensate.	Yes

MW = Material Weakness (see 2. In Legend)
SD = Significant Deficiency (see 3. In Legend)

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Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Beach Mosquito Control District	Bay County	<u>2015-1 - Separation of Duties</u> : The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff was large enough to provide optimum separation of duties. The Board of Commissioners and the Director review the deposits and expenditures on a monthly basis and include their approval and comments in the minutes of the Board meetings to help override the lack of segregation of duties. The auditors still recommend that the segregation of duties be continuously reviewed and adjusted where possible to strengthen the system of internal control each year. (See PDF Page 50)	SD	2013 (FY 2010-11)	Limited staff and limited funds; describes controls added to compensate.	Yes
Big Bend Water Authority	Dixie County, Taylor County	<u>2015-001 - Separation of Duties</u> : Because of a limited number of personnel, it is not always possible to adequately separate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or all phases of a transaction. Consequently, the possibility exists that unintentional errors or irregularities could exist and not be promptly detected. To help compensate, the Authority's day-to-day financial activities should be monitored on an ongoing basis. (See PDF Page 39)	MW	2013 (FY 2010-11)	Small governmental entity; one person handles all accounting responsibilities; have adopted review and control oversight procedures by management and the Board of Directors, where possible.	Yes
Bolles Drainage District	Hendry County	<u>2011-1 - Internal Control Over Financial Reporting</u> : The District does not currently have the skills and competencies necessary to prepare the financial statements and prevent, detect, and correct a material misstatement in its financial statements. (See PDF Page 29)	MW	2013 (FY 2010-11)	Not a sound business decision to acquire the necessary expertise due to cost; simple operation that performs very limited activities.	Yes

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Cedar Key Water and Sewer District	Levy County	<u>2015-001 - Separation of Duties</u> : Because of the limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Consequently, the possibility exists that unintentional errors or irregularities could exist and not be promptly detected. The auditors recommend that the Board provide ongoing oversight to help mitigate this control deficiency. (See PDF Page 22)	MW	2013 (FY 2010-11)	Small district; one person handles all accounting responsibilities; have adopted review and control oversight procedures by management and the Board of Directors, where possible.	Yes
Children's Services Council of Okeechobee County	Okeechobee County	<u>2015-1 - Financial Reporting and Statement Preparation</u> : The Council's accounting and financial reporting is handled by employees that don't have the training to record transactions and prepare financial statements in accordance with generally accepted accounting principles. Also the complexity of the Council's accounting and financial reporting has increased over the past several years. The auditors recommend that the Council consider engaging an accountant with expertise in governmental accounting or provide training to employees. (See PDF Page 29)	MW	2013 (FY 2010-11)	Limited staff; believe majority of funds should be used for children's programs rather than audit staff.	Yes
		<u>2015-2 - Lack of Segregation of Duties</u> : The size of the Council's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum separation of duties. Presently, a single individual is responsible for preparing checks, reconciling the bank account, and maintaining the general ledger. The auditors recommend that cash disbursement duties be segregated from cash reconciliation duties. (See PDF Page 29)	SD	2013 (FY 2010-11)	Due to limited staff; describes controls added to compensate.	Yes

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City-County Public Works Authority	Glades County	<u>2010-003 - Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)</u> : The Authority does not have an internal control policy in place over the annual financial reporting and does not have the necessary staff capacity to prepare the annual financial statements and related footnote disclosures in accordance with GAAP. The Authority relies on the audit firm to prepare the annual financial statements and related footnote disclosures. (See PDF Page 19)	MW	2013 (FY 2010-11)	Long tenured staff in accounting department, but no one with CPA or governmental financial reporting training; too cost prohibitive to hire employee or consultant to prepare financial statements in appropriate format.	Yes
		<u>2010-002 - Audit Adjustments</u> : The auditors proposed audit adjustments to revise the Authority's books at fiscal year-end. These adjustments involved the recording of accruals and fund balance reclassifications. (See PDF Page 18)	MW	2013 (FY 2010-11)	Long tenured staff in accounting department, but no one with CPA or governmental financial reporting training; too cost prohibitive to hire employee or consultant to prepare year-end adjusting entries in appropriate format.	Yes
		<u>2010-001 - Separation of Duties</u> : The Authority does not have adequate separation of the accounting functions due to limited personnel. If additional separation is not feasible, the auditors recommend that Authority management and the Board of Supervisors continue to implement and perform oversight procedures to help mitigate the lack of segregation of duties as much as possible. (See PDF Page 18)	MW	2013 (FY 2010-11)	Too cost prohibitive to hire additional personnel just to achieve proper separation of duties within accounting functions.	Yes
Disston Island Conservancy District	Glades County, Hendry County	<u>2011-1 - Internal Control Over Financial Reporting</u> : The District does not currently have the skills and competencies necessary to prepare the financial statements and to prevent, detect, and correct a material misstatement in its financial statements. The auditors recommend that the District develop a strategy to address this material weakness in internal control over financial reporting. (See PDF Page 29)	MW	2013 (FY 2010-11)	Governing board has determined that cost is not a sound business decision to acquire necessary expertise.	Yes

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Escambia-Pensacola Human Relations Commission	Escambia County	<u>2015-1 - Overall Segregation of Duties:</u> Due to the limited number of people working in the office, many of the critical duties are combined and assigned to an available employee, such as access to checks, access to the general ledger, and the ability to create a new vendor in the accounting system. Due to the fact that incompatible duties are not adequately segregated, the potential exists for errors or irregularities to occur which would not be found or corrected in a reasonable time period. (See PDF Page 23)	SD	2014 (FY 2011-12)	Due to limited size of staff, we will never be able to have proper separation of duties. However, steps have been implemented to mitigate the lack of segregation.	Yes
Fellsmere Water Control District	Indian River County	<u>2015-1 - Separation of Duties:</u> The limited size of the District's staff does not allow for proper separation of duties in each phase of operations, which is not unusual in an organization of this size. The high degree of involvement by the Board of Supervisors in the financial process provides a degree of compensating control for this weakness. (See PDF Page 38)	SD	2013 (FY 2010-11)	Due to limited budget; not possible to hire another employee to eliminate this finding; describe procedures implemented to compensate.	Yes
Flaghole Drainage District	Glades County, Hendry County	<u>2011-1 - Internal Control Over Financial Reporting:</u> The District does not currently have the skills and competencies necessary to prepare the financial statements and to prevent, detect, and correct a material misstatement in its financial statements. The auditors recommend that the District develop a strategy to address this material weakness in internal control over financial reporting. (See PDF Page 29)	MW	2013 (FY 2010-11)	Governing board has determined that, due to cost, it is not a sound business decision to acquire necessary expertise.	Yes

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Flagler Estates Road and Water Control District	St. Johns County	<u>2015-002 - General Accounting Records</u> : As part of the audit process, the auditors proposed material adjustments to the District's financial statements and assisted in the preparation of the financial statements. The proposed adjustments were accepted by management, enabling the financial statements to be fairly presented in conformity with generally accepted accounting principles. The auditors recommend that the District consider and evaluate the cost and benefits of improving controls relative to the financial reporting process. (See PDF Page 31)	MW	2013 (FY 2010-11)	The Board, in conjunction with the treasurer (accounting firm), have discussed ramifications of implementing procedures to correct condition and determined that continuing to utilize auditors for this task is in the best interest of the District.	Yes
		<u>2015-001 - Separation of Duties</u> : Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties, so that no one individual has access to both physical assets and the related accounting records, or all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected. (See PDF Page 31)	MW	2013 (FY 2010-11)	Due to limited staff, it's not always possible to adequately separate duties; have contracted with an accounting firm to perform monthly oversight of financial records. The accounting firm now serves as treasurer.	Yes
Fred R. Wilson Memorial Law Library	Seminole County	<u>ITEM 1 - Improve Knowledge of Internal Control over Financial Reporting</u> : The person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements. The basis for this control issue is that the auditor cannot be considered part of the Library's internal control. (See PDF Page 30)	N/A	2013 (FY 2010-11)	The Library has a CPA firm that prepares quarterly financial statements, opens bank statements, and starting in Jan. 2013, reviews all bank statements, revenue, and expenditures monthly; no need to train accounting staff, hire additional staff, etc. to prepare financial statements when all of this is being accomplished by the CPA firm employed by the Library.	Yes

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Fred R. Wilson Memorial Law Library (continued)	Seminole County (continued)	ITEM 2 - Internal Control: One person has the primary responsibility for most of the financial administration and financial duties. As a result, many of those aspects of internal control which rely upon an adequate separation of duties are, for all practical purposes, missing in the Library. Increased involvement of the Board of Trustees such as reviewing and signing all disbursement checks, compensate to a degree for the absence of adequate segregation of duties. (See PDF Page 30)	N/A	2013 (FY 2010-11)	Only two employees; the Library is not large enough to make employment of additional people cost effective; letter describes involvement of Board members.	Yes
Gladeview Water Control District	Palm Beach County	2011-1 - Internal Control Over Financial Reporting: The District does not currently have personnel with the skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements. (See PDF Page 29)	MW	2013 (FY 2010-11)	The governing board has determined that, due to cost, it is not a sound business decision to acquire necessary expertise.	Yes
Hendry Soil and Water Conservation District	Hendry County	2011-1 - Internal Control Over Financial Reporting: The District does not currently have the skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements. (See PDF Page 25)	MW	2013 (FY 2010-11)	The governing board has determined that, due to cost, it is not a sound business decision to acquire necessary expertise.	Yes
Hendry-Hilliard Water Control District	Hendry County	2011-1 - Internal Control Over Financial Reporting: The District does not currently have the skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements. (See PDF Page 29)	MW	2013 (FY 2010-11)	The governing board has determined that, due to cost, it is not a sound business decision to acquire necessary expertise.	Yes

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Hendry-La Belle Recreation Board	Hendry County	<u>2011-1 - Internal Control Over Financial Reporting:</u> The Board does not currently have the skills and competencies necessary to prepare the financial statements and to prevent, detect, and correct a material misstatement in its financial statements. (See PDF Page 30)	MW	2016 (FY 2013-14)	Due to limited financial resources and fiscal staffing, this finding may not be resolved in the near future. The Board does practice separation of duties to the fullest extent possible to minimize the possibility of errors in recording and reporting. The auditors perform a detailed review of the records, Board staff reviews all audit adjustments independently, and the auditors answer any and all questions arising from the review prior to the preparation of the financial statements.	Yes
Highland Glades Water Control District	Palm Beach County	<u>2011-1 - Internal Control Over Financial Reporting:</u> The District does not currently have the skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements. (See PDF Page 27)	MW	2013 (FY 2010-11)	The governing board has determined that, due to cost, it is not a sound business decision to acquire necessary expertise.	Yes
Indian River Farms Water Control District	Indian River County	<u>2015-1 - Segregation of Duties:</u> The limited size of the District's staff does not allow for proper separation of duties in each phase of operations. Although segregation of duties is necessary for optimum efficiency in internal controls, management does not believe it is cost beneficial for the District. The high degree of involvement by the Board of Supervisors in the financial process also provides a degree of compensating control for this weakness. (See PDF Page 37)	SD	2013 (FY 2010-11)	The District is not able to hire additional staff needed to resolve finding due to limited resources; Board involvement has been increased to compensate.	Yes
Levy Soil and Water Conservation District	Levy County	<u>13-01 - Financial Statement Preparation Knowledge:</u> District personnel's lack of knowledge and familiarity with Governmental Accounting and Financial Accounting Standards prohibits the District from being able to prepare financial statements with adequate and proper disclosures and free of material misstatements. (See PDF Page 24)	MW	2016 (FY 2013-14)	The District cannot afford to hire an accounting professional with the specialized knowledge to prepare governmental accounting financial statements. As a result, the auditors are significantly involved in the preparation of the financial statements. The auditors are not involved in the management of the District or in the safeguarding of the District's assets.	Yes

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Marion County Law Library	Marion County	<u>2015-1 - Segregation of Duties</u> : The accounting function is primarily handled by one employee, often handling complete accounting cycles and having access to the complete accounting system, including the handling of cash receipts and reporting of cash receipts. In addition, the Library does not employ or engage an individual, either internally or externally, who has the necessary capability, skills, and competencies to prepare the financial statements in accordance with generally accepted accounting principles, as well as prevent, detect, and correct material misstatements. (See PDF Page 24)	MW	2013 (FY 2010-11)	Small entity; describes background of Library and compensating controls implemented.	Yes
Municipal Service District of Ponte Vedra Beach	St. Johns County	<u>2015-002 - Financial Reporting</u> : It was necessary for the auditors to assist with the preparation of the District's financial statements, in order for the statements to be fairly presented in conformity with generally accepted accounting principles. (See PDF Page 27)	MW	2013 (FY 2010-11)	The District evaluated cost-benefit and determined that it is in the best interest of District to outsource this task to auditors.	Yes
		<u>2015-001 - Separation of Duties</u> : There is an inadequate segregation of duties. The District has a limited number of available personnel, and it is not always possible to adequately separate incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. (See PDF Page 27)	MW	2013 (FY 2010-11)	Due to limited number of financial staff, it is not always possible to separate duties; have done so to extent possible.	Yes
North Okaloosa County Fire District	Okaloosa County	<u>2015-02 - Financial Statement Preparation, Knowledge and Audit Adjustments</u> : The District does not prepare its audited financial statements. Because of the limited number of available personnel, the District engages the external auditor in non-attest services, including assistance with the preparation of the financial statements in accordance with generally accepted accounting principles. (See PDF Page 36)	MW	2015 (FY 2012-13)	The District believes the cost in fully correcting the weakness outweighs the benefits derived from additional controls. The District has implemented an internal control of having Board members with years of business experience review and approve the financial statements and all audit adjustments prior to issuance of the audit report.	Yes

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North Okaloosa County Fire District (continued)	Okaloosa County (continued)	<u>2015-01 - Lack of Segregation of Duties</u> : The District does not segregate duties to prevent an employee from having access to all phases of a transaction. Because of the limited number of available personnel, it is not always possible to adequately separate incompatible duties so that no one employee has access to all phases of a transaction. (See PDF Page 35)	MW	2013 (FY 2010-11)	Due to small size of District; cost to correct deficiency outweighs benefit; describes some procedures implemented to compensate.	Yes
North St. Lucie River Water Control District	St. Lucie County	<u>ML 2015-2 - Improve Knowledge of Internal Control Over Financial Reporting</u> : The person responsible for the accounting and reporting functions lacks the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements. (See PDF Page 33)	SD	2013 (FY 2010-11)	Small district with limited resources; no funding to hire additional staff to resolve finding.	Yes
		<u>ML 2015-1 - Lack of Segregation of Duties</u> : The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum separation of duties. This situation dictates that the District implement a system to review and reconcile financial transactions on a regular basis and the Board of Supervisors remain involved in the financial affairs of the District to provide oversight and independent review functions. (See PDF Page 33)	SD	2013 (FY 2010-11)	Small district with limited resources; no funding to hire additional staff; have implemented some controls to compensate.	Yes
Ocean City - Wright Fire Control District	Okaloosa County	<u>IC2007-01 - Preparation of Financial Statements in Accordance to Generally Accepted Accounting Principles (GAAP)</u> : It was necessary for the auditors to propose significant adjustments to fixed assets, prepaids, and pension accounts and to prepare the financial statements as the District's staff lacks the necessary knowledge. (See PDF Page 57)	MW	2013 (FY 2010-11)	Small district with limited financial resources; not possible to employ a CPA on staff to prepare financial statements, so function has been outsourced to external auditor.	Yes

