

ANDY GARDINER
President of the Senate



STEVE CRISAFULLI
Speaker of the House



Joint Legislative Auditing Committee

Senator Joseph Abruzzo, Chair
Representative Daniel Raulerson, Vice Chair

Meeting Packet
Monday, February 16, 2015
12:30 P.M. to 3:30 P.M.
301 Senate Office Building

AGENDA JOINT LEGISLATIVE AUDITING COMMITTEE

DATE: Monday, February 16, 2015

TIME: 12:30 p.m. to 3:30 p.m.

PLACE: Room 301, Senate Office Building

MEMBERS:

Senator Joseph Abruzzo, Chair

Representative Daniel D. Raulerson, Vice Chair

Senator Lizbeth Benacquisto

Senator Rob Bradley

Senator Audrey Gibson

Senator Wilton Simpson

Representative Debbie Mayfield

Representative Amanda Murphy

Representative Ray Rodrigues

Representative Cynthia Stafford

Consideration of a request for an audit of the City of North Miami received from the City of North Miami

Consideration of a certified petition request for an audit of the City of Archer received, pursuant to s. 11.45(5), F.S., from citizens of the City of Archer

Consideration of a request for an audit of the Health Care District of Palm Beach County received from Representative Kerner

Consideration of a request for an audit of the Jacksonville Fire and Police Pension Fund received from Representative Adkins

Presentation of the Auditor General's audit of the Leon County District School Board

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 2014-15 fiscal year

Consideration of action against local governmental entities that have failed to file an annual financial report and/or annual financial audit report (if required), pursuant to s. 11.40(2), F.S.

Consideration of 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) and 218.39(8), F.S.

Presentation of the Auditor General's Performance Audit of the Local Government Financial Reporting System (Report No. 2015-037)



July 22, 2014

**OVERNIGHT DELIVERY
VIA FEDERAL EXPRESS**

Kathy DuBose
State of Florida Auditor General
111 W. Madison Street
Tallahassee, FL 32399

Re: State Operational Audit of Four North Miami Departments

Dear Ms. DuBose:

It was the direction of the Mayor and City Council for Staff to research the steps necessary to procure an operational audit from the State of Florida Auditor General's Office. At the Council meeting of July 8, 2014 staff briefed the Council on the process and it was passed by a majority vote of 3 to 1 to proceed with an operational audit.

The departments of particular focus are Finance, Building & Zoning, Purchasing, and Public Works. The analysis sought should include, but not be limited to, the City's financial records, expense reports, vendor related party review and approval safeguards, building and zoning records and any process irregularities.

The purpose of this letter is to inform the State Auditor General that the City of North Miami is prepared to move forward and have the Joint Legislature Audit Committee review our interest in a state audit. Enclosed you will find the city council meeting minutes from the July 8th council agenda, specifically TAB N, which highlights discussions of the above referenced.

Please confirm acknowledgment of this letter and its request to be on the Joint Legislature Audit Committee's next agenda. It is understood that this will likely take place sometime towards the end of this calendar year.

We greatly appreciate your promptness and assistance in this matter. If you have any questions, please contact my office at (305) 893-6391.

Sincerely,


Aleem A. Ghany
City Manager

AAG:mp

STAFF ANALYSIS

Date: February 11, 2015

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

Analyst Coordinator

DuBose KD DuBose KD

I. Summary:

The Joint Legislative Auditing Committee (Committee) has received a request from the City Council of the City of North Miami (City) for the Committee to direct the Auditor General to conduct an operational audit of the City. The officials have concerns related to the following departments: Finance, Building and Zoning, Purchasing, and Public Works.

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(6), Florida Statutes, provides that whenever a local governmental entity requests the Auditor General to conduct an audit of all or part of its operations and the Auditor General conducts the audit under his or her own authority or at the direction of the Legislative Auditing Committee, the expenses of the audit shall be paid by the local governmental entity. The Auditor General shall estimate the cost of the audit. Fifty percent of the cost estimate shall be paid by the local governmental entity before the initiation of the audit and deposited into the General Revenue Fund of the state. After the completion of the audit, the Auditor General shall notify the local governmental entity of the actual cost of the audit. The local governmental entity shall remit the remainder of the cost of the audit to the Auditor General for deposit into the General Revenue Fund of the state. If the local governmental entity fails to comply with paying the remaining cost of the audit, the Auditor General shall notify the Legislative Auditing Committee.

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 report to determine the local governmental entity's progress in addressing the findings and recommendations contained in the report.

Request for an Audit of the City of North Miami

City officials have concerns related to the following departments: Finance, Building and Zoning, Purchasing, and Public Works. They have requested that the scope of the audit include, but not be limited to, the City's financial records, expense reports, vendor related party review and approval safeguards, building and zoning records and any process irregularities. The City has been informed that, in accordance with Section 11.45(6), Florida Statutes, if the Auditor General is directed to conduct the audit, the City will be responsible for paying for its cost.

Background

The City was originally incorporated in 1926 as the Town of Miami Shores;¹ however, because the name was not ratified by the Florida Legislature, another municipality in the area was granted the use of that name.² Later, the name was changed to the Town of North Miami.³ In 1953, the City's charter was adopted and its name was changed to the City of North Miami.⁴

The City operates under a Council-Manager form of government and provides services to its citizens including general government, public safety, streets and public works, sanitation, economic and community development, education through its library, recreation, and cultural services. In addition, the City also operates water and sewer utility and storm water utilities.⁵ The City also has a redevelopment agency, The North Miami Community Redevelopment Agency, which was created in 2005. The City adopted a 2014-15 fiscal year budget of approximately \$80 million which includes 364.31 authorized positions.⁶

The City is governed by an elected five-member City Council. The Mayor is elected at large on a non-partisan basis for a two-year term; the other Council members are elected in each of the City's four districts for a four-year term. Located in northeastern Miami-Dade County, the estimated population of the City as of April 1, 2014, was 61,912.⁷

¹ Florida League of Cities website.

² North Miami, Florida, *Adopted Annual Budget FY 2014-2015*, p. 25.

³ Chapter 13103, *Laws of Florida* (1927); Chapter 15823, *Laws of Florida* (1931).

⁴ Chapter 29318, *Laws of Florida* (1953).

⁵ *City of North Miami, Florida; Comprehensive Annual Financial Report, Fiscal Year Ended September 30, 2013*; City of North Miami Finance Department.

⁶ North Miami, Florida, *Adopted Annual Budget FY 2014-2015*, pp. 38, 52.

⁷ *Florida Population Estimates for Counties and Municipalities, April 1, 2014*; Florida Office of Economic & Demographic Research website.

Recent Concerns and Events

Beginning in 2013, the year prior to the City Council's request to the Committee for an audit, a City official began contacting the Committee's office to report numerous concerns and allegations that had been brought to his attention. These included:

- The City's finance department had not recorded thousands of financial transactions in the accounting system, going back to October 2012 (estimated to be approximately a one-year period). This was discovered by a law enforcement investigator while conducting an investigation on another matter. Because both incoming and outgoing checks had not been recorded anywhere, the City's financial balance was unknown.
- The City did not bill any utility customers for water and sewer services between October 2012 and August 2013. Although it was brought to the City's attention in February 2013, the problem was not resolved for several more months. General revenue funds were moved to cover the shortfall, which at times was \$20 million. The City Council was neither requested to approve the transfers nor told of the transfers in real time.
- In early October 2013, the City's management began laying off department heads and other employees. Management also asked the City Council to approve an early retirement plan to allow 163 employees to retire immediately. The City Manager serving at the time indicated these actions were financially motivated. However, this did not make sense to the City official since every revenue stream into the City was either the same or greater than it had been in the previous year. In addition, the City had received one-time revenues of \$20 million that should have made the City's position even stronger.
- The City's Police Chief had spent approximately \$14,000 in City funds to travel to Haiti on seven occasions beginning in 2012.

In addition to the above concerns, two recent mayors and an employee at the management level have had issues with questionable and illegal activities. The City's previous mayor, Lucie Tondreau, was suspended from office by Governor Rick Scott based on her arrest for conspiracy and wire fraud charges.⁸ The actions occurred before her term as mayor.⁹ Ms. Tondreau has since been convicted of participating in an \$11 million mortgage fraud scheme,¹⁰ and a new mayor has been elected.

According to an online article, "North Miami's recent run of scandals and improprieties date back to early 2011, when then-mayor Andre Pierre was caught using taxpayer money to order 43 fake police badges handed out to supporters and cronies. He was accused of numerous other improper actions, including steering \$160,000 to two businessmen he represented as an attorney, driving a Porsche without disclosing who gave it to him and giving a former law partner valuable city land to try to develop an indoor ski slope."¹¹

⁸ Reuters (2014, May 20) *Rick Scott Suspends Mayor Lucie Tondreau From Office After Fraud Charges*. Retrieved from <http://www.huffingtonost.com/2014/05/20>.

⁹ Weaver, J. and Green, N. (2014, May 14) *Feds Charge North Miami Mayor with Mortgage Fraud*. Retrieved from <http://www.miamiherald.com/news/local/community/miami-dade/north-miami>.

¹⁰ Associated Press (2014, December 16) *Lucie Tondreau Found Guilty of Mortgage Fraud*. Retrieved from <http://www.local10.com/news/>

¹¹ Bach, T. (2014, September 5) *IRS Investigating Troubled City of North Miami, Requests Payroll Records*. Retrieved from <http://blogs.miaminewtimes.com/riptide/2014/09>.

In July 2014, the City's purchasing manager was arrested for Grand Theft and Official Misconduct, both felony charges. The charges were based on his employment as the Purchasing Manager in another municipality; he had only been employed by the City for a few months at the time of the arrest.¹²

With a new mayor, city manager, and finance director now in place, the City Council appears to be interested in understanding the extent of the issues the City is facing in order to take appropriate action and move forward. Their preference is to have an external auditor conduct an audit engagement that will provide them with this information.

IRS Examination and Other Audit Consideration

The Internal Revenue Service (IRS) is in the process of conducting an employment tax examination. Initially, the IRS requested records relating to selected employees and vendors during the 2012 calendar year. A City official reportedly indicated that some of the vendors who were included on the list of records requested appeared to have dissolved their business prior to 2012; however, they were paid by the City during 2012. The initial inquiry was expanded, and the IRS requested additional records that included expenses related to overseas travel, cash advances, and hotel reservations. According to City management, the IRS has disclosed some issues with how the City has paid vendors and contract managers, and they expect the IRS to levy a fine against the City.

During the same time period in which the City Council considered and voted to request an Auditor General audit, the Council members also considered hiring an auditor to conduct a forensic audit. A City Councilwoman stated during the July 8, 2014, City Council meeting that the intent of the audit was "not necessarily finding criminal acts, we're just trying to find out what the status of our accounting system is, our procedures and make sure that everything has been done properly to rest everybody's minds that we're in good shape. And we've been doing everything right. And if we haven't we'll learn from it." The City solicited quotes for an audit covering a 10-year span for four City departments. Due to the high cost of the proposals, ranging from \$400,000 to \$1.1 million, according to City management, the City Council has not continued to pursue a forensic audit, and as they understand, will wait for the results of an Auditor General audit, if approved.

Financial Audit

In accordance with Section 218.39(1)(b), Florida Statutes, the City is required to obtain an annual financial audit conducted by an independent certified public accountant which the City retains and pays from its public funds. The most recent audit report that has been submitted to the Auditor General is for the 2012-13 fiscal year and included the following:

Management's Discussion and Analysis: Financial Highlights¹³

- "The government-wide assets of the City exceeded its liabilities and deferred inflows at September 2013 by \$134.6 million compared with \$99.3 million for the previous year."
- "The City's total net position increased from prior year by \$35.2 million, an increase of 35%. This increase is attributed to a \$30 million reduction in the long-term accrual of landfill remediation and closure liability."

¹² Green, N. (2014, August 1) *North Miami Official Suspended After Arrest*. Retrieved from <http://wlrn.org>.

¹³ Page 5, *Management's Discussion and Analysis - City of North Miami, Florida; Comprehensive Annual Financial Report, Fiscal Year Ended September 30, 2013*.

- “As of the close of the current fiscal year, the City’s governmental funds¹⁴ reported combined ending fund balances of \$39.4 million, a decrease of \$5.2 million, in comparison to the prior year. The decrease is due to the continuation of various projects that were approved under the “2013 Progress” initiatives.”
- “At the end of the year, the City’s General Fund reported a total fund balance of \$18.7 million of which \$6.5 million was unassigned, meaning [it] may be used to meet the government’s ongoing obligations to citizens and creditors.”

Audit Findings

- Audit Finding 2013-01, Balance Sheet Schedules: “Certain cash, accounts receivable and current liability schedules were adjusted after being made available. Additionally, interim monthly reports have not been prepared on a regular basis as a result of these reconciling processes.”¹⁵
- Audit Finding 2013-02, Interfund and Transfer Activity with Related Entity: “The procedure whereby the City pays most of the project costs for the City of North Miami Community Redevelopment Association (CRA) and provides an invoice and a related adjustment to be made in the CRA ledger, presents a control weakness. During the year ended September 30, 2013, there was a discrepancy that was not resolved until June 2014.”
- Audit Finding 2013-03, Monthly Financial Statements: “During our audit, we inquired of finance personnel regarding the presentation of financial statements to the City Council during the regular council meetings and noted no presentation was being performed.”¹⁶
- Audit Finding 2013-04, Federal - Improper Method of Accounting Used for Expenditure Reporting: “Certain cash, accounts receivable and current liability schedules were adjusted after being made available. Additionally, interim monthly reports have not been prepared on a regular basis as a result of these reconciling processes.”

Other Considerations

If the Committee directs the Auditor General to conduct an audit of the City, his office would conduct an operational audit and take steps to avoid duplicating the work efforts of HCT Certified Public Accountants and Consultants, LLC, the City’s auditor, for the financial audit. The primary focus of a financial audit is to examine the financial statements in order to provide reasonable assurance about whether they are fairly presented in all material respects. The focus of an operational audit is to evaluate management’s performance in establishing and maintaining internal controls and administering assigned responsibilities in accordance with laws, rules, regulations, contracts, grant agreements, and other guidelines. Also, in accordance with Section 11.45 (2)(j), Florida Statutes, the Auditor General will be required to conduct an 18-month follow-up audit to determine the City’s progress in addressing the findings and recommendations contained within the previous audit.

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

¹⁴ The City’s governmental funds are comprised of the General Fund, the Special Revenue Funds, the Debt Service Funds, and the Capital Projects Funds. [*City of North Miami, Florida; Comprehensive Annual Financial Report, Fiscal Year Ended September 30, 2013* (Part 2, PDF Pages 11-12 & 15-16 of 65; Part 1, PDF Page 47 of 91).]

¹⁵ Finding was also reported in the previous audit report.

¹⁶ Finding was also reported in the two previous audit reports. The Committee has received notification from the Auditor General regarding this finding, in accordance with Section 218.39(8), Florida Statutes. During its meeting on February 16, 2015, the Committee is expected to take action against the City in addition to numerous other entities; if the Committee directs action, it will require a written response from the City regarding the status of corrective action relating to this audit finding.

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 Council and management, as well as the citizens living in 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 Council 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 selected state revenues from the City that it would ordinarily be entitled to receive.

III. Effect of Proposed Request and Committee Staff Recommendation

If the Committee directs the Auditor General to perform an operational audit of the City of North Miami, Committee staff recommends that the Committee allow the Auditor General to set the: (1) scope of the audit, providing that the concerns listed in the request are addressed, and (2) timing of the audit as audit resources are available, consistent with his 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, in accordance with Section 11.45(6), Florida Statutes, the City will be required to pay for the expenses of the audit. The Auditor General will be required to estimate the cost of the audit, and the City will be required to pay fifty percent of the estimated cost before the audit begins. After the audit is completed, the Auditor General is required to notify the City of the actual cost of the audit. The City will be required to pay the balance of the cost to the Auditor General. All funds received from the City are required to be deposited in the General Revenue Fund of the State of Florida. If the City fails to pay the full cost of the audit, the Auditor General is required to notify the Committee.

V. Related Issues:

None.

This staff analysis does not reflect the intent or official position of the requestor.
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**2. Audit Request:
City of Archer**

STAFF ANALYSIS

Date: February 8, 2015

Subject: Certified Petition Requesting an Audit of the City of Archer by the Auditor General

Analyst Coordinator

White *DW*

DuBose *KD*

I. Summary:

The Honorable Pam Carpenter, Supervisor of Elections for Alachua County, Florida, notified the Joint Legislative Auditing Committee (Committee) of a certified petition requesting an audit of the City of Archer (City), Florida, by the Auditor General. Pursuant to Section 11.45(5), Florida Statutes, 20 percent of the 696 registered electors in the City's last general election (139.2 electors) needed to sign the petition in order for the Committee to direct the audit. Ms. Carpenter verified that 146 registered electors signed the petition, which surpasses the amount required by Florida law. Consequently, the Committee is required by law to direct the Auditor General to conduct an audit of the City.

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(5)(a), Florida Statutes, provides that the Legislative Auditing Committee shall direct the Auditor General to make an audit of any municipality whenever petitioned to do so by at least 20 percent of the registered electors in the last general election of that municipality pursuant to this subsection. The supervisor of elections of the county in which the municipality is located shall certify whether or not the petition contains the signatures of at least 20 percent of the registered electors of the municipality. After the completion of the audit, the Auditor General shall determine whether the municipality has the fiscal resources necessary to pay the cost of the audit. The municipality shall pay the cost of the audit within 90 days after the Auditor General's determination that the municipality has

the available resources. If the municipality fails to pay the cost of the audit, the Department of Revenue shall, upon certification of the Auditor General, withhold from that portion of the distribution pursuant to Section 212.20(6)(d)5., Florida Statutes, which is distributable to such municipality, a sum sufficient to pay the cost of the audit and shall deposit that sum into the General Revenue Fund of the state.

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 report to determine the local governmental entity's progress in addressing the findings and recommendations contained in the report.

Background

City of Archer, Florida (City): The City was incorporated as a municipality in 1850.¹ Chapter 13906, Laws of Florida (1929), abolished the then present City and established a new City and charter, which was subsequently approved by voter referendum. The City is located in Alachua County, operates under a Commission-Manager form of government, and is governed by five elected commissioners. Section Seven of the City's Charter provides that the mayor shall be selected annually by members of the City Commission from their number with due regard to his or her experience in government, ability, and qualifications. The City provides citizens with the following services: general government, public works, recreation, water, and solid waste.² Public safety services (police, fire, and emergency medical) are provided by the Alachua County Sheriff's Office and the Alachua County Fire Rescue.³ The City's 2014 estimated population was 1,137.⁴

Certified Petition Request for an Audit of the City of Archer, Florida

Citizens of the City of Archer, Florida, have successfully completed the petition process set forth in Section 11.45(5), Florida Statutes, for an audit by the Auditor General. The statement at the top of the petition from the citizens of the City of Archer read: "We, the undersigned, pursuant to Section 11.45(5), Florida Statutes, hereby petition to have the Legislative Auditing Committee direct the Auditor General to conduct an audit of the City of Archer, FL. The cost of the audit is the responsibility of the City if the Auditor General determines that the City has the fiscal resources necessary to pay the cost of the audit. The audit should include a review of all accounts (water & general fund), supporting documentation, to include policy and operational procedures in addition to all the code violations and zoning changes."

A review of news articles related to the City and conversations with a concerned citizen disclosed that there are various issues relating to over-billing for water usage and procedures for the timely resolution of incorrect water bills. Several of the news articles mention increases in water bills due to incorrect water meter readings and calculations for water use.

Some of the above-noted concerns are policy issues rather than audit issues and are outside of the scope of what an audit would normally address (i.e., zoning changes and city code issues). The

¹ *The Florida League of Cities Municipal Directory* - page for the City of Archer.

² City of Archer's website [<http://www.cityofarcher.com>]

³ City of Archer's website [<http://www.cityofarcher.com/Public-Safety.html>]

⁴ Florida Estimates of Population 2014 (April 1, 2014); Bureau of Economic and Business Research; College of Liberal Arts and Sciences; University of Florida.

Auditor General should be allowed to determine the scope of the audit, taking into consideration the concerns of the citizens.

Financial-Related Information of the City

In accordance with Section 218.39, Florida Statutes, the City has obtained annual financial audits of its accounts and records by an independent certified public accountant (CPA) and has timely submitted the audit reports to the Auditor General's Office as required. 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.

The City's audit report for the 2013-14 fiscal year has not yet been received by the Auditor General's Office; it is required to be submitted no later than June 30, 2015. Excerpts from the City's annual audited financial statements for the fiscal years ended September 30, 2013, and September 30, 2012, are shown in the following table:

	<u>FY 2012-13</u>	<u>FY 2011-12</u>
<u>General Fund</u>		
Total Revenue	\$ 584,791	\$ 618,831
Total Expenditures	<u>571,510</u>	<u>545,212</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,281	73,619
Other Financing Sources (Uses)	<u>49,779</u>	<u>9,300</u>
Net Change in Fund Balance	63,060	82,919
Fund Balance, Beginning	<u>247,971</u>	<u>165,052</u>
Fund Balance, Ending	<u>\$ 311,031</u>	<u>\$ 247,971</u>

	<u>FY 2012-13</u>	<u>FY 2011-12</u>
<u>Water Fund</u>		
Total Operating Revenue	\$ 174,141	\$ 217,196
Total Operating Expenditures	<u>206,980</u>	<u>166,008</u>
Operating Gain (Loss)	(32,839)	51,188
Total Nonoperating Revenues (Expenses)	<u>1,454</u>	<u>1,641</u>
Gain (Loss) Before Operating Transfers	(31,385)	52,829
Operating Transfers Out	<u>(42,500)</u>	<u>0</u>
Net Gain (Loss)	(73,885)	<u>52,829</u>
Net Position, Beginning of Year	<u>1,276,913</u>	<u>1,224,084</u>
Net Position, End of Year	<u>\$ 1,203,028</u>	<u>\$ 1,276,913</u>

- The City did not meet any of the conditions of financial emergency as defined within Section 218.503, Florida Statutes, for the fiscal years ended September 30, 2013 and 2012.⁵
- The audit findings in the FY 2012-13 annual financial audit report are listed below. (Note: The first finding is considered by the auditors to be a significant deficiency as defined by *Government Auditing Standards*, issued by the Comptroller General of the United States):⁶
 - **Financial Statement Preparation** (Finding #2013-1): The City does not have staff with the accounting knowledge and experience to prepare the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles (GAAP). The City's response acknowledged the disclosure of this required finding and stated that, at this time, they do not believe it would be a justifiable expense to employ someone with such knowledge/experience and will continue to monitor the situation in the future.
 - **Employee Leave Records** (#2012-1): This finding was a prior year finding that had not been corrected and related to improvements needed in recording and maintaining accurate employee leave records. The auditors recommended that the City review employee leave balances at least quarterly for accuracy and compliance with the City's leave policy.
 - **Payroll Transactions** (#2013-1): This finding related to cash advances made to employees; the City did not have a policy in place authorizing such advances. The auditors recommended that, unless a policy is developed in compliance with Florida law, no such advances should be made to City employees.

Other Considerations

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

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 board and management, as well as the citizens living in 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 Commission may be required to provide a written statement explaining why corrective action has not been taken and to provide details of any corrective action that is anticipated. If the statement is not determined to be sufficient, the Committee may request the Chair of the City Commission to appear before the Committee. Ultimately,

⁵ *Management Letter* - City's annual financial audit reports for the fiscal years ended September 30, 2013 and 2012.

⁶ Pages 52-54 of the City's annual financial audit report for the fiscal year ended September 30, 2013.

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 selected state revenues from the City that it would ordinarily be entitled to receive.

III. Effect of Proposed Request and Committee Staff Recommendation

The law requires the Committee to direct the Auditor General to perform an audit of the City when petitioned to do so by at least 20 percent of the electors of the City. Committee staff recommends that the Committee allow the Auditor General to set the: (1) scope of the audit based on the issues and concerns surrounding the City that have not already been included in audit reports, providing that the audit-related concerns of the citizens are addressed, and (2) timing of the audit as audit resources are available, consistent with his 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:

The City of Archer is responsible for the cost of the audit. After the audit is completed, the Auditor General is required to determine whether the City has the financial resources available to pay for the audit. If the Auditor General determines that the City does have the resources, he will forward the cost of the audit to the City for payment. The City is required to pay the cost of the audit within 90 days. If the City fails to pay for the audit within that time, the Auditor General is required to notify the Department of Revenue. The Department of Revenue is then required to withhold from that portion of the distribution pursuant to Section 212.20(6)(d)5., Florida Statutes, which is distributable to such municipality, a sum sufficient to pay the cost of the audit and shall deposit that sum into the General Revenue Fund of the state.

V. Related Issues:

None.

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

From: Pam Carpenter <Pwc@alachuacounty.us>
Sent: Friday, November 21, 2014 4:55 PM
To: White, Deborah
Cc: Imcostello@bellsouth.net
Subject: City of Archer Audit Petition Verification
Attachments: Archer Audit Sig. Verification.doc

Ms. White,

The number of registered voters as of the last General Election for the City of Archer was 696. The required 20% would be 139.2. I have verified 146 signatures as meeting the criteria under FS 11.45 (5).

Please see attached letter to Laurie Costello. If you require additional information from me, please let me know.

Pam Carpenter

Pam Carpenter
Alachua County Supervisor of Elections
VoteAlachua.com
(352) 374-5252
pwc@alachuacounty.us
111 SE 1st Avenue
Gainesville, FL 32601-6819

E-mail Correspondence: Under Florida Law, e-mail addresses are public records. If you do not want your e-mail address released in response to a public records request, do not send electronic mail to this entity. Instead, contact our office by phone or in writing.



PAM CARPENTER
Supervisor

SUPERVISOR OF ELECTIONS

Historic Star Garage Building, North Entrance
111 SE 1st Ave
Gainesville, Florida 32601-6819

Telephone: (352) 374-5252
Fax: (352) 374-5264

Memorandum

Date: November 21, 2014
To: Laurie Costello
From: Pam Carpenter, Alachua County Supervisor of Elections
Re: Archer Audit Signature Verification

This is to inform you that I have received your audit petition and have verified 146 signatures meeting the requirements of the law pursuant to FS 11.45(5).

If you require a list of those who were verified, please let me know.

If you have any questions, or need additional information, please contact me.

Thank you.

PUBLIC PETITION

We, the undersigned, pursuant to Section 11.45(5), Florida Statutes, hereby petition to have the Legislative Auditing Committee direct the Auditor General to conduct an audit of the City of Archer, FL. The cost of the audit is the responsibility of the City if the Auditor General determines that the City has the fiscal resources necessary to pay the cost of the audit. The audit should include a review of all accounts (water & general fund), supporting documentation, to include policy and operational procedures in addition to all the code violations and zoning changes.

11.45 Definitions; duties; authorities; reports; rules.—

(5) PETITION FOR AN AUDIT BY THE AUDITOR GENERAL.—

(a) The Legislative Auditing Committee shall direct the Auditor General to make an audit of any municipality whenever petitioned to do so by at least 20 percent of the registered electors in the last general election of that municipality pursuant to this subsection. The supervisor of elections of the county in which the municipality is located shall certify whether or not the petition contains the signatures of at least 20 percent of the registered electors of the municipality. After the completion of the audit, the Auditor General shall determine whether the municipality has the fiscal resources necessary to pay the cost of the audit. The municipality shall pay the cost of the audit within 90 days after the Auditor General's determination that the municipality has the available resources. If the municipality fails to pay the cost of the audit, the Department of Revenue shall, upon certification of the Auditor General, withhold from that portion of the distribution pursuant to s. 212.20(6)(d)5. which is distributable to such municipality, a sum sufficient to pay the cost of the audit and shall deposit that sum into the General Revenue Fund of the state.

(b) At least one registered elector in the most recent general election must file a letter of intent with the municipal clerk prior to any petition of the electors of that municipality for the purpose of an audit. Each petition must be submitted to the supervisor of elections and contain, at a minimum:

1. The elector's printed name;
2. The signature of the elector;
3. The elector's residence address;
4. The elector's date of birth; and
5. The date signed.

All petitions must be submitted for verification within 1 calendar year after the audit petition origination by the municipal electors.

**3. Audit Request:
Health Care District of
Palm Beach County**

Ranking Member
Judiciary Committee



Deputy Whip
Democratic Caucus

Florida House of Representatives
Representative Dave Kerner
District 87

February 10, 2015

Chairman Joseph Abruzzo
222 Senate Office Building
404 South Monroe Street
Tallahassee, FL 32399-1100

Dear Chairman Abruzzo:

I write today to formally request that the Joint Legislative Auditing Committee conduct an operational audit of the Health Care District of Palm Beach County.

My intent is to initiate a broad audit of this special taxing district. However, if the audit is approved, I request that the Auditor General specifically audit the following entities and/or issues:

1. Trauma Hawk Aeromedical Division
2. Dual-employment of personnel within upper administration

Should this request be placed on the JLAC meeting agenda, I will, of course, be available to present to the Committee and answers any questions or concerns that the members may have.

Respectfully,

A handwritten signature in blue ink, appearing to read "Dave Kerner".

Dave Kerner
State Representative

STAFF ANALYSIS

Date: February 13, 2015

Subject: Request for an Audit of the Health Care District of Palm Beach County

Analyst Coordinator

White *DW*

DuBose *KD*

I. Summary:

The Joint Legislative Auditing Committee (Committee) has received a request from Representative Dave Kerner to have the Committee direct the Auditor General to conduct an operational audit of the Health Care District of Palm Beach County (District), specifically addressing: (1) the *Trauma Hawk* Aeromedical Division, and (2) dual-employment of personnel within upper administration.

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 report to determine the local governmental entity's progress in addressing the findings and recommendations contained in the report.

Request for an Audit of the Health Care District of Palm Beach County

Representative Kerner has concerns related to the operations of the District's *Trauma Hawk* Aeromedical Division and the dual-employment of personnel within upper administration at the

District. Based on discussions with the Representative and staff, some of the concerns specifically relate to a District policy that allows the *Trauma Hawk* helicopters to be used to transport non-emergency out-of-county patients to out-of-county medical facilities, thereby creating the possibility that critically injured residents and visitors of the County may be left without access to critical emergency air transport in case of a trauma call in the County. The Representative stated that, on multiple occasions, a policy decision was made to perform such transports, utilizing taxpayer funded equipment and personnel appear to be being utilized for a mission with no apparent purpose or value to the residents of the County.

Background

The Health Care District of Palm Beach County (District) is an independent special taxing district established by Chapter 87-450, *Laws of Florida*, and approved by the voters of Palm Beach County (County) in November 1988. Chapter 2003-326, *Laws of Florida*, codified all of the special acts relating to the District. The District's mission is to ensure access to a comprehensive health care system and the delivery of quality services for the residents of the County.¹ The District provides a source of funding for medically needy residents as well as comprehensive planning, funding, and coordination of general health care and trauma service delivered in the County.²

The governing body of the District is comprised of a seven-member Board of Commissioners (Board), with three members appointed by the Palm Beach County Board of County Commissioners and three members appointed by the Governor. The seventh member is the Florida Department of Health's Director for Palm Beach County. The Board has specific powers that are enumerated in Section 6 of Chapter 2003-326, *Laws of Florida*, related to its "authority and responsibility to provide for the comprehensive planning and delivery of adequate health care facilities, including, but not limited to, hospitals, and services for the citizens of the County, particularly medically needy citizens."

The District has approximately 1,000 employees and an annual budget of more than \$257 million, with approximately 94 percent of the budget supporting direct health care services in the community.³

The District operates a nationally-recognized Trauma System, which includes an enhanced 911 communications and dispatch system, EMS Fire Rescue, two *Trauma Hawk* air medical helicopters, two Trauma Centers (Delray Medical Center, a Level 1 Trauma Center in the south part of the County; and St. Mary's Medical Center, a provisional Level 1 Trauma Center in the north part of the County), and their rehabilitative centers. A transport facility at Palm Beach International Airport that serves as a hangar for the two *Trauma Hawk* air medical helicopters also accommodates training for pre-hospital providers and trauma system planning.⁴ The District had 23 full-time equivalent employees in the Trauma Services area during the 2012-13 and 2011-12 fiscal years.⁵

¹ Page 1, *Letter of Transmittal (Introductory Section) - Health Care District of Palm Beach County, Florida; Comprehensive Annual Financial Report, Year Ended September 30, 2013*

² Page 39, *Note 1(a) to the Financial Statements - Health Care District of Palm Beach County, Florida; Comprehensive Annual Financial Report, Year Ended September 30, 2013*

³ Page 1, *Letter of Transmittal (Introductory Section) - Health Care District of Palm Beach County, Florida; Comprehensive Annual Financial Report, Year Ended September 30, 2013*

⁴ *Ibid.*, Page 2

⁵ Page 99, *Statistical Section - Health Care District of Palm Beach County, Florida; Comprehensive Annual Financial Report, Year Ended September 30, 2013*

The *Trauma Hawk* air medical team includes: (1) at least one commercial instrument-rated pilot; (2) a Florida-licensed registered nurse who is also a state-certified paramedic; and (3) an additional state-certified paramedic. The District contracts with the Palm Beach County Fire Rescue to provide the nurses and paramedics for the *Trauma Hawk* medical team.⁶

Recent Events

In December 2014, a local news station reported that the District had changed its policy earlier in the month to stop out-of-county to out-of-county transports.⁷ District personnel indicated that the District's policy related to out-of-county transports was revised as follows:

- Out-of-county to out-of-of-county transfers would not occur, unless it was for mutual aid or hurricane assistance. (Example of mutual aid: Request by a sheriff's office in an adjoining county to assist with a specific trauma event.)
- The helicopters would still transport patients in Palm Beach County to certain out-of-county medical facilities, depending on need. (Example: Burn patients are better served at Jackson Memorial Hospital's burn center (located in Miami-Dade County)).