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Okeechobee Soil and Water Conservation District	Okeechobee County	<u>2015-1 - Preparation of Financial Statements</u> : The District does not have personnel with sufficient technical knowledge and training to prepare financial statements in accordance with generally accepted accounting principles. (See PDF Page 53)	MW	2013 (FY 2010-11)	Due to number of responsibilities that employee has, it is not realistic to obtain training in generally accepted accounting principles; District doesn't feel it is a proper use of funds to engage an accountant for training or review of auditor-prepared financial statements.	Yes
		<u>2015-2 - Lack of Segregation of Duties</u> : The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. (See PDF Page 54)	SD	2013 (FY 2010-11)	Only one employee handles accounting; Board remains active and reviews all transactions; describes some procedures implemented to compensate.	Yes
Palatka Gas Authority	Putnam County	<u>2015-001 - Financial Reporting</u> : The auditors proposed material adjustments to the Authority's financial statements and assisted with the preparation of the financial statements in order to ensure that they were presented in conformity with generally accepted accounting principles. (See PDF Page 28)	MW	2014 (FY 2011-12)	This Authority is a small organization with limited staff. This finding will continue to be listed for the foreseeable future. The Authority has taken steps to alleviate some inherent risks by implementing controls that prohibit an employee from having access to both the physical assets and the related accounting records.	Yes
Panhandle Public Library Cooperative System	Calhoun County, Holmes County, Jackson County, Washington County	<u>07-01 - Financial Reporting</u> : The Cooperative System relies on the external auditor to assist with preparing and explaining financial statements in conformity with generally accepted accounting principles. (See PDF Page 47)	MW	2013 (FY 2010-11)	Due to small staff and no CPA on staff; resources are limited so a decision was made to outsource task to the auditors.	Yes

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Quincy-Gadsden Airport Authority	Gadsden County	<u>2008-1 - Segregation of Duties:</u> The Authority does not currently have any full-time employees. Therefore, separation of all incompatible duties is not currently feasible. The Authority has made several improvements in this area, such as hiring a CPA firm to record the Authority's financial transactions, reconcile the bank account, and prepare the financial statements from information supplied by the airport manager. Also, all checks are reviewed and signed by two Board members, and monthly financial statements compiled by a CPA firm are reviewed and approved at each Board meeting. Even though internal control has been approved because of functions performed by the CPA firm, a lack of separation of duties still exists in some areas. (See PDF Page 26)	N/A	2013 (FY 2010-11)	Due to nature and size of Authority, there is only one administrative employee; have outsourced various responsibilities as described in letter, which is most practicable solution to issue.	Yes
Ritta Drainage District	Hendry County, Palm Beach County	<u>2011-1 - Internal Control Over Financial Reporting:</u> The District does not currently have the skills and competencies necessary to prepare the financial statements and to prevent, detect, and correct a material misstatement in its financial statements. (See PDF Page 29)	MW	2013 (FY 2010-11)	Governing board has determined that, due to cost, it is not a sound business decision to acquire necessary expertise.	Yes
San Carlos Estates Water Control District	Lee County	<u>2011-1 - Internal Control Over Financial Reporting:</u> The District does not currently have the skills and competencies necessary to prepare the financial statements and to prevent, detect, and correct a material misstatement in its financial statements. (See PDF Page 30)	MW	2013 (FY 2010-11)	Governing board has determined that, due to cost, it is not a sound business decision to acquire necessary expertise.	Yes
Seminole County Port Authority	Seminole County	<u>ITEM 2 - Improve Knowledge of Internal Control over Financial Reporting:</u> The person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements. (See PDF Page 37)	N/A	2013 (FY 2010-11)	Board and management have decided from a cost/benefit analysis that it isn't practical to expend funds to employ additional personnel to correct deficiency; only benefit to Authority to have such internal expertise would be to remove this finding.	Yes

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Seminole County Port Authority (continued)	Seminole County (continued)	ITEM 1 - Internal Control: One person has the primary responsibility for most of the accounting and financial duties. As a result, many of those aspects of internal control which rely on adequate segregation of duties are, for all practical purposes, missing in the Authority. The Authority is not large enough to make the employment of additional people cost effective for the purpose of segregation of duties. Increased involvement of the Board mitigates, to a limited degree, for the absence of adequate segregation of duties. (See PDF Page 38)	N/A	2013 (FY 2010-11)	Due to limited staff - one executive secretary/treasurer and one executive director; Board and management have decided from a cost/benefit analysis that it isn't practical to expend funds to employ additional personnel to correct deficiency; describes procedures implemented to compensate.	Yes
Shawano Water Control District	Palm Beach County	2011-1 - Internal Control Over Financial Reporting: The District does not currently have the skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements. (See PDF Page 39)	MW	2013 (FY 2010-11)	Governing board has determined that, due to cost, it is not a sound business decision to acquire necessary expertise.	Yes
South Seminole and North Orange County Wastewater Transmission Authority	Orange County, Seminole County	2015-01 - Lack of Segregation of Duties: The size of the Authority's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. The auditors recommend that management continue to exercise a high level of management review and supervision and the Board remain involved in the financial affairs to provide oversight and independent review functions. (See PDF Page 51)	MW	2013 (FY 2010-11)	Due to small staff (two people) and fiscal constraints, Authority cannot hire additional personnel to further separate duties; have implemented some procedures to compensate.	Yes
St. Augustine Port, Waterway and Beach District	St. Johns County	2015-001 - Separation of Duties: The District has a limited number of available personnel to adequately separate certain incompatible duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of a transaction. (See PDF Page 26)	MW	2013 (FY 2010-11)	Small district with no full-time administrative staff; have implemented some procedures to compensate.	Yes

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Sugarland Drainage District	Glades County, Hendry County	<u>2011-1 - Internal Control Over Financial Reporting:</u> The District does not currently have the skills and competencies necessary to prepare the financial statements and to prevent, detect, and correct a material misstatement in its financial statements. (See PDF Page 29)	MW	2013 (FY 2010-11)	Governing board has determined that, due to cost, it is not a sound business decision to acquire necessary expertise.	Yes
Suwannee Water and Sewer District	Dixie County	<u>2015-003 - General Accounting Records:</u> The auditors proposed material adjustments to the District's financial statements. It was also necessary for the auditors to assist with the preparation of the District's financial statements. (See PDF Page 34)	MW	2013 (FY 2010-11)	Very small entity with limited number of employees; District continues to improve skills of all employees through job training and encourages all employees to improve skills with other forms of formal education and training.	Yes
		<u>2015-001 - Separation of Duties:</u> Because the District has a limited number of available personnel, it is not always possible to adequately separate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. The auditors recommend that bank statements be opened by the General Manager and bank reconciliations be approved by the Treasurer. Additionally, all corrections to the general ledger should be approved by someone other than the individual who prepares and makes the corrections. (See PDF Page 34)	MW	2013 (FY 2010-11)	Very small entity with limited number of employees; Board members involved as another layer of accountability; describes some procedures implemented to compensate.	Yes

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Taylor Coastal Water and Sewer District	Taylor County	<u>2010-1 - Financial Statement Preparation</u> : The District is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. (See PDF Page 35)	SD	2015 (FY 2012-13)	The District is a very small government and has used available resources to employ a competent accountant who maintains excellent accounting records and provides accurate monthly financial reports prepared generally on a cash basis. At this time, the District believes it would not be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements.	Yes

FOOTNOTE/LEGEND:

1. Most of these audits have been conducted by private certified public accountants, as required by Section 218.39(1), Florida Statutes.
2. **Material Weakness (MW)**: a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that one of the following will not be prevented, or detected and corrected, on a timely basis:
 - a. a material misstatement of the entity's financial statements, or
 - b. material noncompliance with a type of compliance requirement.

For example, a deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis.

The severity of the deficiency would determine whether it should be classified as a material weakness, a significant deficiency, or an additional matter.

3. **Significant Deficiency (SD)**: less severe than a material weakness, yet important enough to merit attention by those charged with governance.

From: JAIME HOELSCHER <JAIMEHOELSCHER@aud.state.fl.us>
Sent: Thursday, June 23, 2016 1:25 PM
To: Dubose, Kathy
Cc: GREG CENTERS; JIM STULTZ
Subject: 2014-15 Fiscal Year Notification pursuant to Section 11.45(7)(j), Florida Statutes
Attachments: 2016 State Universities and Colleges Recurring Findings Notification.docx

Ms. Dubose,

Section 11.45(7)(j), Florida Statutes, requires the Auditor General to notify the Legislative Auditing Committee of any financial or operational audit report prepared pursuant to Section 11.45, Florida Statutes, which indicates that a State university or Florida College System institution (college) has failed to take full corrective action in response to a recommendation that was included in the two preceding financial or operational audit reports.

This e-mail is to notify you that the 2014-15 fiscal year audit reports for two State universities and six colleges disclosed that the universities and colleges had failed to take full corrective action in response to one or more recommendations included in the two preceding financial or operational audit reports. Please see the attached document identifying the respective universities and colleges, the applicable audit reports, and the recurring findings.

*Jaime Hoelscher, CPA
Audit Supervisor for Planning and Review of College and University Audits
Florida Auditor General
111 West Madison Street
Tallahassee, FL 32399
(850) 412-2868*

2014-15 FISCAL YEAR LISTING OF
 UNIVERSITIES AND COLLEGES THAT FAILED TO TAKE
 FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION
 INCLUDED IN THE TWO PRECEDING AUDIT REPORTS

<u>UNIVERSITY/COLLEGE</u>	<u>REPORT NUMBERS</u>	<u>FINDING NUMBERS</u>
Florida Atlantic University	2016-134	1, 4
	2014-045	1, 4
	2012-095	3, 12
University of South Florida	2016-133	5
	2014-063	9
	2012-132	9
Florida Keys Community College	2016-111	1
	2014-065	7
	2012-076	11
Florida State College at Jacksonville	2016-114	5
	2014-085	7
	2012-073	2
Hillsborough Community College	2016-183	5
	2014-034	3
	2012-069	2
Seminole State College	2016-101	2, 3
	2014-022	5, 7
	2012-074	3, 5
St. Johns River State College	2016-100	2
	2013-021	4
	2011-032	2
Tallahassee Community College	2016-135	6
	2014-039	10
	2012-030	3

From: JIM STULTZ <JIMSTULTZ@AUD.STATE.FL.US>
Sent: Tuesday, June 28, 2016 2:48 PM
To: Abruzzo, Joseph; Raulerson, Dan
Cc: Dubose, Kathy; White, Deborah
Subject: FW: 2014-15 Fiscal Year Notification of Recurring District School Board Findings
Attachments: 2015 DSB Recurring Findings JLAC Notification AG 6-28-16.docx

Section 11.45(7)(j), Florida Statutes, requires the Auditor General to notify the Legislative Auditing Committee of any financial or operational audit report prepared pursuant to Section 11.45, Florida Statutes, which indicates that a district school board has failed to take full corrective action in response to a recommendation that was included in the two preceding financial or operational audit reports. Also, pursuant to Section 218.39(8), Florida Statutes, the Auditor General is required to notify the Legislative Auditing Committee of any audit report prepared pursuant to Section 218.39, Florida Statutes, which indicates that a district school board has failed to take full corrective action in response to a recommendation that was included in the two preceding financial audit reports.

This e-mail is to notify you that the 2014-15 fiscal year audit reports for 31 district school boards disclosed that the district school boards had failed to take full corrective action in response to one or more recommendations included in the two preceding financial or operational audit reports. Please see the attached document identifying the respective district school boards, the applicable audit reports, and the recurring findings.

James R. Stultz, CPA
Audit Director
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111 W. Madison Street
Tallahassee, Florida 32399
Telephone: (850) 412-2869
Email: jimstultz@aud.state.fl.us
Website: www.state.fl.us/audgen/

Subject: FW: 2015 DSB Recurring Findings JLAC Notification - Update
Attachments: FW: 2014-15 Fiscal Year Notification of Recurring District School Board Findings; 2015 DSB Recurring Findings JLAC Notification AG 6-28-16 Revised.docx

As discussed, we inadvertently excluded Finding 19 from our recurring findings notification for Pinellas District School Board.

Please see excerpt below and attached revision.

Sincerely,

-Micah

2014-15 FISCAL YEAR LISTING OF
 DISTRICT SCHOOL BOARDS THAT FAILED TO TAKE
 FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION
 THAT WAS INCLUDED IN TWO PRECEDING AUDIT REPORTS

<u>DISTRICT SCHOOL BOARD</u>	<u>REPORT NUMBERS</u>	<u>FINDING NUMBERS</u>
24. Okaloosa ¹	2016-129	Fin/Op: 2, 12, 13, 14
	2013-121	Fin/Op: 3, 12, 10, 13
	2010-108	Fin/Op: 8, 5, 2, 6
25. Pinellas	CPA Firm FY 2014-15	Financial: 17, 18, 19
	2015-130	Fin/Op: 17 (Repeated CPA Firm FY 2012-13, No. 2013-004), 18 (Repeated CPA Firm FY 2012-13, No. 2013-004), 19 (Repeated 2012-150, No. 20)
	CPA Firm FY 2012-13	Financial: 2013-004
	2012-150	Fin/Op: 20

Micah E. Rodgers, CPA
 Audit Supervisor for Planning and Review, District School Boards
 111 West Madison Street
 Tallahassee, FL 32399-1450
 Telephone: (850) 412-2905

In the event your response contains information that may be considered sensitive or confidential pursuant to federal or state law, please do not send via e-mail and contact me to make other arrangements to provide such information.

2014-15 FISCAL YEAR LISTING OF
DISTRICT SCHOOL BOARDS THAT FAILED TO TAKE
FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION
THAT WAS INCLUDED IN TWO PRECEDING AUDIT REPORTS

DISTRICT SCHOOL BOARD	REPORT NUMBERS	FINDING NUMBERS
1. Alachua ¹	2016-079	Fin/Op: 12, 14, 15
	2013-126	Fin/Op: 12, 9, 10
	2010-051	Fin/Op: 6, 7, 8
2. Bradford	2016-145	Fin/Op: 7, 8, 9, 10, 11
	2015-138	Fin/Op: 7, 8, 10, 11, 12
	2014-117	Fin/Op: 5, 6, 8, 9, 10
3. Broward ¹	2016-180	Fin/Op: 2, 3, 7, 8, 12
	2013-160	Fin/Op: 4, 5, 9, 8,14
	2010-183	Fin/Op: 7, 6, 11, 10, 15
4. Clay ¹	2016-157	Fin/Op: 1 (Repeated CPA Firm FY 2013-14, No. 2014-1), 5 (Repeated 2013-156, No. 8), 8 (Repeated 2013-156, No. 7), 17 (Repeated 2013-156, No. 11), 20 (Repeated 2013-156, No. 13)
	CPA Firm FY 2013-14	2014-1 (Repeated CPA Firm FY 2012-13, No. 2013-3)
	CPA Firm FY 2012-13	2013-3
	2013-156	Fin/Op: 8, 7, 11, 13
	2011-142	Fin/Op: 2, 4, 7, 8
5. Columbia	2016-146	Fin/Op: 3, 9
	2015-067	Fin/Op: 3, 5
	2014-101	Fin/Op: 3, 7
6. Flagler	2016-158	Fin/Op: 6
	2015-174	Fin/Op: 14
	2014-130	Fin/Op: 3
7. Franklin	2016-110	Fin/Op: 1
	2015-152	Fin/Op: 1
	2014-142	Fin/Op: 5

¹ Pursuant to Section 11.45, Florida Statutes, the Auditor General performs operational audits at least once every 3 years. As such, recurring operational audit findings are listed from the most recent operational audit reports.

2014-15 FISCAL YEAR LISTING OF
DISTRICT SCHOOL BOARDS THAT FAILED TO TAKE
FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION
THAT WAS INCLUDED IN TWO PRECEDING AUDIT REPORTS

<u>DISTRICT SCHOOL BOARD</u>	<u>REPORT NUMBERS</u>	<u>FINDING NUMBERS</u>
8. Gadsden	2016-156	Fin/Op: 1, 6
	2015-164	Fin/Op: 1, 5
	2014-171	Fin/Op: 1, 3
9. Gilchrist	2016-105	Fin/Op: 1
	2015-129	Fin/Op: 1
	2014-123	Fin/Op: 1
10. Glades	2016-148	Fin/Op: 3
	2015-167	Fin/Op: 10
	2014-153	Fin/Op: 7
11. Gulf	2016-104	Fin/Op: 1
	2015-078	Fin/Op: 6
	2014-055	Fin/Op: 8
12. Hamilton	2016-120	Fin/Op: 1, 2, 3
	2015-140	Fin/Op: 1, 3, 4
	2014-135	Fin/Op: 3, 6, 7
13. Hardee	2016-137	Fin/Op: 3, 4
	2015-097	Fin/Op: 7, 8
	2014-154	Fin/Op: 4, 5
14. Hernando ¹	2016-167	Operational : 7 (Repeated CPA Firm FY 2013-14, No. 2011-01), 13 (Repeated 2013-044, No. 10)
	CPA Firm FY 2013-14	Financial: 2011-01 (Repeated CPA Firm FY 2012 13, No. 2011-01)
	CPA Firm FY 2012-13	Financial: 2011-01
	2013-044	Operational: 10
	2011-034	Operational: 5
15. Holmes	2016-141	Fin/Op: 1
	2015-141	Fin/Op: 1
	2014-141	Fin/Op: 2

¹ Pursuant to Section 11.45, Florida Statutes, the Auditor General performs operational audits at least once every 3 years. As such, recurring operational audit findings are listed from the most recent operational audit reports.

2014-15 FISCAL YEAR LISTING OF
DISTRICT SCHOOL BOARDS THAT FAILED TO TAKE
FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION
THAT WAS INCLUDED IN TWO PRECEDING AUDIT REPORTS

<u>DISTRICT SCHOOL BOARD</u>	<u>REPORT NUMBERS</u>	<u>FINDING NUMBERS</u>
16. Indian River	<u>2016-077</u>	Operational: 2
	<u>2015-076</u>	Operational: 4
	<u>2014-067</u>	Operational: 2
17. Jefferson	<u>2016-169</u>	Fin/Op: 1, 2, 4, 5
	<u>2015-179</u>	Fin/Op: 1, 2, 4, 11
	<u>2014-177</u>	Fin/Op: 1, 2, 3, 12
18. Leon	<u>CPA Firm FY 2014-15</u>	Financial: 2015-002
	<u>2015-177</u>	Fin/Op: 1
	<u>CPA Firm FY 2012-13</u>	Financial: 12-06
19. Madison	<u>2016-132</u>	Fin/Op: 7, 15
	<u>2015-162</u>	Fin/Op: 4, 10
	<u>2014-112</u>	Fin/Op: 1, 7
20. Martin	<u>2016-065</u>	Operational: 2
	<u>2015-071</u>	Operational: 1
	<u>2014-062</u>	Operational: 3
21. Miami-Dade	<u>CPA Firm FY 2014-15</u>	Financial: 2015-01
	<u>2015-089²</u>	Operational: 13
	<u>CPA Firm FY 2011-12</u>	Financial: 2012-04
22. Monroe	<u>2016-092</u>	Operational: 2
	<u>2015-105</u>	Operational: 4
	<u>2014-151</u>	Operational: 4
23. Nassau	<u>2016-127</u>	Fin/Op: 1
	<u>2015-153</u>	Fin/Op: 7
	<u>2014-133</u>	Fin/Op: 7

² The audit period for Audit Report No. 2015-089 was July 2012 through February 2014.

2014-15 FISCAL YEAR LISTING OF
DISTRICT SCHOOL BOARDS THAT FAILED TO TAKE
FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION
THAT WAS INCLUDED IN TWO PRECEDING AUDIT REPORTS

<u>DISTRICT SCHOOL BOARD</u>	<u>REPORT NUMBERS</u>	<u>FINDING NUMBERS</u>
24. Okaloosa ¹	2016-129	Fin/Op: 2, 12, 13, 14
	2013-121	Fin/Op: 3, 12, 10, 13
	2010-108	Fin/Op: 8, 5, 2, 6
25. Pinellas	CPA Firm FY 2014-15	Financial: 17, 18
	2015-130	Fin/Op: 17, 18
	CPA Firm FY 2012-13	Financial: 2013-004
26. Polk ¹	2016-081	Operational: 9
	2013-071	Operational: 14
	2010-171	Operational: 13
27. Putnam	2016-170	Fin/Op: 1, 4, 5, 8
	2015-163	Fin/Op: 7, 4, 10, 12
	2014-170	Fin/Op: 9, 5, 14, 16
28. Sarasota ¹	2016-074	Operational: 10, 11
	2013-068	Operational: 10, 15
	2010-044	Operational: 8, 10
29. St. Lucie ¹	2016-139	Fin/Op: 7, 8
	2013-171	Fin/Op: 9, 11
	2010-182	Fin/Op: 5, 8
30. Wakulla	2016-083	Fin/Op: 2, 4, 5
	2015-131	Fin/Op: 3, 6, 7
	2014-134	Fin/Op: 1, 2, 3
31. Washington	2016-122	Fin/Op: 3
	2015-143	Fin/Op: 9
	2014-114	Fin/Op: 7

¹ Pursuant to Section 11.45, Florida Statutes, the Auditor General performs operational audits at least once every 3 years. As such, recurring operational audit findings are listed from the most recent operational audit reports.

From: DEREK NOONAN <DEREKNOONAN@AUD.STATE.FL.US>
Sent: Tuesday, May 24, 2016 9:09 AM
To: Abruzzo, Joseph; Raulerson, Dan
Cc: White, Deborah; Dubose, Kathy
Subject: 2014-15 FY Notification Pursuant to Section 218.39(8), Florida Statutes
Attachments: 2015 PPY Findings Notification.xlsb

Pursuant to Section 218.39(8), Florida Statutes, this e-mail is to notify you of the charter schools and charter technical career centers (listed on the attached document) that have failed to take full corrective action in response to a recommendation that was included in the two preceding financial audit reports.

Please contact me if you or your staff have any questions regarding this information.

Derek H. Noonan, Audit Supervisor
Auditor General, State of Florida
111 West Madison Street, Rm 401-P
Tallahassee, FL 32399-1450
Office (850) 412-2864
FAX (850) 488-6975

Note: In the event your response contains information that may be considered sensitive or confidential pursuant to Federal or State law, please do not send that information via e-mail. Please contact me to make alternative arrangements to provide the information.

Charter Schools That Failed To Take Full Corrective Action In Response To A Recommendation Included In The 2014-15 Fiscal Year Audit Report and the Two Preceding Financial Audit Reports

Charter School	Finding Category	CY Finding No	PY Finding No	PPY Finding No	PDF page # (1)	Revision or Addendum (2)
Academy of Environmental Science	Separation of Duties	2013-001	2013-001	2013-001	30	No
Bay Haven Charter Academy Elementary School	Records Management	15-1	14-1	13-1	42	No
Bay Haven Charter Academy Middle School	Records Management	15-1	14-1	13-1	43	No
Byrneville Elementary School	Separation of Duties	2015-01	2014-01	10-01	38	No
Central Charter School	Policies and Procedures	2013-5	2013-5	2013-5	42	No
	Cash Controls	2011-1	2011-1	2011-1	42	
	Records Management	2012-1	2012-1	2012-1	42	
Crossroad Academy Charter School	Miscellaneous	2015-01	2014-01	2013-01	14	No
Escambia Charter School	Separation of Duties	2009-1	2009-1	2009-1	34	No
Highly Inquisitive and Versatile Education (HIVE) Preparatory School	Miscellaneous	2012-02	2012-02	2012-02	36	No
North Bay Haven Charter Academy Elementary School	Records Management	15-1	14-1	13-1	42	No
North Bay Haven Charter Academy Middle School	Records Management	15-1	14-1	13-1	43	No
North Bay Haven Career Academy	Records Management	15-1	14-1	13-1	43	No
Oakland Avenue Charter School	Cash Controls	13-1	13-1	13-1	38	No
S.O.C.K. Outstanding Students (S.O.S.) Academy	Policies and Procedures	2015-1	2014-1	2013-2	32	No
Sebastian Charter Junior High	Separation of Duties	2015-1	2014-1	2013-1	29	No
St. Paul School of Excellence	Records Management	15-3	14-3	13-1	34	No

Notes:

(1) The page number listed is the PDF document page number, not the report page number.

(2) This column indicates if there is an addendum or revised report on the Auditor General's Web site that is associated with findings from the 2014-15 fiscal year audit report that should also be viewed.

From: DEREK NOONAN <DEREKNOONAN@AUD.STATE.FL.US>
Sent: Tuesday, October 25, 2016 10:32 AM
To: Abruzzo, Joseph; Raulerson, Dan
Cc: White, Deborah; Dubose, Kathy
Subject: 2014-15 Notification Pursuant to Section 218.39(8), Florida Statutes
Attachments: 2015 PPY Findings Notification.xlsb

Section 218.39(8), Florida Statutes, requires the Auditor General to notify the Legislative Auditing Committee of any audit report prepared pursuant to Section 218.39, Florida Statutes, which indicates that an audited entity has failed to take full corrective action in response to a recommendation that was included in the two preceding financial audit reports.

This email is to notify you of those local governmental entities for which the 2014-15 fiscal year audit report disclosed that the entity failed to take full corrective action in response to one or more recommendations included in the two preceding financial audit reports.

Please contact me if you or your staff need additional information.

Derek H. Noonan, Audit Supervisor
Auditor General, State of Florida
111 West Madison Street, Rm 401-P
Tallahassee, FL 32399-1450
Office (850) 412-2864
FAX (850) 488-6975

Note: In the event your response contains information that may be considered sensitive or confidential pursuant to Federal or State law, please do not send that information via e-mail. Please contact me to make alternative arrangements to provide the information.

**Local Governmental Entities That Failed To Take Full Corrective Action In Response To A Recommendation Included In The
2014-15 Fiscal Year Audit Report and the Two Preceding Financial Audit Reports**

Entity ID	Entity	Constitutional Officer (For Counties)	Finding Category	CY Finding No	PY Finding No	PPY Finding No	PDF page # (1)	Revision or Addendum (2)
COUNTIES								
C00400	Bradford County	Clerk of the Circuit Court	Separation of Duties	2009-1	2009-1	2009-1	119	No
		Clerk of the Circuit Court	Cash	ML 2013-1	ML 2013-1	ML 2013-1	123	
		Property Appraiser	Separation of Duties	2009-1	2009-1	2009-1	220	
C00700	Calhoun County	Property Appraiser	Separation of Duties	04-01	04-01	04-01	138	No
		Sheriff	Separation of Duties	04-02	04-02	04-02	168	
		Supervisor of Elections	Separation of Duties	04-01	04-01	04-01	194	
		Tax Collector	Separation of Duties	TC06-01	TC06-01	TC06-01	220	
C01800	Franklin County	Board of County Commissioners	Financial Reporting	2015-001	2014-001	13-02	91	No
		Clerk of the Circuit Court	Separation of Duties	2015-001	2014-001	13-01	123	
		Clerk of the Circuit Court	Financial Reporting	2015-002	2014-002	13-02	123	
		Property Appraiser	Financial Reporting	2015-001	2014-001	13-01	209	
		Sheriff	Separation of Duties	2015-01	2014-011	13-01	155	
		Sheriff	General Accounting Records	2015-02	2014-02	13-02	155	
		Sheriff	Financial Reporting	2015-03	2014-03	13-03	155	
		Supervisor of Elections	Separation of Duties	15-001	14-001	13-01	233	
		Supervisor of Elections	Financial Reporting	15-002	14-002	13-02	233	
		Tax Collector	Separation of Duties	2015-001	2014-001	13-01	184	
		Tax Collector	Financial Reporting	2015-002	2014-002	13-02	184	
C02100	Glades County	Board of County Commissioners	General Accounting Records	2010-001	2010-001	2010-001	85	No
		Clerk of the Circuit Court	Distribution of Funds	ML 2010-001	ML 2010-001	ML 2010-001	122	
		Sheriff	Policies and Procedures	ML2015-001	ML2013-001	ML2013-001	176	
C02200	Gulf County	Sheriff	Separation of Duties	2015-001	2014-001	13-01	166	No
C02400	Hardee County	Board of County Commissioners	General Accounting Records	2015-001	2014-001	2013-01	111	No
C02900	Holmes County	Board of County Commissioners	Financial Reporting	2010-001	2010-001	2010-001	95	No
		Clerk of the Circuit Court	Financial Reporting	2010-01	2010-01	2010-01	131	
		Property Appraiser	Financial Reporting	2010-01	2010-01	2010-01	154	
		Property Appraiser	Expenditures/Expenses	2012-02	2012-02	2012-02	155	
		Sheriff	Separation of Duties	2010-01	2010-01	2010-01	206	
		Sheriff	Financial Reporting	2010-02	2010-02	2010-02	207	
		Supervisor of Elections	Financial Reporting	2010-01	2010-01	2010-01	178	
		Tax Collector	Financial Reporting	2010-01	2010-01	2010-01	233	
		Tax Collector	Information Technology	2013-01	2013-01	2013-01	234	
C03100	Jackson County	Board of County Commissioners	Revenues/Collections	ML 06-01	ML 06-01	ML 06-01	99	No
		Board of County Commissioners	Payroll and Personnel Administration	ML 06-02	ML 06-02	ML 06-02	99	
		Board of County Commissioners	Travel	ML 06-03	ML 06-03	ML 06-03	99	
		Board of County Commissioners	Policies and Procedures	ML 06-04	ML 06-04	ML 06-04	99	
		Property Appraiser	Separation of Duties	PA06-01	PA06-01	PA06-01	158	
		Sheriff	Separation of Duties	SH06-01	SH06-01	SH06-01	187	
		Tax Collector	Separation of Duties	TC06-01	TC06-01	TC06-01	238	
C03200	Jefferson County	Board of County Commissioners	Separation of Duties	2008-001	2008-001	2008-1	81	No
		Board of County Commissioners	Financial Reporting	2008-002	2008-002	2008-2	82	
		Board of County Commissioners	Fixed Assets	2012-001	2012-001	2012-1	80	
		Board of County Commissioners	Revenues/Collections	2013-002	2013-002	2013-02	80	
		Clerk of the Circuit Court	Separation of Duties	C08-01	C08-01	C08-01	117	
		Clerk of the Circuit Court	Financial Reporting	C08-02	C08-02	C08-02	117	
		Property Appraiser	Separation of Duties	PA08-01	PA08-01	PA08-01	144	
		Property Appraiser	Financial Reporting	PA08-02	PA08-02	PA08-02	144	
		Sheriff	Separation of Duties	S08-01	S08-01	S08-01	170	

**Local Governmental Entities That Failed To Take Full Corrective Action In Response To A Recommendation Included In The
2014-15 Fiscal Year Audit Report and the Two Preceding Financial Audit Reports**