In addition, District personnel stated that previous out-of-county to out-of-county transports were not performed unless both helicopters were idle, thereby leaving one idle helicopter available in the County.

Financial-Related Information of the District

In accordance with Section 218.39(1), Florida Statutes, the District has obtained annual financial audits of its accounts and records by an independent certified public accountant (CPA) and has timely submitted the audit reports to the Auditor General's Office as required. 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.

The District's audit report for the 2013-14 fiscal year has not yet been received by the Auditor General's Office; it is required to be submitted no later than June 30, 2015. The District's audit report for the 2012-13 fiscal year included the following:

⁶ Health Care District of Palm Beach County website (www.hcdpbc.org); under tab: "Programs & Services, Trauma System, Trauma Hawk"; and Palm Beach County Fire Rescue website (www.pbcfr.org); under tab: "Dept. Sections, Operations, Trauma Hawks"

⁷ Entin, B. (2014, December 15) *Lawmakers Discuss Future of Trauma Hawk*. Retrieved from <http://www.wptv.com/news/region-c-palm-beach-county>

*Management's Discussion and Analysis: Financial Highlights*⁸

- “The District’s total assets exceeded its total liabilities at September 30, 2013, by \$229.6 million, a decrease of \$8.2 million from September 30, 2012.”
- “The net position of the District’s government activities was \$123.9 million, which decreased by \$26.9 million, or 18%, compared to the prior year. Total net position for business-type activities was \$105.7 million, which increased by \$18.7 million, or 21% compared to the prior year.”
- “Revenues for all activities, excluding transfers, totaled \$248.5 million for 2014, which increased by \$15.3 million or 6.6% from 2012. Total expenses increased by \$22.4 million or 9.6% to \$256.4 million.”
- “At September 30, 2013, the District’s Capital Project Fund has \$556,224 assigned to software capital projects, the Capital Replacement Funds has \$2, 011,426 assigned to equipment and capital replacement projects, and the Aircraft Replacement fund has \$6 million assigned to helicopter aircraft replacement.”

*Management's Discussion and Analysis: General Fund Budgetary Highlights*⁹

The General Fund expenditures were \$2.8 million less than budgeted primarily due, in part, to the following:

- “A favorable variance of \$713,000 in General Government expenditures attributable primarily to savings of \$500,000 in administrative departments and \$213,000 in tax assessor fees.”
- “A favorable variance of \$1.2 million in Trauma Services expenditures, attributable to savings in medical services.”

Excerpts from the City’s annual audited financial statements for the fiscal years ended September 30, 2013, and September 30, 2012, are shown in the following table:

⁸ Page 12, *Management's Discussion and Analysis - Health Care District of Palm Beach County, Florida; Comprehensive Annual Financial Report, Year Ended September 30, 2013*

⁹ Page 18, *Management's Discussion and Analysis - Health Care District of Palm Beach County, Florida; Comprehensive Annual Financial Report, Year Ended September 30, 2013*

	<u>FY 2012-13</u>	<u>FY 2011-12</u>
<u>GENERAL FUND</u>		
Revenues:		
Ad valorem taxes	\$ 135,880,113	\$ 135,955,450
Intergovernmental	3,069,464	3,197,598
Charges for services	3,722,367	3,543,567
Investment earnings and Other income	<u>7,117,576</u>	<u>5,445,582</u>
Total Revenues	<u>149,789,520</u>	<u>148,142,197</u>
Expenditures:		
Current:		
General government	14,971,814	14,480,773
Managed care	60,700,480	63,584,757
Trauma services	<u>26,461,635</u>	<u>26,644,828</u>
Children's health	15,595,918	14,483,325
Funding collaboratives	6,822,853	6,250,458
Capital outlay	<u>142,071</u>	<u>239,135</u>
Total Expenditures	<u>124,694,717</u>	<u>125,683,276</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	25,094,803	22,458,921
Other Financing Sources (Uses) [Transfers In/(Out), Net]	<u>(31,165,231)</u>	<u>(18,522,103)</u>
Net Change in Fund Balances	(6,070,428)	3,936,818
Fund Balance, Beginning	<u>108,321,334</u>	<u>104,384,516</u>
Fund Balance, Ending	<u>\$ 102,250,906</u>	<u>\$ 108,321,334</u>

There were no audit findings in the 2012-13 fiscal year annual financial audit report that related to the areas of concern in this request. All of the current audit findings related to one of the District's component units, District Hospital Holdings, Inc.,¹⁰ and the outstanding prior year audit findings related to either that component unit, the Lakeside Medical Center, or general operations of the District as a whole (i.e., recording of expenses relating to a specified contract; investment policy/accounting, certain information systems controls, and purchase order documentation for one purchase).¹¹

Other Considerations

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

¹⁰ Pages 109-114, *Schedule of Findings and Questioned Costs - Health Care District of Palm Beach County, Florida; Comprehensive Annual Financial Report, Year Ended September 30, 2013*

¹¹ Pages 122-130, *Management Letter - Health Care District of Palm Beach County, Florida; Comprehensive Annual Financial Report, Year Ended September 30, 2013*

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 District'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 District's board and management, as well as the citizens living within the boundaries of the District. 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 District 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 District's Board of Commissioners 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 Economic Opportunity (DEO) to file a petition for enforcement in the circuit court in Leon County or declare the special district inactive. In addition, for special districts created by special act, the Committee may: (1) convene a public hearing on the issue of noncompliance, and (2) convene the general oversight review process.

III. Effect of Proposed Request and Committee Staff Recommendation

If the Committee directs the Auditor General to perform an operational audit focusing on the concerns listed in the request, Committee staff recommends that the Committee allow the Auditor General to set the: (1) scope of the audit, providing that the audit-related concerns of Representative Kerner are addressed, and (2) timing of the audit as audit resources are available, consistent with his 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 his approved operating budget.

V. Related Issues:

None.

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



February 13, 2015

Chairman Joseph Abruzzo
Joint Legislative Auditing Committee
222 Senate Office Building
404 South Monroe Street
Tallahassee, FL 32399-1100

via electronic mail to:
JLAC@leg.state.fl.us

Re: Health Care District of Palm Beach County Trauma Hawk Aeromedical Program

Dear Chairman Abruzzo:

We understand that Representative Dave Kerner has requested that the Joint Legislative Auditing Committee conduct an operational audit of the Health Care District of Palm Beach County ("District"), specifically related to the District's air ambulance services known as the Trauma Hawk Aeromedical Program.

As a former Commissioner of the Health Care District of Palm Beach County, you are of course aware that the District has operated the Trauma Hawk Program in a unique partnership with Palm Beach County for more than 20 years. The 1.4 million residents of Palm Beach County can take great pride in the Trauma Hawk Program's exemplary record of patient safety. Moreover, our community can be assured of the Trauma Hawk Program's commitment to flight safety.

We believe it is important for the Joint Legislative Auditing Committee to appreciate the highly regulated environment in which the Trauma Hawk Program operates. The District's air ambulance operations are licensed, regulated, and audited by the US Department of Transportation, Federal Aviation Administration ("FAA"). The District's operation of air ambulance services is subject to the District maintaining an approved FAA Air Carrier Certificate (which was originally issued to the District in 1994 and has been properly maintained continually ever since). The District's Air Carrier certificate requires the District to comply with 125 pages of highly detailed and technical FAA mandated operational requirements that are specific to the District, known as Operations Specifications ("Ops Specs"). The first three (3) pages of the Ops Specs are attached for reference and we will provide the entire 125 pages upon request if desired. The FAA regularly inspects and audits the District's operations to ensure that the District complies with those Ops Specs.

The District believes that because the FAA already conducts exhaustive oversight of the District's air ambulance operations, a State operational audit of the District's air ambulance services is unnecessary and would be duplicative. Therefore, such a State audit would be an unnecessary expenditure of State resources. Additionally, the State does not have the FAA's aeronautical experience, expertise and technical knowledge to audit the operations of the District's air carrier operations. Finally, and most significantly, the Federal Airline Deregulation Act ("ADA") preempts local and state governmental regulation of air commerce, including air ambulance operations. The FAA has sole oversight over the air operations of a FAA certified Air Carrier such as the District, specifically, the prices, routes and services provided by the District's air ambulance program. (Please see attached October 10, 2007 US DOT letter to the Florida Department of Health). Thus, the State of Florida is preempted by federal law from exercising regulatory authority of a FAA certified Air Carrier.



We hope that this clarifies the facts and look forward to discussing these issues with your committee.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'Nicholas W. Romanello'. The signature is fluid and cursive, with a small dot at the end.

Nicholas W. Romanello
General Counsel and Chief Legal Officer

CC The Honorable Carol Roberts, Chair, Health Care District Board of Commissioners
 Ronald J. Wiewora, MD, MPH, FACP, FACPM, Chief Executive Officer and Chief Medical
 Officer
 The Honorable Andy Gardiner, President, Florida Senate
 The Honorable Steve Crisafulli, Speaker, Florida House of Representatives
 Palm Beach County Legislative Delegation Members



**U.S. Department of
Transportation**

Office of the Secretary

General Counsel

October 10, 2007

1200 New Jersey Ave. S.E.
Washington, D.C. 20590

Michael Grief, Assistant General Counsel
Office of the General Counsel
Florida Department of Health
4052 Ball Cyprus Way, A-02
Tallahassee, Florida 32399

Dear Mr. Grief:

Re: Florida Air Ambulance Laws and Regulations

This is in response to your oral request for U. S. Department of Transportation guidance as to whether Federal law preempts Florida's statutory requirement that air ambulances seeking to operate within the State must first obtain a State certificate of public convenience and necessity. This issue has arisen in connection with an attempt by Rocky Mountain Holdings, LLC, which is owned and operated by Air Methods Corporation, to initiate air ambulance service in Florida. Air Methods argues to the State that, under a provision of the United States Code, 49 USC § 41713, it is exempt from any Florida determination of public need with regard to its proposed air ambulance operation.¹

Section 41713 states in relevant part:

(b) **PREEMPTION** -- ... a State, [or] political subdivision of a State ... may not enact or enforce a law, regulation, or other provision having the force and effect of law related to a price, route, or service of an air carrier that may provide air transportation under this subpart.

First, I can confirm that Air Methods operates as an "air carrier that may provide air transportation under this subpart." Air Methods holds appropriate safety and economic authority issued by the U.S. Department of Transportation/Federal Aviation Administration (FAA) under Parts 135 and 298 of our regulations. 14 CFR Parts 135 and 298; see also 49 USC §§41101, 44702 and 44705. Further, Air Methods holds FAA operating specifications as an air ambulance. 14 CFR §§119.43 and .49.

That being the case, the issue devolves to whether Florida has enacted or is seeking to enforce a provision or provisions of law that relate to Air Methods' "prices, routes, or services." In this regard, we note that Florida statutes require that an air ambulance first obtain a certificate of public convenience and necessity (PC&N) from each county within the State in which it intends to operate. Florida Statutes 2007 § 401.25(2)(d). In determining whether to issue a

¹ See letter dated June 27, 2007 from John M. Ingrassia, counsel for Air Methods, to John Bixler, State EMS Director, Florida Department of Health.

PC&N certificate to an air ambulance applicant, each county must consider State guidelines, as well as the recommendations of local or regional trauma agencies and the recommendations of municipalities within its jurisdiction. Florida Statutes 2007 § 401.25 (6). It appears that counties are free to reject applications if they determine, for example, that the necessary services are already provided, that there is insufficient local support, that there would be adverse effects on existing providers, or that perceived costs are not commensurate with benefits.

The language of section 41713, as well as the legislative intent behind that provision and the legal precedents on point, all lead to a conclusion that Florida's PC&N requirements are ones that relate to the routes and services of an air carrier, and as such are preempted.

Section 41713 was enacted as part of the Airline Deregulation Act of 1978 (ADA), a primary objective of which was to place maximum reliance on competitive market forces and on actual and potential competition to provide needed air transportation. See section 4 of the ADA, Pub. L. No. 95-504 (October 24, 1978). A key purpose of the ADA was to ensure that the services offered by air carriers are ones dictated by the competitive market and not dictated (or foreclosed) by any regulatory body.

Over the years, we have had a number of occasions to construe section 41713 in connection with State-imposed requirements that air ambulances obtain PC&Ns² from States or State instrumentalities before initiating service. In 1986, DOT's then-General Counsel advised Arizona that a State law authorizing it to issue PC&Ns to air ambulance operators, and otherwise to regulate such carriers' operating and response times, bases of operations, etc., was preempted by the section.³ Earlier this year, DOT's then-Acting General Counsel advised both an air carrier and the State of Hawaii that section 41713 preempted elements of that State's Certificate of Need program, as they had been applied to air ambulances. Under Hawaii's program, the State Department of Health required an air ambulance to first obtain a CON before it could begin any operations, and that any failure to do so would subject it to State penalties.⁴ And, also this year, we informally advised the Texas Department of State Health Services that various State requirements for air ambulances were preempted by section 41713. While that opinion did not directly address PC&Ns or CONs, we discussed and found preempted less intrusive forms of State regulation, including provisions requiring accreditation by an outside body, and setting minimum insurance requirements. Copies of our various advisory letters are enclosed.⁵

We are also aware of case precedent specifically on the question of control of entry into air ambulance service, which supports DOT's opinion on this subject. In *Hiawatha Aviation of Rochester, Inc. v. Minnesota Department of Health*, 389 N.W. 2d 507 (1986), the Supreme

² Or equivalent "certificates of need" ("CONs").

³ This letter apparently prompted the Arizona Attorney General to shortly thereafter issue his own opinion finding state statutes to be preempted by section 41713 (see copy attached to the Bixler letter).

⁴ In reaching her conclusion, the Acting General Counsel relied in part on the fact that State lawyers, upon their own recent review of the matter, had themselves concluded that the CON requirement was preempted by section 41713.

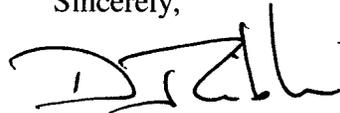
⁵ Those letters also make clear that Florida's requirements for "adequate insurance coverage" or "adequate self-insurance" (Florida Statutes 2007 § 401.25(2)(c)) would likely be preempted.

Court of Minnesota upheld a lower court ruling that a State licensing provision that effectively controlled entry into air ambulance service was preempted by section 41713, and so invalidated a decision by the State health commissioner to deny a license to the respondent air carrier. Similarly, the court in *Rocky Mountain Holdings v. Cates*, No. 97-1465 (W.D. Mo. Sept. 3, 1997) ruled that Missouri law requiring a certificate of PC&N of air ambulance operators was preempted.

On the facts presented, given the legal precedents discussed above, we can readily conclude that Florida's requirement that air carriers such as Air Methods obtain a certificate of public convenience and necessity before they may operate within the State is preempted by section 41713. Such a requirement subjects to State control the very essence of any carrier's services: the ability to even operate within the State. It also effectively regulates the routes a carrier may fly, by limiting them to within whatever counties choose to approve them (and admitting to a result that, indeed, *no* routes whatsoever may be flown). With the enactment of the ADA and section 41713 in particular, Congress explicitly eliminated Federal requirements, and safeguarded against any State regulation, that would permit administrative decisions to substitute for marketplace forces in determining the presence as well as the number of air carriers appropriate to satisfy the needs of the public. The Florida PC&N certificate, which would determine and ultimately limit air carriers allowed to operate in the State, is virtually identical to that which was deregulated at the Federal level by the ADA. In our view, the Florida requirement directly encroaches on the pro-competitive Federal scheme mandated by Congress and is prohibited by section 41713.

I trust this advice will be helpful to you and the State of Florida. If we can assist on any further issues in the matter, please feel free to contact us.

Sincerely,



D.J. Gribbin
General Counsel

Enclosures

cc:
Bill McCollum, Attorney General
Office of Attorney General
State of Florida
The Capitol PL-01
Tallahassee, Florida 32399



US Department
of Transportation
Federal Aviation
Administration

Air Carrier Certificate

This certifies that

**HEALTH CARE DISTRICT OF PALM BEACH COUNTY
4255 SOUTHERN BLVD
WEST PALM BEACH FL 33406**

has met the requirements of the Federal Aviation Act of 1958, as amended, and the rules, regulations, and standards prescribed thereunder for the issuance of this certificate and is hereby authorized to operate as an air carrier and conduct common carriage operations in accordance with said Act and the rules, regulations, and standards prescribed thereunder and the terms, conditions, and limitations contained in the approved operations specifications.

This certificate is not transferable and, unless sooner surrendered, suspended, or revoked, shall continue in effect indefinitely.

By Direction of the Administrator

Certificate number: HC7A751W

Effective Date: FEBRUARY 22, 1994

AMENDED: JULY 18, 2006

Issued at: SQ-19


SERGIO LOPEZ
(Signature)

MANAGER
(Title)

SOUTHERN ESDO-19
(Region/Office)

Table of Contents

Part A

	HQ CONTROL DATE	EFFECTIVE DATE	AMENDMENT NUMBER
001 Issuance and Applicability	05/09/2003	12/21/2006	3
002 Definitions and Abbreviations	05/22/2013	04/04/2014	7
003 Aircraft Authorization	03/10/2011	11/15/2012	4
004 Summary of Special Authorizations and Limitations	08/03/2001	02/02/2010	4
005 Exemptions and Deviations	02/11/2005	05/16/2007	1
006 Management Personnel	10/19/2009	02/02/2010	5
007 Other Designated Persons	12/19/2006	02/02/2010	5
008 Operational Control	10/19/2009	02/02/2010	5
009 Airport Aeronautical Data	12/05/1997	01/05/2001	0
010 Aviation Weather Information	03/12/2013	04/04/2014	2
015 Autopilot in Lieu of Required Second-in-Command	04/30/1998	02/02/2010	0
021 Helicopter Emergency Medical Services (HEMS) Operations	01/23/2009	02/04/2009	2
031 Contract Training	12/01/2010	05/16/2013	6
042 Authorization for 14 CFR Part 135 Aircraft Operations Without a Deicing/Anti-icing Procedure	01/15/2003	02/02/2010	0
096 Actual Weight Program For All Aircraft	05/27/2005	08/29/2007	0
447 Emergency Airworthiness Directives (EAD) Notification Requirements	07/30/2003	04/24/2006	0
449 Antidrug and Alcohol Misuse Prevention Program	07/17/2009	02/02/2010	2
999 ICAO-Compliant Air Operator Certificate	12/01/2009	02/02/2010	0

A001. Issuance and Applicability

HQ Control: 05/09/03
HQ Revision: 02c

- a. These operations specifications are issued to Health Care District Of Palm Beach County, whose principal base of operation is located at:

Primary Business Address:
4255 Southern Blvd.
West Palm Beach, FL 33406

The holder of these operations specifications is the holder of Air Carrier Certificate Number HC7A751W and shall hereafter be referred to as the certificate holder. The certificate holder is authorized to conduct:

On Demand (135)	operations in Common	carriage pursuant to Title 14 Code of Federal Regulations (CFR) Section	119.25(b) - On Demand HEL	and provided, at all times, the certificate holder has appropriate written economic authority issued by the Department of Transportation.
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The certificate holder shall conduct these kinds of operations in accordance with the specific authorizations, limitations, and procedures in these operations specifications and all appropriate Parts of the CFR.

- b. These operations specifications are effective as of the "Date Approval is effective" listed in each paragraph and shall remain in effect as long as the certificate holder continues to meet the requirements of Part 119 as specified for certification.
- c. The certificate holder is authorized to conduct the operations described in subparagraph a under the following other business names:
- Health Care District-Trauma Hawk
- d. The certificate holder is authorized to conduct flights under 14 CFR Part 91 for crewmember training, maintenance tests, ferrying, re-positioning, and the carriage of company officials using the applicable authorizations in these operations specifications, without obtaining a Letter of Authorization, provided the flights are not conducted for compensation or hire and no charge of any kind is made for the conduct of the flights.

U.S. Department
of Transportation
Federal Aviation
Administration

Operations Specifications

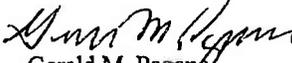
1. Issued by the Federal Aviation Administration.
2. These Operations Specifications are approved by direction of the Administrator.


Hill, Bruce J.

Principal Maintenance Inspector

SO19

3. Date Approval is effective: 12/21/06 Amendment Number: 3
4. I hereby accept and receive the Operations Specifications in this paragraph.


Gerald M. Pagano

Director of Operations

Date: 12/21/06

**4. Audit Request:
Jacksonville Police and Fire
Pension Fund**



Florida House of Representatives

Representative Janet H. Adkins

District 11

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Fernandina Beach, FL 32034
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313 House Office Building
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January 16, 2015

Senator Joseph Abruzzo, Chair
Joint Legislative Auditing Committee
876 Pepper Building
111 W. Madison Street
Tallahassee, FL 32399-1400

Dear Chairman Abruzzo,

Please accept this letter on behalf of my constituents and the local elected officials that have sent requests asking for a forensic audit of the Jacksonville Fire and Police Pension Fund. I would respectfully ask that you place on your next committee agenda a request for a complete forensic audit of the Jacksonville Police and Fire Pension Fund (PFPF).

Jacksonville is one of the most populous counties in Florida and the current unfunded liability of the Police and Fire Pension Fund now stands at \$1.65 billion and growing.

The City of Jacksonville (COJ) General Counsel reports that a portion of the PFPF plan, the Senior Staff Voluntary Retirement Plan (SSVRP) is illegal. On January 14, 2015, I received an email from the COJ Taxation, Revenue and Utilization of Expenditures Commission (TRUE) requesting an audit of the PFPF. They state, "The COJ General Counsel has stated that the Senior Staff Voluntary Retirement Plan (SSVRP) is illegal... Its assets were likely comingled with those of the PFPF. The discovery of the SSVRP by itself warrants the audit of all related parties."

In addition, an investigative series of reports by the Florida Times Union has uncovered some disturbing practices, which include but are not limited to the following:

- The creation of a special pension for a limited class of senior managers that offers benefits beyond those made available to other members and allows for what appears to be a “double dip” between several pension plans for this special class of management employees.
- Some members were improperly allowed into DROP and there are concerns the rules and requirements were not followed properly. There are indications members were both allowed into the program early and allowed to stay in the program longer than the DROP program allowed.
- It has been alleged that the Jacksonville Police and Fire Pension Fund Board are participating or playing a leading role in negotiations with the City of Jacksonville in the collective bargaining process.
- FS 447.309 (5) states collective bargaining agreements are only valid for three years, yet the Jacksonville Police and Fire Pension Fund Board seems to argue that an agreement can be executed that commits the City of Jacksonville to a much longer agreement of 30 years.

There are other allegations that the pension board has purchased properties in Jacksonville, which are leased back to other governmental agencies, one of which is the Public Defender’s office. The role of how these contracts are maintained and whether there are any conflicts of interest associated with the leases and maintenance of the buildings is in question.

My request to the committee is to direct the Auditor General to conduct a forensic audit of the Jacksonville Fire and Police Pension Fund according to the accepted standards and practices associated with forensic audits used in publicly owned pension plans and report their findings and recommendations. Some specific areas of review are:

1. Is the 30 year agreement that the Jacksonville Police and Fire Pension Fund Board is seeking a legal agreement or is the Jacksonville City Council limited to a 3 year agreement based on Florida Statutes?
2. Is the Jacksonville Police and Fire Pension Fund Board involved in the collective bargaining process and/or acting as an agent for the unions in negotiations with the Jacksonville City Council?
3. Has any member of the PFPF board or management violated the law, rules or their public duty in any way in creating a special pension benefit for a limited class of management members of the Jacksonville Fire and Police Pension Plan?
4. Has there been any violation of rules regarding the admission of members into the DROP program outside the established rules of the program?
5. Is the Jacksonville Police and Fire Pension Fund financially stable and secure? Is there any eminent risk of default?

Committees and Subcommittees:

K – 12 Subcommittee (Chair) • Education Committee • Education Appropriations Subcommittee • Choice and Innovation Subcommittee • Rules, Calendar and Ethics Committee

6. Have the premium taxes collected by the Jacksonville Fire and Police Pension Board, as outlined in FS Chapters 175 and 185 been deposited and dispersed in a manner that is consistent with the use of these funds and the need for the board to establish the necessary reserves to ensure solvency?
7. Has any member of the Jacksonville Police and Fire Pension Fund Board or its management violated any of the laws, rules or ethics requirements or misused their discretion contrary to the broad public interest in any way?
8. What facts or decisions by the Jacksonville Police and Fire Pension Fund Board and/or the Jacksonville City Council has resulted in the unfunded liability of \$1.65 billion?
9. Are the management practices of the Jacksonville Fire and Police Pension properly aligned with accepted and standard management practices accepted throughout Florida for the management of similar public pensions of similar sized counties?

Clearly, the public trust has been broken by the appearance of impropriety and possible mismanagement of the Jacksonville Fire and Police Pension Fund. It is critical that the public trust be restored and the need for a forensic audit of this important public pension plan is a key step in establishing public confidence.

The police and fire fighters provide a critical service for the public that helps protect the lives and safety of the citizens and our visitors. It is the obligation of the pension boards to act in the broad public interest and ensure the police and fire fighters have reasonable and secured pension plans.

Thank you in advance for your consideration to agenda this topic at your next scheduled committee meeting.

Sincerely,



Janet H. Adkins
State Representative, District 11

Attachments: COJ TRUE reports and associated documents
Florida Times-Unions Articles for reference

cc: Senator Andy Gardiner, President of the Senate
Representative Steve Crisafulli, Speaker of the House
Representative Daniel Raulerson, Vice Chair, Joint Legislative Auditing Committee
Kathy DuBose, Coordinator of Joint Legislative Auditing Committee

Committees and Subcommittees:

**K – 12 Subcommittee (Chair) • Education Committee • Education Appropriations Subcommittee •
Choice and Innovation Subcommittee • Rules, Calendar and Ethics Committee**

STAFF ANALYSIS

Date: February 12, 2015

Subject: Request for an Audit of the Jacksonville Police and Fire Pension Fund

Analyst Coordinator

DuBose KD

DuBose KD

I. Summary:

The Joint Legislative Auditing Committee (Committee) has received a request from Representative Janet Adkins for the Committee to direct a forensic audit of the Jacksonville Police and Fire Pension Fund (Pension Fund).

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 report to determine the local governmental entity's progress in addressing the findings and recommendations contained in the report.

Request for an Audit of Jacksonville Fire and Police Pension Fund

The Committee has received a request from Representative Adkins for the Committee to direct a forensic audit of the Pension Fund. She cites the following concerns in her request:

- An unfunded liability in the Pension Fund of \$1.65 billion and growing;
- A separate pension plan available for select senior staff members that has been determined to be illegal by the City of Jacksonville's (City) General Counsel, and its assets have likely been comingled with the assets of the Pension Fund;
- An investigative series of reports by the Florida Times-Union of the Pension Fund which Representative Adkins indicated disclosed the following:
 - The creation of the special pension plan for select senior staff members (mentioned above) that appears to allow double dipping between several pension plans for these employees;
 - The improper application of Deferred Retirement Option Program (DROP) requirements;
 - Allegations that the Pension Fund Board is involved in the collective bargaining process with the City; and
 - Pension Fund management's interpretation of an agreement with the City (referred to by some as the "30-year agreement") which appears to be in violation of the state law that limits collective bargaining agreements to three years.

In regard to these concerns, Representative Adkins states that "clearly, the public trust has been broken by the appearance of impropriety and possible mismanagement of the Jacksonville Fire and Police Pension Fund. It is critical that the public trust be restored and the need for a forensic audit of this important public pension plan is a key step in establishing public confidence."¹

Representative Adkins requests that the following questions be included within the scope of the audit:

- Is the 30-year agreement that the Jacksonville Police and Fire Pension Fund Board is seeking a legal agreement or is the Jacksonville City Council limited to a 3-year agreement based on Florida Statutes?
- Is the Jacksonville Police and Fire Pension Fund Board involved in the collective bargaining process and/or acting as an agent for the unions in negotiations with the Jacksonville City Council?
- Has any member of the Jacksonville Police and Fire Pension Fund Board or management violated the law, rules, or their public duty in any way in creating a special pension benefit for a limited class of management members of the Jacksonville Police and Fire Pension Plan?
- Has there been any violation of rules admitting members into the DROP program outside the established rules of the program?
- Is the Jacksonville Police and Fire Pension Fund financially stable and secure? Is there any eminent risk of default?
- Have the premium taxes collected by the Jacksonville Police and Fire Pension Fund Board, as outlined in Chapters 175 and 185, Florida Statutes, been deposited and dispersed in a manner that is consistent with the use of these funds and the need for the Board to establish the necessary reserves to ensure solvency?
- Has any member of the Jacksonville Police and Fire Pension Fund Board or its management violated any of the laws, rules, or ethics requirements or misused their discretion contrary to the broad public interest in any way?
- What facts or decisions by the Jacksonville Police and Fire Pension Fund Board and/or the Jacksonville City Council have resulted in the unfunded liability of \$1.65 billion?

¹ Adkins, Janet (Rep.). Letter to Senator Joseph Abruzzo, Chair, Joint Legislative Auditing Committee, January 16, 2015.

- Are the management practices of the Jacksonville Police and Fire Pension Fund properly aligned with accepted and standard management practices accepted throughout Florida for the management of similar public pensions of similar sized counties?

Background

The Pension Fund Board of Trustees (Pension Board) was created in 1937 by Chapter 18615, Laws of Florida. In 1990, the City's Charter was amended to create Article 22, which placed the Pension Board under the Charter as an independent agency.² Article 22 provides the general powers of the Pension Board that, in part, include: (1) being the sole entity responsible for administering the Pension Fund; (2) investing and reinvesting the assets of the Pension Fund in specified types of investments; and (3) determining all facts with regard to any participant's age, normal retirement date, disability, amount of compensation, length of service and credited service, and date of initial coverage under the pension plan, and, by application of the facts so determined and any other facts deemed material, determine a participant's amount of benefit.

The City is the sponsor of the Pension Fund and has the ability to modify the plan and to approve the defined benefit contributions to the Pension Fund's annual budget.³ According to the City's *Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2013*, the Pension Board "is one component unit [of the City], which is legally separate from the City, but is so intertwined with the City that it is, in substance, the same as the City."⁴

The Pension Fund is administered by a five-member Board of Trustees. Two members are required to be legal residents of the City, appointed by the City Council; one member is a police officer elected by a majority of the police officers who are members of the Pension Fund; one member is a firefighter elected by a majority of the firefighters who are members of the Pension Fund; and one member is selected by a majority of the first four members.⁵ The Trustees serve a two-year term unless removed by the City Council or, in the case of the police officer and the firefighter, when they are no longer employed by the City in that capacity. The current members of the Board of Trustees have served since 2003, 2007, 2012 (two members), and 2014, respectively.⁶

Eligible Pension Fund members include all full-time certified police officers and firefighters who are employed by either the City's Sheriff's Office or the Fire and Rescue Department.⁷ The Pension Fund offers a defined benefit plan with a five-year vesting period. DROP is available for qualified employees. Eligible employees must have between 20 and 31 years of service; the maximum DROP period ranges

² Chapter 90-442, *Laws of Florida*.

³ Page 61, *Note 1(B) to the Financial Statements - City of Jacksonville, Florida; Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2013*

⁴ *Ibid.*

⁵ Article 22, City Charter.

⁶ Page 3. *Summary Plan Description of the Police and Fire Pension Fund, Jacksonville, Florida for the Plan Years October 1, 2014 – September 30, 2016.*

⁷ Page 108, *Note 9 to the Financial Statements - City of Jacksonville, Florida; Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2013.*

from two to five years, depending on the years of service.⁸ The Pension Fund provides a 3% per year cost of living increase (COLA) to retirees and beneficiaries; the COLA has been in effect since 2000.⁹

The Pension Fund includes the following plan members:¹⁰

Retirees and Beneficiaries Currently Receiving Benefits	2,292
DROP Participants	511
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	62
Active Plan Members	2,173
Total Participants	<u>5,038</u>

Pension Fund benefits are funded, in part, by contributions from the City and plan members. For the fiscal year ending September 30, 2014, these contributions totaled approximately \$162 million.¹¹ Of this, the City contributed \$148 million and plan members contributed 7% of their base salary, which totaled \$10 million.¹² The remaining contributions were from plan member buybacks and pension transfers and employer pension transfers in the amounts of \$1.5 million and \$2.2 million, respectively.¹³

Although the City has the authority to amend its contribution to the Pension Fund, it must contribute a minimum amount each year as determined by the plan's actuary in order to fund the plan on a sound actuarial basis. In making this determination, the actuary considers all revenue sources; the balance required to meet the requirements as specified in the Florida Constitution, Florida law, and the City Charter is the City's minimum required contribution.¹⁴

Other sources of revenue for the Pension Fund include investment income, securities lending activities, grant funds, court fines and penalties, and state insurance contributions.¹⁵ These sources totaled approximately \$158 million during the fiscal year.¹⁶

⁸ Pension Board Consultants, Inc., *Jacksonville Police and Fire Pension Fund; Actuarial Valuation Report as of October 1, 2014*, Page 12.