Entity ID	Entity	Constitutional Officer (For Counties)	Finding Category	CY Finding No	PY Finding No	PPY Finding No	PDF page # (1)	Revision or Addendum (2)
		Sheriff	Financial Reporting	S08-02	S08-02	S08-02	170	
		Supervisor of Elections	Separation of Duties	SOE08-01	SOE08-01	SOE08-01	194	
		Supervisor of Elections	Financial Reporting	SOE08-02	SOE08-02	SOE08-02	194	
		Tax Collector	Separation of Duties	TC08-01	TC08-01	TC08-01	221	
		Tax Collector	Financial Reporting	TC08-02	TC08-02	TC08-02	221	
C03300	Lafayette County	Board of County Commissioners - Countywide	Financial Reporting	12-01	12-01	12-01	54	No
		Clerk of the Circuit Court	Financial Reporting	12-01	12-01	12-01	89	
		Property Appraiser	Financial Reporting	12-01	12-01	12-01	168	
		Sheriff	Financial Reporting	12-01	12-01	12-01	116	
		Supervisor of Elections	Financial Reporting	12-01	12-01	12-01	192	
		Tax Collector	Financial Reporting	12-01	12-01	12-01	142	
C03700	Levy County	Board of County Commissioners	Financial Reporting	2015-001	2014-001	2013-001	84	No
		Clerk of the Circuit Court	Financial Reporting	2015-001	2014-001	2013-001	121	
		Sheriff	Separation of Duties	2015-001	2014-001	2013-001	155	
C03900	Madison County	Tax Collector	Separation of Duties	TC 2015-01	TC 2014-01	TC 2013-01	183	No
C04250	Miami-Dade County	Board of County Commissioners - All Depts	Fund Equity	2015-01	2014-01	2013-01	339	No
		Board of County Commissioners - All Depts	Cash	2015-02	2014-03	2013-03	340	No
C04300	Monroe County	Board of County Commissioners	Financial Reporting	2015-001	2014-001	2013-01	264	No
C04500	Okaloosa County	Board of County Commissioners	Revenues/Collections	2015-2	2014-7	2013-MC-01	381	No
C04600	Okeechobee County	Board of County Commissioners	Revenues/Collections	2015-001	2014-001	2013-001	147	No
C04800	Osceola County	Clerk of the Circuit Court	Cash	2013-001	2013-001	2013-001	324	No
		Clerk of the Circuit Court	Distribution of Funds	2013-003	2013-003	2013-003	325	
		Clerk of the Circuit Court	Budget Administration	2013-008	2013-008	2013-008	326	
C05100	Pinellas County	Sheriff	Information Technology	2013-2	2013-2	2013-2	403	No
C06600	Washington County	Board of County Commissioners	Federal Awards	BCC10-001	BCC10-01	BCC10-01	93	No
		Board of County Commissioners	Fixed Assets	BCC1997-001	BCC1997-001	BCC97-01	84	
		Board of County Commissioners	Fixed Assets	BCC2003-001	BCC2003-001	BCC03-01	84	
		Board of County Commissioners	Separation of Duties	BCC2005-001	BCC2005-001	BCC05-01	85	
		Board of County Commissioners	Financial Reporting	BCC2007-001	BCC2007-001	BCC07-01	85	
		Board of County Commissioners	General Accounting Records	BCC2009-003	BCC2009-003	BCC09-03	86	
		Board of County Commissioners	Revenues/Collections	BCC2009-004	BCC2009-004	BCC09-04	86	
		Board of County Commissioners	Federal Awards	BCC2013-002	BCC2013-002	BCC13-02	92	
		Board of County Commissioners	General Accounting Records	ML 05-01	ML 05-01	ML 05-01	95	
		Board of County Commissioners	Expenditures/Expenses	ML 05-02	ML 05-02	ML 05-02	95	
		Clerk of the Circuit Court	Separation of Duties	CC2003-003	CC03-03	CC03-03	132	
		Clerk of the Circuit Court	Financial Reporting	CC2007-009	CC07-09	CC07-09	132	
		Clerk of the Circuit Court	Cash	CC2013-001	CC13-01	CC13-01	133	
		Property Appraiser	Separation of Duties	03-03	03-03	03-03	161	
		Property Appraiser	Financial Reporting	07-11	07-11	07-11	161	
		Sheriff	Separation of Duties	03-01	03-01	03-01	188	
		Sheriff	Financial Reporting	07-10	07-10	07-10	189	
		Supervisor of Elections	Separation of Duties	SOE03-03	SOE03-03	SOE03-03	214	
		Supervisor of Elections	Financial Reporting	SOE07-12	SOE07-12	SOE07-12	214	
		Tax Collector	Separation of Duties	TC03-03	TC03-03	03-03	241	
		Tax Collector	Financial Reporting	TC07-11	TC07-11	07-11	241	

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SPECIAL DISTRICTS								
D00150	Aberdeen Community Development District		Debt Administration	2015-01	2013-01	2012-01	34	No
D01000	Alligator Point Water Resources District		Financial Reporting	2015-01	2014-01	2010-01	19	No
			Separation of Duties	2015-02	2014-02	2011-02	19	
D01450	Amelia Concourse Community Development District		Debt Administration	2012-01	2012-01	2012-01	35	No
			Financial Condition	2012-02	2012-02	2012-02	36	
D02250	Arlington Ridge Community Development District		Debt Administration	IC2010-01	IC2010-01	IC2010-01	37	No
D02700	Aucilla Area Solid Waste Administration		Financial Reporting	2013-1	2013-1	2013-1	33	No
D03000	Baker County Development Commission		Separation of Duties	2015-001	2014-001	2013-01	29	No
			Financial Reporting	2015-002	2014-002	2013-02	29	
D03100	Baker County Hospital District		Separation of Duties	2015-01	2014-01	2013-01	23	No
			Financial Reporting	2015-02	2014-02	2013-02	23	
D04900	Beach Mosquito Control District		Separation of Duties	2015-1	2014-1	2013-1	50	No
D05190	Big Bend Water Authority		Separation of Duties	2015-001	2014-001	2013-001	39	No
D06100	Bolles Drainage District		Financial Reporting	2011-1	2011-1	2011-1	29	No
D09130	Business Improvement District of Coral Gables		Expenditures/Expenses	A-03	A-03	A-03	28	No
D09200	CFM Community Development District		Debt Administration	IC2010-1	IC2010-1	IC2010-1	31	No
D11100	Cedar Key Special Water and Sewer District		Separation of Duties	2015-001	2014-001	2013-001	22	No
D11970	Chapel Creek Community Development District		Debt Administration	12-01	12-01	12-01	36	No
			Financial Reporting	12-03	12-03	12-03	35	
			Fixed Assets	12-04	12-04	12-04	35	
D12800	Children's Services Council of Okeechobee County		Financial Reporting	2015-1	2014-1	2009-1	29	No
			Separation of Duties	2015-2	2014-2	2009-2	29	
D14005	City Center Community Development District		Debt Administration	2015-01	2014-01	2013-01	33	No
			Financial Condition	2015-02	2014-02	2013-02	34	
			Debt Administration	2015-03	2014-03	2013-03	34	
D16050	City-County Public Works Authority		Separation of Duties	2010-001	2010-001	2010-001	18	No
			General Accounting Records	2010-002	2010-002	2010-002	18	
			Financial Reporting	2010-003	2010-003	2010-003	19	
D17700	Collier Soil and Water Conservation District		Cash	ML 2013-001	ML 2013-001	ML 2013-001	46	No
			Financial Reporting	2013-001	2013-001	2013-001	48	
			General Accounting Records	2013-002	2013-002	2013-002	49	
			General Accounting Records	2013-003	2013-003	2013-003	50	
D18370	Concorde Estates Community Development District		Financial Reporting	12-01	12-01	12-01	36	No
			Financial Condition	13-01	13-01	13-01	37	
D18380	Connerton West Community Development District		Debt Administration	13-01	13-01	13-01	35	No
			Debt Administration	13-02	13-02	13-02	35	
D19900	Crossings At Fleming Island Community Development District, The		Debt Administration	15-01	2014-01	No Number	43	No
			Debt Administration	15-02	2014-03	2013-01	44	
D20220	Cypress Creek of Hillsborough County Community Development District		Revenues/Collections	IC2015-1	ML2013-1	AG-01	32	No
D21740	Deer Run Community Development District		Debt Administration	2015-01	2012-01	2013-01	35	No
			Financial Condition	2015-02	2012-02	2013-02	35	
D22500	Disston Island Conservancy District		Financial Reporting	2011-1	2011-1	2011-1	29	No
D23750	Durbins Crossing Community Development District		Debt Administration	2011-01	2011-01	IC2011-01	34	No
D26550	Escambia-Pensacola Human Relations Commission		Separation of Duties	2015-1	2014-1	2013-1	23	No
D26600	Estero Fire Rescue District		Information Technology	2013-008	2013-008	2013-008	63	No
			Policies and Procedures	2013-009	2013-009	2013-009	64	
D27000	Fellsmere Water Control District		Separation of Duties	2015-1	2014-1	2009-1	38	Yes

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D27110	Fiddler's Creek Community Development District Number 2		Debt Administration	2010-01	2010-01	2010-01	36	No
			Debt Administration	2013-01	2013-01	2013-01	36	
D27300	Flaghole Drainage District		Financial Reporting	2011-1	2011-1	2011-1	29	No
D27400	Flagler Estates Road and Water Control District		Separation of Duties	2015-001	2014-001	2013-001	31	No
			General Accounting Records	2015-002	2014-002	2013-002	31	
D29300	Fred R. Wilson Memorial Law Library		Financial Reporting	ITEM 1	ITEM 1	ITEM 1	30	No
			Separation of Duties	ITEM 2	ITEM 2	ITEM 2	30	
D30500	Gerber Groves Water Control District		Transparency Requirements	2012-1	2012-1	2012-1	41	No
D30900	Gladeview Water Control District		Financial Reporting	2011-1	2011-1	2011-1	29	No
D31280	Gramercy Farms Community Development District		Debt Administration	12-01	12-01	12-01	37	No
			Financial Condition	12-03	12-03	12-03	38	
			Financial Reporting	12-04	12-04	12-04	36	
D32700	Hamilton County Development Authority		Cash	2013-001	2013-001	2013-001	44	No
			Expenditures/Expenses	2013-002	2013-002	2013-002	45	
D33700	Hendry Soil and Water Conservation District		Financial Reporting	2011-1	2011-1	2011-1	25	No
D33800	Hendry-Hilliard Water Control District		Financial Reporting	2011-1	2011-1	2011-1	29	No
D33900	Hendry-La Belle Recreation Board		Financial Reporting	2011-1	2011-1	2011-1	30	No
D34130	Heritage Isles Community Development District		Financial Condition	2014-01	2014-01	2009-01	44	No
D35000	Highland Glades Water Control District		Financial Reporting	2011-1	2011-1	2011-1	27	No
D35050	Highland Meadows Community Development District		Debt Administration	2014-1	2014-1	2013-1	37	No
D38800	Indian River Farms Water Control District		Separation of Duties	2015-1	2014-1	2009-1	37	Yes
D39600	Indigo Community Development District		Financial Condition	2015-01	2014-01	2013-02	31	No
D42615	Lake Ashton II Community Development District		Financial Condition	2015-01	2014-01	2013-01	30	No
D44000	Lake Shore Hospital Authority		Financial Reporting	2011-1	2011-1	2011-1	48	No
D44810	Lakeside Plantation Community Development District		Debt Administration	07-01	07-01	07-01	33	No
D46200	Lee Memorial Health System		Fixed Assets	2010-04	2010-04	2010-04	9	No
D46600	Leon County Educational Facilities Authority		General Accounting Records	2015-001	2014-02	2010-01	35	No
			Debt Administration	2015-002	2014-03	2009-01	35	
D47100	Levy Soil and Water Conservation District		Financial Reporting	13-01	13-01	12-01	24	No
D47880	Madeira Community Development District		Financial Condition	2015-01	2014-01	2013-02	31	No
D48155	Magnolia Creek Community Development District		Debt Administration	12-01	12-01	13-01	36	No
			Debt Administration	12-02	12-02	13-02	36	
D48170	Magnolia West Community Development District		Debt Administration	12-01	12-01	12-01	36	No
			Debt Administration	12-02	12-02	12-02	36	
			General Accounting Records	12-03	12-03	12-03	35	
D49500	Marion County Law Library		Separation of Duties	2015-1	2014-1	2013-1	24	No
D49750	Marshall Creek Community Development District		Debt Administration	2014-02	2013-02	2013-02	38	No
D50200	Matlacha / Pine Island Fire Control District		Financial Condition	2013-004	2013-004	ML 2013-04	54	No
D50407	Meadow Pointe IV Community Development District		Debt Administration	15-01	14-01	13-01	42	No
			Debt Administration	15-02	14-02	13-02	42	
			Financial Reporting	15-03	14-03	13-03	41	
D51950	Middle Village Community Development District		Debt Administration	2015-01	2014-01	2013-01	33	No
D51980	Midtown Miami Community Development District		Fund Equity	2012-01	2012-01	2012-01	41	No
D52675	Montecito Community Development District		Financial Condition	2015-01	2014-01	2013-04	34	No
D53630	Naturewalk Community Development District		Debt Administration	12-01	12-01	12-01	36	No
			Debt Administration	12-02	12-02	12-02	36	
D53810	New Port - Tampa Bay Community Development District		Debt Administration	IC 2009-002	IC2009-002	IC2009-1	33	No
D54800	North Fort Myers Fire Control and Rescue Service District		Financial Condition	2013-1	2013-1	2013-1	74	No