⁹ Page 9, *Note 1 to the Financial Statements - City of Jacksonville, Florida Police and Fire Pension Fund; A Pension Trust Fund of the City of Jacksonville Financial Report for the Fiscal Year Ended September 30, 2014*; KBLD, LLC.

¹⁰ Page 9, *Note 1 to the Financial Statements - City of Jacksonville, Florida Police and Fire Pension Fund; A Pension Trust Fund of the City of Jacksonville Financial Report for the Fiscal Year Ended September 30, 2014*; KBLD, LLC.

¹¹ *Ibid.*, Page 8.

¹² *Ibid.*

¹³ *Ibid.*

¹⁴ Art. X, Sec. 14, *Fla. Constitution*; Section 112.64, *Florida Statutes*; and Section 22.04(n), City Charter.

¹⁵ State insurance contributions are premium taxes on property and casualty insurance policies written within the City. Chapters 175 and 185, *Florida Statutes*, specify the amount of the tax to be assessed for fire and police officers' pension plans, respectively. These funds are generally required to be used for enhanced benefits for firefighters and police officers.

¹⁶ Page 8, *Note 1 to the Financial Statements - City of Jacksonville, Florida Police and Fire Pension Fund; A Pension Trust Fund of the City of Jacksonville Financial Report for the Fiscal Year Ended September 30, 2014*; KBLD, LLC.

Pension and DROP benefits paid to plan members during the fiscal year were approximately \$111 million and \$26 million, respectively.¹⁷ As of September 30, 2014, the net position available to pay Pension Plan benefits was approximately \$1.47 billion.¹⁸

The Pension Fund's most recent actuarial valuation report, as of October 1, 2014, indicates that there is a \$1.62 billion unfunded liability, and the City's minimum contribution to the Pension Fund for the Plan Year beginning on October 1, 2015, is approximately \$155 million.¹⁹

Efforts are ongoing between the City and the Pension Board to address pension reform. In December 2014, the City Council approved pension reform legislation; however, the terms must be agreed to by the Pension Board.²⁰ Reportedly, the Pension Board has approved most of the provisions and is sending the proposal back to the City Council.²¹ In addition to the attempt to revise plan benefits, there have been discussions within the City regarding a one-time payment of \$120 million from the Jacksonville Electric Authority (JEA) to reduce the Pension Fund's unfunded liability.²² In exchange for this payment, the City is anticipated to grant the JEA some concessions regarding its contribution to the City's general fund and other matters.

The Department of Management Services (DMS) has statutory authority to monitor local government defined benefit pension plans for compliance with Florida law and Florida Administrative Code provisions.²³ The DMS is responsible, in accordance with Sections 175.341 and 185.23, Florida Statutes, for the daily oversight and monitoring for actuarial soundness of the plan, for receiving and holding the premium tax moneys collected, and for distributing these moneys. A pension plan must be in compliance with all applicable statutory requirements prior to receiving a distribution.²⁴

One of the responsibilities assigned to the DMS, in accordance with Section 112.665, Florida Statutes, is to receive and comment upon all actuarial reviews of retirement plans maintained by units of local government. In accordance with Section 112.63(2), Florida Statutes, actuarial reports must be issued at least once every three years and provided to the DMS within 60 days after receipt from the actuary.

The Pension Fund sponsors an additional pension plan, known as the Senior Staff Voluntary Retirement Plan (Voluntary Plan). The Voluntary Plan is administered by the Pension Board; it has one active

¹⁷ Ibid., Page 8.

¹⁸ Ibid., Pages 3 and 8.

¹⁹ Pension Board Consultants, Inc., *Jacksonville Police and Fire Pension Fund; Actuarial Valuation Report as of October 1, 2014*, Page 12 and cover letter.

²⁰ Bauerlein, D. (2014, December 9) *Jacksonville City Council approves amended version of pension reform legislation by a 16-3 vote*. Retrieved from jacksonville.com/news/metro/2014-12-09/story/jacksonville-city-council-approves-amended-version-pension-reform.

²¹ Brown, S. (2015, January 5) *Jax pension reform plan back to City council, with changes*. Retrieved from www.wokv.com/news/news/local/.

²² Monroe, N. (2015, February 10) *Review of JEA pension payment deal could take 6-8 months, Gulliford says*. Retrieved from jacksonville.com/news/2015-02-10/story/review-jea-pension-payment-deal-could-take-6-8-months-gulliford-says.

²³ Department of Management Services website.

www.dms.myflorida.com/workforce_operatons/retirement/local_retirement_plans

²⁴ Ibid.

participant, one retiree, and one surviving spouse as members and is closed to new members.²⁵ As of September 30, 2014, the Voluntary Plan's assets were \$4.257 million.²⁶

Recent Concerns and Events

Representative Adkins requested the Governor to initiate an investigation of the Pension Fund; a staff member of the Governor's Office has confirmed that there are no plans to conduct such an investigation.

There has been controversy surrounding the Voluntary Plan. Although it was created in 2000, reportedly few individuals were aware of its existence until it was disclosed in the 2012 actuarial valuation of the Pension Fund.²⁷ As mentioned in Representative Adkins' letter, the Voluntary Plan was determined to be illegal by the City. The Voluntary Plan was approved by the Pension Board, but not by the City Council.

A 2014 investigation of the Jacksonville pension crisis by the Florida Times-Union reported the following information regarding the Executive Director-Administrator (Administrator) of the Pension Fund, one of the three members of the Voluntary Plan:

- "He helped create it.
- The City concluded it was created illegally and demanded that the millions already spent to fund it be repaid.
- It is a senior executive retirement plan, something common in private business but rare for public servants. Unlike the union pension fund he oversees, his is also prefunded, which is far from common in business.

Despite the city's cease-and-desist order, the money not only has not been repaid, but more than \$250,000 in city money has been added to the plan since the city's objections. Now his pension is fully funded."²⁸ The Voluntary Plan is expected to pay the Administrator more than \$210,000 per year upon retirement.²⁹ Although City officials have objected to the Voluntary Plan, the Pension Board indicated it had the authority to create it because they have the authority to determine the Administrator's compensation.³⁰ In late 2014, according to an article in the Florida Times-Union, the Pension Board "decided the simplest, least costly way to handle the remainder of [the Administrator's] career overseeing the fund would be to let him keep earning retirement benefits through the current pension

²⁵ Page 19, *Note 12 to the Financial Statements - City of Jacksonville, Florida Police and Fire Pension Fund; A Pension Trust Fund of the City of Jacksonville Financial Report for the Fiscal Year Ended September 30, 2014*; KBLD, LLC.

²⁶ Page 23, *Required Supplemental Information - City of Jacksonville, Florida Police and Fire Pension Fund; A Pension Trust Fund of the City of Jacksonville Financial Report for the Fiscal Year Ended September 30, 2014*; KBLD, LLC.

²⁷ Bauerlein, D. (2014, Date Unknown). *Times-Union Investigation: Jacksonville Pension Crisis; Part 3*. Retrieved from jacksonville.com/files/interactives/pensions.

²⁸ Kelley, E., (2014, Date Unknown) *While John Keane negotiates the Jacksonville Police and Fire Pension Fund, personal pension plan under scrutiny*. Retrieved from jacksonville.com/files/interactives/pensions.

²⁹ Kelley, E. (2014, November 15) *Jacksonville leaders learn pension fund chief John Keane in line for additional benefits*. Retrieved from jacksonville.com/news/metro/2014-11-15/story/pension-fund-chief-john-keane-has-more-retirement-money-coming-city.

³⁰ Bauerlein, D. (2014, November 21) *Pension fund board decides John Keane can keep longstanding benefits deal*. Retrieved from jacksonville.com/news/metro/2014-11-21/story/pension-fund-board-decides-john-keane-can-keep-longstanding-benefits.

plan.”³¹ The next administrator is expected to be provided a defined contribution plan, in lieu of a plan similar to the Voluntary Plan.³²

In January 2015, the Secretary of the DMS sent a letter to the administrator of the Pension Fund which states, in part “Despite routine communication from DMS regarding your plan’s actuarial compliance, the most recent actuarial valuation of the City of Jacksonville Police Officers’ and Firefighters’ Pension Fund (the plan) on file shows your GASB 25 funded status is below 50 percent. ...the plan’s assets are sufficient to pay no more than 37.3 cents for every dollar of pension benefits owed to its retirees and current employees. Absent any improvements in funded status, the plan’s ability to meet its future obligations is doubtful and your members’ benefits will be negatively affected.”³³ The Secretary acknowledges that the Pension Fund and City officials are working towards pension reform; however, he states that, “[t]hese pension reforms are not realized.”³⁴ The Secretary emphasizes that the Legislative intent is to “prohibit the use of any procedure, methodology, or assumptions the effect of which is to transfer to future taxpayers any portion of the costs which may reasonably have been expected to be paid by the current taxpayers.”³⁵

The DMS requested the Pension Fund to “immediately notify all active and retired members of the plan regarding the plan’s conditions and what actions will be taken to improve it.”³⁶ Eighteen other pension funds in Florida were sent similar letters from the DMS Secretary.³⁷

Audits of the Pension Fund

No audit findings were reported in the Pension Fund’s most recent annual financial audit report, which covered the fiscal year ending September 30, 2014.

The City Council Auditor’s Office conducted a performance audit of the Pension Fund and issued a report dated November 21, 2012.³⁸ The scope of the audit included payments to members of the Pension Plan and the Voluntary Plan. The audit conclusions were:

- “Based on testing performed, we found that:
 - ...Normal benefit payments to pensioners were properly calculated and paid; however, there were significant deficiencies in the area of DROP benefits.
 - ...The refunds of employee pension contributions were materially accurate and properly distributed.
 - ...Significant issues with the calculation of final compensation for time service connections when portions of pensionable pay were only paid once per month. However, the other time

³¹ Ibid.

³² Ibid.

³³ Poppel, Chad. Letter to John Keane, Administrator, Jacksonville Police Officers’ and Firefighters’ Pension Fund. January 27, 2015.

³⁴ Ibid.

³⁵ The Legislative intent of the “Florida Protection of Public Employee Retirement Benefits Act” is provided in Section 112.61, *Florida Statutes*.

³⁶ Poppel, Chad. Letter to John Keane, Administrator Jacksonville Police Officers’ and Firefighters’ Pension Fund. January 27, 2015.

³⁷ Telephone conversation with DMS staff on February 10, 2015.

³⁸ Council Auditor’s Office, City of Jacksonville, FL; *Police and Fire Pension Fund Audit - #736*. November 21, 2012 (released July 18, 2013).

service connections were materially accurate in the calculation of the amount of time eligible for purchase, calculation of the amount owed, and the collection of the amount owed.

- ...Numerous issues with the termination of pension benefits, such as errors in the transition from the original retiree to the survivor.
- COLA payments were materially accurate with the exception of one significant finding.”

In addition, the audit report addressed legal and financial issues related to the Voluntary Plan. The concerns include:

- It is questionable whether the Voluntary Plan was properly authorized.
- The three members of the Voluntary Plan, to date, have worked for the Pension Fund while also receiving benefits from a City sponsored pension plan; it is questionable, based on language in the Municipal Code, whether the individuals could receive their other City pension benefits while they were accruing time in the Voluntary Plan.
- Although the Voluntary Plan was established in 2000, no actuarial reports were provided to the [DMS] until 2011; it appears that the Voluntary Plan should have provided the [DMS] with actuarial reports at least once every three years.³⁹
- Actuarial reports were not prepared at least once every three years as required by state law;⁴⁰ it appears this section of law applies to the Voluntary Plan.
- The assets of the Voluntary Plan were included with the assets of the Pension Fund on actuarial reports prior to October 1, 2011; this resulted in an overstatement of the assets available to cover the liability of the Pension Fund and the City, if the Voluntary Plan and its liability is legal.
- The Voluntary Plan was not disclosed in the notes to the financial statements for the Pension Fund or the City prior to the year ended September 30, 2012; if the Voluntary Plan is determined to be legal, this was an omission that should have been disclosed due to the liability that exists for the Pension Fund and the City.

The auditors recommended “that all financial and legal issues be addressed by the appropriate parties and that the reporting requirements and representation be corrected going forward.”⁴¹

The report concludes with the following overall concern: “The Mayor’s Office and the City Council need to continue to pursue changes in State Law to address the unconscionable structure of the Police and Fire Pension Fund Board of Trustees. The Police and Fire Pension Board of Trustees is responsible for managing the assets of the Police and Fire Pension Plan while the City is responsible for funding the liabilities of the Police and Fire Pension Plan. Stated simply, the Board controls pension assets while the City retains the liability to fund pension payments.”⁴²

More recently, during 2014, the City’s Taxation, Revenue and Utilization of Expenditures (TRUE) Commission, an advisory body whose charge relates to the City’s fiscal policy, recommended to the City Council that the Voluntary Plan “be subjected to a forensic audit, either by the Council Auditor’s Office or by an independent auditor, in order to determine if material facts about that plan have been

³⁹ Required by Section 112.63(2), *Florida Statutes*.

⁴⁰ *Ibid*.

⁴¹ Council Auditor’s Office, City of Jacksonville, FL, *Police and Fire Pension Fund Audit - #736*. November 21, 2012 (released July 18, 2013). Page 17.

⁴² *Ibid*. Page 20.

omitted from annual and financial reports by fund management, either intentionally or unintentionally.”⁴³

In response, the Council Auditor indicated that such an audit would be a waste of taxpayer resources for the following reasons: (1) the Voluntary Plan has been deemed to be illegal, and (2) the initial audit disclosed “enough information for the City to realize there are problems and the City needs to take action.”⁴⁴ The City Council’s President agreed with the Council Auditor and suggested that an appropriate step would be for the City Council’s Finance Committee to address the matter during the 2014-15 fiscal year budget hearings.⁴⁵

The TRUE Commission then submitted a request to the Finance Committee to request a forensic audit of the operation of the Pension Fund, stating that “its original request...may not have accurately conveyed the Commission’s intent with regard to the need to examine the operations of the Police and Fire Pension Fund. The Commission was concerned that the revelations concerning the previously unknown special retirement plan might indicate that there are other undisclosed factors about the fund’s operations that need to be brought to light as well.”⁴⁶

Staff of the City General Counsel’s Office indicated that the Pension Fund is involved in litigation related to the 30-year agreement and public records access.⁴⁷ Some cases may be deemed moot if and when the City is successful in implementing the pension reform that is in progress. These cases are in addition to litigation filed by individual plan members regarding their individual benefits.

Other Considerations

Although Representative Adkins has requested a forensic audit of the Pension Fund, this type of audit is not included within the authority of the Auditor General. His office is authorized to conduct financial, operational, and performance audits. An operational audit appears to be the appropriate engagement in order to address the audit-related questions that Representative Adkins has included in her request. The purpose of an operational audit is to evaluate management’s performance in establishing and maintaining internal controls and administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines. Operational audits are variable in scope; topics are determined using a risk-based approach and can sometimes include the evaluation of the effectiveness of information technology controls.

Several of the questions included within Representative Adkins’ request include legal determinations outside the scope of what an audit would normally determine. Committee staff have notified her of the issues that the Auditor General would be able to address within the scope of an audit.

If the Committee directs the Auditor General to conduct an audit of the City, his office would take steps to avoid duplicating the work efforts of KBLD LLC, Certified Public Accountants, the Pension Fund’s auditor for the annual financial audit required in accordance with Section 218.39(1), Florida Statutes.

⁴³ Andrews, J.E. Letters to Jacksonville City Council Members. March 5, 2014 and July 25, 2014.

⁴⁴ Sherman, Kirk. Emails to Clay Yarborough, President, Jacksonville City Council. March 6, 2014, and April 11, 2014.

⁴⁵ Yarborough, Clay. Letter to TRUE Commission Chair. August 4, 2014.

⁴⁶ Anania, Patti. Letter to Jacksonville Finance Committee Members. September 10, 2014.

⁴⁷ Telephone conversation with General Counsel staff on February 10, 2015.

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.

If the audit is directed, in accordance with Section 11.45 (2)(j), Florida Statutes, 18 months after the audit report is released, the Auditor General will be required to perform appropriate follow-up procedures to determine the Pension Fund's (and the City's, if applicable) progress in addressing the findings and recommendations included in the initial report.

Finally, 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 Pension Fund's (and/or the City's, if applicable) governance and also to the appropriate law enforcement authorities. Implementation of corrective action to address any audit findings is the responsibility of the Pension Board, the City Council, and management, as well as the citizens living in the City.

III. Effect of Proposed Request and Committee Staff Recommendation

If the Committee directs the Auditor General to perform an operational audit of the Pension Fund, Committee staff recommends that the Committee allow the Auditor General to set the: (1) scope of the audit, providing that the audit-related concerns listed in the request are addressed to the extent possible; and (2) timing of the audit as audit resources are available, consistent with his 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 his approved operating budget

V. Related Issues:

None.

This staff analysis does not reflect the intent or official position of the requestor.
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Leon County District School Board



Operational Audit Report No. 2015-088 January 2015

Audit Focus and Results

- **Our audit focused primarily on management's performance in establishing and maintaining internal controls and in administering assigned responsibilities in accordance with applicable laws, rules, and grant agreements. Our audit also included a determination of whether management had taken corrective actions for findings included in previous audit reports.**
- **Our audit results disclosed that the District could improve operations in eight areas as discussed on the following slides.**

Finding Nos. 1, 2, and 3

Administrative Procedures and Board Policies

- The Board could enhance its anti-fraud policy.
- The District did not timely and prominently post all required budget information on its Web site.
- Controls over electronic funds transfers could be enhanced.

Finding No. 4

Construction Administration

- **The District did not always competitively select construction management entities (CMEs) in accordance with Section 287.055, Florida Statutes.**

Finding Nos. 5 and 6

Construction Administration

- **Controls over negotiating and monitoring CME general condition costs could be enhanced.**
- **The District could enhance its construction administration procedures regarding selection of subcontractors.**

Finding Nos. 7, 8, and 9

Construction Administration (continued)

- The District could enhance its procedures to monitor verification of subcontractors' licensure status.
- CME payment requests were not always reconciled to subcontractors' invoices, bids, and contracts prior to payment.
- The District entered into professional architectural services contracts without following the competitive selection process prescribed in Section 287.055, Florida Statutes.

Finding Nos. 10 and 11

Construction Administration (continued)

- **The Board had not adopted a policy prescribing the minimum insurance coverage requirements for work performed by architects and engineers.**
- **Controls over facilities construction and maintenance activities could be enhanced.**

Finding Nos. 12 and 13

Personnel and Payroll

- District records did not evidence that the Board was made aware that certain employees had not met the minimum education requirements for positions to which they were promoted.
- The Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

Finding Nos. 14, 15, and 16

Personnel and Payroll (continued)

- The District needed to enhance its procedures to ensure the proper reporting of the taxable value for employee's personal use of Board-owned vehicles in accordance with United States Treasury Regulations and the Internal Revenue Code.
- Controls over monitoring school bus drivers could be enhanced.
- The District needed to enhance its procedures to verify the eligibility of all dependents covered by the District's health insurance plan.

Finding Nos. 17 and 18

Procurement

- **The District needed to strengthen its procedures to provide for routine review of required statements of financial interests for consideration in making procurement decisions.**
- **Controls over contractual services and related payments could be enhanced.**

Finding Nos. 19 and 20

Restricted Resources

- District records did not always evidence that ad valorem tax levy proceeds were used only for authorized purposes.
- The District did not allocate purchasing card program rebates generated by restricted resources to appropriate District funds.

Finding Nos. 21 and 22

Capital Assets

- The District could strengthen its controls over tangible personal property.
- Controls over the use of Board-owned motor vehicles could be enhanced.

Finding Nos. 23 and 24

Virtual Instruction Program

- Controls over virtual instruction program (VIP) operations and related activities could be enhanced by developing and maintaining comprehensive, written VIP policies and procedures.
- VIP provider contracts did not include certain necessary provisions.

Finding Nos. 25 and 26

Virtual Instruction Program (continued)

- District records did not evidence that timely, written notifications were provided to parents about student opportunities to participate in the District's VIP and open enrollment period dates.
- District records did not evidence that VIP employees and contracted personnel were subjected to required background screenings.

Finding Nos. 27 and 28

Information Technology

- Some inappropriate information technology (IT) access privileges existed.
- District IT security controls related to user authentication and logging and monitoring of system activity needed improvement.

Any Questions?

➤ Contact Information:

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**LEON COUNTY
DISTRICT SCHOOL BOARD**

Operational Audit



BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2013-14 fiscal year are listed below:

	<u>District No.</u>
Forrest Van Camp, Chair from 11-19-13	1
Dee Crumpler	2
Maggie B. Lewis-Butler, Vice Chair	3
Dee Dee Rasmussen	4
Georgia "Joy" Bowen, Chair to 11-18-13	5

Jackie Pons, Superintendent

The audit team leader was Lauren J. Wagner and the audit was supervised by Karen L. Revell, CPA. For the information technology portion of this audit, the audit team leader was Blake Bell and the supervisor was Heidi G. Burns, CPA, CISA. Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Manager, by e-mail at dougconner@aud.state.fl.us or by telephone at (850) 412-2730.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

LEON COUNTY
District School Board

EXECUTIVE SUMMARY

Our operational audit disclosed the following:

ADMINISTRATIVE MANAGEMENT AND BOARD POLICIES

Finding No. 1: The Board could enhance its anti-fraud policy.

Finding No. 2: The District did not timely and prominently post all required budget information on its Web site.

Finding No. 3: Controls over electronic funds transfers could be enhanced.

CONSTRUCTION ADMINISTRATION

Finding No. 4: The District did not always competitively select construction management entities (CMEs) in accordance with Section 287.055, Florida Statutes.

Finding No. 5: Controls over negotiating and monitoring CME general conditions costs could be enhanced.

Finding No. 6: The District could enhance its construction administration procedures regarding selection of subcontractors.

Finding No. 7: The District could enhance its procedures to monitor verification of subcontractors' licensure status.

Finding No. 8: CME payment requests were not always reconciled to subcontractors' invoices, bids, and contracts prior to payment.

Finding No. 9: The District entered into professional architectural services contracts without following the competitive selection process prescribed in Section 287.055, Florida Statutes.

Finding No. 10: The Board had not adopted a policy prescribing the minimum insurance coverage requirements for work performed by architects and engineers.

Finding No. 11: Controls over facilities construction and maintenance activities could be enhanced.

PERSONNEL AND PAYROLL

Finding No. 12: District records did not evidence that the Board was made aware that certain employees had not met the minimum education requirements for positions to which they were promoted.

Finding No. 13: The Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

Finding No. 14: The District needed to enhance its procedures to ensure the proper reporting of the taxable value for employee's personal use of Board-owned vehicles in accordance with United States Treasury Regulations and the Internal Revenue Code.

Finding No. 15: Controls over monitoring school bus drivers could be enhanced.

Finding No. 16: The District needed to enhance its procedures to require verification of eligibility of all dependents covered by the District's health insurance plan.

PROCUREMENT

Finding No. 17: Procurement procedures could be enhanced to provide for routine review of required statements of financial interests for consideration in making procurement decisions.

Finding No. 18: Controls over contractual services and related payments could be enhanced.

RESTRICTED RESOURCES

Finding No. 19: District records did not always evidence that ad valorem tax levy proceeds were used only for authorized purposes.

Finding No. 20: The District did not allocate purchasing card program rebates generated by restricted resources to appropriate District funds.

CAPITAL ASSETS

Finding No. 21: The District could strengthen its controls over tangible personal property.

Finding No. 22: Controls over the use of Board-owned motor vehicles could be enhanced.

VIRTUAL INSTRUCTION PROGRAM

Finding No. 23: Controls over virtual instruction program (VIP) operations and related activities could be enhanced by developing and maintaining comprehensive, written VIP policies and procedures.

Finding No. 24: VIP provider contracts did not include certain necessary provisions.

Finding No. 25: District records did not evidence that timely, written notifications were provided to parents about student opportunities to participate in the District's VIP and open enrollment period dates.

Finding No. 26: District records did not evidence that all VIP providers' employees and contracted personnel were subjected to required background screenings.

INFORMATION TECHNOLOGY

Finding No. 27: Some inappropriate information technology (IT) access privileges existed.

Finding No. 28: District IT security controls related to user authentication and logging and monitoring of system activity needed improvement.

BACKGROUND

The Leon County School District (District) is part of the State system of public education under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education rules. Geographic boundaries of the District correspond with those of Leon County. The governing body of the District is the Leon County District School Board (Board), which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board.

During the 2013-14 fiscal year, the District operated 45 elementary, middle, high, and specialized schools; sponsored 6 charter schools; and reported 33,334 unweighted full-time equivalent students.

The results of our audit of the District's financial statements and Federal awards for the fiscal year ended June 30, 2014, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Administrative Management and Board Policies

Finding No. 1: Anti-Fraud Policy

Board Policy 8700, *Anti-Fraud*, provides for individuals to communicate and report known or suspected fraud to the Superintendent or, if the observed or suspected fraud involves a Board member or the Superintendent, to the Board Attorney. The policy also defines and provides examples of actions constituting fraud and designates the

responsibility for investigating potential fraudulent matters. However, the policy could be enhanced by identifying consequences of fraudulent behavior and including incident-reporting procedures that allow individuals to anonymously report policy violations and known or suspected fraud. Identifying the consequences of fraudulent behavior may serve as a deterrent to persons committing fraud and serves as a guide in taking appropriate actions should fraud occur. Allowing individuals to anonymously report policy violations and known or suspected fraud may help identify such violations and provide for appropriate investigation and resolution.

Effective fraud policies and procedures are necessary to educate employees about proper conduct, create an environment that deters dishonesty, and maintain internal controls that provide reasonable assurance of achieving management objectives and detecting dishonest acts. In addition, such policies and procedures serve to establish the responsibilities for investigating potential incidents of fraud and taking appropriate action, reporting evidence of such action to the appropriate authorities, and protecting the reputation of persons suspected but not guilty of fraud.

Recommendation: The Board should enhance its fraud policies to identify the consequences of fraudulent behavior and allow individuals to anonymously report policy violations and known or suspected fraud.

Finding No. 2: Budget Transparency

It is important that the District provide easy access to its budget and related information as this promotes responsible spending, more citizen involvement, and improved accountability. Pursuant to Section 1011.035(2), Florida Statutes, the District must prominently post on its Web site a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable and readily accessible to the public.

At the time of our review in March 2014, the link on the District's Web site to the Board-adopted proposed, tentative, and official budgets was outdated as it directed the public to the 2012-13 fiscal year budgets, instead of the 2013-14 fiscal year budgets. While the District disclosed Board actions, such as the Board-adopted 2013-14 fiscal year proposed, tentative, and official budgets, in the Board minutes included on the District's Web site, the budget information was not prominently posted or readily accessible to the public on the Web site, given the volume of information contained in the Board minutes. Providing for the required budgetary transparency enhances citizen involvement and the ability to analyze the budget, monitor its implementation, and evaluate its outcomes.

Recommendation: The District should ensure that proposed, tentative, and official budgets are timely and prominently posted on its Web site.

Finding No. 3: Electronic Funds Transfers

Section 1010.11, Florida Statutes, requires each school board to adopt written policies prescribing the accounting and control procedures under which funds are allowed to be moved by electronic transaction for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment. This law also requires that electronic transactions comply with the provisions of Chapter 668, Florida Statutes, which discusses the use of electronic signatures in electronic transactions between school boards and other entities. In addition, State Board of Education (SBE) Rule 6A-1.0012, Florida Administrative Code (FAC), authorizes the District to make electronic funds transfers (EFTs) provided adequate internal control measures are established and maintained, such as a written agreement with a financial institution that contains the titles of bank accounts subject to the agreement and the manual signatures of each person authorized to initiate EFTs.

During the 2013-14 fiscal year, the District regularly used EFTs to transfer funds between its bank accounts and to make electronic disbursements for direct deposits of employee pay and other payroll related activities, such as taxes withheld and matching contributions, and Florida Retirement System contributions. According to District records, cash and cash equivalents and investments totaling \$77 million were available for electronic transfer at June 30, 2014. The District used processes, including the use of bank-assigned personal identification numbers, written authorizations, and supervisory review of EFT transactions through e-mail notifications from the bank to control and monitor EFTs.

In September 2012, the Board approved a policy requiring that written EFT agreements be used to establish the internal controls required by State law and SBE rules; however, because of District oversights, the written EFT agreement did not prescribe the accounting and control procedures for EFTs, including the use of electronic signatures. While our tests did not disclose any EFTs for unauthorized purposes, the lack of specific guidance in the form of Board policies or written agreements prescribing the accounting and control procedures for EFTs, including the use of electronic signatures, increases the risk that electronic transactions will not be executed in accordance with Board directives and Chapter 668, Florida Statutes.

Recommendation: The Board should revise its EFT policy to prescribe the accounting and control procedures for EFTs, including the use of electronic signatures.

Construction Administration

Pursuant to Section 1013.45(1)(c), Florida Statutes, the District may contract for the construction or renovation of facilities with a construction management entity (CME). Under the CME process, contractor profit and overhead are contractually agreed upon, and the CME is responsible for all scheduling and coordination in construction phases and is generally responsible for the successful, timely, and economical completion of the construction project. The CME may be required to offer a guaranteed maximum price (GMP), which allows for the difference between the actual cost of the project and the GMP amount, or the net cost savings, to be returned to the District. As such, a GMP contract requires District personnel to closely monitor subcontractor bid awards and other construction costs.

During the period July 1, 2011, through June 30, 2014, the Board entered into 45 project contracts with CMEs totaling \$57.9 million, all of which were GMP contracts. We reviewed 23 of the 45 project contracts, as shown in Table 1, with CME payments totaling \$41.3 million.

Table 1

	Project Location	Project Description	Contract Date	CME Payments (A)	Direct Materials Purchases (B)	Total Construction Cost as of June 30, 2014 (A) + (B)
1	Astoria Park Elementary School	HVAC Systems Replacement- Bldg. 1	07/12/2011	\$1,992,711	\$361,641	\$2,354,352
2	Astoria Park Elementary School	HVAC Renovations - Bldgs. 2 & 3	09/10/2012	926,286	74,666	1,000,952
3	Ft. Braden School	HVAC Upgrades- Bldgs. 2, 3 & 4	11/22/2011	1,304,460	420,884	1,725,344
4	Ft. Braden School	Classroom Renovations- Bldg. 1	07/12/2011	1,547,338	199,364	1,746,702
5	Gilchrist Elementary School	Classroom Addition, Sitework & Chiller Replacement	06/12/2012	1,784,271	308,862	2,093,133
6	Gilchrist Elementary School	New Classroom Addition	06/12/2012	1,659,979	322,562	1,982,541
7	Gretchen Everhart School	New Classroom Addition	07/26/2011	1,999,107	53,629	2,052,736
8	Kate Sullivan Elementary School	Classroom Addition Interior Miscellaneous MEP Services	05/08/2012	1,546,906	452,564	1,999,470
9	Kate Sullivan Elementary School	New Building Addition	05/08/2012	1,735,522	261,810	1,997,332
10	Kate Sullivan Elementary School	Addition Site Improvements and Underground Utilities	05/08/2012	1,484,793	781,625	2,266,418
11	Killlearn Lakes Elementary School	New Construction, Additions & Renovations	06/12/2012	1,650,470	349,335	1,999,805
12	Killlearn Lakes Elementary School	New Construction, Additions & Renovations	06/12/2012	1,571,362	742,768	2,314,130
13	Oak Ridge Elementary School	Remodeling, Renovations, & HVAC Upgrades	07/12/2011	1,943,048	167,456	2,110,504
14	Oak Ridge Elementary School (1)	Additions and Renovations	10/08/2013	1,130,400	71,492	1,201,892
15	Rickards High School	HVAC Renovations- Bldgs. 18, 19, 20, & 21	01/08/2013	1,604,160	186,308	1,790,468
16	Rickards High School	HVAC (Boiler/ Chiller) Upgrade	02/14/2012	1,999,999	1,070	2,001,069
17	Rickards High School	ADA Upgrades and HVAC Replacement & Additions to Bldgs. 9 & 10	07/12/2011	1,799,931	890,667	2,690,598
18	Sabal Palm Elementary School	HVAC Upgrades and Renovation	07/12/2011	1,568,432	149,950	1,718,382
19	Sabal Palm Elementary School (1)	Renovations- Bldgs. 1, 2, & 4	03/25/2014	987,985	45,091	1,033,076
20	Transportation (1)	Bus Maintenance Bldg. Foundation, Site Work & Lift Equipment	11/17/2009	6,418,091	1,017,021	7,435,112
21	WT Moore Elementary School	Addition, Remodeling and Renovations- Phase 1	06/14/2011	1,407,412	52,400	1,459,812
22	WT Moore Elementary School	Addition, Remodeling and Renovations- Phase 2	10/25/2011	1,947,776	37,843	1,985,619
23	WT Moore Elementary School (1)	New Administration Building	06/03/2014	1,322,172	45,860	1,368,032
	Totals			<u>\$41,332,611</u>	<u>\$6,994,868</u>	<u>\$48,327,479</u>

Note: (1) Projects in progress at June 30, 2014.

Our review disclosed deficiencies in the District’s construction contract administration procedures as discussed in Finding Nos. 4 through 11, and these deficiencies may have resulted in excess costs as discussed in Finding No. 5.

Finding No. 4: Selection of Construction Management Entity

Section 1013.45(1)(c), Florida Statutes requires the District to select a CME pursuant to Sections 287.055 or 255.103, Florida Statutes. Section 287.055(3), Florida Statutes, requires that the District publicly announce, in a uniform and consistent manner, each occasion when professional services must be purchased for a project in which the basic construction cost is estimated to exceed \$325,000. The public notice must include a general description of the project and must indicate how interested consultants may apply for consideration. Sections 287.055(4) and (5), Florida Statutes, require the District to select in order of preference no fewer than three firms deemed to be the most highly qualified to perform the required services for each proposed project. Should the District be unable to negotiate a satisfactory contract with the firm considered to be the most qualified at a price the District determines to be fair, competitive, and reasonable, negotiations with that firm must be formally terminated, and the District must then undertake negotiations with the remaining selected CMEs, in the order they were ranked, until a satisfactory contract is negotiated. Pursuant to Section 255.103(4), Florida Statutes, the District may enter into a continuing contract for a defined period with a CME using the process provided in Section 287.055, Florida Statutes, for construction projects for which the estimated construction cost of each individual project under contract does not exceed \$2 million.

In September 2009, the District solicited a request for qualifications (RFQ) for a construction manager at risk for projects under \$2 million, and the Board approved the list of 30 CMEs that responded to the RFQ. District personnel indicated that CMEs were generally assigned to projects based on the CMEs qualifications, availability, bonding capacity, and ability to complete the work on time, as well as consideration of funding deadlines and the opening of schools; however, although requested, District records were not provided to evidence the selection process.

In December 2013 and January 2014, the District solicited RFQs for construction manager at risk for projects under \$2 million. In February 2014, District personnel ranked the 32 CMEs that responded to the RFQs according to specific criteria such as ability of CME professional personnel; whether the CME maintained certified minority business enterprise status; past performance; willingness to meet time and budget requirements; location of firm; current and projected workloads; and the volume of work previously awarded to the CME. The Board approved the list of the top 22 ranked CMEs for consideration on future construction projects.

Our review of CME contracts entered into from July 1, 2011 through June 30, 2014, disclosed that the District's process for selecting CMEs generally did not appear to be consistent with the requirements of law, as follows:

- The Board did not, for any of the CMEs included on the above-noted Board-approved lists, opt to enter into a continuing contract pursuant to Section 255.103(4), Florida Statutes. As such, it is not apparent why District personnel assigned CMEs to projects based on a \$2 million threshold since that threshold would only be relevant had the Board opted to enter into continuing contracts pursuant to Section 255.103(4), Florida Statutes.
- For projects shown on Table 1 for Gilchrist Elementary School (project Nos. 5 and 6), Kate Sullivan Elementary School (project Nos. 8, 9, and 10), and Killlearn Lakes Elementary School (project Nos. 11 and 12), based on the project descriptions or contract dates, the District divided these projects into multiple smaller projects to keep estimated construction costs (excluding costs shown in column B) below the \$2 million threshold of Section 255.103(4), Florida Statutes, and assigned these smaller projects to CMEs from the Board approved list as if they were working under a continuing contract. In these circumstances, even if continuing contracts had been entered into, the District chose not to follow the competitive selection process provided in law, choosing rather to assign the divided smaller projects to CMEs based on its discretion.
- Although the District competitively selected CMEs for project Nos. 19 and 20, the District did not use the competitive selection process specified by Section 287.055, Florida Statutes, to select CMEs for the remaining 21 projects shown on Table 1, as follows:
 - For 8 projects (Nos. 1, 5, 7, 10, 12, 13, 16, and 17) shown on Table 1, when the CME costs are combined with other project-related costs, such as direct materials purchases, total project construction costs exceeded the \$2 million continuing contract cost threshold of Section 255.103(4), Florida Statutes. As such, the Board did not have an option to use a continuing contract for these projects. Instead, the CMEs should have been, but were not, selected using the process specified by Section 287.055, Florida Statutes.
 - For 13 projects (Nos. 2, 3, 4, 6, 8, 9, 11, 14, 15, 18, 21, 22, and 23), total project construction costs did not exceed the \$2 million continuing contract cost threshold but did exceed the \$325,000 basic construction cost threshold of Section 287.055, Florida Statutes. As such, since the Board opted not to enter into continuing contracts with the CMEs, the CMEs should have been, but were not, selected using the process specified by Section 287.055, Florida Statutes, for these projects.

The Legislature has recognized in Section 287.001, Florida Statutes, that fair and open competition is a basic tenet of public procurement and that such competition reduces the appearance and opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically. By not selecting CMEs for these 21 projects using the competitive selection process specified by Section 287.055, Florida Statutes, District records did not

evidence that the most highly qualified firm was selected for these projects and the benefits of the competitive selection process for CMEs required by law appear to have been thwarted. Without following the required selection process, the District had limited assurance that the CMEs were selected in a fair, equitable, and economical manner. A similar finding was noted in our report No. 2012-136 and in the District’s 2012-13 fiscal year financial audit report.

Recommendation: The District should ensure that CMEs are ranked and competitively selected using the process prescribed by Section 287.055, Florida Statutes.

Finding No. 5: General Conditions Costs

The contracts with the CMEs used for the 23 projects we reviewed as shown in Table 1 included a provision for general conditions costs. General conditions costs for the 23 projects totaled \$11.3 million as shown in Table 2 below. General conditions costs included such items as direct and indirect salary costs, permitting costs, bonds, and insurance.

Table 2

	Project Location	Project Description	Contract Date	General Conditions Costs
1	Astoria Park Elementary School	HVAC Systems Replacement- Bldg. 1	07/12/2011	\$542,001
2	Astoria Park Elementary School	HVAC Renovations - Bldgs. 2 & 3	09/10/2012	309,651
3	Ft. Braden School	HVAC Upgrades- Bldgs. 2, 3 & 4	11/22/2011	460,656
4	Ft. Braden School	Classroom Renovations - Bldg. 1	07/12/2011	334,434
5	Gilchrist Elementary School	Classroom Addition, Sitework & Chiller Replacement	06/12/2012	697,834
6	Gilchrist Elementary School	New Classroom Addition	06/12/2012	699,165
7	Gretchen Everhart School	New Classroom Addition	07/26/2011	389,146
8	Kate Sullivan Elementary School	Classroom Addition Interior Miscellaneous MEP Services	05/08/2012	255,519
9	Kate Sullivan Elementary School	New Building Addition	05/08/2012	784,536
10	Kate Sullivan Elementary School	Addition Site Improvements and Underground Utilities	05/08/2012	259,701
11	Killlearn Lakes Elementary School	New Construction, Additions & Renovations	06/12/2012	615,156
12	Killlearn Lakes Elementary School	New Construction, Additions & Renovations	06/12/2012	295,719
13	Oak Ridge Elementary School	Remodeling, Renovations. & HVAC Upgrades	07/12/2011	521,149
14	Oak Ridge Elementary School	Additions and Renovations	10/08/2013	254,926
15	Rickards High School	HVAC Renovations- Bldgs. 18, 19, 20, & 21	01/08/2013	433,518
16	Rickards High School	HVAC (Boiler/ Chiller) Upgrade	02/14/2012	470,662
17	Rickards High School	ADA Upgrades and HVAC Replacement & Additions to Bldgs. 9 & 10	07/12/2011	479,909
18	Sabal Palm Elementary School	HVAC Upgrades and Renovation	07/12/2011	304,358
19	Sabal Palm Elementary School	Renovations- Bldgs. 1, 2, & 4	03/25/2014	203,624
20	Transportation	Bus Maintenance Bldg. Foundation, Site Work & Lift Equipment	11/17/2009	1,556,650
21	WT Moore Elementary School	Addition, Remodeling and Renovations- Phase 1	06/14/2011	435,435
22	WT Moore Elementary School	Addition, Remodeling and Renovations- Phase 2	10/25/2011	683,999
23	WT Moore Elementary School	New Administration Building	06/03/2014	326,015
	Total			<u>\$11,313,763</u>

Effectively negotiating and documenting the reasonableness of general conditions costs is essential to ensuring that potential cost savings are realized under GMP contracts. Our review of general conditions costs disclosed the following:

- The District had not established written policies and procedures addressing the methodology to be applied and factors to be considered during the negotiation process for general conditions costs. Such procedures should include comparing costs to general conditions for similar projects or projects of other school districts, and negotiating a reasonable amount for a total budgeted amount for all general conditions costs. Although requested, we were not provided documentation of the methodology applied and factors considered during the negotiation process for general conditions costs. Absent such documentation, District records did not evidence the District’s determination that the general conditions costs were reasonable and appropriate.
- The CMEs billed the District for general conditions based on a percentage of completion as projects progressed; however, the District did not obtain detailed documentation such as payroll records or invoices paid by the CME for general conditions costs to support amounts billed to, and paid by, the District. Absent adequate monitoring of charges to general conditions costs, the District may be limited in its ability to determine the propriety of the payment requests or to recover all cost savings associated with the project, should they occur.
- For projects listed in Table 1 that were additions to buildings (i.e., extended the floor space), as shown in Table 3, construction costs per gross square footage exceeded the State average, which could be related to additional general condition costs associated with assigning more than one CME to a project as discussed in Finding No. 4. For example, the general conditions costs for the two split projects for Gilchrist Elementary School totaled approximately \$1.4 million or 34 percent of the total cost of these two projects. District personnel indicated, in letters to the Florida Department of Education (FDOE), various reasons that costs per student station were higher on these projects, including increased labor costs; upgrading existing chillers and boilers with more energy efficient systems; and the District’s desire to provide the latest classroom technology into all new construction, renovation, and remodeling projects. However, although requested, District personnel did not provide documentation supporting these explanations.

Table 3

Project Location	Project Description	Contract Date	Total Construction Cost	Total Gross Square Footage (1)	Project Construction Cost per Gross Square Footage	State Average Construction Cost per Gross Square Footage (2)	Construction Cost per Gross Square Footage in excess of State Average
Gilchrist Elementary School	Classroom Addition, Sitework & Chiller Replacement	06/12/2012	\$2,093,133	15,315	\$266.12	\$153.33	\$112.79
Gilchrist Elementary School	New Classroom Addition	06/12/2012	1,982,541				
Kate Sullivan Elementary School	Classroom Addition Interior Miscellaneous MEP Services	05/08/2012	1,999,470	22,617	276.93	153.33	123.60
Kate Sullivan Elementary School	New Building Addition	05/08/2012	1,997,332				
Kate Sullivan Elementary School	Addition Site Improvements and Underground Utilities	05/08/2012	2,266,418				
Killearn Lakes Elementary School	New Construction, Additions & Renovations	06/12/2012	1,999,805	18,638	231.46	153.33	78.13
Killearn Lakes Elementary School	New Construction, Additions & Renovations	06/12/2012	2,314,130				

Notes: (1) Total project square footage (gross) identified on the certificate of final inspection upon completion in the 2013 calendar year.
 (2) State project average cost per square footage (gross) listed on the 2013 calendar year FDOE Public Report of Cost of Construction.

Recommendation: The District should establish written policies and procedures addressing negotiation and monitoring of general conditions costs. Such policies and procedures should require documentation of the methodology used and factors considered in negotiating general condition costs, and the submittal and review of sufficiently detailed documentation supporting CME payment requests for payment of general conditions costs.

Finding No. 6: Subcontractor Selection

The GMP contracts required the CMEs to solicit bids and award subcontracts, as necessary. District personnel indicated that for the 23 projects shown in Table 1, prior to payment to the CMEs, the District project coordinators inspected the job sites with the architects of record and CME representatives to determine the status of the projects. Our review of 43 subcontracts related to the CME projects we reviewed disclosed that, while District project coordinators attended the subcontractor bid openings as evidenced by their signature on the bid tabulation sheets, the District did not initially obtain and review subcontractor bids and contracts for any of the 43 subcontracts.

In response to our inquiry, District personnel obtained from the CMEs, and provided for our review, the subcontractor bids for 32 of the 43 subcontractors and contracts for 39 of the 43 subcontractors. For 2 of the subcontractors for which bid and contract documentation was not provided, District personnel indicated that the CME records were destroyed by rain when a portion of the CME's warehouse roof was removed by a tornado during a storm. No explanation was provided for the remaining 9 subcontractors for which bids were not provided and the remaining 2 subcontractors for which contracts were not provided.

Our review of 30 subcontract awards, for which both the bids and contracts were provided, disclosed no instances in which subcontractors were improperly selected. However, without District procedures to appropriately monitor the subcontractors bid awards, the risk increases that subcontractor services may not be obtained at the lowest cost consistent with acceptable quality and realize maximum cost savings under GMP contracts.

Recommendation: **The District should enhance its monitoring procedures to ensure that subcontractors are competitively selected.**

Finding No. 7: Verification of Subcontractor Licensure Status

Chapter 489, Florida Statutes, establishes certain certification requirements for persons engaged in construction contracting, including licensing requirements for specialty contractors such as electrical, air conditioning, plumbing, and roofing contractors. District personnel indicated that they did not verify that subcontractors were licensed but relied on the CMEs to verify this information. In response to our inquiry, District personnel requested subcontractor licenses from the CMEs for 43 subcontractors used on the 23 projects reviewed; however, the CMEs provided licenses for only 23 subcontractors. Of the 20 subcontractors for which a license was not provided, District personnel indicated 2 subcontractor licenses were unavailable because of the destruction of records noted in Finding No. 6; the CME did not request licenses from the subcontractors for 2 subcontractors; subcontractor proposal documents were provided for 2 subcontractors that contained subcontractor license numbers, but did not evidence the CME's verification that the license was valid prior to commencement of work; and no explanation was provided for the remaining 14 subcontractors.

Without the additional assurance provided by the District's verification of subcontractor licenses, there is an increased risk that subcontractors working on District facilities do not meet the qualifications to perform the work for which they are engaged.

Recommendation: **The District should enhance its procedures to monitor verification of subcontractors' licensure status prior to commencement of work on projects.**

Finding No. 8: Monitoring Payment Requests

District personnel indicated that upon receipt of payment requests from CMEs, District personnel compared line items on the schedule of values to documentation provided, verified mathematical accuracy of the request, and verified prior payments were properly accumulated on payment requests. However, District records did not evidence a comparison of amounts requested for payment on corresponding cost lines on the schedule of values in the corresponding CME contracts to subcontractors' invoices, bids, and contracts.

We selected one CME payment each for five projects (project Nos. 1, 2, 4, 7, and 14 shown in Table 1) and requested that the District provide documentation (e.g., subcontractor invoices, contracts, bids) supporting selected line items on the schedule of values for these payment requests related to subcontractor payments. Although we were provided such documentation for some line items, we were not provided documentation to support line items for two projects, as follows:

- For project No. 1, District personnel were unable to provide for our review supporting documentation for 17 line items totaling \$875,030. District personnel indicated that supporting documentation could not be provided by the CME because of the destruction of records as noted in Finding No. 6.
- For project No. 7, District personnel were unable to provide for our review supporting documentation for 18 line items totaling \$371,716. District personnel stated that no supporting documentation was provided by the CME for any of the payment requests for project No. 7, which totaled \$1,577,372 including the \$371,716 for which we had requested support.

Absent a documented reconciliation of each line in the schedule of values for each payment request to supporting documentation, there is an increased risk that the District may overpay for subcontractor services or may not realize maximum cost savings under GMP contracts.

Recommendation: The District should enhance procedures for monitoring payment requests to require a documented comparison of cost items per CME payment requests to supporting documentation, such as subcontractor invoices, bids, and contracts, before CME payments are made. The District should also request that the CME for project No. 7 provide documentation supporting the \$1,577,372 of payment requests.

Finding No. 9: Selection of Architects

Section 287.055(3), Florida Statutes, prescribes the competitive selection process to be followed for each occasion when professional services, including architectural services, must be purchased for a project in which the basic construction cost is estimated to exceed \$325,000. Pursuant to Section 287.055(2)(g), Florida Statutes, the District may enter into a continuing contract for professional services in which the estimated construction cost of each individual project under contract does not exceed \$2 million.

In calendar year 2008, the District solicited a request for qualifications (RFQ) for professional architectural consulting services for projects costing under \$1 million¹. The Board approved a list of 15 architectural firms that responded to the RFQ, and entered into continuing contracts with those firms. In calendar year 2010, the District again solicited a RFQ for professional architectural consulting services for projects costing under \$2 million. The Board approved and amended continuing contracts with the previously-approved 15 architectural firms and entered into continuing contracts with an additional 8 architectural firms, or a total of 23 architectural firms.

¹ Prior to July 1, 2009, the continuing contract threshold was \$1 million.

From July 1, 2011, through June 30, 2014, the Board assigned architects from the Board-approved lists to be the architects for various construction projects. These included the following five projects shown in Table 4 for which total construction costs exceeded \$2 million and, therefore, required competitive selection of the architect using the process prescribed by Section 287.055, Florida Statutes.

Table 4

Project Locations	Total Construction Cost as of June 30, 2014
Astoria Park Elementary School	\$2,354,352
Gretchen Everhart School	2,052,736
Oak Ridge Elementary School	2,110,504
Rickards High School	2,001,069
Rickards High School	2,690,598

The District entered into continuing contracts with the architects for these projects without following the prescribed competitive selection process. Although the CME contract amounts did not exceed \$2 million, combining the CME contract amounts with other project-related costs, such as direct materials purchases, resulted in total project costs exceeding the \$2 million cost threshold for the five projects shown in Table 4. Because the District did not follow the prescribed competitive selection process in Section 287.055, Florida Statutes, in selecting architects for these five projects, District records did not evidence that the most highly qualified firm was selected for these projects. Further, by establishing a list of 23 architectural firms instead of ranking and selecting firms using the competitive selection procedures prescribed in Section 287.055, Florida Statutes, for each continuing contract, the benefits of the competitive selection process prescribed by law were thwarted.

Recommendation: The District should ensure that architects are ranked and competitively selected using the process prescribed by Section 287.055, Florida Statutes.

Finding No. 10: Design Professionals - Liability Insurance

The Board entered into continuing contracts for professional services, such as architect and engineering services, for its construction projects. These contracts required the architect and engineering firms to obtain no more than \$1 million or the design professional’s fee, whichever is greater, in professional liability insurance to protect the District against occurrences that included, but were not limited to, the firm’s negligence, professional errors or omissions, strict liability or breach of contract. However, the Board had not adopted a policy establishing insurance requirements for design professionals, such as architects and engineers. Also, as the total construction costs of the 23 projects at June 30, 2014, in Table 1, ranged from \$1 million for project No. 2 to \$7.4 million for project No. 20, or an average of \$2.1 million for the 23 projects, District records did not evidence the basis for providing for the same \$1 million professional insurance limitation amount for each of the projects.

Without a Board policy addressing the amount of professional liability insurance coverage to be required for architect and engineering firms, it was not apparent how District personnel determined the professional insurance amount that should be provided by the firms to protect the District’s investment in these construction projects. Developing a policy prescribing the types and amounts of insurance coverage for architect and engineering firms would help provide guidance to District personnel as to the Board’s insurance philosophy and protect the District in the event

that deficiencies in work performed by a design professional causes injury to persons or damage to property, or the design professional defaults on its contractual obligations.

Recommendation: The Board should adopt a policy establishing liability insurance requirements for architects and engineers.

Finding No. 11: Facilities Management

The Construction and Facilities Department is responsible for managing construction and renovation projects. During the 2013-14 fiscal year, the Construction and Facilities Department employed 20 full-time employees, and the department’s operating cost was \$1.1 million. Also, during the fiscal year, the District had expenditures totaling \$25.6 million for capital projects fund construction and renovation projects and, as shown on the District’s Five-Year Work Plan as approved by the Board on November 10, 2014, the District planned to spend an additional \$138 million on these projects over the next five fiscal years. At June 30, 2014, the historical cost of the District’s educational and ancillary facilities was approximately \$510 million and, as shown in the FDOE’s Florida Inventory of School Houses data, District facilities had an average age of 32 years.

The Maintenance Department is responsible for ensuring facilities are safe and suitable for their intended use. The Maintenance Department performed heating, ventilating, air-conditioning (HVAC), electrical, plumbing, and other maintenance-related jobs. During the 2013-14 fiscal year, this department employed 122 employees, including grounds and maintenance personnel, and the department’s operating cost was \$10.3 million.

Based on our review of controls over the District’s facilities construction and maintenance activities as noted in our report No. 2012-136, we recommended that the District develop written policies and procedures requiring periodic evaluations of alternative facilities construction methods and significant maintenance-related job techniques and document these evaluations, and develop additional goals and objectives for the construction and facilities, and maintenance, departments to identify cost-effectiveness or efficiency outcomes for department personnel.

District personnel indicated that, in December 2013, a Maintenance Operations Manual was developed establishing additional goals and accountability objectives for the Maintenance Department and, as of October 2014, the District was in the process of developing written policies and procedures regarding the evaluation of alternative construction methods and maintenance-related techniques and additional goals and accountability objectives for the Construction and Facilities Department. A similar finding was noted in our report No. 2012-136.

Recommendation: The District should continue its efforts to develop written policies and procedures requiring periodic evaluations of alternative facilities construction methods and significant maintenance-related job techniques, and document these evaluations. The District should also continue its efforts to develop additional goals and objectives for Construction and Facilities Department personnel to identify cost-effectiveness or efficiency outcomes for these personnel.

Personnel and Payroll

Finding No. 12: Promotions

Pursuant to Section 1012.22, Florida Statutes, the Board must prescribe qualifications for positions to be filled and provide for appointment to these positions. Board policies provide for vacancies to be filled pursuant to Superintendent recommendations based on Board-approved classification specifications, which establish minimum

training and experience qualifications for District positions. While our review disclosed that the District generally followed these requirements in filling job vacancies, we noted the following exceptions:

- The minimum qualifications for the Assistant Superintendent – Support Services position² require a master’s or doctorate degree with six years related experience, or a bachelor’s degree with eight years related experience. Effective July 2007, the Superintendent recommended, and the Board approved, promotion of an individual to the Assistant Superintendent – Support Services position. The individual, who remained in that position until February 28, 2014³, received a \$16,280 annual salary increase as a result of the promotion. However, although the individual had 22 years of maintenance work experience for the District, the individual lacked the minimum qualifications for this position at the time of the promotion as the individual did not have the required degree.
- The minimum qualifications for the Director II position⁴ require a master’s degree with six years related experience, or a bachelor’s degree with eight years related experience. The Superintendent recommended, and the Board approved, appointment of an individual to the Interim Director II position effective July 2007, and promotion of the same individual to the Director II position effective January 2008. This individual, who remains in that position as of November 2014, received a \$5,994 annual salary increase as a result of the Interim Director II appointment and a \$2,468 annual salary increase as a result of the Director II promotion. However, although the individual had 18 years of work experience in the Maintenance Department, the individual lacked the minimum qualifications for this position at the time of the appointment and promotion as the individual did not have the required degree.

District records did not evidence that the Board was informed that these employees did not meet the Board-prescribed minimum qualifications for these positions at the time they were recommended for promotion. When employees are promoted to positions without meeting the minimum qualifications, there is an increased risk that the employee may not be competent to handle the job responsibilities and the District’s ability to demonstrate the fair, equitable, and unbiased selection of the best available candidate may be limited.

Recommendation: **The District should enhance its procedures to ensure that the basis for promotions is consistent with Board-prescribed minimum job qualifications.**

Finding No. 13: Compensation and Salary Schedules

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)4.b., Florida Statutes, provides that, for instructional personnel, the Board must provide for differentiated pay based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes. Such a documented process could specify the factors to be used as the basis for determining differentiated pay, the process for applying the factors, and the individuals responsible for making such determinations.

²This position had responsibilities that varied over the tenure of the position, including oversight of the Maintenance; Construction and Facilities; Transportation; Food Service; and Purchasing departments.

³The Assistant Superintendent resigned effective February 28, 2014.

⁴This position had responsibilities over construction.

The salary schedule and union contract provided for certain types of differentiated pay; however, without a Board-established documented process for identifying which instructional personnel are to receive differentiated pay, the District may be limited in its ability to demonstrate that the various differentiated pay factors are consistently considered and applied. District personnel indicated that, as of October 2014, negotiation was still ongoing with the union to develop a salary schedule and union contract for the 2014-15 fiscal year to comply with the statutory differentiated pay requirements. A similar finding was noted in our report No. 2012-136.

Recommendation: The Board should establish a documented process for identifying instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

Finding No. 14: Personal Use of Board-Owned Motor Vehicles

During the 2013-14 fiscal year, 35 Board-owned vehicles were specifically assigned to 36 employees. Board Policy 8651, *Board-owned Vehicles*, states, in part, that employee use of Board-owned vehicles shall be limited to those employees whose duties require such use and, if an assigned Board-owned vehicle is used for transportation to and from work, the employee will be advised of the potential tax consequences for such routine use. United States Treasury Regulation 1.61-21(a) provides that an employee's gross income includes the fair market value of any fringe benefits not specifically excluded from gross income by another provision of the Internal Revenue Code. The personal use of an employer-provided vehicle (i.e., driving the vehicle to and from the employee's residence) is a fringe benefit that must be included in the employee's gross income as compensation for services, unless otherwise excluded.

The 36 employees assigned a Board-owned vehicle were permitted to drive the vehicles to and from their residence. In response to our inquiry, District personnel provided 2013 calendar year income amounts reported to the Internal Revenue Service for 17 employees who were assigned the vehicles for teaching driver's education classes based on the estimated number of days the employee drove the vehicle to and from their residence. However, District records did not evidence a determination of whether the remaining 19 employees used the vehicles for personal use. Absent such a determination, there is an increased risk that the value of the personal use of a Board-owned vehicle by these employees may not be reported as taxable income contrary to United States Treasury Regulations and the Internal Revenue Code.

Recommendation: The District should also enhance its procedures to ensure proper reporting of the taxable value for employee's personal use of Board-owned vehicles in accordance with United States Treasury Regulations and the Internal Revenue Code.

Finding No. 15: Bus Drivers

SBE Rule 6A-3.0141(6), FAC, requires the District to obtain and review the Florida Department of Highway Safety and Motor Vehicles (FDHSMV) driver's history record for school bus drivers prior to initial employment and the first day of the fall semester, and thereafter using automated weekly updates. Also, SBE Rule 6A-3.0141(8), FAC, and Board policy provide that school bus drivers with expired, suspended, or revoked commercial vehicle driving licenses will not be allowed to drive a school bus.

The District employed 294 school bus drivers during the 2013-14 fiscal year. While District records indicated that monitoring procedures over bus drivers were generally adequate, our review disclosed that these procedures could be improved as follows:

- We reviewed bus driver history records for 25 bus drivers hired before the 2013-14 fiscal year who drove buses on August 19, 2013 (first day of the fall 2013 semester). While District records indicated that District personnel monitored the FDHSMV drivers' history records for 21 of the drivers tested, the District did not obtain and review the history records for 2 drivers until March 25, 2014, and District records did not evidence history records were obtained and reviewed for 2 other bus drivers until our inquiry in July 2014. As a result, driver history records for these 4 bus drivers were reviewed from 218 days to more than 10 months after the first day of the fall 2013 semester, contrary to SBE Rule 6A-3.0141(6), FAC. Although the history records indicated that the 4 drivers did not have expired, suspended, or revoked licenses requiring disciplinary actions, without reviewing bus driver history records before allowing the drivers to transport students, there is an increased risk that drivers may have unsuitable driving histories.
- Our comparison of District records to FDHSMV drivers' history records disclosed 2 bus drivers had suspended commercial vehicle driving licenses while continuing to drive District buses, as follows:
 - One bus driver drove regularly scheduled bus routes with a suspended commercial vehicle driving license for the lack of a medical certificate form for 95 days from November 7, 2013, to February 9, 2014. District personnel indicated that the bus driver obtained the medical certificate on October 10, 2013, but the driver did not timely submit the required form to the FDHSMV, resulting in the suspended license. The bus driver subsequently submitted the required form to the FDHSMV, paid the reinstatement fee, and the license was restored on February 10, 2014.
 - Another bus driver's license was suspended on November 1, 2013, for cancellation of personal injury protection insurance; however, the bus driver drove regularly scheduled bus routes with a suspended license for 48 days from August 18, 2014, through October 4, 2014, until the driver's license was reinstated on October 5, 2014. District personnel indicated that they were notified through automated weekly updates from FDHSMV on October 31, 2013, that the bus driver would be suspended as of November 1, 2013; however, the District was never notified that the driver's license was actually suspended.

To promote school bus safety and to reduce the risk of accidents caused by school bus drivers, it is important that the District ensure that drivers meet the requirements to operate school buses.

Recommendation: The District should enhance its procedures to ensure school bus drivers are appropriately licensed to drive buses.

Finding No. 16: Health Insurance Plan - Participant Eligibility

For the 2013-14 fiscal year, the Board-adopted collective bargaining agreements required the District to monthly contribute \$439.78 for individual coverage, \$670.09 for two person coverage, and \$940.21 for family coverage for 10 months toward the health insurance of each full-time employee and, pursuant to Section 112.0801, Florida Statutes, retired employees and their dependents participated in the District's health insurance plan at their own expense, but at the rate of current employees. District personnel were responsible for deducting the insurance premium costs from employee pay and submitting payments to the insurance carrier. Employees may enroll in the District's health insurance plan during the open enrollment period, and make changes to their coverage outside of the enrollment period for certain qualifying events such as marriage, divorce, death, or birth of a dependent. There were 3,165 employees who contributed a total of \$8.6 million and 973 retirees who contributed a total of \$4.6 million to participate in the District's health insurance plan, and the District contributed \$20.6 million toward the plan. Also, 2,350 dependents participated in the health insurance plan.

District personnel reconciled health insurance billings to current payroll records to ensure that insurance premiums and related claims payments were only for eligible employees. Also, for dependent insurance changes outside of the open enrollment period, employees provided evidence of the dependents' eligibility for the changes. However, the District did not require employees or retirees purchasing health insurance for their dependents during the open enrollment period to provide documentation, such as marriage licenses or birth certificates, evidencing the dependents' eligibility. Without verifying the eligibility of all dependents covered through the District's health insurance plan, there is an increased risk that dependents receiving insurance coverage may be ineligible participants.

Recommendation: The District should enhance its procedures to require verification of eligibility of all dependents covered by the District's health insurance plan.

Procurement

Finding No. 17: Purchasing Procedures

Board-adopted policies prohibit conflicts of interest and the District had certain procedures to reduce the risk of contractual relationships that cause conflicts of interest. For example, the Purchasing Department requires vendors and consultants to certify in writing whether conflicts of interest exist prior to entering into procurement transactions or contractual relationships. The Superintendent, Board members, Chief Financial Officer, and Director of Purchasing were required to file a statement of financial interests pursuant to Section 112.3145, Florida Statutes. However, these statements of financial interests were not provided to the Purchasing Department for review.

Subsequent to our inquiry in October 2014, Purchasing Department personnel reviewed the most recent statements of financial interests of the Superintendent, Board members, Chief Financial Officer, and Director of Purchasing and noted no apparent conflicts of interest. Providing for routine review and consideration of required statements of financial interests by the Purchasing Department would enhance the District's procurement practices and reduce the risk of questioned procurement transactions or contractual obligations.

Recommendation: The District should provide for routine review of required statements of financial interests by its Purchasing Department for consideration in making procurement decisions.

Finding No. 18: Contractual Services

The Board routinely enters into contracts for services, and internal controls have generally been designed and implemented to ensure payments are generally consistent with contract terms and conditions. For the 2013-14 fiscal year, payments for contractual services totaled \$5.8 million. To determine the propriety of payments for contractual services, we tested eight payments totaling \$443,881 and noted that controls over contracts for speech therapy services could be enhanced.

The Board approved seven contracts with a company to provide speech therapy services to students at seven schools and paid the company \$285,060 for services during the 2013-14 fiscal year. Each contract stipulated speech therapists to perform services at a rate ranging from \$65 to \$68.50 per hour to be billed on a monthly basis. Our review of one payment totaling \$17,590 and the seven related invoices for therapy services provided to seven schools during December 2013 and January 2014 disclosed that for three invoices, totaling \$8,223, neither the invoices submitted nor other District records, such as sign-in, sign-out timesheets, evidenced the specific dates and hours worked by the therapists or that District personnel with direct knowledge confirmed receipt of the services. District personnel

indicated that they were not aware they needed to maintain documentation for time worked to verify invoiced amounts prior to payment.

Without adequate procedures to confirm that services are satisfactorily received and consistent with the contract terms prior to payment, there is an increased risk of overpayment or that services may not be consistent with the Board’s intent.

Recommendation: The District should enhance its procedures to ensure satisfactory receipt of services is documented before payment is made.

Restricted Resources

Finding No. 19: Ad Valorem Tax Levy

Section 1011.71, Florida Statutes, allows the District to levy ad valorem taxes for capital outlay related purposes within specified millage rates subject to certain precedent conditions. Allowable uses of ad valorem tax levy proceeds include, among other things, funding new construction and remodeling projects; maintenance, renovation, and repair of existing schools; and enterprise resource software (ERS) applications that are used to support districtwide administration subject to certain conditions and limitations. Also, Section 1013.01(12), Florida Statutes, provides a definition of maintenance and repair that excludes groundskeeping functions. The District separately accounts for the transactions of each year’s ad valorem tax levy in the Capital Projects – Local Capital Improvement (LCI) Fund.