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D55400	North Okaloosa County Fire District		Separation of Duties	2015-01	2014-01	2013-01	35	No
			Financial Reporting	2015-02	2014-02	2013-02	36	
D55500	North Palm Beach Heights Water Control District		Budget Administration	2012-01	2012-01	2012-01	32	No
D56100	North St. Lucie River Water Control District		Separation of Duties	ML 2015-1	ML 2009-1	ML 2009-1	33	No
			Financial Reporting	ML 2015-2	ML 2009-2	ML 2009-2	33	
D57300	Ocean City - Wright Fire Control District		Financial Reporting	IC2007-01	IC2007-01	IC2007-01	57	No
D57900	Okeechobee Soil and Water Conservation District		Financial Reporting	2015-1	2014-1	2009-2	53	No
			Separation of Duties	2015-2	2014-2	2009-1	54	
D60700	Overoaks Community Development District		Debt Administration	2009-01	2009-01	2009-01	35	No
			Fund Equity	2012-01	2012-01	2012-01	36	
D61300	Palatka Gas Authority		Financial Reporting	2015-001	2014-001	2013-001	28	No
D62550	Panhandle Public Library Cooperative System		Financial Reporting	07-01	07-01	07-01	47	No
D64525	Pine Island Community Development District		Debt Administration	2011-01	2011-01	2011-01	39	No
			Debt Administration	2011-02	2011-02	2011-02	40	
D67000	Municipal Service District of Ponte Vedra Beach		Separation of Duties	2015-001	2014-001	2013-001	27	No
			Financial Reporting	2015-002	2014-002	2013-002	27	
D67815	Portofino Cove Community Development District		Financial Condition	2015-01	2014-01	2013-02	30	No
D67825	Portofino Isles Community Development District		Financial Condition	2015-01	2014-01	2013-02	32	Yes
D67827	Portofino Landings Community Development District		Financial Condition	2015-01	2014-01	2013-02	31	No
D67835	Portofino Vista Community Development District		Financial Condition	2015-01	2014-01	2013-02	30	No
D68800	Quincy-Gadsden Airport Authority		Separation of Duties	2008-1	2008-1	2008-1	26	No
D69450	Reunion East Community Development District		Debt Administration	13-01	13-01	13-01	38	No
			Debt Administration	13-02	13-02	13-02	38	
D69460	Reunion West Community Development District		Debt Administration	13-01	13-01	13-01	38	No
D69800	Ritta Drainage District		Financial Reporting	2011-1	2011-1	2011-1	29	No
D69806	River Glen Community Development District		Fixed Assets	2015-01	2014-01	2013-01	33	No
			Debt Administration	2015-02	2014-02	2013-03	33	
D69810	River Place on the St. Lucie Community Development District		Debt Administration	13-01	ML-13-01	ML-13-01	36	No
			Debt Administration	13-02	ML-13-02	ML-13-02	36	
D70010	Riverwood Estates Community Development District		Debt Administration	15-01	14-01	13-01	38	No
			Debt Administration	15-02	14-02	13-02	38	
			Financial Reporting	15-03	14-03	13-03	37	
D70180	Rolling Hills Community Development District		Debt Administration	2012-01	2012-01	2011-01	33	No
D70400	San Carlos Estates Water Control District		Financial Reporting	2011-1	2011-1	2011-1	30	No
D72900	Seminole County Port Authority		Financial Reporting	ITEM 2	ITEM 2	ITEM 2	38	No
			Separation of Duties	ITEM 1	ITEM 1	ITEM 1	38	
D73300	Shawano Water Control District		Financial Reporting	2011-1	2011-1	2011-1	39	No
D73475	Six Mile Creek Community Development District		Debt Administration	2015-01	12-02	12-02	30	No
D73605	South Bay Community Development District (Hillsborough County)		Expenditures/Expenses	IC2010-01	IC2010-01	2013-02	33	No
D74900	South Seminole and North Orange County Wastewater Transmission Authority		Separation of Duties	2015-01	2014-01	2013-01	51	No
D76200	St. Augustine Port, Waterway and Beach District		Separation of Duties	2015-001	2014-001	2013-001	26	No
D78210	Sterling Hill Community Development District		Financial Reporting	12-01	12-01	12-01	37	No
			Debt Administration	12-03	12-03	12-03	38	
			Debt Administration	12-04	12-04	12-04	38	
D78220	Stevens Plantation Community Development District		Debt Administration	2015-01	IC2013-01	IC2013-01	30	Yes
D78400	Sugarland Drainage District		Financial Reporting	2011-1	2011-1	2011-1	29	No
D78800	Sun'n Lake of Sebring Improvement District		Financial Condition	2015-01	2014-01	2013-02	51	No
D80200	Suwannee Water and Sewer District		Separation of Duties	2015-001	2014-001	2013-001	34	

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			Fixed Assets	2015-002	2014-002	2013-002	34	No
			General Accounting Records	2015-003	2014-003	2013-003	34	
D81610	Taylor Coastal Water and Sewer District		Financial Reporting	2010-1	2010-1	2010-1	35	No
D82110	Tern Bay Community Development District		Debt Administration	IC2009-01	IC2009-01	IC2009-01	31	No
D82955	Trails Community Development District		Financial Condition	14-01	2014-01	2009-03	37	Yes
D82975	Treeline Preserve Community Development District		Financial Condition	15-01	14-01	13-01	36	No
			Debt Administration	15-02	14-01	13-02	37	
D84975	Venetian Community Development District		General Accounting Records	13-01	13-01	13-01	33	No
D85170	Villa Vizcaya Community Development District		Financial Condition	2015-01	2014-01	2013-04	31	No
D87280	Waterford Estates Community Development District		Financial Condition	2015-01	2014-01	IC2009-01	31	No
D87310	Waterlefe Community Development District (Manatee County)		Debt Administration	IC2010-01	IC2010-01	IC2010-01	42	No
D87340	Waterstone Community Development District		Financial Condition	2015-01	2014-01	2013-03	29	No
D88400	West Villages Improvement District		Debt Administration	2015-01	2014-01	2013-01	31	No
			Debt Administration	2015-02	2014-02	2013-02	31	
D89000	Westridge Community Development District		Debt Administration	13-01	13-01	2013-1	36	No
			Debt Administration	13-02	13-02	2013-2	36	
D89050	Westside Community Development District		Debt Administration	2011-01	2011-01	2011-01	34	No
			Financial Condition	2012-01	2012-01	2012-01	35	
D89820	Woodlands Community Development District, The		Financial Condition	13-01	13-01	2013-01	34	No
			Debt Administration	13-02	13-02	2013-02	34	
D89840	Wyld Palms Community Development District		Debt Administration	14-01	14-01	IC 2009-1	33	No
D90210	Zephyr Ridge Community Development District		Debt Administration	09-01	09-01	09-01	36	No
			Debt Administration	09-02	09-02	09-02	36	
			Financial Reporting	12-01	12-01	12-01	35	
MUNICIPALITIES								
M00200	Alford, Town of		Separation of Duties	2007-02	2007-02	2007-02	46	No
			Financial Reporting	2007-03	2007-03	2007-03	47	
			Payroll and Personnel Administration	2010-01	2010-01	2010-01	47	
			Revenues/Collections	2011-01	2011-01	2011-01	47	
			General Accounting Records	2013-02	2013-02	2013-02	46	
M00400	Altha, Town of		Separation of Duties	2013-002	2013-002	2013-02	51	No
			Financial Reporting	2013-005	2013-005	2013-05	53	
			Fixed Assets	2013-010	2013-010	2013-10	56	
			Policies and Procedures	2013-011	2013-011	2013-11	58	
			Budget Administration	2013-014	2013-014	2013-14	59	
			Financial Condition	2013-16	2013-16	2013-16	60	
M00500	Anna Maria, City of		Separation of Duties	2013-2	2013-2	2013-2	43	No
M00900	Archer, City of		Payroll and Personnel Administration	2012-1	2012-1	2012-1	53	No
			Financial Reporting	2013-1	2013-1	2013-1	48	
M01500	Avon Park, City of		Expenditures/Expenses	2015-001	2014-002	2013-004	92	No
M02200	Bell, Town of		Financial Reporting	2009-1	2009-1	2009-1	38	No
M03200	Blountstown, City of		Separation of Duties	06-01	06-01	06-01	70	No
			Financial Reporting	07-01	07-01	07-01	70	
M03400	Bonifay, City of		Financial Reporting	2010-01	2010-01	2010-01	48	No
			Financial Condition	2010-03	2010-03	2010-03	48	
M03500	Bowling Green, City of		General Accounting Records	2015-01	14-01	13-01	48	No
M03700	Bradenton Beach, City of		Separation of Duties	2010-1	2010-1	2010-1	38	No
M03900	Branford, Town of		Financial Reporting	2010-1	2010-1	2010-1	53	No

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M04100	Bristol, City of		Financial Reporting	2015-001	2014-01	2011-01	49	Yes
			Separation of Duties	2015-002	2014-02	2013-01	49	
M04200	Bronson, Town of		Separation of Duties	2009-1	2009-1	2009-1	34	No
			Fund Equity	ML 2009-4	ML 2009-4	ML 2009-4	41	
M04600	Bushnell, City of		Separation of Duties	2008-2	2008-2	2008-2	117	No
			Financial Condition	2011-1	2011-1	2011-1	121	
M04700	Callahan, Town of		Separation of Duties	2015-001	2014-001	2013-001	49	No
			Financial Reporting	2015-002	2014-002	2013-002	49	
M04900	Campbellton, Town of		Separation of Duties	04-01	04-01	04-01	45	No
M05600	Cedar Key, City of		Fund Equity	ML 2013-2	ML 2013-2	ML 2013-2	46	No
M06000	Chiefland, City of		Separation of Duties	2015-001	2014-001	2013-001	51	No
M06500	Clewiston, City of		Financial Reporting	2009-1	2009-1	2009-1	100	No
			Financial Condition	2012-1	2012-1	2012-1	100	
M07000	Coleman, City of		Financial Reporting	2015-1	2014-1	2013-1	60	No
			Separation of Duties	2015-2	2014-3	2013-3	60	
M07400	Cottondale, City of		General Accounting Records	03-1	03-1	03-1	50	No
			Financial Reporting	07-1	07-1	07-1	50	
			General Accounting Records	09-1	09-1	09-1	51	
			General Accounting Records	09-2	09-2	09-2	52	
			Fixed Assets	2004-2	2004-2	2004-2	58	
M07700	Cross City, Town of		Separation of Duties	2015-001	2014-001	2013-001	46	No
M08600	Deerfield Beach, City of		General Accounting Records	ML 08-2	ML 08-2	ML 08-2	161	No
			Payroll and Personnel Administration	ML 10-2	ML 10-2	ML 10-2	160	
			Investments	ML 11-1	ML 11-1	ML 11-1	150	
			Information Technology	ML 11-4	ML 11-4	ML 11-4	151	
			Information Technology	ML 11-5	ML 11-5	ML 11-5	153	
			Information Technology	ML 11-6	ML 11-6	ML 11-6	156	
			Information Technology	ML 11-8	ML 11-8	ML 11-8	157	
			Information Technology	ML 11-9	ML 11-9	ML 11-9	159	
			General Accounting Records	ML 2013-01	ML 2013-01	ML 2013-01	147	
M09300	Dunedin, City of		Payroll and Personnel Administration	MLO 2013-004	MLO 2013-004	MLO 2013-004	165	No
M09400	Dunnellon, City of		Fixed Assets	2013-02	2013-02	2013-02	80	No
M09600	Eatonville, Town of		General Accounting Records	2006-01	2006-01	2006-01	64	No
			Financial Condition	2006-A	2006-A	2006-A	68	
			Fund Equity	2012-C	2012-C	2012-C	68	
M09700	Ebro, Town of		Financial Reporting	2009-02	09-02	09-02	36	No
			Separation of Duties	2009-03	09-03	09-03	37	
			Fixed Assets	2009-04	09-04	09-04	38	
			General Accounting Records	2009-05	09-05	09-05	38	
			Investments	2009-06	09-06	09-06	39	
M09900	Edgewood, City of		Fund Equity	2012-2	2012-2	2012-2	47	No
M10400	Fanning Springs, City of		Financial Reporting	2013-1	2013-1	2013-1	61	No
M10500	Fellsmere, City of		Separation of Duties	2014-01	2014-001	2013-FS-1	85	Yes
M10900	Fort Lauderdale, City of		Information Technology	2012-006	2012-006	2012-6	180	No
M11500	Fort White, Town of		Revenues/Collections	2009-2	2009-2	2009-2	45	No
			Financial Reporting	2011-1	2011-1	2011-1	43	
M11600	Freeport, City of		General Accounting Records	15-01	14-01	13-01	59	No
M12100	Glen Saint Mary, Town of		Separation of Duties	2015-001	2014-001	2013-01	47	No
			Financial Reporting	2015-002	2014-002	2013-02	47	

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M12500	Graceville, City of		Separation of Duties	2006-01	2006-01	2006-01	61	No
			Financial Reporting	2007-01	2007-01	2007-01	61	
			Revenues/Collections	2010-1	2010-1	2010-1	65	
			Fixed Assets	2012-1	2012-1	2012-1	65	
			Cash	2012-2	2012-2	2012-2	66	
M12600	Grand Ridge, Town of		Financial Reporting	2015-001	14-01	11-01	46	No
M12900	Greensboro, Town of		Financial Reporting	2015-001	2014-01	10-01	46	No
			Separation of Duties	2015-002	2014-02	10-02	46	
M13000	Greenville, Town of		Financial Reporting	2015-001	2014-01	2013-01	50	No
			Separation of Duties	2015-002	2014-02	2013-02	50	
			General Accounting Records	2015-003	2014-04	2013-06	51	
M13100	Greenwood, Town of		Separation of Duties	05-01	05-01	05-01	35	No
			Financial Reporting	07-01	07-01	07-01	35	
M13200	Gretna, City of		Financial Reporting	I-2011-01	2011-01	2011-01	77	No
			General Accounting Records	IC-2011-03	2011-03	2011-03	78	
M13400	Gulf Breeze, City of		Fixed Assets	2015-001	2014-001	2008-1, 2008-3	190	No
M14000	Hastings, Town of		Separation of Duties	2015-001	2014-001	2013-001	47	No
			General Accounting Records	2015-002	2014-002	2013-002	47	
M14500	Hiialeah, City of		Fund Equity	2015-02	2014-02	2007-7	181	Yes
M15000	Hilliard, Town of		Financial Reporting	2009-1	2009-1	2009-01	72	No
M15600	Horseshoe Beach, Town of		Financial Reporting	2011-1	2011-1	2011-1	44	No
M15700	Howey-in-the-Hills, Town of		Financial Reporting	2015-001	2014-001	2013-001	53	No
M15900	Indialantic, City of		General Accounting Records	IC 2012-01	IC 2012-01	IC 2012-01	77	No
M16500	Inglis, Town of		Separation of Duties	2015-001	2014-001	2013-001	46	No
M16600	Interlachen, Town of		Financial Reporting	2007-01	2007-01	2007-01	37	No
M17400	Jennings, Town of		Separation of Duties	2015-001	14-01	13-01	61	No
			Financial Reporting	2015-002	14-02	13-02	61	
M17800	Jupiter, Town of		Purchasing/Contract Management	2010-3	2010-3	2010-3	155	No
M18500	LaBelle, City of		Financial Reporting	2009-1	2009-1	2009-1	98	No
M19300	Lake Hamilton, Town of		Separation of Duties	2009-1	2009-1	2009-1	42	No
			Debt Administration	2013-4	2013-4	2013-4	42	
M19400	Lake Helen, City of		Information Technology	2015-007	ML 2013-01	ML 2013-01	65	No
M19600	Lake Park, Town of		Policies and Procedures	2013-1	2013-1	2013-1	138	No
M20000	Lakeland, City of		Information Technology	2015-003	2014-1	2013-2	230	No
M20300	Lauderdale Lakes, City of		General Accounting Records	2010-02	2010-02	2010-02	150	No
			Cash	2011-05	2011-05	2011-05	151	
			Purchasing/Contract Management	2012-06	2012-06	2012-06	152	
M20700	Lawtey, City of		Separation of Duties	2015-1	2014-1	2013-1	41	Yes
			Financial Reporting	2015-2	2014-2	2013-2	41	
			Financial Condition	2015-6	2014-6	2013-4	42	
			Revenues/Collections	2015-7	2014-7	2013-3	42	
M21700	Macclenny, City of		Separation of Duties	2015-1	2014-01	2013-1	63	No
			Financial Reporting	2015-2	2014-02	2013-2	64	
M21900	Madison, City of		Financial Reporting	2012-1	2012-1	2012-1	74	No
M22200	Malone, Town of		Separation of Duties	04-01	04-01	04-01	44	No
			Financial Reporting	07-01	07-1	07-1	44	
M22400	Mangonia Park, Town of		Fixed Assets	2009-02	2009-02	2009-02	49	No
			Budget Administration	2011-03	2011-03	2011-03	53	

**Local Governmental Entities That Failed To Take Full Corrective Action In Response To A Recommendation Included In The
2014-15 Fiscal Year Audit Report and the Two Preceding Financial Audit Reports**

Entity ID	Entity	Constitutional Officer (For Counties)	Finding Category	CY Finding No	PY Finding No	PPY Finding No	PDF page # (1)	Revision or Addendum (2)
			Purchasing/Contract Management	2012-01	2012-01	2012-01	50	
M22600	Marianna, City of		Separation of Duties	03-01	03-01	03-01	102	No
M23000	Mayo, Town of		Revenues/Collections	2007-1	2007-1	2007-1	61	No
			Financial Reporting	2011-1	2011-1	2011-1	59	
M23200	Medley, Town of		Separation of Duties	2015-01	2014-01	2013-01	79	No
			Fixed Assets	2015-02	2014-02	2013-02	79	
			Revenues/Collections	2015-03	2014-03	2013-03	80	
			Purchasing/Contract Management	2015-04	2014-04	2013-04	80	
M23500	Melbourne Village, Town of		General Accounting Records	Finding 001	Finding 001	Finding 001	43	No
M23700	Miami, City of		Information Technology	ML 2014-06	ML 2014-06	2013-05	266	No
			Debt Administration	ML 2015-01	ML 2014-01	2013-04	260	
M24100	Micanopy, Town of		Financial Reporting	2011-1	2011-1	2011-1	43	No
M24200	Midway, City of		General Accounting Records	13-01	13-01	13-01	49	No
			Fixed Assets	13-08	13-08	13-08	49	
M24800	Moore Haven, City of		Financial Reporting	2015-001	2010-001	2010-001	91	No
			General Accounting Records	2015-002	2010-002	2010-002	91	
M24900	Mount Dora, City of		Risk Management	2014-1	2014-1	2013-1	163	Yes
M26100	North Miami Beach, City of		Revenues/Collections	2011-1	2011-1	11-1	198	No
M26500	Oak Hill, City of		Distribution of Funds	ML 2011-04	ML 2011-04	ML 2011-04	81	No
			Fixed Assets	SD01 (2009)	#2009 SD01	#2009 SD01	75	
			Separation of Duties	SD02 (2009)	#2009 SD02	#2009 SD02	76	
			General Accounting Records	SD03 (2012)	#2012 SD01	#2012 SD01	77	
M26600	Oakland, Town of		Revenues/Collections	10-01	10-01	10-01	55	No
			Payroll and Personnel Administration	10-04	10-04	10-04	55	
			General Accounting Records	10-05	10-05	10-05	55	
			Revenues/Collections	10-06	10-06	10-06	55	
			General Accounting Records	11-5	11-5	11-5	56	
			Fixed Assets	12-3	12-3	12-3	56	
			Revenues/Collections	12-4	12-4	12-4	56	
M27700	Orchid, Town of		General Accounting Records	2015-001	2014-001	2012-01/2012-FS-1	37	Yes
			Separation of Duties	2015-003	2014-003	2009-02	39	
M29100	Panama City, City of		Separation of Duties	2007-1	2007-1	2007-1	219	No
M29300	Parker, City of		General Accounting Records	15-01	14-01	13-01	63	No
			Separation of Duties	15-02	14-02	13-02	64	
M29500	Paxton, City of		Financial Reporting	2015-01	2014-01	2013-01	47	No
			Separation of Duties	2015-02	2014-02	2013-02	47	
M29800	Penney Farms, Town of		Financial Reporting	2011-1	2011-1	2011-1	48	No
M30100	Pierson, Town of		Financial Reporting	2009-01	2009-01	2009-01	41	No
			Separation of Duties	2009-02	2009-02	2009-02	42	
			Revenues/Collections	2012-01	2012-01	2012-01	42	
M30700	Pomona Park, Town of		Separation of Duties	2009-IC-1	2009-IC-1	2009-IC-1	Part 2, p. 12	No
M30900	Ponce de Leon, Town of		Separation of Duties	2005-02	2005-02	05-02	46	No
			Debt Administration	2005-04	2005-04	05-04	47	
			Financial Reporting	2007-04	2007-04	07-04	47	
			General Accounting Records	2008-05	2008-05	08-05	48	
			Financial Condition	2012-01	2012-01	12-01	46	
M31000	Ponce Inlet, Town of		Financial Condition	ML 2012-01	ML 2012-01	2012-01	113	No
M31100	Port Orange, City of		General Accounting Records	2015-009	2014-003	2013-005	150	No
			General Accounting Records	2015-010	2014-004	2013-008	151	

Local Governmental Entities That Failed To Take Full Corrective Action In Response To A Recommendation Included In The 2014-15 Fiscal Year Audit Report and the Two Preceding Financial Audit Reports

Entity ID	Entity	Constitutional Officer (For Counties)	Finding Category	CY Finding No	PY Finding No	PPY Finding No	PDF page # (1)	Revision or Addendum (2)
M31600	Quincy, City of		Debt Administration	2013-IC-02	2013-IC-02	2013-IC-02	94	No
			Debt Administration	2013-IC-03	2013-IC-03	2013-IC-03	94	
M33400	Sewall's Point, Town of		Separation of Duties	2011-1	2011-1	2011-1	43	No
M33600	Sneads, Town of		Fixed Assets	00-1	00-1	00-1	59	No
			Financial Reporting	07-1	07-1	07-1	60	
M33700	Sopchoppy, City of		Financial Reporting	15-01	14-01	13-01	48	No
M33900	South Daytona, City of		Fund Equity	2013-1	2013-1	2013-ML-1	154	No
M34600	St. Cloud, City of		Debt Administration	2015-1	2014-1	2013-1	157	No
			Revenues/Collections	2015-2	2014-2	2013-3	162	
M34800	St. Lucie Village, Town of		Separation of Duties	No Number	2013-1	2013-1	20	No
M34900	St. Marks, City of		Separation of Duties	2015-01	2014-01	2010-01	44	No
M35200	Starke, City of		Revenues/Collections	2013-03	13-03	13-03	70	No
M35700	Tallahassee, City of		Purchasing/Contract Management	2015-01	2014-002	2013-3	210	No
M36600	Trenton, City of		Financial Reporting	2009-1	2009-1	2007-1	61	No
M37300	Waldo, City of		Financial Reporting	2011-1	2011-1	2011-1	52	No
M37400	Wauchula, City of		General Accounting Records	2013-1	2013-1	2013-1	81	No
M37500	Wausau, Town of		Separation of Duties	2010-01	2010-01	2010-1	56	No
			Financial Reporting	2010-02	2010-02	2010-2	56	
M38100	West Miami, City of		Fund Equity	2010-1	2010-1	2010-1	79	No
M38500	Wewahitchka, City of		Financial Reporting	2011-1	2011-1	2011-1	56	No
M38700	Wildwood, City of		Financial Reporting	2015-001	2014-001	2013-001	57	No
M39000	Windermere, Town of		Financial Reporting	15-01	14-01	13-01	48	No
M39600	Yankeetown, Town of		Separation of Duties	2015-001	2014-001	2013-001	44	No
M39800	Zolfo Springs, Town of		General Accounting Records	2013-3	2013-3	2013-3	46	No

Notes:

(1) The page number listed is the PDF document page number, not the report page number.

(2) This column indicates if there is an addendum or revised report on the Auditor General's Web site that is associated with findings from the 2014-15 fiscal year audit report that should also be viewed.

Additional Information:

The City of Miami (entity ID M23700) has two findings (ML 2014-06, ML 2015-01) that we identified as uncorrected findings in the 2014-15 audit report. However, in the audit report, the auditor did not note that the findings were uncorrected in the two previous audit reports. We attempted to contact the auditor on multiple occasions for clarification; however, as of the date of this notification, the auditor has not provided written or verbal clarification. Also, the Town of St. Lucie Village (entity ID M34800) has a finding (2013-1) that we identified as an uncorrected finding in the 2014-15 audit report. However, in the audit report, the auditor did not note that the finding was uncorrected in the two previous audit reports. We contacted the auditor, who verbally confirmed that the finding was uncorrected; however, as of the date of this notification, the auditor has not provided written clarification.

Lobbying Firm Compensation Audits – Materials Provided

- 1. Overview:** Audits of Lobbying Firm Compensation Reports
- 2. Summary:** Results of the Audits of 2015 Lobbying Firm Compensation Reports:
 - a. Cover Letter to President and Speaker
 - b. Summaries of (1) all 27 engagements conducted, (2) the 12 executive branch engagements, and (3) the 15 legislative branch engagements
 - c. Findings reported in 15 engagements (executive and legislative branch)

Audits of Lobbying Firm Compensation Reports

Joint Legislative Auditing Committee

Summary

The Joint Legislative Auditing Committee (Committee) has statutorily assigned responsibilities related to the audits of lobbying firm compensation reports. Lobbying firms are required to file quarterly compensation reports, and a specified percentage of these firms are required to be audited annually to determine the accuracy of their reporting. The audits are required to be conducted by independent contract auditors¹ selected by the lobbying firms from a list of qualified auditors maintained by the Committee. The auditors are required to follow procedures specified by the Committee during the course of the audit. The implementation efforts in 2007 and 2008 were not resolved, and no audits were conducted initially. During late 2013 and early 2014, the Committee proceeded with the statutory requirements to ensure that audits of compensation reports filed for the 2014 calendar year could begin in 2015. Audits have now been performed on randomly selected executive branch and legislative branch lobbying firms for compensation reported in the 2014 and 2015 calendar years.

Overview

Bill: Senate Bill 6-B (Ch. 2005-359, *Laws of Florida*) is often referred to as the “gift ban.” Prior to its enactment, lobbyists were required to file periodic expenditure reports. Once the gift ban became effective, lobbyists were no longer required to file expenditure reports, but instead were required to file quarterly compensation reports.

Requirements: Section 11.40(3)(b), F.S., requires an audit of the quarterly compensation reports of 3% of all legislative branch and 3% of all executive branch lobbying firms by independent contract auditors (auditors). Various provisions in s. 11.40(3), F.S., require the Committee to: (1) develop a system to randomly select lobbying firms for audit, (2) develop procedures for the selection of auditors, (3) create and maintain a list of not less than 10 auditors approved to conduct the audits, and (4) develop guidelines to conduct the audits.²

Scope of Audits: On a quarterly basis, lobbying firms are required to report the compensation they receive from each principal³ and the total they receive from all principals, in accordance with ss. 11.045(3)(a)1. and 112.3215(5)(a)1., F.S. (for legislative branch and executive branch lobbyists, respectively). The following reporting categories are required:

Total Compensation Provided or Owed to the Lobbying Firm from Each Principal	Total Compensation Provided or Owed to the Lobbying Firm from All Principals
\$0	\$0
\$1 - \$9,999	\$1 - \$49,999
\$10,000 - \$19,999	\$50,000 - \$99,999
\$20,000 - \$29,999	\$100,000 - \$249,999
\$30,000 - \$39,999	\$250,000 - \$499,999
\$40,000 - \$49,999	\$500,000 - \$999,999
\$50,000 or more (<i>specific amount reported, rounded to the nearest \$1,000</i>)	\$1 million or more

¹ See definition of “independent contract auditors” in s. 11.40(3)(a), F.S. (page 3 of this document).

² Although the law states that an audit is to be conducted, the type of work to be performed does not meet the definition of an audit under the American Institute of Certified Public Accountants (AICPA) professional standards. In 2008, the Committee recommended an agreed-upon procedures engagement conducted in accordance with the attestation standards established by the AICPA. This recommendation was developed in cooperation with the Florida Board of Accountancy.

³ “Principal” is defined as the person, firm, corporation, or other entity which has employed or retained a lobbyist.

The filed quarterly compensation reports are available for viewing on Online Sunshine by selecting “Legislative & Executive Branch Lobbyists” in the left column.

The auditors perform procedures, specified by the Committee, on specified records of the lobbying firms selected for an audit and issue a report in accordance with professional standards describing the procedures performed and any findings.

Cost: The cost of the audits is required to be paid by the Legislature.

Selection of the Auditor: The Committee is required to maintain a list of not less than 10 auditors approved to conduct audits of the compensation reports. Once a lobbying firm has been notified by the Committee that it has been selected for an audit, it is required to select an auditor from the Committee’s list. If the lobbying firm fails to make a selection within 30 days, the Committee is required to select the auditor to conduct the audit.

Auditor Independence: The law has a strict definition of independence for the auditors who conduct an audit of a lobbying firm’s compensation reports. They cannot ever have had a direct personal relationship or a professional accounting, auditing, tax advisory, or tax preparing relationship with each other. The additional independence restriction provided in law relates to certain attest and nonattest services that may currently be allowed under the independence standards adopted by the Florida Board of Accountancy.

Status: The Committee adopted guidelines which include the procedures the auditors will follow during the engagement and provide examples of the types of records that lobbying firms may use to document compensation. The Committee also approved procedures for the selection of the auditors and the lobbying firms.

A RFP process was used to solicit CPAs / CPA firms who were qualified and interested in conducting the audits. Four audit firms responded to the RFP and were approved to conduct the audits; however, one firm withdrew from consideration before the contracts were executed. The contracts are renewable for up to three additional years.

A random number generator was used to determine the lobbying firms that were selected for an audit. In 2016, 27 lobbying firms (12 executive branch firms; 15 legislative branch firms) were selected for an audit of their 2015 compensation. For each audit, a maximum number of billable hours was authorized, based on the number of principals the lobbying firm was registered to represent. In addition, a maximum travel allowance was authorized for audits in which the audit firm and lobbying firm were not located in the same vicinity. Audit firms were authorized to request an increase in either or both of these amounts if they determined the authorized amounts were insufficient to complete the engagement.

All audits of 2015 compensation were completed by August 15, 2016. The audit firms billed the Legislature a total of \$122,871.56 for all 27 audits

Statutory Language

Section 11.40, *Florida Statutes*

(3)(a) As used in this subsection, "independent contract auditor" means 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.

(b) Audits specified in this subsection cover the quarterly compensation reports for the previous calendar year for a random sample of 3 percent of all legislative branch lobbying firms and a random sample of 3 percent of all executive branch lobbying firms calculated using as the total number of such lobbying firms those filing a compensation report for the preceding calendar year. The committee shall provide for a system of random selection of the lobbying firms to be audited.

(c) The committee shall create and maintain a list of not less than 10 independent contract auditors approved to conduct the required audits. Each lobbying firm selected for audit in the random audit process may designate one of the independent contract auditors from the committee's approved list. Upon failure for any reason of a lobbying firm selected in the random selection process to designate an independent contract auditor from the committee's list within 30 calendar days after being notified by the committee of its selection, the committee shall assign one of the available independent contract auditors from the approved list to perform the required audit. No independent contract auditor, whether designated by the lobbying firm or by the committee, may perform the audit of a lobbying firm where the auditor and lobbying firm have ever had a direct personal relationship or any professional accounting, auditing, tax advisory, or tax preparing relationship with each other. The committee shall obtain a written, sworn certification subject to s. 837.06, both from the randomly selected lobbying firm and from the proposed independent contract auditor that no such relationship has ever existed.

(d) Each independent contract auditor shall be engaged by and compensated solely by the state for the work performed in accomplishing an audit under this subsection.

(e) Any violations of law, deficiencies, or material misstatements discovered and noted in an audit report shall be clearly identified in the audit report and be determined under the rules of either house of the Legislature or under the joint rules, as applicable.

(f) If any lobbying firm fails to give full, frank, and prompt cooperation and access to books, records, and associated backup documents as requested in writing by the auditor, that failure shall be clearly noted by the independent contract auditor in the report of audit.