Our tests disclosed, for the 2013-14 fiscal year, the District reported LCI Fund expenditures and transfers to other funds totaling \$6.2 million and \$15.4 million, respectively. We tested expenditures and transfers totaling \$0.5 million and \$2.2 million, respectively for their propriety. Our review disclosed \$281,323 of LCI Fund expenditures and transfers to the General Fund for purposes that did not appear to be for authorized by Section 1011.71, Florida Statutes, as follows:

Description	Amount
<u>Expenditures:</u>	
Software (1)	\$ 236,039
<u>Transfers to the General Fund for:</u>	
Groundskeeping (2)	<u>45,284</u>
Total	<u>\$ 281,323</u>

Notes:

- (1) District records indicated that these non-ERS costs included payments for various annual licenses for Microsoft software, a software service package for SAIL High School, and internet software for telephone and security camera services. District records did not evidence that these purchases were for enterprise resource software applications classified as capital assets having a useful life of at least five years and used to support district-wide administration or State-mandated reporting requirements. Therefore, these costs do not appear to represent allowable uses of ad valorem tax levy proceeds.
- (2) These costs were for pest control services, including termite treatments (\$19,320) at all sites, monthly pest control services (\$24,024) at all sites, and animal trappings (\$1,940) at various schools, which are unallowable uses of ad valorem tax levy proceeds. District personnel indicated that, because insects and pests can deteriorate buildings and equipment, the pest control services qualified as preventative maintenance activities. However, the other school districts cited for using ad valorem tax levy proceeds for pest control services have been required by the FDOE to restore these proceeds as such services were considered groundskeeping functions.

These costs represent questioned costs of ad valorem tax levy proceeds. Without adequate controls to ensure that ad valorem tax levy are expended for authorized purposes, the risk is increased that the District will violate applicable expenditure restrictions.

Recommendation: The District should enhance its procedures to ensure that ad valorem tax levy proceeds are expended only for authorized purposes. The District should also document to the FDOE the allowability of the \$281,323 of questioned costs or restore this amount to the LCI Fund.

Finding No. 20: Purchasing Card Rebates

The District maintains a purchasing card (P-card) program, provided through a financial institution, as an available procurement option for its purchasing payment processes. As an incentive, the District receives annual rebates from the financial institution, with the amounts determined based on the dollar amount of P-card purchases during annual periods. During the 2013 calendar year, the District had P-card purchases totaling \$10,441,987 resulting in receipt as of February 2014 of \$167,071 of rebates.

The \$167,071 in rebates received by the District included \$74,000 and \$30,000 that were generated by purchases using restricted Federal, State, and local moneys in the special revenue and capital projects funds, respectively. However, the rebates were not allocated to the Federal awards or capital projects funds from which the purchases were made but were recognized as revenue in the General Fund for general operating purposes.

District personnel indicated that they were unaware that the rebates should be accounted for in the specific fund type that generated the rebate, but would account for future rebates appropriately. As certain Federal, State, and local resources may be restricted by law, rebates generated by expenditures of those funds may be subject to the same restrictions. Without procedures to allocate rebates to the appropriate funding source, there is an increased risk that rebates generated by restricted sources may be used for purposes inconsistent with the restrictions on these resources.

Recommendation: The District should consult with the appropriate Federal cognizant agency and the FDOE for resolution on the use and allocation of rebates received on P-card purchases.

Capital Assets

Finding No. 21: Tangible Personal Property

Chapter 274, Florida Statutes, and Department of Financial Services (DFS) Rule 69I-73, FAC, require that the District maintain adequate records of tangible personal property (TPP) and that the property be inventoried annually, compared to the personal property records, and all discrepancies reconciled. Any such property items as defined by DFS Rule 69I-73, FAC, found during the inventory must be included in the inventory records, and such items not located must be promptly reported to the property custodian to cause a thorough investigation to be made. In addition, based on the results of the investigation, the District is required to file a report with the appropriate law enforcement agency of items not located.

Board policy requires that an inventory of all school and department cost centers be conducted annually by June 30th, that all discrepancies (e.g., missing items) be reported to the Property Management Department by July 31st, and that cost centers whose inventory discrepancies exceed one percent of their dollar value inventory are required to write a letter of explanation to the Superintendent detailing the reasons for the discrepancies and a corrective action plan.

The District reported approximately \$82.8 million in TPP including furniture, fixtures, and equipment, and motor vehicles at June 30, 2014. While the District had performed annual physical inventories at 108 of its 117 cost centers during the 2013-14 fiscal year, annual physical inventories had not been conducted as of September 25, 2014, at 9 cost centers, including 2 elementary schools, a media services site, and 6 administrative sites, with TPP costs totaling \$2.5 million. In response to our inquiry, District personnel conducted annual inventories as of October 10, 2014 at the remaining 9 cost centers and reported the results to the Property Management Department.

On July 10, 2013, the Assistant Principal at Lively Technical Institute certified that a complete inventory had been conducted at Lively Technical Institute for the 2012-13 fiscal year and that all inventory items had been accounted for. During the initial 2013-14 fiscal year physical inventory count conducted at Lively Technical Center in June 2014, 267 items were identified as missing, as certified by the Assistant Principal on July 31, 2014. At June 30, 2014, the District reported TPP at Lively Technical Center with an original cost of \$3.6 million. In response to our inquiry, District personnel indicated that an investigation was conducted and some of the missing items were subsequently located; however, as of October 2, 2014, 95 items with a total cost of \$170,000 had not been located and primarily included items such as computers, monitors, and projectors. The District has a procedure for reporting missing items to law enforcement if there is evidence of forced entry; however, none of the 95 missing items had been reported to law enforcement as of October 10, 2014.

Annual reconciliations of TPP records to physical inventories, with discrepancies thoroughly investigated and resolved, and reports of missing property promptly filed with the Board and law enforcement agencies, decrease the risk of TPP losses.

Recommendation: The District should strengthen procedures to provide for complete physical inventories each year and appropriate follow-up for items not located during annual physical inventories. After a thorough investigation, District personnel should timely report items not located to the appropriate law enforcement agency and to the Board for appropriate disposition.

Finding No. 22: Motor Vehicles

During the 2013-14 fiscal year, the District maintained 201 motor vehicles, excluding school buses, for use by employees while conducting official business, of which 35 vehicles were specifically assigned to 36 employees as noted in Finding No. 14. Vehicle usage logs are important to identify the individual, location, time, mileage driven, and official purpose of usage. District personnel advised us that vehicle usage logs were not required to be maintained to document usage of Board-owned vehicles. However, in response to our inquiry, we were provided, for the 2013-14 fiscal year, vehicle usage logs maintained for 11 vehicles used by driver's education instructors and logs maintained for 6 vehicles used by other District employees. Our review of the vehicle usage logs provided for the 17 vehicles disclosed that logs for 2 vehicles did not provide daily mileage readings, the specific purpose of the vehicle use, and the dates the vehicle was used. In addition, all 17 logs lacked evidence of supervisory review.

When vehicle usage logs with complete information, including evidence of supervisory review, are not maintained, there is an increased risk that Board-owned vehicles may be used for unauthorized purposes.

Recommendation: The District should enhance its procedures to ensure that vehicle usage logs for Board-owned vehicles, other than school buses, are properly maintained and reviewed.

Virtual Instruction Program

Finding No. 23: Virtual Instruction Program Policies and Procedures

Pursuant to Section 1001.41(3), Florida Statutes, school districts are responsible for prescribing and adopting standards and policies to provide each student the opportunity to receive a complete education. Educational methods to implement such standards and policies may include the delivery of learning courses through traditional school settings, blended courses consisting of both traditional classroom and online instructional techniques, participation in a virtual instruction program (VIP), or other methods. Section 1002.45, Florida Statutes, establishes VIP requirements and requires school districts to include mandatory provisions in VIP provider contracts; make available optional types of virtual instruction; provide timely written parental notification of VIP options; ensure the eligibility of students participating in VIPs; and provide computer equipment, Internet access, and instructional materials to eligible students.

During the 2013-14 fiscal year, District records indicated enrollment of 358 part-time and 51 full-time VIP students. The District had written procedures addressing student eligibility, student progression requirements, attendance, mandated testing, and other VIP procedures. However, written policies and procedures could be expanded to include more detailed instructions for staff charged with administering VIPs, as well as procedures for other VIP statutory requirements, such as provider contract mandatory provisions, timely written parental notifications of VIP options, and required background screenings for provider employees and contracted personnel.

Comprehensive, written policies and procedures would promote compliance with the VIP statutory requirements and evidence management's expectations of key personnel and communicate management's commitment to, and support of, effective controls. Further, the absence of comprehensive, written VIP policies and procedures may have contributed to the instances of District noncompliance and control deficiencies identified in Finding Nos. 24 through 26. A similar finding was noted in our report No. 2013-094.

Recommendation: **The District should develop and maintain comprehensive, written VIP policies and procedures to enhance the effectiveness of its VIP operations and related activities.**

Finding No. 24: Provider Contracts

Section 1002.45(4), Florida Statutes, requires that each contract with a FDOE-approved VIP provider contain certain provisions. For example, approved provider contracts must specify that the provider is responsible for all debts of the VIP if the contract is not renewed or is terminated, specify the authorized reasons for contract termination, specify a method for resolving conflicts among the parties, and require the provider to comply with all requirements of Section 1002.45, Florida Statutes.

The District contracted with an FDOE-approved VIP provider. Our review of the contract disclosed that the contract included the provisions required by Section 1002.45, Florida Statutes; however, we noted the following:

- The contract did not provide for the District to monitor the provider's compliance with contract terms. Without such a provision, District personnel may be limited in their ability to perform such monitoring. Such monitoring could include confirmation or verification that the VIP provider protected the confidentiality of student records and supplied students with necessary instructional materials.
- The contract included no provisions for data quality requirements. The provider maintains significant amounts of education data used to support the administration of the VIP and to meet District reporting

needs to ensure compliance with State funding, information, and accountability requirements as set forth in State law. Accordingly, it is essential that accurate and complete data maintained by the provider on behalf of District be available in a timely manner. The inclusion of data quality requirements in contracts would help ensure that District expectations for the timeliness, accuracy, and completeness of education data are clearly communicated to providers.

A similar finding was noted in our report No. 2013-094.

Recommendation: The District should ensure that necessary provisions are included in contracts with all FDOE-approved VIP providers.

Finding No. 25: Written Parental Notifications

Section 1002.45(10), Florida Statutes, requires that each school district provide information to parents and students about their right to participate in a VIP. Further, Section 1002.45(1)(b), Florida Statutes, requires all school districts to provide parents with timely written notification of the open enrollment periods for VIPs.

For the 2013-14 school year, District personnel indicated that various communication methods were used to provide information about the District's VIP options and associated enrollment periods to parents and students. Such communications included the District's Web site, sending electronic mailing lists, and flyers posted and brochures made available and distributed in school guidance offices. While these methods indicate efforts by District personnel to communicate with parents and students about the VIP, District records did not evidence that written notifications were provided directly to parents of students regarding the VIP and associated open enrollment periods.

Absent timely, written notifications provided directly to parents, some parents may not be informed of available VIP options and associated open enrollment period dates, potentially limiting student access to virtual instruction types. A similar finding was noted in our report No. 2013-094.

Recommendation: The District should enhance its procedures to ensure that records are maintained evidencing timely, written notifications to parents about student opportunities to participate in the District's VIP and open enrollment period dates.

Finding No. 26: Provider Background Screenings

Section 1002.45(2)(a)3., Florida Statutes, requires VIP providers to conduct background screenings for all employees or contracted personnel as a VIP provider in the State. The District did not initially request or obtain evidence of background screenings for employees and contracted personnel from one of its VIP providers. Subsequent to our inquiry, District personnel obtained evidence of background screenings and noted no inappropriate backgrounds.

Without effective controls to ensure that background screenings of VIP provider employees and contracted personnel are performed, there is an increased risk that these individuals may have backgrounds that are inappropriate for interacting with students and accessing confidential or sensitive District data and information technology resources. A similar finding was noted in our report No. 2013-094.

Recommendation: The District should ensure that required background screenings are performed timely for all VIP provider employees and contracted personnel.

Information Technology

Finding No. 27: Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls include granting employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions outside of their areas of responsibility.

The District implemented a new administrative software suite, including finance and human resources (HR) applications, on January 1, 2012. Our review of selected access privileges to the finance and HR applications disclosed some access privileges that permitted employees to perform incompatible functions or that were unnecessary. Specifically:

- The Systems Programmer, Systems Program Manager, three Computer Systems Analysts, Instructional Information Systems Specialist, and Supervisor and Project Manager 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. In response to our inquiry, District management indicated that systemwide access was assigned to facilitate the implementation of the District's new administrative software suite and the ongoing monitoring and change efforts needed during the implementation. Subsequent to our inquiry, District management removed systemwide access from the three Computer Systems Analysts and the Supervisor and Project Manager described above. Nevertheless, complete update access privileges to the applications were not necessary for these seven employees' day-to-day responsibilities and were contrary to an appropriate separation of duties.
- Bookkeepers at individual school sites had the ability to update the pay rate for hourly employees within the HR application which was unnecessary for their assigned responsibilities. In response to our inquiry, District management indicated that the bookkeepers updated employee hours on the HR application's Payroll Worksheet screen; however, because both the pay rate and hours fields were entered on this screen, the ability to update one field enabled the ability to update the other field as well. District management further indicated that they requested in August 2014, for the application vendor to assist in providing a solution for restricting access to the pay rate field. As a compensating control, District management stated that the District's Payroll Department monitored pay rates for hourly employees and no discrepancies were noted during the year; however, the District had not documented this review from July 2013 through March 2014. Beginning in April 2014, District personnel began running a system generated report to identify any discrepancies in the pay rate before each payroll run. A similar finding was noted in the District's 2012-13 fiscal year financial audit.

Although the District had certain controls in place (e.g., supervisory monitoring of employee activities and expenditure monitoring) that compensated, in part, for the above deficiencies, the existence of these inappropriate or unnecessary access privileges increases the risk of unauthorized disclosure, modification, or destruction of District data and IT resources.

Recommendation: The District should remove systemwide access to ensure that access privileges assigned are necessary and enforce an appropriate separation of duties. In addition, until the ability to update pay rate can be restricted from school bookkeepers, the District should continue to monitor reports for unauthorized changes.

Finding No. 28: Security Controls - User Authentication and Logging and Monitoring of System Activity

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain District security controls related to user authentication and logging and monitoring of system activity needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls related to user authentication and logging and monitoring of system activity, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. A similar finding related to user authentication was communicated to District management in connection with our report Nos. 2009-189 and 2012-136.

Recommendation: The District should improve IT security controls related to user authentication and logging and monitoring of system activity to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in previous audit reports, except as shown in the following table:

Current Fiscal Year	2012-13 Fiscal Year Audit Report and Finding Numbers	2011-12 Fiscal Year Audit Report and Finding Numbers	2010-11 Fiscal Year Audit Report and Finding Numbers	2007-08 Fiscal Year Audit Report and Finding Numbers
4	CPA Firm, Finding No. 13-05	NA	Audit Report No. 2012-136, Finding No. 6	NA
11	NA	NA	Audit Report No. 2012-136, Finding No. 7	NA
13	NA	NA	Audit Report No. 2012-136, Finding No. 4	NA
23	NA	Audit Report No. 2013-094, Finding No. 3 (Statewide VIP Audit)	NA	NA
24	NA	Audit Report No. 2013-094, Finding No. 4 (Statewide VIP Audit)	NA	NA
25	NA	Audit Report No. 2013-094, Finding No. 6 (Statewide VIP Audit)	NA	NA
26	NA	Audit Report No. 2013-094, Finding No. 7 (Statewide VIP Audit)	NA	NA
28	NA	NA	Audit Report No. 2012-136, Finding No. 11	Audit Report No. 2009-189 Finding No. 8

NA – Not Applicable (Note: Above chart limits recurring findings to two previous financial or operational audit reports.)

RELATED INFORMATION

The Custodian of Records for the District was subpoenaed and testified on December 2, 2014, before the Grand Jury for the United States District Court, Northern District of Florida, and produced numerous records pertaining to construction projects at 17 different schools for the period January 1, 2007, to December 31, 2013. The scope and extent of the Grand Jury investigation has not been publicly disclosed. The Board hired a law firm to conduct an investigation into alleged construction improprieties and, on November 10, 2014, the firm released a preliminary report to the Board, disclosing that no evidence was identified that construction contracts were selected or assigned

with criminal or fraudulent intent. In addition, the District hired a CPA firm, which is conducting internal audit procedures at Lively Technical Center.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from February 2014 to November 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and the safeguarding of assets.
- Determine whether management had taken corrective actions for findings included in previous audit reports.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, weaknesses in management's internal controls, instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

For those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

The scope and methodology of this operational audit are described in Exhibit A. Our audit included the selection and examination of records and transactions occurring during the 2013-14 fiscal year and selected actions taken prior thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of District management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA
Auditor General

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit B.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Information technology (IT) policies and procedures.	Reviewed the District’s written policies and procedures to determine whether they addressed certain important IT control functions.
IT access privileges and separation of duties.	Reviewed procedures for maintaining and reviewing access to IT resources. Tested selected access privileges to the finance and human resources applications to determine the appropriateness and necessity based on the employees’ assigned job responsibilities and adequacy with regard to preventing the performance of incompatible duties.
Deactivation of employee IT access.	Reviewed procedures that prohibited former employees’ access to electronic data files. Tested the access privileges of former employees to determine whether the access privileges had been timely deactivated.
IT authentication controls.	Reviewed supporting documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
IT risk assessment.	Reviewed the District’s risk assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
IT audit logging and monitoring controls.	Reviewed procedures and reports related to the capture and review of system activity that were designed to ensure the appropriateness of access to and modification of sensitive or critical resources.
Financial condition.	Applied analytical procedures to determine whether the percent of the General Fund total unassigned and assigned fund balances at June 30, 2014, to the fund’s revenues was less than the percents specified in Section 1011.051, Florida Statutes. Analytical procedures were also applied to determine the reasonableness and ability of the District to make its future debt service payments.
Earmarked capital project resources.	Determined, on a test basis, whether nonvoted capital outlay tax levy proceeds and other restricted capital project funds were expended in compliance with the restrictions imposed on the use of these resources.
Restrictions on use of Workforce Development funds.	Determined whether the District used funds for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs).
Adult general education program enrollment reporting.	Tested a representative sample of 30 students from the population of students in adult general education classes to determine whether the District reported instructional contact hours in accordance with Florida Department of Education (FDOE) requirements.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Transparency.	Determined whether the District Web site included the proposed, tentative, and official budgets pursuant to Section 1011.035(2), Florida Statutes.
Budgets.	Determined whether District procedures for preparing the budget were sufficient to ensure that all potential expenditures were budgeted.
Inventories.	Reviewed the District’s controls over safeguarding transportation parts inventories.
Investments.	Determined whether the Board established investment policies and procedures as required by Section 218.415, Florida Statutes, and whether investments during the fiscal year were in accordance with those policies and procedures.
School internal funds audits.	Determined whether the required school internal fund audits were performed and obtained timely by the District.
Annual physical inventory of tangible personal property.	Reviewed rules and procedures related to performing annual inventory counts of property. Examined supporting documentation of the District’s annual physical inventory property and evidence that results of the inventory were reconciled to the property records and adequate follow up for missing property.
Motor vehicle utilization.	Tested vehicle logs for completeness and supervisory review. Also, determined whether the District had procedures for determining and reporting the taxable value for employees’ use of Board-owned motor vehicles to the Internal Revenue Service.
Bonuses.	Determined whether employee bonuses were paid in accordance with Section 215.425(3), Florida Statutes.
Background screenings.	Determined, on a test basis, whether personnel who had direct contact with students had been subjected to required fingerprinting and background checks.
Bus drivers.	Determined whether District procedures were adequate to ensure that bus drivers were properly licensed and monitored.
Eligibility for health insurance benefits.	Reviewed District policies and procedures to ensure health insurance was provided only to eligible employees, retirees, and dependents and that such insurance was timely cancelled upon employee termination. Also, determined whether the District had procedures for reconciling health insurance costs to employee, retiree and Board-approved contributions.
Employee payments.	Tested employee payments, other than travel and payroll payments, to determine whether such payments were reasonable, adequately supported, and for valid District purposes. Also, determined whether such payments were not contrary to Section 112.313, Florida Statutes.

**EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Purchase of software applications.	Determined whether the District evaluated the effectiveness and suitability of the software application prior to purchase and if the purchase was performed through the competitive vendor selection process. Also, determined if the deliverables met the terms and conditions of the contract.
Construction processes.	Examined records and evaluated construction planning processes to determine whether processes were comprehensive, including consideration of restricted resources and other alternatives to ensure the most economical and effective approach, and met District short-term and long-term needs.
Construction administration.	For selected major construction projects, determined whether contractors were awarded construction projects in accordance with applicable laws and rules, and tested payments and supporting documentation to determine compliance with District policies and procedures and provisions of law and rules. Also, for construction management contracts, determined whether the District monitored the selection process of subcontractors by the construction manager.
Monitoring progress of construction projects.	Tested selected construction project records to determine whether projects progressed as planned and were cost-effective and consistent with established benchmarks, and whether contractors performed as expected.
Selection process and insurance for architects and engineers.	For selected major construction projects determined whether architects and engineers engaged during the audit period were properly selected and, where applicable, had evidence of required insurance.
Facilities management.	Determined whether the District developed written policies and procedures requiring periodic evaluations of alternative construction methods, techniques for performing significant maintenance-related jobs, and documented these evaluations. Also, determined whether the District developed additional goals and objectives for the construction and facilities, and maintenance, departments to identify efficiency or cost-effectiveness outcomes for department personnel.
Purchasing card transactions.	Tested transactions to determine whether purchasing cards were administered in accordance with District policies and procedures. Also, tested former employees to determine whether purchasing cards were timely canceled upon termination of employment.
Rebate revenue.	Determined whether rebate revenue received from the purchasing card program was allocated to the appropriate District funds.

**EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Consultant contracts.	Tested selected consultant contracts to determine compliance with competitive selection requirements, whether the District contracted with its employees for services provided beyond that provided in the salary contract contrary to Section 112.313, Florida Statutes, and whether the contract clearly specified deliverables, time frames, documentation requirements, and compensation. Also tested selected payments for proper support and compliance with contract terms.
Auditor selection.	Determined whether the District established an audit committee and followed prescribed procedures to contract for audit services pursuant to Section 218.391, Florida Statutes.
Related-party transactions.	Reviewed District policies and procedures related to identifying potential conflicts of interest. For selected District employees, reviewed Department of State, Division of Corporation, records; statements of financial interest; and District records to identify any potential relationships that represent a conflict of interest with vendors used by the District.
Dual enrollment programs.	Reviewed adequacy of District policies and procedures for dual enrollment programs. Determined, on a test basis, whether payments made for dual enrolled students were consistent with the applicable dual enrollment agreement and Section 1007.271, Florida Statutes.
Electronic funds transfers and payments.	Reviewed District policies and procedures relating to electronic funds transfers and vendor payments. Tested supporting documentation to determine whether selected electronic funds transfers and payments were properly authorized and supported, and complied with State Board of Education (SBE) Rule 6A-1.0012, Florida Administrative Code (FAC).
Commercial insurance purchases.	Determined whether District records evidenced the basis upon which the District decided that the methods selected for acquiring commercial insurance was the most advantageous for the District.
Charter school fiscal viability.	Determine whether the District evaluated the charter school application for the fiscal viability of the charter school and the competency of the staff responsible for operating the charter school before the charter was granted using the FDOE evaluation instrument required by Section 1002.33(6)(b), Florida Statutes, and SBE Rule 6A-6.0786, FAC.
Charter school audits.	Reviewed the audit reports for District sponsored charter schools to determine whether the required audit was performed.
Charter school termination.	For charter school charters that were not renewed or were terminated, reviewed District procedures to determine whether applicable funds and property appropriately reverted to the District, and that the District did not assume debts of the school, except as previously agreed upon by the District.

**EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Charter school expedited review.	Reviewed District procedures to determine whether they were sufficient and appropriate to determine whether its charter schools were required to be subjected to an expedited review pursuant to Section 1002.345, Florida Statutes. For schools and centers subjected to an expedited review, examined records to determine whether the District timely notified the applicable governing board pursuant to Section 1002.345(1)(b), Florida Statutes, and whether the District, along with the governing board, timely developed and filed a corrective action plan with FDOE pursuant to Section 1002.345(1)(c), Florida Statutes.
Charter school employee training.	Determined whether the District properly monitored the new charter schools to evaluate whether charter school employees received the appropriate training, pursuant to Section 1002.33(6)(f), Florida Statutes.
Charter school background screenings.	Determined whether the District verified that new charter schools subjected its employees and contractors to background screenings pursuant to Section 1002.33(12)(g)1., Florida Statutes.
Virtual instruction program (VIP) policies and procedures.	Determined whether the District had written VIP policies and procedures addressing certain important VIP functions.
VIP parent notification.	Reviewed District records to determine whether the District provided parents and students with information about their rights to participate in VIPs as well as timely written notification of VIP enrollment periods.
VIP background screenings.	For FDOE-approved VIP providers for which the District contracted, verified whether the District obtained a list of provider employees and contracted personnel, who could have direct contact with students, for whom background screenings were completed in accordance with Section 1012.32, Florida Statutes.
VIP FDOE-approved contract provisions.	For District-contracted FDOE-approved VIP providers, determined whether contracts with the providers contained provisions required by State law, including: (1) a detailed curriculum plan; (2) a method for satisfying graduation requirements; (3) a method for resolving conflicts; (4) authorized reasons for contract terminations; (5) a requirement that the provider be responsible for all debts of the VIP should the contract be terminated or not renewed; and (6) a requirement that the provider comply with Section 1002.45, Florida Statutes. Also, reviewed contracts to determine whether provisions were included to address compliance with contract terms, the confidentiality of student records, monitoring of the providers' quality of virtual instruction, data quality, and the availability of provider accounts and records for review and audit by the school districts and other external parties.

**EXHIBIT B
MANAGEMENT'S RESPONSE**

BOARD CHAIR
Maggie B. Lewis-Butler



BOARD MEMBERS
Georgia "Joy" Bowen
Dee Crumpler
Alva Swafford Striplin

BOARD VICE CHAIR
DeeDee Rasmussen

SUPERINTENDENT
Jackie Pons

December 19, 2014

Mr. David W. Martin, CPA
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

Enclosed is the written response to the findings and recommendations included in the Preliminary and Tentative Operational Audit Report of the Leon County District School Board for the fiscal year ended June 30, 2014.

We would like to thank you for this opportunity to respond to each of the findings listed in the report. The District's response identifies the corrective actions that will be implemented with corresponding timeframes for implementation. We intend to fully implement appropriate corrective actions to address all findings.

It was a pleasure working with your staff and we appreciate the courtesy and professionalism displayed throughout the audit process. If you have questions or require additional information, please feel free to contact us.

Sincerely,

Jackie Pons
Superintendent

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"The Leon County School District does not discriminate against any person on the basis of gender, marital status, sexual orientation, race, religion, national origin, age, color or disability."

Building the Future Together

**EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE**

**Leon County District School Board
Operational Audit for FYE 6/30/2014
Audit Responses**

Finding No. 1: Anti-Fraud Policy

Response:

The Board will enhance its fraud polices to identify the consequences of fraudulent behavior and allow individuals to anonymously report policy violations and known or suspected fraud.

Additional Comments:

None.

Finding No. 2: Budget Transparency

Response:

The District will ensure that proposed, tentative, and official budgets are timely and prominently posted on its Web site.

Additional Comments:

The omission of a prominent posting of the 2013-14 budget on the District's Web site was an oversight. However, we would like to note that the budget was available during this time through BoardDocs. BoardDocs is the electronic avenue utilized to post all school board materials and is accessible to the public via the District Web site.

Finding No. 3: Electronic Funds Transfers

Response:

The Board will revise its EFT policy to prescribe the accounting and control procedures for EFTs, including the use of electronic signatures.

Additional Comments:

The District's routine way of work included multiple controls over the EFT process. The controls included multiple verification methods which involved several District finance staff and bank employees. Written correspondence, telephone conversation, passwords and fobs are among the controls currently used to govern the EFT process. The exact steps and controls will be defined in District policies and procedures.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 4: Selection of Construction Management Entity (CME)

Response:

The District will ensure that CMEs are ranked and competitively selected using the process prescribed by Section 287.055, Florida Statutes.

Additional Comments:

The District is currently developing multiple procedures and policy amendments to ensure compliance with Florida Statute 287.055. These policies and procedures will include a requirement to evaluate construction methodology. When determining the most appropriate type of construction methodology, the policy will require the consideration of the complexity of project, type of project, and expected duration of the project. Additionally, there will be a requirement for post-project evaluations that will be used in future project assignments.

Finding No. 5: General Conditions Costs

Response:

The District will establish written policies and procedures addressing negotiation and monitoring of general conditions costs.

Additional Comments:

Several months ago, the District implemented changes to the construction manager contract that limited the percent paid at progression points. We have been in the process of reviewing other government entity contracts to develop policy updates including expressly defining what is acceptable as general conditions, profit and overhead. The Department of Management Services has developed a fee curve based on project complexity and size that serves as the model for our contract revision and policy amendment.

All three projects (Kate Sullivan, Gilchrist and Killlearn Lakes Elementary Schools) that were higher than the state average were new additions and included items that may be more expensive but are a better investment of resources. Each room is equipped with wireless technology infrastructure and classroom equipment like Smart Boards for instructional advantages. 25-year roof shingles are used to lower long-term maintenance costs. Upgraded chillers and boilers are used for energy efficiency and lower long-term maintenance. An all brick exterior is used for energy efficiency, lower long-term maintenance and to match the aesthetics of the neighborhood and the other school buildings. At Kate Sullivan Elementary costs were higher due to the requirement of an underground storage tank that had to be added unexpectedly to meet storm water and neighborhood requirements and additional parking.

In the future, in order to better monitor the cost of construction and maximize resources the District is taking the following steps:

- Updating the educational specifications provided for projects to ensure the best quality is provided for the investment;

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

- Developing a process for comparing construction methodologies and the costs associated with each on an annual basis;
- Managing the scope of work and general conditions of each contract more rigorously;
- Conducting thorough cost-benefit analysis on exceptions; and
- Investing more resources in long-term facility planning and needs assessment.

Finding No. 6: Subcontractor Selection

Response:

The District will enhance its monitoring procedures to ensure that subcontractors are competitively selected.

Additional Comments:

The District utilized the Construction Manager at Risk approach for these projects and entered into a contract with the CME. Utilizing this approach, the CME is legally and financially responsible for the performance of the subcontractors on the project. Under the contract, the CME is charged with the responsibility of bidding, selecting and contracting with the subcontractors. The bidding process includes monitoring and awarding of bids. The District deemed the monitoring of subcontractors to be the responsibility of the CME, as outlined in the contract.

However, in an effort to promote transparency and ensure the viability of the process, Leon County Schools (LCS) staff were present during each bid opening. Based on the content of this finding, the District will add additional language to future contracts and enhance our policy to strengthen this process.

Finding No. 7: Verification of Subcontractor Licensure Status

Response:

The District will enhance its procedures to monitor verification of subcontractors' licensure status prior to commencement of work on projects.

Additional Comments:

The District utilized the Construction Manager at Risk approach for these projects and entered into a contract with the CME. Utilizing this approach, the CME is legally and financially responsible for the performance of the subcontractors on the project. Under the contract, the CME is charged with the responsibility of bidding, selecting and contracting with the subcontractors. These responsibilities would include ensuring that subcontractors have the required insurance, license, and bonds. In accordance with contract guidelines, District staff deemed the functions to be the responsibility of the CME.

The District's role in the process was the verification of licensure status for subcontractors on the permit application submitted to the LCS Code Enforcement Department. The verification was completed by cross referencing the information on the application using the Department of Business and Professional

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Regulation licensure database. In the future, the District will develop a procedure for documenting the verification procedures.

Finding No. 8: Monitoring Payment Requests

Response:

The District will enhance procedures for monitoring payment requests to require a documented comparison of cost items per CME payment requests to supporting documentation.

Additional Comments:

The architects are responsible for contract administration duties as delineated in their contracts with LCS. These duties include certifying the work performed by the CME and subcontractors related to each pay application before it is delivered to LCS. In accordance with contract guidelines, District staff deemed these functions to be the responsibility of the CME.

As noted in the finding, District staff reviewed and compared lines on the schedule of values against the pay applications. District staff verified mathematical accuracy of the request and verified prior payments were properly accumulated on payment requests. In the future, the District will add additional language to future contracts and enhance our policy to strengthen this process

Finding No. 9: Selection of Architects

Response:

The District will ensure that architects are ranked and competitively selected using the process prescribed by Section 287.055, Florida Statutes.

Additional Comments:

None.

Finding No. 10: Design Professionals – Liability Insurance

Response:

The Board will adopt a policy establishing liability insurance requirements for architects and engineers.

Additional Comments:

The District currently includes insurance requirements for professional services in each contract. The District's policy will be enhanced to reflect adherence with insurance requirements set forth in the Department of Management Services established guidelines.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 11: Facilities Management

Response:

The District will continue its efforts to develop written policies and procedures requiring periodic evaluation of alternative facilities construction methods and significant maintenance-related job techniques, and document these evaluations. Further, the District will continue its efforts to develop additional goals and objectives for construction and facilities department personnel to identify cost-effectiveness or efficiency outcomes for these personnel.