(g) The committee shall establish procedures for the selection of independent contract auditors desiring to enter into audit contracts pursuant to this subsection. Such procedures shall include, but not be limited to, a rating system that takes into account pertinent information, including the independent contract auditor's fee proposals for participating in the process. All contracts under this subsection between an independent contract auditor and the Speaker of the House of Representatives and the President of the Senate shall be terminable by either party at any time upon written notice to the other, and such contracts may contain such other terms and conditions as the Speaker of the House of Representatives and the President of the Senate deem appropriate under the circumstances.

(h) The committee shall adopt guidelines that govern random audits and field investigations conducted pursuant to this subsection. The guidelines shall ensure that similarly situated compensation reports are audited in a uniform manner. The guidelines shall also be formulated to encourage compliance and detect violations of the legislative and executive lobbying compensation reporting requirements in ss. 11.045 and 112.3215 and to ensure that each audit is conducted with maximum efficiency in a cost-effective manner. In adopting the guidelines, the committee shall consider relevant guidelines and standards of the American Institute of Certified Public Accountants to the extent that such guidelines and standards are applicable and consistent with the purposes set forth in this subsection.

(i) All audit reports of legislative lobbying firms shall, upon completion by an independent contract auditor, be delivered to the President of the Senate and the Speaker of the House of Representatives for their respective review and handling. All audit reports of executive branch lobbyists, upon completion by an independent contract auditor, shall be delivered by the auditor to the Commission on Ethics.

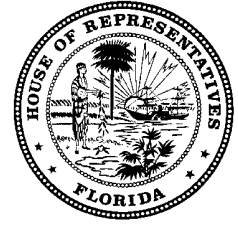
ANDY GARDINER
President of the Senate



Senator Lizbeth Benacquisto
Senator Rob Bradley
Senator Audrey Gibson
Senator Wilton Simpson

THE FLORIDA LEGISLATURE
JOINT LEGISLATIVE AUDITING COMMITTEE

STEVE CRISAFULLI
Speaker of the House



Representative Debbie Mayfield
Representative Amanda Murphy
Representative Ray Rodrigues
Representative Cynthia Stafford

Representative Daniel D. Raulerson, Chair
Senator Joseph Abruzzo, Vice Chair

August 25, 2016

Honorable Andy Gardiner, President
The Florida Senate
409 The Capitol
Tallahassee, Florida 32399-1100

Honorable Steve Crisafulli, Speaker
The Florida House of Representatives
420 The Capitol
Tallahassee, Florida 32399-1300

Dear President Gardiner and Speaker Crisafulli:

As required by s. 11.40(3), F.S., the Joint Legislative Auditing Committee is pleased to provide you with the results of the agreed-upon procedures (AUP) engagements performed on the 2015 Quarterly Lobbying Firm Compensation Reports filed by randomly selected lobbying firms.

Enclosed for your review are bound copies of the AUP reports for the 15 engagements performed related to legislative branch compensation reporting. Although the Commission on Ethics is responsible for enforcing any non-compliance related to executive branch compensation reporting, copies of the AUP reports related to executive branch compensation reporting are also provided for your review. All reports are also provided in an electronic format.

For your convenience, the following summary information is provided:

- A one-page summary of all 27 AUP engagements, listed in order by the size of the lobbying firm, which includes the type of compensation audited (executive or legislative branch), the audit firm selected, the cost of each engagement, and whether any findings were reported.
- A one-page summary of the 12 executive branch AUP engagements, listed in alphabetical order.
- A one-page summary of the 15 legislative branch AUP engagements, listed in alphabetical order.
- A summary, with the findings reported in 14 of the AUP reports.

Honorable Andy Gardiner, President
Honorable Steve Crisafulli, Speaker
August 25, 2016
Page 2

Excluding Legislative member and staff time, the total cost of this year's AUP engagements was \$122,871.56. Of this amount, \$40,356.28 will be paid by the Executive Branch Lobbyist Registration Trust Fund for the audits of executive branch compensation, and \$82,515.28 will be paid by the Legislative Branch Lobbyist Registration Trust Fund for audits of legislative branch compensation.

We thank you and your staff for the guidance provided during this process.

Best regards,



Representative Daniel D. "Dan" Raulerson
Chair



Senator Joseph Abruzzo
Vice Chair

cc (w/o reports): Members of the Joint Legislative Auditing Committee
Lisa Vickers, President's Office
Michelle Davila, Speaker's Office
Karen Chandler, Office of Legislative Services

Enclosures: Bound Agreed-Upon Procedures Reports for Legislative Branch Engagements
Copies of Agreed-Upon Procedures Reports for Executive Branch Engagements (Binder)
Electronic Copy (CD) of Agreed-Upon Procedures Reports for Legislative and Executive
Branch Engagements
Summary of All 27 Engagements; Sorted by Size of Lobbying Firm
Summary of Executive Branch Engagements; Listed in Alphabetical Order
Summary of Legislative Branch Engagements; Listed in Alphabetical Order
Summary of Agreed-Upon Procedures (AUP) Findings Reported

2015 Lobbying Firm Compensation Audits

Summary of All 27 Engagements

Sorted by Size of Lobbying Firm

Lobbying Firm (Location)	Number of Lobbyists	Number of Principals								Compensation Audited	Audit Firm Selected	Cost of Engagement	Exceptions (Findings) Reported?
		1	3	4	5	6	28	49					
1 Avera & Smith, LLP (Gainesville)	1	X								Legislative	Carroll & Company	\$ 2,838.44	No
2 CB Myers, III, PA (Lake Wales)		X								Legislative	CRI	\$ 1,875.00	No
3 David August Konuch, PA (Tallahassee)		X								Legislative	Warren Averett	\$ 2,700.00	Yes
4 Johnson Strategies, LLC (Tallahassee)		X								Executive	CRI	\$ 1,875.00	Yes
5 Kathy Till & Associates, Inc. (Orlando)		X								Executive	Carroll & Company	\$ 2,280.35	Yes
6 Mark Hendrickson (Tallahassee)		X								Legislative	Carroll & Company	\$ 2,925.00	Yes
7 Sustainable Beaches, LLC (Ponte Vedra)		X								Legislative	Carroll & Company	\$ 2,406.61	No
8 The Mathis Group (Palm Beach Gardens)		X								Legislative	Warren Averett	\$ 2,700.00	No
9 The Mitchell Group (West Palm Beach)		X								Legislative	Warren Averett	\$ 2,700.00	No
10 Young, van Assenderp & Qualls, P.A. (Tallahassee)		X								Executive	Carroll & Company	\$ 1,813.50	No
11 Brenda D. Dickinson (Tallahassee)			X							Executive	Carroll & Company	\$ 2,613.00	No
12 DLA Consulting, LLC (Tallahassee)			X							Legislative	Carroll & Company	\$ 2,340.00	Yes
13 Topsail Public Affairs (Tallahassee)			X							Legislative	CRI	\$ 2,875.00	No
14 Boscan & Associates, LLC (Windermere)				X						Executive	Carroll & Company	\$ 2,726.25	No
15 Frank Meiners Governmental Consultants, LLC (St. Augustine)				X						Executive	CRI	\$ 3,375.00	Yes
16 Capitol Group, Inc. (Tallahassee)					X					Executive	Carroll & Company	\$ 4,387.50	Yes
17 Curva and Associates, LLC (Tallahassee)					X					Legislative	CRI	\$ 3,875.00	Yes
18 DDarling Consulting (Tallahassee)					X					Executive	Carroll & Company	\$ 3,880.50	Yes
19 Sayfie Law Firm (Ft. Lauderdale)					X					Executive	Carroll & Company	\$ 4,657.68	Yes
20 The Commerce Group (Tallahassee)					X					Executive	CRI	\$ 3,875.00	Yes
21 The Labrador Company, Inc. (Tallahassee)					X					Executive	Carroll & Company	\$ 3,607.50	No
22 Acclaim Strategies, Inc. (Tallahassee)						X				Legislative	CRI	\$ 4,375.00	No
23 Gate Way Group (Tallahassee)	2	X							Legislative	Warren Averett	\$ 2,700.00	No	
24 Cerra Consulting Group, Inc. (Tallahassee)				X					Legislative	Carroll & Company	\$ 2,554.50	No	
25 Shutts & Bowen, LLP (Tallahassee)				X					Executive	Carroll & Company	\$ 5,265.00	Yes	
26 Akerman, LLP (Tallahassee)	8					X			Legislative	Carroll & Company	\$ 23,595.00	Yes	
27 Becker & Poliakoff, PA (Ft. Lauderdale)	15						X		Legislative	CRI	\$ 22,055.73	Yes	
Total Cost											\$ 122,871.56		

2015 Lobbying Firm Compensation Audits
 Summary of Executive Branch Engagements
Listed in Alphabetical Order

	Lobbying Firm (Location)	Audit Firm Selected	Location of Audit Firm	Cost of Engagement	Exceptions (Findings) Reported?
1	Boscan & Associates, LLC (Windermere)	Carroll & Company	Tallahassee	\$ 2,726.25	No
2	Brenda D. Dickinson (Tallahassee)	Carroll & Company	Tallahassee	\$ 2,613.00	No
3	Capitol Group, Inc. (Tallahassee)	Carroll & Company	Tallahassee	\$ 4,387.50	Yes
4	DDarling Consulting (Tallahassee)	Carroll & Company	Tallahassee	\$ 3,880.50	Yes
5	Frank Meiners Governmental Consultants, LLC (St. Augustine)	CRI	Tallahassee	\$ 3,375.00	Yes
6	Johnson Strategies, LLC (Tallahassee)	CRI	Destin	\$ 1,875.00	Yes
7	Kathy Till & Associates, Inc. (Orlando)	Carroll & Company	Tallahassee	\$ 2,280.35	Yes
8	Sayfie Law Firm (Ft. Lauderdale)	Carroll & Company	Tallahassee	\$ 4,657.68	Yes
9	Shutts & Bowen, LLP (Tallahassee)	Carroll & Company	Tallahassee	\$ 5,265.00	Yes
10	The Commerce Group (Tallahassee)	CRI	Destin	\$ 3,875.00	Yes
11	The Labrador Company, Inc. (Tallahassee)	Carroll & Company	Tallahassee	\$ 3,607.50	No
12	Young, van Assenderp & Qualls, P.A. (Tallahassee)	Carroll & Company	Tallahassee	\$ 1,813.50	No
	Total Cost			\$ 40,356.28	

2015 Lobbying Firm Compensation Audits
 Summary of Legislative Branch Engagements
Listed in Alphabetical Order

	Lobbying Firm (Location)	Audit Firm Selected	Location of Audit Firm	Cost of Engagement	Exceptions (Findings) Reported?
1	Acclaim Strategies, Inc. (Tallahassee)	CRI	Tallahassee	\$ 4,375.00	No
2	Akerman, LLP (Tallahassee)	Carroll & Company	Tallahassee	\$ 23,595.00	Yes
3	Avera & Smith, LLP (Gainesville)	Carroll & Company	Tallahassee	\$ 2,838.44	No
4	Becker & Poliakoff, PA (Ft. Lauderdale)	CRI	Tallahassee	\$ 22,055.73	Yes
5	CB Myers, III, PA (Lake Wales)	CRI	Destin	\$ 1,875.00	No
6	Cerra Consulting Group, Inc. (Tallahassee)	Carroll & Company	Tallahassee	\$ 2,554.50	No
7	Curva and Associates, LLC (Tallahassee)	CRI	Destin	\$ 3,875.00	Yes
8	David August Konuch, PA (Tallahassee)	Warren Averett	Destin	\$ 2,700.00	Yes
9	DLA Consulting, LLC (Tallahassee)	Carroll & Company	Tallahassee	\$ 2,340.00	Yes
10	Gate Way Group (Tallahassee)	Warren Averett	Destin	\$ 2,700.00	No
11	Mark Hendrickson (Tallahassee)	Carroll & Company	Tallahassee	\$ 2,925.00	Yes
12	Sustainable Beaches, LLC (Ponte Vedra)	Carroll & Company	Tallahassee	\$ 2,406.61	No
13	The Mathis Group (Palm Beach Gardens)	Warren Averett	Destin	\$ 2,700.00	No
14	The Mitchell Group (West Palm Beach)	Warren Averett	Destin	\$ 2,700.00	No
15	Topsail Public Affairs (Tallahassee)	CRI	Tallahassee	\$ 2,875.00	No
	Total Cost			\$ 82,515.28	

Summary of Agreed-Upon Procedures (AUP) Findings Reported

Note: Only engagements in which one or more exceptions (findings) were noted are listed below.

Executive Summary

In November 2013, the Joint Legislative Auditing Committee (Committee) adopted *Guidelines for Attestation Services Relating to Quarterly Lobbying Firm Compensation Reports (Guidelines)*. The *Guidelines* were revised in November 2015. In February 2016, Committee staff, following procedures approved by the Committee, and with assistance from the Auditor General's Office, randomly selected 3% of the executive branch lobbying firms and 3% of the legislative branch lobbying firms for an audit.¹ The 12 and 15 lobbying firms selected, respectively, were provided 30 days from the date of the Committee's notification of their selection to choose one of three audit firms approved to perform the AUP engagements. Three lobbying firms deferred this decision to the Committee; therefore, the Committee assigned an audit firm to these AUP engagements. The *Guidelines* provided the audit firms with specific steps (procedures) to follow during each AUP engagement. These procedures include comparisons of documents filed with the Legislature's Division of Law Revision and Information, comparisons of documents filed with lobbying firm records, and the receipt of a representation letter from the lobbying firm. Instances in which any discrepancies were noted were required to be reported as a finding or exception by the audit firm. Engagements were performed between April and August 2016 on the 2015 Quarterly Lobbying Firm Compensation Reports filed.

Of the 27 AUP engagements performed, exceptions (findings) were reported for 14 lobbying firms. Findings were reported for 8 of the 12 AUP engagements performed related to executive branch compensation and for 6 of the 15 AUP engagements performed related to legislative branch compensation.

Compensation was overstated by nine lobbying firms for one or more quarters for one or more principals. Compensation was understated by six lobbying firms for one or more quarters for one or more principals. Of these, three lobbying firms both overstated and understated compensation for one or more quarters for one or more principals. Two lobbying firms overstated total compensation for two or more quarters, and one lobbying firm understated total compensation for one quarter.

Exceptions noted that did not relate to the compensation amounts reported during 2015 include:

- Two lobbying firms received compensation from a principal for one or two quarters in which the lobbyist registration for the principal was not in effect. In both cases, a valid lobbyist registration was in effect during a subsequent quarter.
- One lobbying firm listed a principal on one quarterly compensation report that should not have been listed. The lobbying firm reported \$0.00 compensation.
- One lobbying firm listed two principals on one quarterly compensation report that should not have been listed. Although the lobbying firm reported receiving compensation from these principals, it was neither registered to represent these principals, nor did it receive any compensation.
- The sole lobbyist associated with one lobbying firm withdrew his registration associated with this lobbying firm in January 2015. In addition, a current and valid "Authorization to Represent the

¹ Although Section 11.45(3), Florida Statutes, refers to an audit, the type of work performed did not meet the definition of an audit under professional auditing standards. An agreed-upon procedures engagement is a type of attestation engagement; the use of this type of engagement in lieu of an audit was worked out in cooperation with the Florida Board of Accountancy.

Principal” form was not obtained for a principal by this lobbying firm. Note: Both of these items were apparent clerical errors/misunderstanding of the online registration system by the firm’s sole lobbyist.

Reports on 2015 Executive Branch Compensation

(Listed in alphabetical order)

1. Capitol Group, Inc.

The compensation report filed for the first quarter of 2015 listed Tower Hill Insurance Group as a principal with \$0.00 compensation reported. Tower Hill Insurance Group should not have been listed as a principal of Capitol Group, Inc.

Compensation for all quarters in 2015 was understated for the principal Florida Workers Compensation Guaranty Association. Compensation for each quarter for this principal should have been \$1.00-\$9,999.00 instead of \$0. Amended reports reflecting \$1.00-\$9,999.00 for all quarters were filed on June 28, 2016.

Number of Registered Lobbyists: 1; Number of Registered Principals: 5
Audit Firm: Carroll and Company, CPAs

2. DDarling Consulting

Compensation was received from Accenture LLP and reported to the Lobbyist Registration Office for the second, third, and fourth quarters of 2015; however, the executive branch lobbying registration for this principal was not effective until October 4, 2015 (during the fourth quarter).

Number of Registered Lobbyists: 1; Number of Registered Principals: 5
Audit Firm: Carroll and Company, CPAs

3. Frank Meiners Governmental Consultants, LLC

The sole lobbyist associated with the lobbying firm, H. Frank Meiners, withdrew his registration associated with Frank Meiners Governmental Consultants, LLC on 1/21/2015. Mr. Meiners stated that this withdrawal was exclusively an unintentional clerical mistake. According to the audit firm, this statement is supported by the fact that H. Frank Meiners continued to be reported as the Firm Lobbyist on all four 2015 quarterly reports filed subsequent to the withdrawal date. This resulted in a difference between the firm lobbyist registered in the executive branch directory and the firm lobbyist reported on the executive branch compensation reports for the second, third, and fourth quarters.

In addition, a current and valid “Authorization to Represent the Principal” form was not obtained for the Florida Collectors Association (FCA). An original Authorization Form was received and on file for the FCA beginning in January 2009. However, when the 2015 online registration process was initiated, all of the 2014 calendar year information was uploaded into the registration system. Each lobbyist was then required to make any necessary changes. Based on system information, Mr. Meiners “disassociated” from FCA and then later added it back as a “new” principal. Per audit firm discussions with the Committee staff and the Lobbyist Registration Office, when a new principal is added to the system, a new Authorization Form is then required. The prior paper version is no longer valid because the lobbyist had previously “disassociated” with the principal. Mr. Meiners stated that this finding was a result of an unintentional clerical mistake, and he was never made aware that a new Authorization Form was required.

Number of Registered Lobbyists: 1; Number of Registered Principals: 4
Audit Firm: Carr, Riggs & Ingram, LLC

4. Johnson Strategies, LLC

Compensation for all four quarters of 2015 was overstated for the principal Florida Association of Insurance Agents. Each quarter's compensation for this principal should have been \$0.00 instead of \$10,000.00 - \$19,999.00. The lobbying firm reported total revenue per the agreement; however, the amount reported should have been the revenue allocated to lobbying the executive branch.

Number of Registered Lobbyists: 1; Number of Registered Principals: 1
Audit Firm: Carr, Riggs & Ingram, LLC

5. Kathy Till & Associates, Inc.

Compensation for the fourth quarter of 2015 was overstated for the principal the Florida League of Cities, Inc. The fourth quarter's compensation for this principal should have been in the range of \$1,000.00-\$9,999.00 instead of \$10,000.00-\$19,999.00. An amended report reflecting \$1,000.00-\$9,999.00 for the Florida League of Cities, Inc. for the fourth quarter was filed on June 1, 2016. Ms. Till provided a statement to indicate that the \$4,000 per month she receives from the Florida League of Cities, Inc. is for her time allocated as follows: non-lobbying services (75%), lobbying the legislative branch (20%), and lobbying the executive branch (5%). The fourth quarter compensation report was amended to reflect this allocation.

Number of Registered Lobbyists: 1; Number of Registered Principals: 1
Audit Firm: Carroll and Company, CPAs

6. Sayfie Law Firm

Compensation for the third and fourth quarters of 2015 were understated for the principal Google, Inc. The compensation for the third and fourth quarters for this principal should have been in the range of \$10,000.00-\$19,999.00 instead of \$1.00-\$9,999.00. Amended reports reflecting \$10,000.00-\$19,999.00 for Google, Inc. for these two quarters were filed on May 23, 2016.

Number of Registered Lobbyists: 1; Number of Registered Principals: 5
Audit Firm: Carroll and Company, CPAs

7. Shutts & Bowen, LLP

The compensation report filed for the fourth quarter of 2015 listed U.S. Chamber Institute for Legal Reform and Florida Chamber of Commerce as principals. However, the lobbyists for the lobbying firm were not registered for these principals in 2015.

Compensation for the third quarter of 2015 was overstated for the principal ADP, Inc. The third quarter's compensation for ADP, Inc. should have been \$0.00 instead of \$1.00-\$9,999.00. In addition, total executive branch compensation for the third quarter was also overstated. The third quarter's total executive branch compensation should have been \$0.00 instead of \$1.00-\$49,999.00. An amended report reflecting \$0.00 compensation for this principal and \$0.00 total executive branch compensation for this quarter was filed on May 23, 2016.

Compensation for the fourth quarter of 2015 was overstated for the principals U.S Chamber Institute for Legal Reform and Florida Chamber of Commerce. The fourth quarter's compensation for each of these

principals should have been \$0.00 instead of \$1.00-\$9,999.00. In addition, total executive branch compensation for this quarter was overstated. The fourth quarter's total executive branch compensation should have been \$0.00 instead of \$1.00-\$49,999.00. An amended report reflecting \$0.00 for each of these principals and \$0.00 for total executive branch compensation for this quarter was filed on June 1, 2016.

A written response to these findings provided by Shutts & Bowen, LLP indicated the following:

- The lobbying firm is in agreement with the finding related to the misreporting of compensation received from ADP, Inc. It was determined to be an error and was subsequently corrected.
- The lobbying firm performed no lobbying services for the US Chamber Institute for Legal Reform and the Florida Chamber of Commerce for the fourth quarter. Lobbying compensation was inadvertently reported; however, all compensation received that quarter was for legal services and other non-lobbying related activities. The parties initially contemplated services to include lobbying; however, the principals did not complete the principal authorization process during the quarter.

Number of Registered Lobbyists: 2; Number of Registered Principals: 4

Audit Firm: Carroll and Company, CPAs

8. The Commerce Group

Compensation for all four quarters of 2015 was overstated for the principal Terrill Hogan Ellis Yegelwel, P.A. Each quarter's compensation for this principal should have been \$20,000.00-\$29,999.00 instead of \$40,000.00-\$49,999.00. The lobbying firm reported the total revenue per the agreement; however, the amount reported should have been the revenue allocated to lobbying the executive branch.

Number of Registered Lobbyists: 1; Number of Registered Principals: 5

Audit Firm: Carr, Riggs & Ingram, LLC

Reports on 2015 Legislative Branch Compensation

(Listed in alphabetical order)

1. Akerman, LLP

Compensation was received from Florida Independent Spirits Association for the first quarter of 2015; however, Akerman, LLP's legislative branch lobbying registration for this principal was not effective until April 29, 2015, which is during the second quarter.

Compensation for one or more quarters of 2015 for the following 19 principals was either overstated or understated. The following table shows the amount of compensation that was reported for these principals and the amount of compensation that should have been reported based on a review of supporting documentation. The lobbying firm stated that the "primary exception in the audit relates to the timing of our reporting of fees on a cash basis... We now understand that lobby fees in Florida should be reported on an accrual basis."

Time Period /Principal	Range Reported by Lobbying Firm	Correct Range as Determined by CPA Firm	Result
1st Quarter			
Algenol Biofuels, Inc.	\$10,000.00-\$19,999.00	\$1.00-\$9,999.00	Overstated
Diamond Game Enterprises, Inc.	\$0.00	\$1.00-\$9,999.00	Understated
Florida Alliance for Renewable Energy	\$0.00	\$1.00-\$9,999.00	Understated
Florida Bankers Association	\$0.00	\$1.00-\$9,999.00	Understated
Florida International Bankers Association	\$0.00	\$1.00-\$9,999.00	Understated
Pediatric Health Care Alliance	\$0.00	\$1.00-\$9,999.00	Understated
Florida Independent Spirits Association	Not reported	\$1.00-\$9,999.00	Understated
HULT International Business School	\$56,000.00	\$10,000.00-\$19,999.00	Overstated
Miami-Dade County	\$1.00-\$9,999.00	\$10,000.00-\$19,999.00	Understated
Pure Analytics	\$1.00-\$9,999.00	\$10,000.00-\$19,999.00	Understated
Rybovich Boat Company	\$30,000.00-\$39,999.00	\$20,000.00-\$29,999.00	Overstated
2nd Quarter			
Altair Training	\$0.00	\$1.00-\$9,999.00	Understated
American Society of Interior Designers, Inc.	\$0.00	\$1.00-\$9,999.00	Understated
HULT International Business School	\$0.00	\$1.00-\$9,999.00	Understated
Indian River Medical Center	\$0.00	\$1.00-\$9,999.00	Understated
Lakeside Pediatrics	\$0.00	\$1.00-\$9,999.00	Understated
Florida Bankers Association	\$1.00-\$9,999.00	\$0.00	Overstated
Florida International Bankers Association	\$10,000.00-\$19,999.00	\$1.00-\$9,999.00	Overstated
Port of Palm Beach	\$10,000.00-\$19,999.00	\$1.00-\$9,999.00	Overstated
Rybovich Boat Company	\$1.00-\$9,999.00	\$10,000.00-\$19,999.00	Understated
3rd Quarter			
Algenol Biofuels, Inc.	\$10,000.00-\$19,999.00	\$1.00-\$9,999.00	Overstated
Pediatric Health Care Alliance	\$10,000.00-\$19,999.00	\$1.00-\$9,999.00	Overstated
Altair Training	\$0.00	\$1.00-\$9,999.00	Understated
HULT International Business School	\$0.00	\$1.00-\$9,999.00	Understated
National Home Service Contract Association	\$0.00	\$1.00-\$9,999.00	Understated
Cyber Citizens for Justice, Inc.	\$1.00-\$9,999.00	\$0.00	Overstated
James Joseph Richardson	\$1.00-\$9,999.00	\$0.00	Overstated

Time Period / Principal	Range Reported by Lobbying Firm	Correct Range as Determined by CPA Firm	Result
4th Quarter			
Cyber Citizens for Justice, Inc.	\$0.00	\$1.00-\$9,999.00	Understated
Florida International Bankers Association	\$0.00	\$1.00-\$9,999.00	Understated
Indian River Medical Center	\$0.00	\$1.00-\$9,999.00	Understated
Florida Independent Spirits Association	\$1.00-\$9,999.00	\$0.00	Overstated
Lakeside Pediatrics	\$1.00-\$9,999.00	\$0.00	Overstated
HULT International Business School	\$0.00	\$10,000.00-\$19,999.00	Understated

On August 9, 2016, Ackerman, LLP filed amended reports reflecting the compensation amounts determined by the CPA for each of the above principals for the respective quarter(s).

Number of Registered Lobbyists: 8; Number of Registered Principals: 28
Audit Firm: Carroll and Company, CPAs

2. Becker & Poliakoff, PA

Compensation for one or two quarters of 2015 for the following six principals was either overstated or understated. The following table shows the amount of compensation that was reported for these principals and the amount of compensation that should have been reported based on a review of supporting documentation. The audit firm stated that the “inaccuracies appear to be a result of timing issues – billings and payments received outside of the quarter that the contracted lobbying services were rendered.”

Time Period / Principal	Range Reported by Lobbying Firm	Correct Range as Determined by CPA Firm	Result
1st Quarter			
City of Homestead	\$10,000.00-\$19,999.00	\$1.00-\$9,999.00	Overstated
City of Miami Springs	\$0.00	\$10,000.00-\$19,999.00	Understated
Miami-Dade County Public Schools	\$10,000.00-\$19,999.00	\$1.00-\$9,999.00	Overstated
3rd Quarter			
Florida Memorial University	\$10,000.00-\$19,999.00	\$20,000.00-\$29,999.00	Understated
NeighborWorks Florida Collaborative	Not reported	\$1.00-\$9,999.00	Understated
4th Quarter			
Centene Corporation, DBA Sunshine Health	\$20,000.00-\$29,999.00	\$10,000.00-\$19,999.00	Overstated
Florida Memorial University	\$30,000.00-\$39,999.00	\$20,000.00-\$29,999.00	Overstated
NeighborWorks Florida Collaborative	\$10,000.00-\$19,999.00	\$1.00-\$9,999.00	Overstated

In addition, compensation for the fourth quarter of 2015 was overstated for the principal Village of Pinecrest. The fourth quarter compensation for this principal should have been \$0.00 instead of \$1.00-\$9,999.00. The audit firm stated that “[f]ees for lobbying services were invoiced and collected for months outside of the engagement period stated in the contract with the principal” and subsequently the lobbying firm filed an amended fourth quarter compensation report and “informed the principal of the incorrect billing in order to correct and resolve the matter.”

Number of Registered Lobbyists: 15; Number of Registered Principals: 49
Audit Firm: Carr, Riggs & Ingram, LLC

3. Curva and Associates, LLC

Compensation for the first quarter of 2015 was understated for the principal The Children's Forum, Inc., while the compensation for the fourth quarter of 2015 was overstated in the same amount for the same principal. The compensation for the first and fourth quarters for this principal should have been \$1.00-\$9,999.00 and \$0.00, respectively.

In addition, compensation for the fourth quarter of 2015 was overstated for the principal SHAPE FL. Compensation for the fourth quarter for this principal should have been \$1.00-\$9,999.00 instead of \$10,000.00-\$19,999.00.

The audit firm stated that "[t]he exceptions [noted above] were caused by the lobbyist reporting on the cash basis when the reporting should have been done on the accrual basis."

Number of Registered Lobbyists: 1; Number of Registered Principals: 5
Audit Firm: Carr, Riggs & Ingram, LLC

4. David August Konuch, PA

Compensation was overstated for all quarters of 2015 for the lobbying firm's sole principal, Florida Cable Telecommunications Association, Inc. Compensation for each quarter for this principal should have been \$0.00 instead of \$10,000.00-\$19,999.00. Total compensation for each quarter should have been \$0.00 instead of \$1.00-\$49,999.00. Amended reports reflecting \$0.00 for both the principal and total compensation for all four quarters were filed on June 29, 2016.

Number of Registered Lobbyists: 1; Number of Registered Principals: 1
Audit Firm: Warren Averett

5. DLA Consulting, LLC

Compensation was understated for the second quarter of 2015 for two principals, Orlando Science Schools and River City Science Academy. Compensation for the second quarter should have been \$1.00-\$9,999.00 instead of \$0.00 for each principal. In addition, total compensation for the second quarter of 2015 was understated. Total compensation should have been \$1.00-\$49,999.00 instead of \$0.00. An amended report reflecting \$1.00-\$9,999.00 for the two principals and \$1.00-\$49,999.00 total compensation was filed on June 7, 2016.

Number of Registered Lobbyists: 1; Number of Registered Principals: 3
Audit Firm: Carroll and Company, CPAs

6. Mark Hendrickson

Compensation was overstated for the second and fourth quarters of 2015 for the principal the Florida Association of Local Housing Finance Authorities. Compensation for this principal for the second and fourth quarters should have been \$1,000.00-\$9,999.00 instead of \$10,000.00-\$19,999.00. Amended reports reflecting \$1,000.00-\$9,999.00 for the principal for the second and fourth quarters were filed on May 25, 2016.

Number of Registered Lobbyists: 1; Number of Registered Principals: 1
Audit Firm: Carroll and Company, CPAs