Additional Comments:

In 2013, the LCS maintenance department produced a manual providing guidelines for maintenance activities including establishing additional goals and accountability objectives. In 2014, the construction department began developing a construction and facilities manual. LCS staff members are gathering content for the construction and facilities manual by evaluating OPPAGA best practices, comparing other school districts operating procedures to those utilized in LCS, and reviewing District policies and procedures.

A draft is currently available and will be finalized upon final adoption of policies referenced throughout the manual.

Finding No. 12: Promotions

Response:

The District will enhance its procedures to ensure that the basis for promotion is consistent with Board-prescribed minimum job qualifications.

Additional Comments:

The Leon County School Board established a policy that allows for the substitution of years of experience for educational attainment as appropriate. Years of experience were used, in lieu of educational attainment, to promote the two District employees referenced in this finding. District management believed that Board policy provided the discretion to promote these employees using this criterion.

District management acknowledges the Auditor General's position that the Board should be made aware of substitutions. District policy will be amended to provide a guideline for substituting experience for education and for notifying the Board when this occurs.

Finding No. 13: Compensation and Salary Schedules

Response:

The Board will establish a documented process for identifying instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b, Florida Statutes.

**EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE**

Additional Comments:

The Leon County School Board is committed to using the collective bargaining process to mutually develop a salary schedule and contract terms to provide for certain types of differentiated pay that are required by State statute.

Finding No. 14: Personal Use of Board-Owned Motor Vehicles

Response:

The District will enhance its procedures to ensure proper reporting of the taxable value for employee's personal use of Board-owned vehicles in accordance with United States Treasury Regulations and the Internal Revenue Code.

Additional Comments:

The District's procedure will provide guidelines for vehicle assignment and compliance with Internal Revenue Service rules. The guidelines will outline requirements for licensure, care and maintenance, business usage, usage logs, equipment and technology usage and seat belts usage, as well as prohibitions related to tobacco, alcohol, drugs, weapons and other contraband.

Finding No. 15: Bus Drivers

Response:

The District will enhance its procedures to ensure school bus drivers are appropriately licensed to drive buses.

Additional Comments:

The District recognizes and acknowledges the need for a thorough and complete review of bus driver history records as required by Statute. In the future, LCS will continue the weekly download of drivers' license history. Additionally, manual checking and review of the driver's history and license status will be increased to three times a year. All drivers will be required to immediately report to their Lead Worker any issues that would change their driving status. Further, the Transportation Department has established a new process that requires the comparison of the drivers' license downloads to the employee list to ensure that history records for all employees are reviewed in accordance with Statute. These actions will be fully documented by the Department.

Finding No. 16: Health Insurance Plan – Participant Eligibility

Response:

The District will enhance its procedures to verify the eligibility of all dependents covered by the District's health insurance plan.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Additional Comments:

None.

Finding No. 17: Purchasing Procedures**Response:**

The District will provide for routine review of required statements of financial interest by its Purchasing Department for consideration in making procurement decisions.

Additional Comments:

None.

Finding No. 18: Contractual Services**Response:**

The District will enhance its procedures to ensure satisfactory receipt of services is documented before payment is made.

Additional Comments:

The District will require that the provider completes a log at each site documenting the student contact hours and the work performed. The site administrator will review and verify accuracy of the logs. The log will be used to evidence receipt of services prior to payment of invoices.

Finding No. 19: Ad Valorem Tax Levy**Response:**

The District will enhance its procedures to ensure that ad valorem tax levy proceeds are expended only for authorized purposes. The District will also restore \$281,323 of questionable costs to the LCI Fund.

Additional Comments:

The District has restored the LCI Fund in the amount of \$281,323 using the General Fund. Of the two expenditures noted, the District deemed the second expenditure in the amount of \$45,284 to be an allowable expense because it was classified by the District as preventative maintenance. The District viewed pest control as preventative maintenance. However, the finding clarified that this is considered a grounds-keeping function.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 20: Purchasing Card Rebates

Response:

The District will evaluate multiple alternatives and implement the process that is determined to be most feasible in an effort to comply with this finding.

Additional Comments:

The district is concerned with the administrative requirements of tracing which purchases were made by the individual restricted fund sources and then, at the time the rebate is issued, allocating the respective percent of the rebate back to the appropriate restricted fund. For this reason, the district is considering the following options:

- a. discontinuing the use of purchasing cards by the restricted fund cost centers;
- b. issuing purchasing cards that are specific to the funding source so that they can be tracked; or
- c. assigning a purchasing card to the restricted fund cost centers that does not include a rebate program.

Staff is currently reviewing each option to determine the best means to comply with this audit finding.

Finding No. 21: Tangible Personal Property

Response:

The District will strengthen procedures to provide for complete physical inventories each year and appropriate follow up for items not located during annual physical inventories.

Additional Comments:

None.

Finding No. 22: Motor Vehicles

Response:

The District will enhance its procedures to ensure that vehicle usage logs for Board-owned vehicles are properly maintained and reviewed.

Additional Comments:

None.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 23: Virtual Instruction Program Policies and Procedures

Response:

The District will develop and maintain comprehensive, written VIP policies and procedures to enhance the effectiveness of its VIP operations and related activities, including contracts, parent notifications and background screening.

Additional Comments:

None.

Finding No. 24: Provider Contracts

Response:

The District will ensure that necessary provisions are included in contracts with all FDOE-approved VIP providers.

Additional Comments:

The District included all statutory mandated provisions in contracts with all FDOE-approved VIP providers. These recommended revisions will be included in all future contracts.

Finding No. 25: Written Parental Notifications

Response:

The District will maintain evidence of timely written notifications to parents about student opportunities to participate in the District's VIP and open enrollment period dates.

Additional Comments:

None.

Finding No. 26: Provider Background Screenings

Response:

District personnel will ensure that required background screenings are performed timely for all VIP provider employees and contracted personnel.

Additional Comments:

None.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 27: Access Privileges

Response:

The District will ensure that access privileges assigned to employees are necessary, enforce an appropriate separation of duties and monitor reports for unauthorized pay rate changes until system updates are completed.

Additional Comments:

Access Privileges

The District has now restricted system-wide access to just one staff member. In the case where this staff member is unavailable for any reason (travel, sickness, etc.) and system-wide access is needed by one of our other staff members, we will have our Active Directory administrators reset staff member's password so that their credentials can be temporarily used to respond to the emergency issue at hand. Once the issue is resolved, we will have our Active Directory administrators change the password again so that only the original staff member has system-wide access again.

Unauthorized Pay Rate Changes

The District made a request to Skyward in August 2014 to remove the capability for bookkeepers at individual school sites to change the pay rate for hourly employees. At this time the vendor has not given us any indication of when this issue might be resolved. The compensating control (monitoring of pay rates by the Payroll Department) must be used until resolution of the problem by Skyward.

Finding No. 28: Security Controls – User Authentication and Logging and Monitoring of System Activity

Response:

These are confidential findings that cannot be shared publicly. The District will implement the recommendation of the Auditor General.

Additional Comments:

None.

Florida Lottery Financial Statement Overview

Cynthia F. O'Connell
Secretary

Joint Legislative Auditing Committee
February 16, 2015



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

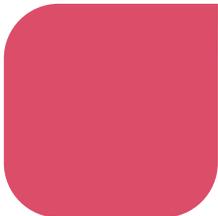
“That the lottery games be operated by a department of state government that functions as much as possible in the manner of an entrepreneurial business enterprise.”



Financial Highlights

Fiscal Year 2013-2014

- Record Breaking Sales Year (\$355 M higher than fiscal year 12-13)
 - Successful strategic alliance partnerships
 - Events focused on Bright Futures recipients
 - Strong Scratch-Off product offering
- Transfer to Education Enhancement Trust Fund higher (\$70 M) than fiscal year 2012-13
- Continued focus on enhancing operational efficiencies
- Balance Sheet in compliance with Statutes



Statements of Net Position
(in thousands) * Audited

Current Assets:	
Cash and cash equivalents	\$ 124,629
Interest receivable	35
Accounts receivable, net	47,003
Due from other departments	-
Prepaid expenses	8
Inventories	1,735
Security deposits	<u>2,217</u>
Total Current Assets	175,627
Noncurrent Assets:	
Restricted Assets	
Cash and cash equivalents	30,609
Securities lending income receivable	496
Deposit with MUSL	19,817
Investments, grand prize	441,503
Investments, security lending collateral	<u>348,981</u>
Total Restricted Assets	841,406
Capital assets, net	<u>4,243</u>
Total Noncurrent Assets	<u>845,649</u>
Total Assets	1,021,276

Statements of Net Position
(in thousands) *Audited

Current Liabilities:	
Accounts payable and accrued liabilities	\$ 5,513
Prizes payable	104,078
Due to Educational Enhancement Trust Fund	55,409
Other	<u>2,804</u>
Total Current Liabilities	167,804
Current Liabilities Payable from Restricted Assets:	
Securities lending obligations & fees payable	363,993
Grand prizes payable	<u>86,154</u>
Total Current Liabilities Payable from Restricted Assets	450,147
Noncurrent Liabilities:	
Grand prizes payable from restricted assets	298,466
Other long-term liabilities	<u>7,198</u>
Total Noncurrent Liabilities	<u>305,664</u>
Total Liabilities	923,615

Statements of Net Position
(in thousands) *Audited

Total Current Assets	\$ 175,627
Total Noncurrent Assets	<u>845,649</u>
Total Assets	\$ 1,021,276
Total Current Liabilities	\$ 167,804
Total Current Liabilities Payable from Restricted Assets	450,147
Total Noncurrent Liabilities	<u>305,664</u>
Total Liabilities	923,615
Net Position	
Invested in capital assets	4,243
Restricted for undistributed appreciation on restricted investments	58,009
Restricted for MUSL	19,817
Restricted for future prizes or special prize promotions	<u>15,592</u>
Total Net Position	97,661
Total Liabilities and Net Position	\$ 1,021,276



Statements of Revenues, Expenses, and Changes in Net Position
(in thousands) *Audited

Operating Revenues:	
Ticket sales	\$ 5,368,230
Bad debt expense	(1,337)
Terminal fees and miscellaneous	7,611
Retailer fees	<u>206</u>
Total Operating Revenues	5,374,710
Operating Expenses:	
Prizes	3,431,092
Retailer commissions	298,651
Scratch-Off tickets	48,157
Terminal games	28,895
Advertising	37,486
Personal services	27,614
Other contractual services	7,656
Materials and supplies	1,057
Depreciation	<u>715</u>
Total Operating Expenses	<u>3,881,323</u>
Operating Income	<u>1,493,387</u>

Statements of Revenues, Expenses, and Changes in Net Position
(in thousands) *Audited

Nonoperating Revenues (Expenses):	
Interest	\$ 2,776
Securities lending income and fees	1,207
Investment management fees	(532)
Net appreciation (depreciation) in fair value of investments	13,718
Property disposition (loss)	124
Amortization of grand prizes payable	<u>(22,911)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(5,618)</u>
Income Before Operating Transfers	1,487,769
Transfers to Educational Enhancement Trust Fund:	
Transfers from revenue and reserves	1,447,521
Transfers from unclaimed prizes	<u>47,888</u>
Total Transfers to Educational Enhancement Trust Fund	\$ 1,495,409
Change in Net Position	(7,640)
Net Position, Beginning of Year	<u>105,301</u>
Net Position, End of Year	\$ 97,661

Final Operating Budget for FY 2013-14

Category	Amount
Salary & Benefits	\$26,549,823
OPS	80,000
Expenses	5,749,201
Contracted Services	3,619,825
Contracted Legal Services	120,000
Risk Management Insurance	558,225
Other Capital Outlay	394,885
Law Enforcement Salary Incentives	14,060
Full Service Vending Machines	1,565,000
Transfer to DMS HR Services	141,429
Data Process. Services - SSRC	35,486

Category	Amount
Terminal Games Contracts	28,995,788
Instant Ticket Contracts	44,779,130
Instant Ticket Vending Machines	5,010,600
Tenant Broker Commissions	89,401
Paid Advertising/Promotion (Media)	34,793,508
Advertising Agency Fees	2,756,945
Retailer Incentives	2,325,000
Acquisitions of Motor Vehicles	340,000
Lease/Lease Purchase of Equip	375,000
Grand Total	\$158,293,306



Accountability

Oversight by Policy Committees: operating expenditures are monitored and appropriated by the Legislature

Weekly: Sales monitored and sales forecasts revised by EDR at least twice yearly

Monthly: Financial activities reported to Governor and legislative leadership

Quarterly: FSVM Performance Reports to Appropriations Chairmen

Annual: Financial Audit by Auditor General

Review requested by JLAC

Performance Audit by OPPAGA

Official statement update to Revenue Bonds required by SEC

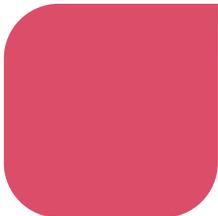
Biennial: Security Audit by independent consultant required by statute

Intermittent: Program audits by Auditor General

Financial statements for bond issuances which are rated by financial rating agencies

Continuous program and issue analysis by Lottery Inspector General

Weekly, Monthly, and Quarterly accomplishment and issue reports to the Governor



Efficiency Projects

Completed, Developing, and Upcoming Initiatives

- **In Progress**
 - Gaming System solicitation
 - Implementation of an integrated business accounting system
- **Completed Projects**
 - IRS TIN Matching
 - Positive Pay file upload to Wells Fargo
 - Document Management System
 - Sales Force Mobility Tool implementation
 - Hispanic Advertising solicitation





Questions?





DEPARTMENT OF THE LOTTERY

Financial Audit

For the Fiscal Year Ended June 30, 2014

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, 2014, present fairly, in all material respects, the financial position and changes in financial position and cash flows of the Lottery in accordance with GAAP.

Internal Controls and Compliance

- In our opinion, the Lottery maintained, in all material respects, effective internal control over financial reporting as of June 30, 2014.
- No instances of noncompliance of material consequence to the financial statements.

Other Observations and Findings

- Information Technology Controls.
- Noncompliance with Section 24.113, F.S.

Questions?

Contact Information:

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Audit Manager
Auditor General's Office
412-2781

E-mail: kathrynwalker@aud.state.fl.us

DEPARTMENT OF THE LOTTERY

Financial Audit

For the Fiscal Years Ended
June 30, 2014, and 2013



SECRETARY OF THE DEPARTMENT OF THE LOTTERY

The State of Florida, Department of the Lottery (Lottery) was established as a State agency with the enactment of the Florida Public Education Lottery Act, Chapter 24, Florida Statutes, in 1987. The head of the Lottery is the Secretary, who, pursuant to Section 20.317, Florida Statutes, is appointed by the Governor subject to the confirmation of the Senate. Cynthia F. O'Connell served as Secretary during the audit period.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Jon M. Bardin, CPA, and the audit was supervised by Allen G. Weiner, CPA. Please address inquiries regarding this report to Kathryn D. Walker, CPA, Audit Manager, by e-mail at kathrynwalker@aud.state.fl.us or by telephone at (850) 412-2781. For the information technology portion of this audit, the audit team leader was Robert McKee, CISA, and the supervisor was Tina Greene, CPA, CISA. Please address inquiries regarding the information technology portions of this report to Arthur Hart, CPA, Audit Manager, by e-mail at arthart@aud.state.fl.us or by telephone at (850) 412-2941.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

DEPARTMENT OF THE LOTTERY
TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4
BASIC FINANCIAL STATEMENTS	12
Statements of Net Position.....	12
Statements of Revenues, Expenses, and Changes in Net Position	13
Statements of Cash Flows	14
Notes to Financial Statements	15
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	33
MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING.....	35
SCHEDULE OF FINDINGS	36
EXHIBIT A - MANAGEMENT'S RESPONSE	37

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the basic financial statements prepared by the Department of Lottery (Lottery) present fairly, in all material respects, the net position of the Lottery as of June 30, 2014, and 2013, and the changes in the financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Summary of Report on Internal Control and Compliance

In our opinion, Lottery management maintained, in all material respects, effective internal control over financial reporting.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States; however, we noted certain additional matters as summarized below.

Additional Matters

INFORMATION TECHNOLOGY CONTROLS

Finding No. 1: During our audit, we identified the need for enhancements to the Lottery's information technology (IT) control practices. Specific details of these issues are not disclosed in this report to avoid the possibility of compromising Lottery information. However, the appropriate Lottery personnel have been notified of these issues.

MINORITY RETAILER PARTICIPATION

Finding No. 2: 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, 2014, retailers comprising one minority type totaled 66 percent of the total number of minority retailers. A similar finding has been included in prior reports.

Audit Objectives and Scope

Our audit objectives were to determine whether the Lottery had:

- Presented the Lottery's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements;
- Complied with the various provisions of laws, rules, regulations, and contracts that are material to the financial statements; and
- Taken corrective actions for findings included in our report No. 2014-095.

The scope of this audit included an examination of the Lottery's basic financial statements as of and for the fiscal years ended June 30, 2014, and 2013, and an examination of the effectiveness of the Lottery's internal control over financial reporting. With respect to internal control over financial reporting, our examination included obtaining an understanding of the internal control over financial reporting, testing and evaluating the design and operating effectiveness of the internal control, and performing such other procedures as we considered necessary in the circumstances. We also examined various transactions to determine whether they were executed, both in manner and in substance, in accordance with governing provisions of laws, rules, regulations, and contracts.

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent Lottery records in connection with the application of procedures required by auditing standards generally accepted in the United States of America, and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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Tallahassee, Florida 32399-1450



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FAX: 850-488-6975

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, 2014, and 2013, 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, 2014, and 2013, 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 Matter

As discussed in Note 1, the financial statements of the Lottery are intended to 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. They do not purport to, and do not, present fairly the operations of the State of Florida as of June 30, 2014, and 2013, and 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.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 4 through 11) 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 Reporting Required by Governmental Auditing Standards

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*, 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 THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. As noted by that report dated January 28, 2015, 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, 2014, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of

Sponsoring Organizations of the Treadway Commission (COSO), 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,



David W. Martin, CPA

January 28, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS**YEARS ENDED JUNE 30, 2014, AND JUNE 30, 2013**

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, 2014, and 2013. 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 12.

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 Terminal products. The Lottery has been successful in sustaining ticket sales in excess of \$2 billion for the twenty-fifth consecutive fiscal year, with the past two fiscal years exceeding \$5 billion. During the same twenty-five year period the transfer to the Educational Enhancement Trust Fund (EETF) has been a minimum of \$800 million annually, with the fiscal year 2014 transfer exceeding \$1 billion for the twelfth consecutive year.

For the fiscal year ended June 30, 2014:

- Transfers to the EETF increased to approximately \$1.50 billion compared to \$1.42 billion in the prior fiscal year.
- The Lottery's ticket sales increased by 7.09 percent over the prior fiscal year from approximately \$5.01 billion to \$5.37 billion.
- Approximately 63.65 percent of total sales were provided by the Scratch-Off product line. This shift in product mix from the higher profit-margin Terminal product to the lower profit-margin Scratch-Off product directly impacts the amount transferred to the EETF.
- Prize expense increased \$268.20 million, which represents an 8.48 percent increase during fiscal year 2014. 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 63.91 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 2014 expenses for these items increased 6.22 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 \$1.88 million. Administrative operating expenses for fiscal years 2014 and 2013 were \$74.53 million and \$72.65 million, respectively.
- Nonoperating income increased \$32.20 million over the prior fiscal year. Unrealized appreciation on investments accounted for \$27.47 million of the increase due to higher market values of investments of similar securities in fiscal year 2014 compared to fiscal year 2013.
- EETF transfers from unclaimed prize money decreased \$2.75 million over the prior fiscal year. Unclaimed generation from Terminal games experienced a \$507,000 increase over last year. Unclaimed generation from Scratch-Off games decreased by \$3.3 million compared to fiscal year 2013. This decrease can be attributed to the fact that during fiscal year 2014 the Lottery closed 46 games compared to 61 games closed during fiscal year 2013.

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 12, the Statements of Revenues, Expenses, and Changes in Net Position on page 13, and the Statements of Cash Flows on page 14 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 and restricted assets. 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 2014, 2013, and 2012.

Table 1
Condensed Statements of Net Position
As of June 30, 2014, 2013, and 2012
(In Thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets			
Current Assets	\$ 175,627	\$ 195,874	\$ 165,785
Restricted Assets	841,406	1,053,576	1,291,004
Capital Assets, Net of Depreciation	4,243	3,215	1,356
Total Assets	<u>1,021,276</u>	<u>1,252,665</u>	<u>1,458,145</u>
Liabilities			
Current Liabilities	167,804	190,498	158,871
Current Liabilities Payable from Restricted Assets	450,147	607,554	735,382
Noncurrent Liabilities	305,664	349,312	427,291
Total Liabilities	<u>923,615</u>	<u>1,147,364</u>	<u>1,321,544</u>
Net Position			
Net Investment in Capital Assets	4,243	3,215	1,356
Restricted Net Position	93,418	102,086	135,245
Total Net Position	<u>\$ 97,661</u>	<u>\$ 105,301</u>	<u>\$ 136,601</u>

Assets

Total assets at the end of fiscal year 2014 decreased \$231.39 million from \$1.25 billion at June 30, 2013, to \$1.02 billion at June 30, 2014. At the end of fiscal year 2013, total assets were \$205.48 million less than the \$1.46 billion at the end of fiscal year 2012.

- Current assets decreased from \$195.87 million in 2013 to \$175.63 million in 2014, representing a decrease of \$20.25 million. This net decrease was primarily due to a decrease of \$21.51 million in cash and cash equivalents mostly on deposit with the State Treasury and an increase of \$441,000 in accounts receivable.

The increase in accounts receivable for fiscal year 2014 was due to timing in the weekly sweeps at June 30, 2014.

- Restricted assets decreased \$212.17 million from \$1.05 billion in 2013 to \$841.41 million in 2014. This decrease was predominately due to the continued decrease in the deferred payment investment portfolio as the preference in payout options for jackpot prizewinners progressively shifted toward the cash option instead of the alternative annuity option. There were \$112.60 million in payouts of annuities and \$18.12 million in purchases of new investments in fiscal year 2014 in comparison to fiscal year 2013, which had annuity payouts of \$134.95 million, and purchases of new investments of \$9.05 million. The amount of invested collateral and time deposits from the lending of those securities also continues to decline. The Lottery held \$363.98 million in invested collateral and time deposits at June 30, 2014, \$494.32 million at June 30, 2013, and \$603.81 million at June 30, 2012.

Liabilities

Total liabilities at June 30, 2014, were \$923.62 million, which was approximately \$223.75 million lower than the total liabilities of \$1.15 billion at June 30, 2013. The total liabilities at June 30, 2013, were \$174.18 million lower than the June 30, 2012, amount of \$1.32 billion.

- Current liabilities decreased from \$190.50 million on June 30, 2013, to \$167.80 million on June 30, 2014. This decrease can be attributed to the decrease in the amount due to EETF at June 30, 2014. As expected, current liabilities payable from restricted assets decreased \$157.40 million from \$607.55 million at June 30, 2013, to \$450.15 million at June 30, 2014. The amount of grand prizes payable due within one year and the obligations under securities lending, which are the two primary components of this liability class, are associated with the amounts payable to jackpot winners who have chosen the deferred payment option. The obligations under securities lending decreased by \$130.80 million and the current portion of grand prizes payable decreased by \$26.60 million. At June 30, 2013, current liabilities payable from restricted assets balance of \$607.55 million was \$127.83 million less than the balance of \$735.38 million at June 30, 2012.
- 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 \$44.98 million from fiscal year-end 2013 to 2014 and decreased \$78.86 million from fiscal year-end 2012 to 2013.

Net Position

Net position decreased \$7.64 million from June 30, 2013, to June 30, 2014. Net position at June 30, 2014, 2013, and 2012 were \$97.66 million, \$105.30 million, and \$136.60 million, respectively. The decrease in net position for the 2014 fiscal year was primarily due to the \$9.19 million decrease in the amount restricted for undistributed appreciation on restricted investments.

The Lottery joined MUSL five 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 Power Play and Mega Millions with Megaplier games. The Lottery's deposits in reserve funds with MUSL totaled \$19.82 million and \$19.04 million as of June 30, 2014, and June 30, 2013, respectively. Refer to Note 6, Multi-State Lottery Association for further detail.

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 a condensed Summary of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2014, and the prior fiscal years ended June 30, 2013, and June 30, 2012, 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, 2014, 2013, and 2012
(In Thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating Revenues			
Ticket Sales	\$ 5,368,230	\$ 5,012,996	\$ 4,449,896
Bad Debt Expense	(1,337)	(912)	(1,360)
Terminal & Retailer Fees and Miscellaneous	7,817	7,979	7,658
Total Operating Revenues	<u>5,374,710</u>	<u>5,020,063</u>	<u>4,456,194</u>
Operating Expenses			
Prizes	3,431,092	3,162,889	2,766,119
Retailer Commissions	298,651	278,493	247,690
Vendor Commissions	77,052	75,205	66,528
Other Expenses	74,528	72,653	70,304
Total Operating Expenses	<u>3,881,323</u>	<u>3,589,240</u>	<u>3,150,641</u>
Income from Operations	<u>1,493,387</u>	<u>1,430,823</u>	<u>1,305,553</u>
Nonoperating Revenue, Net of Expenses	<u>(5,618)</u>	<u>(37,816)</u>	<u>30,682</u>
Income Before Operating Transfers	1,487,769	1,393,007	1,336,235
Transfers to EETF from Revenue & Reserves	(1,447,521)	(1,373,668)	(1,286,001)
Transfers to EETF from Unclaimed Prizes	(47,888)	(50,639)	(35,603)
Total Transfers to EETF	<u>(1,495,409)</u>	<u>(1,424,307)</u>	<u>(1,321,604)</u>
Change in Net Position	(7,640)	(31,300)	14,631
Net Position, Beginning of Year	105,301	136,601	121,970
Net Position, End of Year	<u>\$ 97,661</u>	<u>\$ 105,301</u>	<u>\$ 136,601</u>

Sales

For the fiscal year ended June 30, 2014, ticket sales increased by \$355.23 million over fiscal year 2013, which experienced a sales increase of \$563.10 million. The Terminal game sales decreased 1.68 percent from the prior year. To offset the impact of the slow economic recovery on sales, the Lottery not only continued to utilize proven techniques, but also created new promotions for players.

- The daily games, CASH 3™, Play 4™ and FANTASY 5® with EZmatch™ reflect increases over the prior year. The total sales from these three games reached \$885.62 million making up 45.39 percent of total Terminal sales.
- Mega Millions with Megaplier was introduced into the Terminal line of games on May 15, 2013. Mega Millions contributed \$167.57 million to Terminal sales. The March 18, 2014 draw offered a jackpot of \$414 million. One of the winning tickets was sold in Florida making it the first jackpot winning ticket in Florida.
- Full Service Vending Machines (FSVMs), were distributed during fiscal year 2013. There were a total of 500 FSVMs that were installed at our top Instant Ticket Vending Machine (ITVM) locations. The FSVM allows players to purchase both Terminal and Scratch-Off tickets. Total sales for FSVMs reached \$248.32 million.

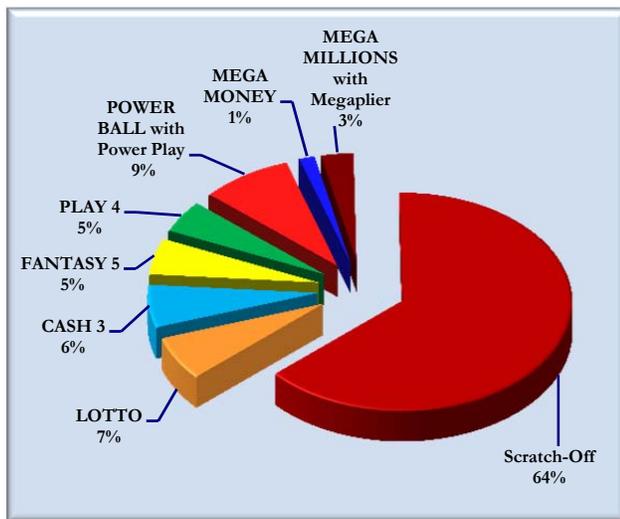
Sales of Scratch-Off tickets increased from \$3.03 billion or 60.41 percent of total sales in fiscal year 2013 to \$3.42 billion, or 63.65 percent of total sales in fiscal year 2014.

- Scratch-Off ticket sales experienced an increase of 12.83 percent over prior year sales with increases being reflected in most price points. The largest increases were seen in the \$20 and \$25 price points. The \$20 price point was dominated by the GOLD RUSH TRIPLER ticket with sales totaling \$431.96 million.
- On September 17, 2013, the Lottery introduced 100X THE CASH which is the second ticket launched in the \$25 price point. This ticket contributed \$537.07 million in sales.
- ITVMs, which function similar to other vending machines, have continued to have a notable impact on Scratch-Off ticket sales. They 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. Total sales from the ITVMs accounted for \$289.69 million of the 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, 2014, and 2013, was \$1.34 million and \$912,000, respectively.

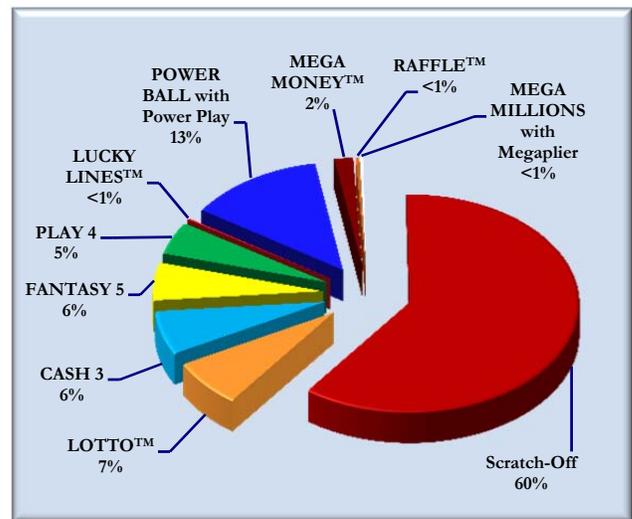
The following charts show sales by product for the various Lottery games during the fiscal years 2014 and 2013:

Sales by Product for Fiscal Year 2013-14*



* Did not conduct a Raffle.

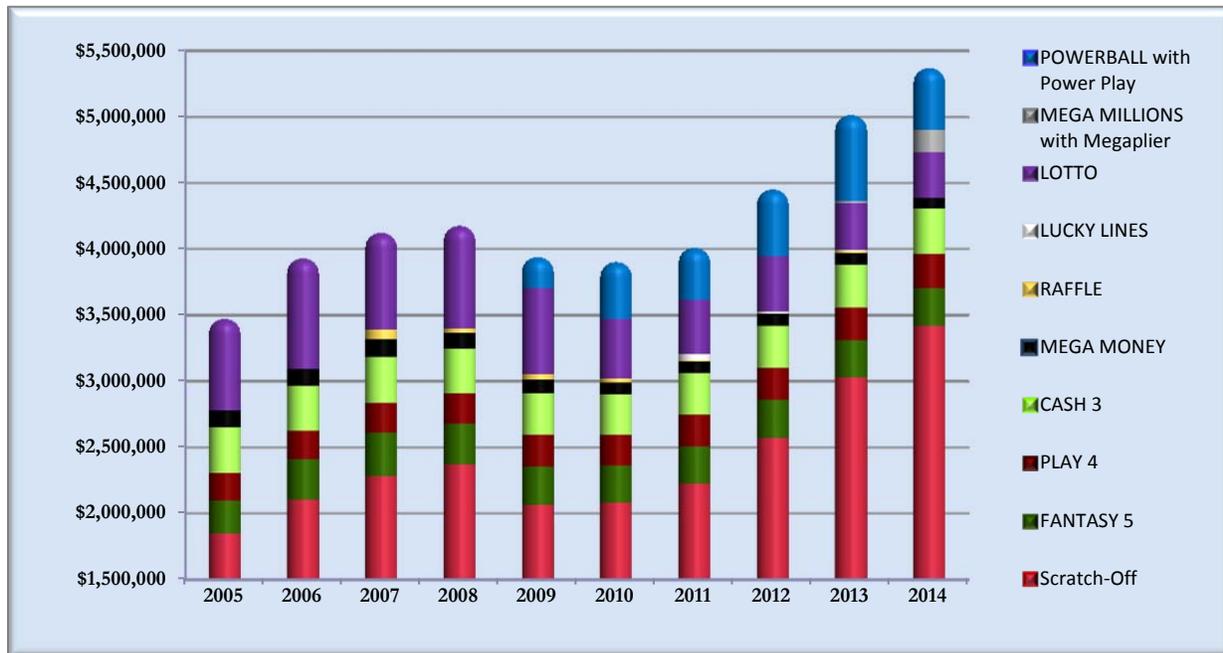
Sales by Product for Fiscal Year 2012-13**



** Lucky Lines was discontinued in May 2013. Mega Millions was introduced in May 2013.

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)**

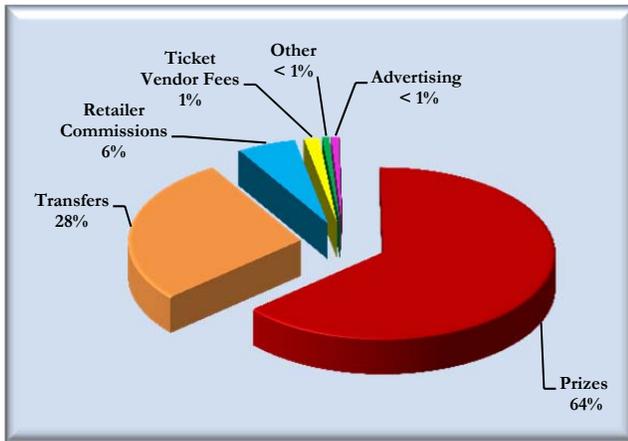
Fiscal Year Ended June 30	LOTTO	FANTASY 5	PLAY 4	CASH 3	MEGA MONEY	RAFFLE	LUCKY LINES	POWERBALL with Power Play	MEGA MILLIONS with Megaplier	Scratch-Off	Combined Sales
2005	\$ 689,820	\$ 252,467	\$ 206,982	\$ 345,598	\$ 131,248					\$ 1,844,619	\$ 3,470,734
2006	835,028	306,679	215,529	343,174	128,502					2,100,118	3,929,030
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

Expenses

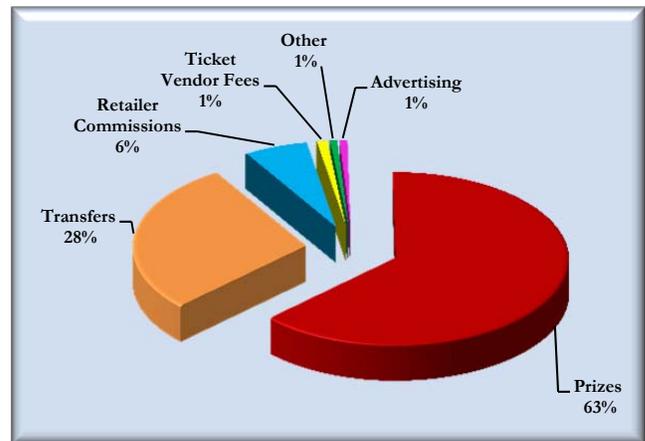
Section 24.121, Florida Statutes, stipulates that funds remaining in the Operating Trust Fund after the transfer to the EETF shall be used for the payment of administrative expenses of the Lottery. These expenses include Terminal game expenses, Scratch-Off ticket expenses, advertising, and other expenses 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 2014 and 2013 fiscal years:

**Operating Expenses and Transfers
Fiscal Year 2013-14**



**Operating Expenses and Transfers
Fiscal Year 2012-13**



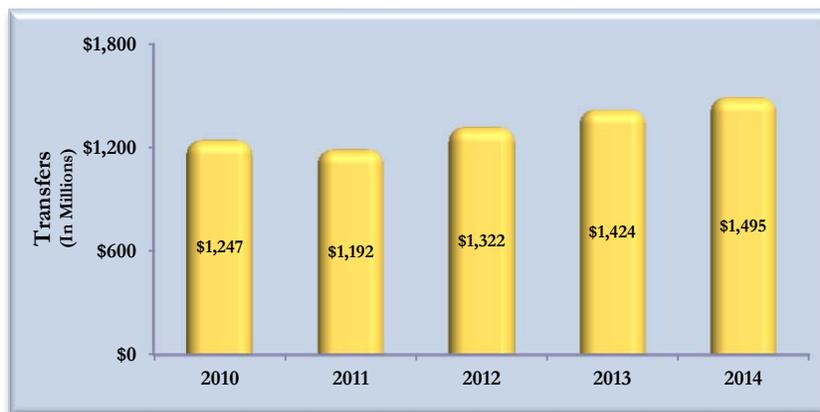
Prizes, commissions, and gaming vendor fees are directly related to sales and fluctuate accordingly. In fiscal year 2014, these expenses changed proportionally; yet as a percentage of total expenses they remained constant. The other expenses, which consisted of advertising, salary and benefits, professional fees, rent, maintenance, and depreciation, increased slightly. Fiscal year 2014 and 2013 administrative expenses were \$74.53 million and \$72.65 million, respectively.

Transfers

Since its inception, the Lottery has transferred \$26.94 billion to the EETF. The Lottery’s contribution of \$1.50 billion to the EETF for the fiscal year ended June 30, 2014, exceeded the prior fiscal year’s contribution of \$1.42 billion. The Lottery contributed over \$1 billion for the twelfth consecutive year. With the exception of the 2010 and 2011 fiscal years, the Lottery has shown increases in transfers since fiscal year 2001.

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 7.1 percent in fiscal year 2013 to 6.2 percent during fiscal year 2014. In fiscal year 2014, Lottery sales exceeded \$5.36 billion, setting new sales records for Scratch-Off and total game sales. The Lottery's strategies have revolved around enhancing Terminal 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 Management's Discussion and Analysis 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

DEPARTMENT OF THE LOTTERY STATEMENTS OF NET POSITION AS OF JUNE 30, 2014, AND JUNE 30, 2013 (IN THOUSANDS)

Assets	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Current Assets:		
Cash and cash equivalents	\$ 124,629	\$ 146,137
Interest receivable	35	165
Accounts receivable, net	47,003	46,562
Due from other departments	-	1
Prepaid expenses	8	4
Inventories	1,735	863
Security deposits	2,217	2,142
Total Current Assets	175,627	195,874
Noncurrent Assets:		
Restricted Assets		
Cash and cash equivalents	30,609	77,063
Securities lending income receivable	496	373
Deposit with MUSL	19,817	19,037
Investments, grand prize	441,503	523,992
Investments, security lending collateral	348,981	433,111
Total Restricted Assets	841,406	1,053,576
Capital assets, net	4,243	3,215
Total Noncurrent Assets	845,649	1,056,791
Total Assets	\$ 1,021,276	\$ 1,252,665
Liabilities		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 5,513	\$ 7,196
Prizes payable	104,078	104,279
Due to Educational Enhancement Trust Fund	55,409	76,111
Deposits payable	2,219	2,143
Compensated absences payable	585	769
Total Current Liabilities	167,804	190,498
Current Liabilities Payable from Restricted Assets:		
Securities lending fees payable	40	46
Obligations under securities lending	363,953	494,757
Grand prizes payable	86,154	112,751
Total Current Liabilities Payable from Restricted Assets	450,147	607,554
Noncurrent Liabilities:		
Grand prizes payable from restricted assets	298,466	343,442
Compensated absences payable	3,189	2,908
Other long-term liabilities	4,009	2,962
Total Noncurrent Liabilities	305,664	349,312
Total Liabilities	923,615	1,147,364
Net Position		
Invested in capital assets	4,243	3,215
Restricted for undistributed appreciation on restricted investments	58,009	67,195
Restricted for MUSL	19,817	19,037
Restricted for future prizes or special prize promotions	15,592	15,854
Total Net Position	97,661	105,301
Total Liabilities and Net Position	\$ 1,021,276	\$ 1,252,665

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

DEPARTMENT OF THE LOTTERY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2014, AND JUNE 30, 2013
(IN THOUSANDS)

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Operating Revenues:		
Ticket sales	\$ 5,368,230	\$ 5,012,996
Bad debt expense	(1,337)	(912)
Terminal fees and miscellaneous	7,611	7,773
Retailer fees	206	206
Total Operating Revenues	<u>5,374,710</u>	<u>5,020,063</u>
Operating Expenses:		
Prizes	3,431,092	3,162,889
Retailer commissions	298,651	278,493
Scratch-Off tickets	48,157	44,193
Terminal games	28,895	31,012
Advertising	37,486	37,696
Personal services	27,614	25,730
Other contractual services	7,656	6,801
Materials and supplies	1,057	2,156
Depreciation	715	270
Total Operating Expenses	<u>3,881,323</u>	<u>3,589,240</u>
Operating Income	<u>1,493,387</u>	<u>1,430,823</u>
Nonoperating Revenues (Expenses):		
Interest	2,776	3,984
Securities lending income	1,534	2,543
Securities lending fees	(327)	(1,090)
Investment management fees	(532)	(376)
Net appreciation (depreciation) in fair value of investments	13,718	(13,749)
Property disposition (loss)	124	(60)
Amortization of grand prizes payable	(22,911)	(29,068)
Total Nonoperating Revenues (Expenses), Net	<u>(5,618)</u>	<u>(37,816)</u>
Income Before Operating Transfers	1,487,769	1,393,007
Transfers to Educational Enhancement Trust Fund:		
Transfers from revenue and reserves	(1,447,521)	(1,373,668)
Transfers from unclaimed prizes	(47,888)	(50,639)
Total Transfers to Educational Enhancement Trust Fund	<u>(1,495,409)</u>	<u>(1,424,307)</u>
Change in Net Position	(7,640)	(31,300)
Net Position, Beginning of Year	105,301	136,601
Net Position, End of Year	<u>\$ 97,661</u>	<u>\$ 105,301</u>

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

**DEPARTMENT OF THE LOTTERY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014, AND JUNE 30, 2013
(IN THOUSANDS)**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Operating Activities:		
Ticket sales	\$ 5,366,452	\$ 5,002,817
Prizes paid to winners	(3,432,073)	(3,154,136)
Commissions paid and payments to retailers	(298,651)	(278,493)
Paid to vendors for goods and services	(125,973)	(122,478)
Paid to employees	(26,307)	(24,700)
Other operating revenue	7,817	7,979
Net Cash Provided by Operating Activities	<u>1,491,265</u>	<u>1,430,989</u>
Noncapital Financing Activities:		
Payments to Educational Enhancement Trust Fund	(1,516,111)	(1,399,800)
Net Cash Used in Noncapital Financing Activities	<u>(1,516,111)</u>	<u>(1,399,800)</u>
Capital and Related Financing Activities:		
Purchase of capital assets	(1,619)	(2,189)
Net Cash Used in Capital and Related Financing Activities	<u>(1,619)</u>	<u>(2,189)</u>
Investing Activities:		
Cash received from maturity of grand prize investments	112,603	134,951
Cash paid to grand prizewinners upon maturity of grand prize investments	(112,603)	(134,951)
Security lending	(46,209)	61,209
Investment income, net of fees	4,712	2,825
Net Cash Provided by Investing Activities	<u>(41,497)</u>	<u>64,034</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(67,962)	93,034
Cash and Cash Equivalents, Beginning of Year	223,200	130,166
Cash and Cash Equivalents, End of Year	<u>\$ 155,238</u>	<u>\$ 223,200</u>
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities:		
Income from operations	\$ 1,493,387	\$ 1,430,823
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	715	270
Changes in assets and liabilities		
(Increase) decrease in:		
Accounts receivable	(762)	(8,747)
Inventories	(872)	280
Prepaid expenses	(4)	64
Increase (decrease) in:		
Allowance for uncollectible accounts	(535)	301
Accounts payable and accrued liabilities	(1,607)	(658)
Prizes payable	(201)	7,796
Compensated absences payable	97	93
Postemployment healthcare benefits payable	1,047	767
Net Cash Provided by Operating Activities	<u>\$ 1,491,265</u>	<u>\$ 1,430,989</u>
Noncash Investing, Capital and Financing Activities:		
Increase/(decrease) in fair value of investments	\$ (57,946)	\$ (99,563)

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

NOTES TO FINANCIAL STATEMENTS

**DEPARTMENT OF THE LOTTERY
YEARS ENDED JUNE 30, 2014, AND JUNE 30, 2013****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 recognition of revenues and expenses and the 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 which 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. 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, and restricted for the Multi-State Lottery Association (MUSL). See Note 6 for more information on MUSL.

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 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 in accordance with Rule 53ER12-6, Florida Administrative Code.

k. Revenue Recognition

Lottery games are sold to the public by contracted retailers. Revenue is recognized when Terminal 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.

l. 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).

m. Prizes

In accordance with the Act, variable percentages of the gross revenue from the sale of Terminal 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 Terminal 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.

n. 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 earned. The compensated absences amounts are based on current fiscal year-end salary rates and include employer social security and pension contributions at current rates.

o. 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 \$54 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.

p. 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, liabilities, restricted net position, revenues, and expenses, and disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

q. 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, 2014, and June 30, 2013, was \$1,337,000 and \$912,000, respectively.

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 \$370,000 at June 30, 2014, and \$396,000 at June 30, 2013, were insured by either the State's collateral for public deposits in accordance with Section 280.04, Florida Statutes, or Federal depository insurance. Cash held in time deposits for the security lending program with a book value of \$15,000,000 were exposed to custodial credit risk as these balances were uncollateralized and uninsured.

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, 125, and 200 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 \$3,178,000 at June 30, 2014, and \$2,372,000 at June 30, 2013, 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 \$139,868,000 and \$161,595,000 at June 30, 2014, and 2013, 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 consist 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, participates in a security lending program involving grand prize investments. The Lottery, through the SBA, loans various securities to borrowers for collateral with a simultaneous agreement to return collateral for the same securities in the future. Collateral received from borrowers may be cash or U.S. Government securities. The SBA is contractually limited from pledging or selling collateral except in the event of borrower default. The contract with the lending agent requires 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.

The Bank of New York Mellon (Mellon) is the agent for lending U.S. Treasury securities to various authorized brokers for cash or U.S. Government securities. Initially, collateral received shall 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 must be approved for lending by Mellon's credit department. Mellon monitors the fair value of collateral provided and the securities on loan on a daily basis. Additional collateral is required if the fair value of the collateral for any loan is less than 100 percent of the fair value of the securities provided for such loan. The SBA had no credit risk exposure to borrowers at year-end.

The SBA had received \$363,953,000 of cash collateral for the lending program as of June 30, 2014, and \$494,757,000 as of June 30, 2013. At June 30, 2014, and June 30, 2013, 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 include primarily certificates of deposit, corporate and medium term notes, asset-backed securities, and repurchase agreements. The invested cash collateral generally has a shorter maturity than the securities on loan.

A risk factor associated with this lending agreement is the potential for declines in the value of the invested holdings purchased with the cash collateral. If these investments must be liquidated, any shortfall between the value of the investments and the securities lending obligation becomes the responsibility of the Lottery. As of June 30, 2014 the Lottery did not experience a shortfall. The unrealized shortfall for June 30, 2013 was \$199,000.

Other risk factors associated with security lending include counterparty default and failure of the custodial bank to indemnify the Lottery.

Securities lending income and expenses for the year ended June 30, 2014, and 2013, consisted of (in thousands):

	<u>2014</u>	<u>2013</u>
Securities lending income	\$ 1,534	\$ 2,543
Less broker rebates	(313)	(955)
Less bank fees	(14)	(135)
Net securities lending revenue	<u>\$ 1,207</u>	<u>\$ 1,453</u>

d. Investment Credit Risk

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

The State Treasury Investment Pool's current rating by Standard and Poor's is A+f as of June 30, 2014.

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

Investment Type	As of June 30, 2014					Totals
	Standard and Poor's Credit Rating					
	AAA	AA	A	A-1	NR	
Certificates of Deposit	\$ -	\$ 11,212	\$ 5,406	\$ -	\$ 97,734	\$ 114,352
Commercial Paper	-	-	-	25,803	8,802	34,605
Domestic Corporate Bonds & Notes	9,044	52,241	26,219	-	8,101	95,605
Domestic Non-government Asset-backed Securities	16,346	-	-	-	5,129	21,475
International Corporate Bonds & Notes	-	24,112	8,912	-	-	33,024
International Non-government Asset-backed Securities	-	-	-	-	1,222	1,222
Repurchase Agreements	-	-	-	-	48,698	48,698
Grand Total	\$ 25,390	\$ 87,565	\$ 40,537	\$ 25,803	\$ 169,686	\$ 348,981

Investment Type	As of June 30, 2013					Totals	
	Standard and Poor's Credit Rating						
	AAA	AA	A	CCC	A-1		NR
Certificates of Deposit	\$ -	\$ 13,105	\$ 3,606	\$ -	\$ -	\$ 83,987	\$ 100,698
Commercial Paper	-	-	-	-	81,270	-	81,270
Domestic Corporate Bonds & Notes	-	49,062	45,932	-	-	-	94,994
Domestic Non-government Asset-backed Securities	44,496	-	-	174	-	6,094	50,764
International Corporate Bonds & Notes	-	32,257	5,497	-	-	5,074	42,828
International Non-government Asset-backed Securities	7,104	-	-	-	-	9,940	17,044
International Non-government Backed CMOs	-	-	11,628	-	-	-	11,628
Repurchase Agreements	-	-	-	-	-	33,885	33,885
Grand Total	\$ 51,600	\$ 94,424	\$ 66,663	\$ 174	\$ 81,270	\$ 138,980	\$ 433,111

e. Investment Interest Rate Risk

The investment policy objective is to match maturities of investments with the maturities of the Lottery winner 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, 2014		As of June 30, 2013	
Time to Maturity	Fair Value	Time to Maturity	Fair Value
< 1 year	\$ 86,115	< 1 year	\$ 112,508
> 1 year to 3 years	109,955	> 1 year to 3 years	149,135
> 3 years to 5 years	42,903	> 3 years to 5 years	65,510
> 5 years to 10 years	85,612	> 5 years to 10 years	79,059
> 10 years to 15 years	70,014	> 10 years to 15 years	69,170
> 15 years to 20 years	32,927	> 15 years to 20 years	37,240
> 20 years to 25 years	8,618	> 20 years to 25 years	7,879
> 25 years	5,359	> 25 years	3,491
Total	\$ 441,503	Total	\$ 523,992

The Lottery contracts with the SBA to execute the securities lending program. The securities lending authorization agreement between Mellon and the SBA requires that the maximum weighted average portfolio maturity not exceed 90 days. The lending program invests a significant amount of its assets in floating rate securities and limits the maximum reset period for interest rate changes to six months. Next reset dates are used in the calculation of weighted average maturity. Listed below are the weighted average maturities for the lending program's invested cash collateral:

Investment Type	June 30, 2014		June 30, 2013	
	Fair Value (Thousands)	Weighted Average Maturity (Days)	Fair Value (Thousands)	Weighted Average Maturity (Days)
Certificates of Deposit	\$ 114,352	55	\$ 100,698	56
Commercial Paper	34,605	73	81,270	77
Domestic Corporate Bonds & Notes	95,605	48	94,994	47
Domestic Non-government Asset-backed Securities	21,475	23	50,764	16
International Corporate Bonds & Notes	33,024	57	42,828	46
International Non-government Asset-backed Securities	1,222	14	17,044	15
International Non-government Backed CMOs	-		11,628	22
Repurchase Agreements	48,698	1	33,885	1
Total Fair Value	\$ 348,981		\$ 433,111	
Portfolio weighted average maturity		45		45

The effective duration of the State Treasury Investment Pool at June 30, 2014, and June 30, 2013, was approximately 2.57 years and 2.65 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 has established investment concentration of credit risk policies that limit 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 is also the counterparty to the investment transactions. Therefore, the amount of investments subject to investment custodial credit risk at June 30, 2014, and June 30, 2013, was \$348,981,000 and \$433,111,000 respectively.

At June 30, 2014, and June 30, 2013, 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, 2014, and June 30, 2013.

i. Investment Summary

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

Investment Type	June 30, 2014 Carrying Value	June 30, 2013 Carrying Value
Commercial Paper	\$ 34,605	\$ 81,270
Certificates of Deposit	114,352	100,698
Repurchase Agreements	48,698	33,885
U.S. Government Obligations & Federally Guaranteed Obligations	84,598	38,871
Domestic Corporate Bonds & Notes	95,605	94,994
Domestic Non-government Asset-backed Securities	21,475	50,764
International Corporate Bonds & Notes	33,024	42,828
International Non-government Asset-backed Securities	1,222	17,044
Domestic Non-government Backed CMO's	-	-
International Non-government Backed CMO's	-	11,628
Investments Held by Others Under Securities Lending Agreements - U.S. Obligations	356,905	485,121
Pooled Investments with State Treasury	139,868	161,595
Total Investments	\$ 930,352	\$ 1,118,698

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

	June 30, 2014			
	Investments	Cash at Financial Institutions	Cash at State Treasury	Total
Cash and cash equivalents	\$ 124,276	\$ 326	\$ 27	\$ 124,629
Restricted cash and cash equivalents	15,592	15,017	-	30,609
Investments, grand prize	441,503	-	-	441,503
Investments, security lending collateral	348,981	-	-	348,981
Total	\$ 930,352	\$ 15,343	\$ 27	\$ 945,722

	June 30, 2013			
	Investments	Cash at Financial Institutions	Cash at State Treasury	Total
Cash and cash equivalents	\$ 145,741	\$ 361	\$ 35	\$ 146,137
Restricted cash and cash equivalents	15,854	61,209	-	77,063
Investments, grand prize	523,992	-	-	523,992
Investments, security lending collateral	433,111	-	-	433,111
Total	\$ 1,118,698	\$ 61,570	\$ 35	\$ 1,180,303

3. ACCOUNTS RECEIVABLE

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

	2014	2013
Ticket sales receivable	\$ 48,972	\$ 49,138
Other receivables	125	52
Total receivables	49,097	49,190
Less allowance for doubtful accounts	(2,094)	(2,628)
Accounts receivable, net	\$ 47,003	\$ 46,562

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

Capital assets at June 30 consisted of (in thousands):

	2012-13			2013-14			Balance 30-Jun-14
	Balance 30-Jun-12	Increase	Decrease	Balance 30-Jun-13	Increase	Decrease	
Data processing equipment	\$ 3,693	\$ 5	\$ (291)	\$ 3,407	\$ 494	\$ (95)	\$ 3,806
Office equipment and fixtures	5,799	412	(372)	5,839	36	(1,570)	4,305
Vehicles and other equipment	3,201	413	(73)	3,541	325	(245)	3,621
Software and other intangibles	763	1,360	-	2,123	1,652	(920)	2,855
	13,456	2,190	(736)	14,910	2,507	(2,830)	14,587
Less accumulated depreciation	12,100	333	(738)	11,695	747	(2,098)	10,344
Total capital assets, net	\$ 1,356	\$ 1,857	\$ 2	\$ 3,215	\$ 1,760	\$ (732)	\$ 4,243

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 2014. This association offers the Powerball with Powerplay, Mega Millions with Megaplier, and several other Terminal 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, 2014, and June 30, 2013, the Lottery had deposits with MUSL of \$19,817,102, and \$19,037,144, 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>2014</u>	<u>2013</u>
FLORIDA LOTTO grand prizes (face value)	\$ 424,857	\$ 530,605
MEGA MONEY grand prizes (face value)	8,058	8,677
Win for Life grand prizes (face value)	11,202	11,566
Flamingo Fortune Game Show grand prizes (face value)	400	500
Win a Million grand prizes (face value)	200	250
Lucky for Life grand prizes (face value)	20,050	20,900
Set for Life grand prizes (face value)	1,740	1,920
Cash Spectacular grand prizes (face value)	450	500
Cash for Life grand prizes (face value)	190	200
Loaded for Life grand prizes (face value)	2,650	2,750
Billion Dollar Blockbuster grand prizes (face value)	7,900	8,450
Gas for Life grand prizes (face value)	174	180
2 Million Dollar Casino Action grand prizes (face value)	1,600	1,700
Million Dollar Holiday grand prizes (face value)	850	900
Week for Life grand prizes (face value)	38,818	22,724
Monopoly grand prizes (face value)	3,510	2,700
Million Wishes grand prizes (face value)	900	950
X's The Cash grand prizes (face value)	3,770	950
\$3 Million Flamingo grand prizes (face value)	2,850	-
Gold Rush grand prizes (face value)	2,850	-
Less imputed interest	(148,399)	(160,229)
Net present value of grand prizes payable	<u>\$ 384,620</u>	<u>\$ 456,193</u>
Current prizes payable from restricted assets	\$ 86,154	\$ 112,751
Noncurrent prizes payable from restricted assets	298,466	343,442
Total grand prizes payable	<u><u>\$ 384,620</u></u>	<u><u>\$ 456,193</u></u>

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

<u>Year Ended June 30</u>	<u>Amount</u>
2015	\$ 86,154
2016	66,249
2017	44,687
2018	25,516
2019	19,611
2020-2024	102,185
2025-2029	100,910
2030-2034	55,630
2035-2039	18,289
2040-2044	13,788
Grand prizes (face value)	533,019
Less imputed interest	(148,399)
Net present value of grand prizes payable	\$ 384,620

b. Compensated Absences Payable

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

	<u>2014</u>	<u>2013</u>
Current compensated absences	\$ 585	\$ 769
Noncurrent compensated absences	3,189	2,908
Total	\$ 3,774	\$ 3,677

c. Changes in Long-Term Liabilities

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

	<u>2013-14</u>				
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Amount Due Within One Year</u>
	<u>June 30, 2013</u>			<u>June 30, 2014</u>	
Grand prizes payable	\$ 456,193	\$ 41,030	\$ (112,603)	\$ 384,620	\$ 86,154
Compensated absences payable	3,677	1,010	(913)	3,774	585
Postemployment healthcare benefits payable	2,962	1,047	-	4,009	-
Total long-term liabilities	\$ 462,832	\$ 43,087	\$ (113,516)	\$ 392,403	\$ 86,739

	<u>2012-13</u>				
	<u>Balance June</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Amount Due Within One Year</u>
	<u>30, 2012</u>			<u>June 30, 2013</u>	
Grand prizes payable	\$ 553,025	\$ 38,119	\$ (134,951)	\$ 456,193	\$ 112,751
Compensated absences payable	3,583	1,223	(1,129)	3,677	769
Postemployment healthcare benefits payable	2,196	766	-	2,962	-
Total long-term liabilities	\$ 558,804	\$ 40,108	\$ (136,080)	\$ 462,832	\$ 113,520

See Note 9 for additional information regarding the postemployment healthcare benefits payable.

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 Terminal 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 for the fiscal year ended June 30, 2014, was \$1,495,409,000 (27.8 percent of revenues), and for the fiscal year ended June 30, 2013, the transferred amount was \$1,424,307,000 (28.4 percent of revenues).

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, 2014, and June 30, 2013, was as follows (in thousands):

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Terminal ticket sales	\$ 1,951,087	\$ 1,984,469
Average percent transferred	38%	38%
Transfer of Terminal ticket sales ¹	<u>744,066</u>	<u>754,846</u>
Unclaimed Terminal ticket prizes	28,848	28,214
Percent transferred	80%	80%
Transfer of unclaimed Terminal ticket prizes	<u>23,078</u>	<u>22,571</u>
Scratch-Off ticket sales	3,417,143	3,028,527
Average percent transferred	20%	20%
Transfer of Scratch-Off ticket sales ¹	<u>692,063</u>	<u>605,842</u>
Unclaimed Scratch-Off ticket prizes	31,012	35,084
Percent transferred	80%	80%
Transfer of unclaimed Scratch-Off ticket prizes	<u>24,810</u>	<u>28,068</u>
Nonoperating revenues (expenses), net	(5,618)	(37,816)
Add:		
Net (appreciation) depreciation in fair value of investments	(13,718)	13,749
Amortization of grand prizes payable	22,911	29,068
Total Nonoperating revenues, net	<u>3,575</u>	<u>5,001</u>
Terminal fees and miscellaneous revenue	<u>7,817</u>	<u>7,979</u>
Due for the year	<u>1,495,409</u>	<u>1,424,307</u>
Balance due, beginning of year	76,111	51,604
Paid during the year	<u>(1,516,111)</u>	<u>(1,399,800)</u>
Due to Educational Enhancement Trust Fund, June 30	<u><u>\$ 55,409</u></u>	<u><u>\$ 76,111</u></u>

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

9. PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

a. Retirement Programs

Florida Retirement System. The Florida Retirement System (FRS) is a State-administered cost-sharing multiple-employer retirement plan that offers members 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. Essentially, 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.

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. 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 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 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' 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 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. Employer and employee contributions are a percentage of salary based on membership class (Regular class, Special Risk class, etc.). 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 or Plan	Employee Rate	Employer Rate	Employee Rate	Employer Rate
	Fiscal Year Ended	Fiscal Year Ended	Fiscal Year Ended	Fiscal Year Ended
	June 30, 2014	June 30, 2014	June 30, 2013	June 30, 2013
Senior Management Service	3.00 percent	17.11 percent	3.00 percent	6.30 percent
Regular	3.00 percent	6.95 percent	3.00 percent	5.18 percent
Special Risk	3.00 percent	19.06 percent	3.00 percent	14.90 percent
DROP - Applicable to members from all of the above classes	0.00 percent	12.84 percent	0.00 percent	5.51 percent

Total employer contribution rates above include 1.20 percent and 1.11 percent for the fiscal years ended June 30, 2014, and June 30, 2013, respectively, for the postemployment insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for fiscal year ended June 30, 2013 and June 30, 2014, for administrative costs of the financial education program and the Investment Plan. Required employee contributions are deducted on a pre-tax basis.

FRS Contributions. The Lottery’s liability for participation in the FRS plans defined above is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the Lottery. The Lottery’s employer contributions for the fiscal years ended June 30, 2014, June 30, 2013, and June 30, 2012, totaled \$1,432,983, \$851,755, and \$957,759, respectively, which were equal to 100 percent of the required contributions for each fiscal year. These contributions represented 8.9 percent, 5.4 percent, and 5.7 percent of covered payroll, for the fiscal years ended June 30, 2014, June 30, 2013, and June 30, 2012, respectively.

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 2012 through June 2014 and 9.49 percent for July 2011 through June 2012. 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, 2014, June 30, 2013, and June 30, 2012, totaled \$33,575, \$13,103, and \$24,509 respectively.

Retiree Health Insurance Subsidy Program. The Retiree Health Insurance Subsidy Program (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, 2014, 2013, and 2012, 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, provide proof of health insurance coverage, which can include Medicare or TRICARE, and be approved.

HIS is funded by required contributions from FRS participating employers. For the years ended June 30, 2014, 2013, and 2012, the Lottery contributed 1.20 percent, 1.11 percent, and 1.11 percent, respectively, of payroll for all active employees covered by the FRS, pursuant to Section 112.363, Florida Statutes. For the years ended June 30, 2014, 2013, and 2012, the Lottery contributed \$190,599, \$173,089, and \$182,359, respectively, in employer contributions to the HIS Program. HIS contributions are deposited in a separate 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.

Additional Information. Financial statements and other supplementary information for the FRS and the HIS are included in the Florida Department of Management Service's State-Administered Retirement Funds Comprehensive Annual Financial Report, which may be obtained from the Florida Department of Management Services.

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.

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 State of Florida, Department of Management Services, 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 Department of Management Services. 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 Statement 45, the Lottery is required to record its portion of the implicit postemployment health benefit liability beginning in the fiscal year ended June 30, 2008. Postemployment

health benefits payable at June 30, 2014, June 30, 2013, and June 30, 2012, was \$4,009,000, \$2,962,000, and \$2,196,000, 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 as well as the rental of computer equipment. Certain leases are renewable at the option of the Lottery.

Future minimum rental payments as of June 30, 2014, are scheduled as follows (in thousands):

Year Ending June 30	Headquarters	Districts	Computer Equipment	Total
2015	\$ 2,717	\$ 1,037	\$ 256	\$ 4,010
2016	2,744	1,077	-	3,821
2017	2,772	1,115	-	3,887
2018	2,801	1,149	-	3,950
2019	234	1,187	-	1,421
2020-2024	-	4,306	-	4,306
2025-2029	-	4,204	-	4,204
2030-2034	-	3,098	-	3,098
Total	<u>\$ 11,268</u>	<u>\$ 17,173</u>	<u>\$ 256</u>	<u>\$ 28,697</u>

Rental expense under all operating leases totaled approximately \$4,075,000 and \$4,072,000 for the fiscal years ended June 30, 2014, and 2013, respectively.

11. 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 as result of timing of marketing initiatives, industry developments, and changes in technology. Actual cash balances for these activities as of June 30, 2006 through June 30, 2014, ranged from approximately \$1,058,000 to \$3,874,000. 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 Educational Enhancement Trust Fund. Historically, no balances have reverted to the Lottery. The contracts were last renewed for GTech and Scientific Games in March 2011 and September 2013, respectively.

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

2013-14 Vendor Support Funds				
	Balance			Balance
	June 30, 2013	Additions	Deletions	June 30, 2014
GTech	\$ 340	\$ 360	\$ (545)	\$ 155
Scientific Games	2,155	4,290	(5,542)	903
Total Vendor Support	\$ 2,495	\$ 4,650	\$ (6,087)	\$ 1,058

2012-13 Vendor Support Funds				
	Balance			Balance
	June 30, 2012	Additions	Deletions	June 30, 2013
GTech	\$ 286	\$ 360	\$ (306)	\$ 340
Scientific Games	2,847	3,380	(4,072)	2,155
Total Vendor Support	\$ 3,133	\$ 3,740	\$ (4,378)	\$ 2,495

12. OTHER COMMITMENTS

The Lottery has contractual agreements under which Terminal and Scratch-Off lottery game vendors provide gaming systems, tickets, and related services. The Lottery’s Terminal gaming vendor is compensated at a rate of 1.0699 percent of net Terminal game ticket sales. The vendor’s compensation for Terminal games and for the provision of full service vending machines for the fiscal years ended June 30, 2014, and 2013, was \$28,895,000 and \$31,012,000, respectively.

The Lottery’s Scratch-Off ticket vendor is compensated at rates that range from 0.9467 percent to 2.24 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 \$48,157,000 for the fiscal year ended June 30, 2014, and \$44,193,000 for the fiscal year ended June 30, 2013.

13. 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.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-412-2722
FAX: 850-488-6975

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 THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Report on the Financial Statements

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 Florida Department of Lottery (Lottery), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Florida Lottery's basic financial statements, and have issued our report thereon dated January 28, 2015, included under the heading **INDEPENDENT AUDITOR'S REPORT**.

Internal Control over Financial Reporting

We have examined the effectiveness of the Lottery's internal control over financial reporting as of June 30, 2014, 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 of the effectiveness of internal control, included in the accompanying **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**. Our responsibility is to express an opinion on the effectiveness of 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 may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that the internal control 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, 2014, based on the criteria established in *Internal Control – Integrated Framework* issued by COSO. We did note additional matters involving the internal control over financial reporting, which are discussed in the **SCHEDULE OF FINDINGS**.

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 its 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*. However, we noted certain additional matters, which are discussed in the accompanying **SCHEDULE OF FINDINGS**.

The Lottery's response to the findings described in the **SCHEDULE OF FINDINGS** section of this report is included as Exhibit A. We did not audit the Lottery's response, and accordingly, we express no opinion on it.

Purpose of the Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON THE AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS** is solely to describe the scope of our testing of internal control and on compliance and the result of that testing, and to provide an opinion on the effectiveness of the Lottery's internal control. 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,



David W. Martin, CPA
January 28, 2015

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

RICK SCOTT
Governor



CYNTHIA F. O'CONNELL
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, 2014, 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, 2014, 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 black ink, appearing to read "Cynthia F. O'Connell".

January 28, 2015

**STATE OF FLORIDA
DEPARTMENT OF THE LOTTERY
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

ADDITIONAL MATTERS

Finding No. 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 the Lottery's IT control practices in six separate areas, five of which were also identified in the prior audit. 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 these issues.

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

Finding No. 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, 2014, retailers comprising one minority type totaled approximately 66 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; however, despite these efforts, the level of participation from these groups decreased slightly over the past fiscal year.

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

**EXHIBIT A
MANAGEMENT'S RESPONSE**

RICK SCOTT
Governor



CYNTHIA F. O'CONNELL
Secretary

January 28, 2015

David W. Martin, CPA
Florida Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

The Lottery has received your January 16, 2015 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, 2014. The staff has discussed your recommendations and responds as follows:

1. Finding No. 1: Information Technology Controls

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

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.

2. Finding No. 2: Minority Retailer Participation

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

Response: The Lottery continues its efforts to increase retailer participation in under-represented minority groups with strategic initiatives including attending minority trade shows to recruit retailers, working with Florida's Petroleum Marketers Association to identify and recruit new retailers including minority operators, advertising in minority business journals by featuring minority retailers currently selling Lottery products, exploring non-traditional trade style retailer prospects, and providing access to inquire how to become a retailer through the Lottery's website.

Despite these efforts, the level of participation from these groups has decreased slightly over the past fiscal year. A number of factors could contribute to this decline including the challenges presented by current economic conditions as well as the aggressive

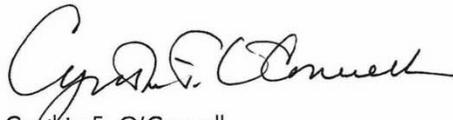
EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

corporate convenience store expansion taking place in Florida, often purchasing units from struggling independent operators including minority retailers.

However, we agree with the recommendation and will continue to aggressively pursue retailer participation in under-represented minority groups.

I would like to thank your staff for their efforts on behalf of the Lottery and look forward to receiving your final report.

Sincerely,



Cynthia F. O'Connell
Secretary

cc: J. Bruce Hoffmann, Chief of Staff
Ellyn Hutson, Chief Financial Officer
Tom Delacenserie, Deputy Secretary
Layne Smith, General Counsel
Andy Mompeller, Inspector General

A photograph of the Florida State Capitol building, featuring a prominent dome and classical columns, set against a blue sky with white clouds. The image is partially obscured by a dark blue curved graphic element on the left side of the slide.

Lottery Transfers Continue to Increase; Options Remain to Enhance Transfers and Improve Efficiency

Joint Legislative Auditing Committee

Sabrina Hartley, Senior Legislative Analyst

February 16, 2015

Research Questions

- ▶ 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

- ▶ Educational Enhancement Trust Fund (EETF) transfers increased by \$71 million in FY 2013-14
- ▶ Transfers continue to exceed the legislative standard, Lottery internal objectives, and revenue forecasts
- ▶ Florida Lottery ranks #2 in total sales among U.S. lotteries

Revenue Enhancement Options

- New Games
- New or Expanded Product Distribution

New Game Options Could Increase Revenues

ALL OR NOTHING

- Multiple daily draws with winners matching all, some, or none of drawn numbers
- Could generate \$18 million annually in transfers
- No legislative action required

New Game Options Could Increase Revenues

FAST KENO

- Draw game with frequent drawings
- Could generate \$111 million annually in transfers
- Requires legislative budget authority
- Reportedly more addictive than traditional lottery games

New Game Options Could Increase Revenues

MONITOR GAMES

- Computer simulations of poker, bingo, or horse racing
- Could generate \$20 million annually in transfers
- Requires legislative budget authority
- May be more addictive than traditional lottery games

New Product Distribution Options Could Increase Revenues

Internet Sales

- Federal law allows it
- 4 states have implemented
- Estimated \$8 million annually
- Requires statutory revisions

Subscription Play

- 11 states offer subscriptions via Internet or mail
- Estimated \$4 million annually
- May require statutory revisions

Expanded Product Distribution Options Could Increase Revenues

Increase Retailer Network

- Add more traditional and non-traditional outlets
- 200 new retailers could generate an additional \$5 million annually

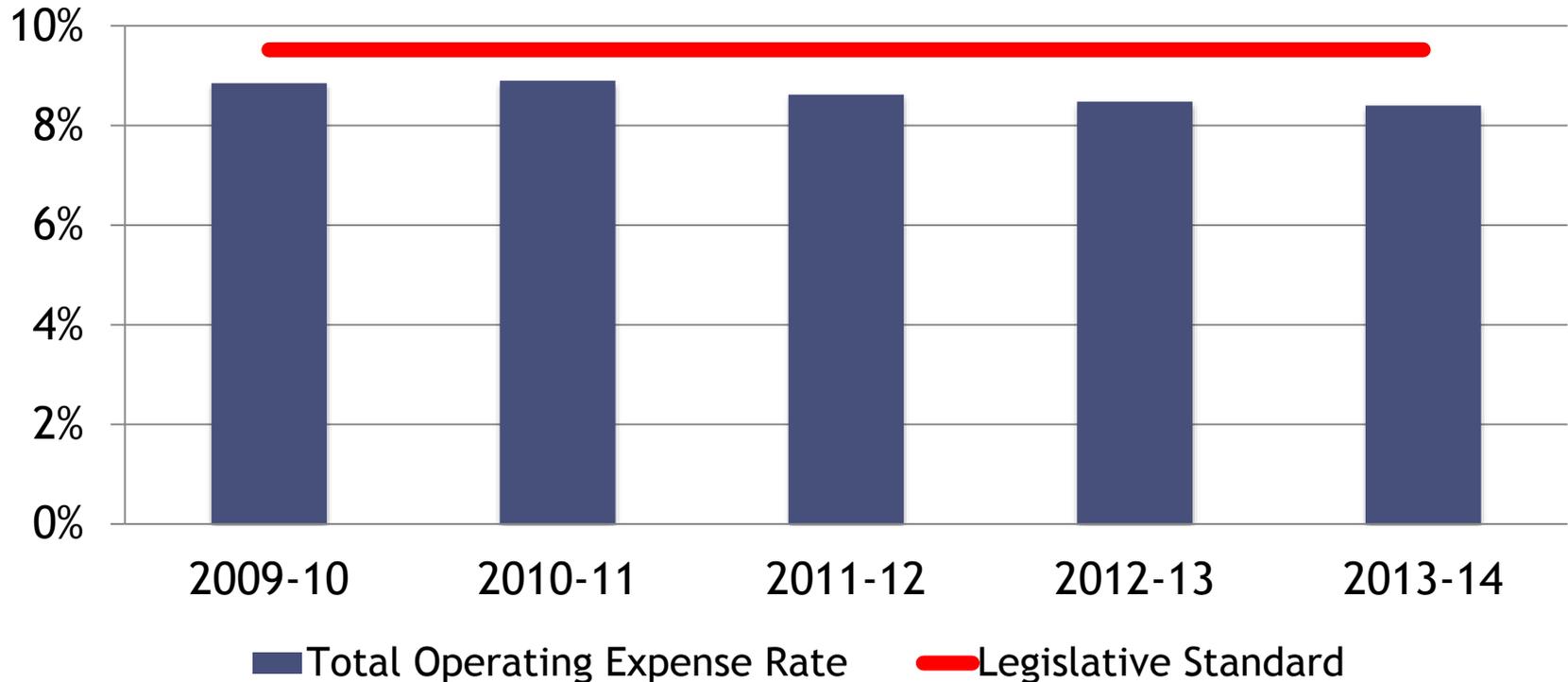
Increase Full-Service Vending Machines

- 300 machines could yield \$3 million in the first year
- May attract corporate retailers or encourage expansion
- Requires monitoring for underage play

Operational Efficiency Options

Florida has the 3rd Lowest Operating Expense Rate Among U.S. Lotteries

Operating Expenses in Relation to Ticket Sales Continue to Be Better Than the Legislative Standard



Protecting Against Retailer Ticket Theft

**Conducting
Targeted
Operations**

**Following Up
on Customer
Complaints**

**Providing
Ticket
Scanners**

**Working with
Law
Enforcement**

**Publicizing
Arrests and
Terminations**

**Installing
Winning Ticket
Sound**

Comprehensive Process for Advertising Decisions

**Budget
Based on
Product
Calendar**

**Determine Markets
and Methods Based
on Players, Games,
and Retailer
Density**

**Select Games
to Advertise
Based on
Historic Sales
and Expected
Transfers**

**Evaluate
Success
Based on
Sales and
Public
Awareness**

Department Recommendations

ADVERTISING

- Develop a schedule to regularly assess overall advertising return to the EETF

RETAILERS

- Continue to expand the retailer network
- Continue to improve data analysis and reporting capabilities to stop ticket theft
- Increase the number of retailer locations with self-service ticket scanners

Legislative Recommendation

If interested in a specific game and/or product distribution option, direct the Lottery to provide an analysis including

- advantages
- disadvantages
- potential revenue and costs
- timeframes
- needed statutory changes
- any impact on the gaming compact

Questions?

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.

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Lottery Transfers Continue to Increase; Options Remain to Enhance Transfers and Improve Efficiency

at a glance

Lottery transfers to the Educational Enhancement Trust Fund increased by \$71 million in Fiscal Year 2013-14 to \$1.495 billion. To increase sales during 2014, the Lottery continued to launch new products and enhance product distribution.

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

The Lottery's operating expense rate continues to meet legislative performance standards and is the third lowest in the nation.

The Lottery could

- continue its efforts to expand the retailer network;
- continue its 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 player scanners; and
- develop a schedule to regularly assess its overall advertising return to the Educational Enhancement Trust Fund.

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}

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 efficiency and the Auditor General to conduct the financial audit.

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 latex covering that players scratch off to determine instantly whether they have won.

The Lottery is self-supporting and receives no general revenue. For Fiscal Year 2014-15, the Legislature appropriated \$163.5 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 2013-14, prizes totaled \$3.43 billion and retailer commissions totaled \$297.3 million.³ Total ticket sales for this time period were \$5.4 billion, ranking Florida the second highest among U.S. lotteries in total sales.⁴

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.

⁴ Also, Florida ranked ninth highest among U.S. lotteries in per capita sales for 2013-14.

Since its inception, the Lottery has outsourced its core functions to produce, advertise, and sell tickets. In Fiscal Year 2014-15, the Lottery allocated approximately 75%, or \$122.5 million, of its \$163.5 million appropriation to produce and advertise draw and scratch-off games. Vendor contracts include those listed below.

- A contract with St. John & Partners for general market advertising services. This contract expires in August 2015.
- A contract with GTECH Corporation to provide a terminal-based system for its draw games. The terminal-based gaming system provided by GTECH Corporation includes computer systems and retailer terminals, instant ticket vending machines and full-service vending machines, telecommunications, and technical support services. This contract expires in September 2015.
- A contract with Scientific Games International to print, market, and distribute scratch-off game tickets. This contract expires in September 2018.
- A contract with Machado Garcia-Serra for Spanish language advertising services. This contract expires October 2018.

Revenue Performance ———

In Fiscal Year 2013-14, the Lottery transferred \$1.495 billion to the Educational Enhancement Trust Fund, \$71 million more than the prior year. Transfers exceeded the legislative standard of \$1.206 billion, the Lottery’s internal objective of transferring at least \$1 billion annually to the Educational Enhancement Trust Fund, and the Revenue Estimating Conference forecast.⁵

Revenue Enhancement Options —————

The Lottery took steps in Fiscal Year 2013-14 to increase its sales and transfers to the Educational Enhancement Trust Fund, such as enhancing its

product mix by adding a second higher priced (\$25) scratch-off game (100X the Cash) in September 2013 following the success of the Millionaire (\$25) scratch-off game launched in September 2012. The Lottery estimates that the 100X the Cash game generated approximately \$74.7 million in transfers for 2013-14. To capitalize on the game’s popularity, the Lottery also expanded the variety of price points offered for the Cash game on February 4, 2014, including \$1 (5X the Cash), \$2 (10X the Cash), \$5 (20X the Cash), and \$10 (50X the Cash) versions. The Lottery estimates that these Cash games generated approximately \$51.9 million in transfers for 2013-14.

The Lottery also attributes some of its sales increase to enhancements to the Mega Millions game. In October 2013, the Multi-State Lottery Association enhanced the Mega Millions game. Enhancements included larger starting jackpots, faster growing jackpots, a million-dollar second prize, and better odds of winning any prize for a \$1 ticket. The Lottery reports that, for comparative sales periods, the Mega Millions game’s average jackpots are \$71 million compared to \$56 million for the previous game and average draw sales are approximately 19% higher. The Lottery estimates the Mega Millions game’s enhancements generated approximately \$6 million in transfers for 2013-14.

In addition, the Lottery attributes some of its sales increases to changes in how major corporate retailers re-stock scratch-off tickets. For example, in April 2014, after successful testing in select Publix grocery stores, Publix approved an automatic replenishment program for ordering scratch-off products in all its grocery stores. Formerly, the scratch-off ticket stocking process occurred in one of three ways: (1) telemarketers from the Lottery’s scratch-off ticket vendor (Scientific Games) contacted each store by phone to inquire whether the store needed to re-stock; (2) the retailer called Scientific Games to place an order; or (3) a Lottery representative noticed low inventory while on a sales call and called Scientific Games to place an order on behalf of the retailer. The Lottery reports that during April to June 2014, scratch-off sales were 11% higher in Publix compared to the same period a year earlier, generating \$11 million in additional scratch-off ticket sales.

⁵ The Lottery’s legislatively-approved performance standards are reported in its long-range program plan—*Long Range Program Plan Fiscal Years 2015-16 through 2019-20*, Florida Lottery, September 30, 2014.

The Lottery also reports that it launched two new draw games during Fiscal Year 2014-15. To avoid confusion with the Mega Millions game and stimulate new interest from players, the Lottery changed the name of Mega Money to Lucky Money and added an EZ Match enhancement with advertising support in July 2014.⁶ The Revenue Estimating Conference estimates this effort will earn an additional \$18 million in ticket sales (or about \$7.3 million in transfers) for this game in Fiscal Year 2014-15. The Lottery also launched the new Monopoly Millionaires' Club game in October 2014, along with 23 other states. Monopoly Millionaires' Club is a multi-state game like Powerball and Mega Millions, but has several features that distinguish it from these large jackpot games. However, according to Lottery officials, the game was discontinued nationally in December 2014 due to poor sales.

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. The estimated values of the revenue enhancements presented in Appendices A and B 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. 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. However, actual sales would likely begin at lower levels during a startup period. In addition, adding new lottery games or expanding distribution options could represent an expansion of legalized gambling and could produce negative social costs.^{7, 8}

⁶ For an additional \$1 per play, the EZ match gives players a chance to win cash instantly.

⁷ For more information on the negative social costs, see *Lottery Profits Flat; Increasing Retailer Outlets is Critical to Increasing*

For 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.⁹ 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 substantial revenues, but could represent expanded gambling

Florida could consider adding lottery games such as fast keno or another type of monitor game that might attract new players and substantially increase state revenues. However, as mentioned previously, adding new games could represent expanded gambling.

Fast keno is a draw lottery game in which 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 a central computer. Fast keno is similar in principle to other draw games but occurs more frequently (typically every four to five minutes).

As described in Appendix C, we identified 15 U.S. lotteries that offer fast keno.¹⁰ A wide variety of retailers in these states participate, such as convenience stores, grocery stores, liquor stores, tobacco stores, bars, restaurants, fraternal organizations, and bowling alleys. Participating retailers often have monitors in their establishments that display game results to players. However, some states also offer keno-to-go whereby players may purchase tickets from

Sales, OPPAGA [Report No. 10-16](#), January 2010; and [Gambling Impact Study](#), Spectrum Gaming Group, October 2013.

⁸ 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.

⁹ 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.

¹⁰ The 15 U.S. lotteries that we identified as offering fast keno are in California, Delaware, the District of Columbia, Georgia, Kansas, Maryland, Massachusetts, Michigan, Missouri, New York, Ohio, Oregon, Rhode Island, the U.S. Virgin Islands, and West Virginia.

retailers, leave the establishment, and check for winning numbers on the Lottery’s website.

We estimated that implementing fast keno could generate approximately \$111 million in additional annual transfers to education.^{11, 12} To implement fast keno in Florida, the Legislature would need to grant budget authority for the Lottery to spend sales revenue to acquire or contract for a fast keno gaming system.¹³ Fast keno is reportedly more addictive than traditional lottery games due to its fast play style.

Some U.S. lotteries also offer other monitor games, which are computer simulations of poker, bingo, or horse racing.¹⁴ As with fast keno, retailers have monitors that display game results to players. Winning numbers are randomly drawn by a central computer, and draws occur frequently (typically every four to eight minutes). We estimated that implementing a monitor game could generate approximately \$20 million in additional transfers per year.¹⁵ As with fast keno,

monitor games may be more addictive than traditional lottery games.

Another option would be for the Lottery to offer the All or Nothing game with drawings held multiple times per day. Currently, Arizona, Georgia, Iowa, Minnesota, North Carolina, and Texas offer the All or Nothing game. 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. We estimated that implementing the All or Nothing game could generate approximately \$18 million in additional transfers per year.¹⁶

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.¹⁷

Currently, Illinois, Georgia, Minnesota, and Michigan sell lottery products online. 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, Mega Millions, and Powerball using a personal

¹¹ We estimated a range of potential fast keno revenue (\$15 million to \$655 million, with a median of \$111 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 2016. 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.

¹² Our estimate is based on the median per capita sales for states that offer fast keno. However, Florida Lottery administrators believe that Florida’s sales experience would take several years to build, depending on a factors associated with launching fast keno, such as needing to recruit new retailers, e.g., bars and other social establishments. In addition, Lottery administrators believe fast keno sales in Florida would more closely resemble that of Georgia, which would lower the estimate to \$104 million.

¹³ In addition, implementing fast keno may require legislative action to modify the requirement for a drawing to be witnessed by an accountant, given that electronic drawings could occur every five minutes (s. [24.105\(9\)\(d\)](#), F.S.).

¹⁴ We identified five U.S. lotteries that offer monitor games: Kansas, Maryland, Massachusetts, Rhode Island, and the District of Columbia.

¹⁵ We estimated a range of potential monitor game revenue (\$5 million to \$148 million, with a median of \$20 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 2016. 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.

¹⁶ We estimated potential revenue from the All or Nothing game by applying per capita sales for this game in Texas to Florida’s estimated population for 2016. The estimate assumes a draw game transfer rate to the Educational Enhancement Trust Fund of 40.53%, based on the November 2014 Revenue Estimating Conference projected transfers for Fiscal Year 2016-17, and that 10% of the sales would be shifted from existing game sales.

¹⁷ Subsequent to this decision, Colorado and Maryland enacted laws that prohibit online lottery sales, while Delaware, Nevada, New Jersey, and the U.S. Virgin Islands enacted laws to permit online casino gaming.

computer or the official Illinois Lottery mobile device application. Individuals who register on the Georgia Lottery website are able to purchase Keno!, Mega Millions, Powerball, and Fantasy 5 tickets online. The Minnesota Lottery offers seven draw games for sale online, including Hot Lotto, Mega Millions, and Powerball. The Minnesota Lottery also offers over 20 e-scratch-off games online. Michigan offers an online version of keno and e-scratch-off games (called Instants Online) that can be accessed using a personal computer or a mobile device application. Michigan Lottery officials stated they expect to offer four draw games (Powerball, Mega Millions, Classic Lotto, and Fantasy 5) online by late summer 2015.

Lotteries that sell products online require that players be at least 18 years old and located within the state when making a lottery purchase. Potential revenue from implementing Internet sales in Florida is about \$8 million in additional transfers per year.¹⁸

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.¹⁹ In 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.

¹⁸ We estimated a range of potential Internet sales revenue (\$2 million to \$8 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 2016. Our estimate assumes a transfer rate to the Educational Enhancement Trust Fund of 40.53%, based on the November 2014 Revenue Estimating Conference projected draw game transfer rate for Fiscal Year 2016-17. The estimate also assumes that 5% of sales would be shifted from existing game sales per the Florida Lottery.

¹⁹ 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 instrument issued by a bank to purchase lottery products.

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.²⁰ 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 \$4 million in transfers to education.²¹ 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.

Operational Efficiency Options

The Lottery continues to keep its expenses as a percentage of sales low and below the legislative standard. In addition, the Lottery could make the following improvements:

- continue its 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 player scanners; and

²⁰ 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.

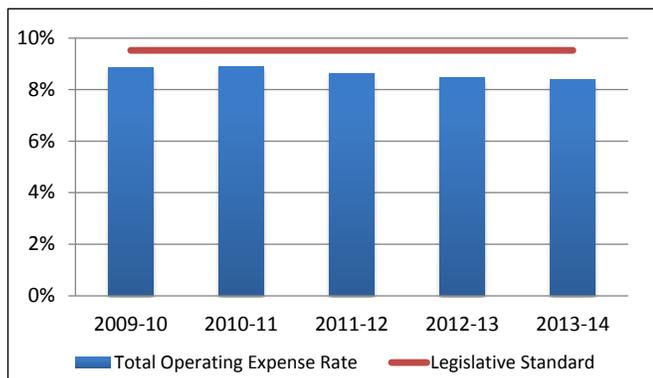
²¹ We estimated a range of potential subscription sales revenue (\$1 million to \$11 million, with a median of \$4 million) based on the highest and lowest per capita sales in states that offer subscription sales, which we applied to Florida's estimated population for 2015. Our estimate assumes a transfer rate to the Educational Enhancement Trust Fund of 40.54%, based on the November 2013 Revenue Estimating Conference projected draw game transfer rate for Fiscal Year 2015-16. The estimate also assumes that 5% of sales would be shifted from existing game sales per the Florida Lottery.

- develop a schedule to regularly assess its overall advertising return to the Educational Enhancement Trust Fund.

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 1.²² Compared to other U.S. lotteries, the Florida Lottery had the third lowest operating expense rate in Fiscal Year 2012-13, behind Massachusetts and New Jersey.²³

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



Source: Department of the Lottery long range program plans.

The Lottery continues to implement initiatives to improve its operational efficiency. For example, the Lottery reports that it established new district office leases in Fiscal Year 2013-14 at improved rates for its Tampa and Miami-Dade district office.²⁴ The Lottery contracted with a tenant broker to survey the real estate market to identify the best facility options available at the best lease rates. By remaining at the same location in Tampa,

the Lottery reports that it was able to reduce its lease rate from \$15.27 per square foot at the end of its prior five-year lease to \$13.75 per square foot at the beginning of its new seven-year lease.²⁵ These lease rates also included improvements to the facility such as new floor covering and re-painting throughout the suite; new counter tops within the lobby and general office area; re-cabling of the data infrastructure; purchase of four security cameras for the front and back entrances, warehouse, and the lobby area; and new exterior storefront and roadside marquee signage. The Lottery moved its Miami-Dade district office approximately 12 miles north to be more convenient for players and staff in Broward and Miami-Dade counties. The Lottery reports that it was able to reduce its lease rate in Miami-Dade from \$21.69 per square foot at the end of its prior 5-year lease to \$19.50 per square foot at the beginning of its new 10-year lease.

Lottery administrators outlined a reasonable process for protecting players against ticket theft by retailers

All lotteries face the challenge of ensuring public confidence in the integrity of their operations. One significant threat to this confidence occurs when retailers steal winning tickets from players. This can happen if players with winning tickets visit a retailer location and ask the retailer (or the retailer’s employee) to scan their tickets to determine if they have won, and dishonest retailers/clerks then tell the customers their tickets are not winners and keep the tickets for their own gain. 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.²⁶

²² Operating expenses include payments to gaming vendors and retailer commissions.

²³ Florida Lottery’s ranking is based on the latest fiscal year data available from La Fleur’s *2014 World Lottery Almanac*, excluding eight state lotteries that offer video lottery terminals and one state lottery for which data to derive an operating expense rate was not available in La Fleur’s almanac.

²⁴ The Lottery has nine district offices that serve the dual role of providing field support services to retailers and acting as prize redemption and payment centers. The offices also sell and redeem tickets.

²⁵ The Lottery’s lease agreements in Tampa and Miami-Dade provide for escalating rates over the term of the contracts.

²⁶ 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.^{27, 28} 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.

We compared how the Lottery reports that it is addressing the potential for retailers to steal or broker tickets to actions used by or recommended for other North American lotteries and concluded that the Lottery has taken reasonable steps to address this issue.²⁹ According to the Lottery, it has implemented a 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 scanners 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.³⁰

The Lottery reports that it has recently enhanced its Retailer Integrity Program to better identify retailers or their employees who might be stealing players' tickets or acting as ticket brokers.³¹ The

²⁷ The criminal penalty for stealing a winning ticket depends on the amount of the prize. All lottery tickets with a prize of \$600 or more must be redeemed at a district office or at Florida Lottery headquarters in Tallahassee. Theft of a ticket worth \$300 or more but less than \$20,000 is grand theft of the third degree (a third degree felony) and punishable by up to five years in prison. If a stolen ticket is worth \$20,000 or more but less than \$100,000, this is grand theft of the second degree (a second degree felony) and punishable by up to 15 years in prison. Theft of a ticket worth \$100,000 or more is first degree grand theft (a first degree felony) and punishable by up to 30 years in prison. For more information, see ss. [812.014](#) and [775.082](#), *F.S.*

²⁸ Ticket brokering violates s. [24.118\(2\)](#), *F.S.*, and is a first degree misdemeanor.

²⁹ To examine processes used by or recommended for other North American lotteries, we reviewed audit or ombudsman reports for lotteries in Arizona, British Columbia, Iowa, Massachusetts, Michigan, and Ontario.

³⁰ Lottery staff identify retailers for these operations based on customer complaints and also select some at random.

³¹ The department conducts background checks prior to approving an application to become a lottery retailer. The background checks include determining whether any listed owners, officers, or major shareholders have a criminal history; checking Department of Revenue data to determine whether the retailer owes money to the state, such as for sales taxes; and researching the retailer's credit history.

Lottery has also made changes to the program to better protect consumers. Recent changes to the Retailer Integrity Program include

- analyzing data to identify retailers for further investigation because they are abnormally frequent winners and there are indicators that they may be stealing or brokering tickets;
- enhancing agreements with other state law enforcement agencies to share information, identify criminal activity, and investigate retailers;
- publicizing when the Lottery has terminated a retailer's contract for conduct prejudicial to public confidence or arrested a retailer for stealing tickets;
- configuring retailer terminals to play a winning sound so that players know that the ticket a clerk scanned for them is a winner; and
- conducting a Sign your Ticket campaign to alert players that signing their tickets at the time of purchase provides an added safeguard to avoid having someone else claim their winnings.

Lottery administrators told us that they periodically generate a list of the top 500 most frequent winners over a three-year period. Using information from the list, they analyze additional data to identify suspicious retailer activity that requires further investigation. For example, as of June 2014, administrators said that the Lottery was investigating 94 retailers who were frequent winners. This represents less than 1% of the approximately 13,000 lottery retailers.

If the Lottery's investigation indicates a retailer is likely stealing or brokering tickets, lottery administrators said they would suspend the retailer's ability to sell lottery tickets while they conduct further investigation if needed. Depending on investigation results, the Lottery may then terminate the retailers' contracts. Between April 2 and October 15, 2014, the Lottery terminated the contracts of 35 retailers for 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 2014, its law enforcement officers made 11 arrests and assisted other law enforcement agencies with 11 additional arrests of lottery retailers.³² Administrators told us that while they terminate the contract of a lottery retailer who is ticket brokering, they would likely not pursue a criminal charge unless they find sufficient probable cause.³³ Retailers might be able to keep their contracts to sell lottery tickets if one of their clerks was stealing tickets or acting as a broker without the retailer’s knowledge, and the retailer fired the clerk and took steps to prevent further criminal behavior.

According to Lottery administrators, they are also upgrading their investigations case management system to more efficiently handle an increase in the investigation caseload and improve their analytical capabilities. The Lottery reports that its investigations workload increased from 816 in 2013 to 884 as of December 9, 2014. Administrators anticipate that they will have opened approximately 900 investigations by the end of 2014. They 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.

In addition, department administrators believe that their current procurement to replace the gaming system vendor contract will further enhance the Retailer Integrity Program. The Lottery’s invitation to negotiate (ITN) includes a requirement for the vendor to provide two on-site analysts/programmers

to improve the Lottery’s ability to analyze data and generate reports from its data system. Lottery administrators expect that these staff will reduce the need for Lottery personnel to make multiple data queries when analyzing data to identify potential problems in retailer behavior.³⁴ The new vendor also will be required to provide additional ticket scanners for retailer locations so that players can determine for themselves if their tickets are winners. The gaming system vendor ITN also includes an option for vendors to propose a fraud detection and monitoring system. The Lottery’s current contract with its gaming system vendor expires in September 2015, so these additional resources will not be available until the new contract takes effect.

The Lottery should continue its 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 player scanners.

Revenue and sales goals determine game selection, enhancement, and termination

To enhance sales, the Florida Lottery regularly changes its product mix by adding new games, enhancing existing games, and retiring games. We examined the Lottery’s management of its product mix to describe how the Lottery makes decisions to introduce new games, enhance existing games, and retire games. Lottery administrators told us that their primary goal when making decisions about the product mix is to achieve internal sales goals and the Revenue Estimating Conference forecast for transfers to the Educational Enhancement Trust Fund.

The Lottery reports that it considers a variety of factors when deciding the mix of games, including

- the balance of game price points to ensure that the department does not compete with itself for the same core players;

³² 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.

³³ Lottery officials report that although ticket brokering is a first degree misdemeanor, prosecuting this violation requires witnesses to the exchange of the ticket. However, the department seeks to identify and terminate the contracts of retailers who are ticket brokering due to the potential loss of state revenues or increase in state costs for programs such as child support enforcement or public assistance. The amount of state revenue lost or the increase in state costs due to ticket brokering is unknown.

³⁴ 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.

- seasonality—maximizing sales during the summer tourist season, specific sports seasons, and the Christmas holiday season;
- consumer buying habits and efforts to attract new players;
- uniqueness of a game to appeal to a variety of players; and
- changing technologies and play styles, e.g., electronic and/or automated play.

The Lottery uses vendor recommendations, research, and game performance in other states to select new games. The Lottery routinely adds new scratch-off games to its product mix throughout the year. It introduces new draw games less frequently because they generally have a much longer lifecycle.

The Lottery reports that its Product Development unit develops the overall product strategy and oversees lifecycle management for scratch-off and draw games and related add-on features. This includes game creation, production, launch, monitoring, and closeout.

According to the Lottery's scratch-off and draw game procedures, creating new games is a continuous process. Product Development researches game concepts from primary and secondary game printing vendors, other licensed property companies, and/or successful games in other lottery states.³⁵ While the Lottery's graphics department may internally develop new scratch-off games, most new games come to the department through vendor recommendations and/or research. Lottery procedures state that Product Development stays abreast of industry trends related to draw games and continuously researches draw game concepts. In addition to adding the occasional draw game, the Lottery may enter into agreements that include other states for the operation and promotion of multistate lottery games and promotions.

According to Lottery officials, the Lottery uses a variety of methods to test new games

before including them in the product mix. Administrators report that, based on experience, they know what kinds of scratch-off games are likely to perform well and, as a result, research needs are minimal. If, however, a new scratch-off game represents a new concept, the Lottery may conduct player testing in focus groups, player panels, or conjoint analysis to determine its marketability.³⁶ Based on its analysis, Product Development submits a four to six month scratch-off game concepts launch schedule to the Secretary for approval.

Lottery officials report that new draw game concepts undergo a series of qualitative and/or quantitative research analyses similar to those used for new scratch-off game concepts. The Lottery also uses internal business analysis based on industry reports from gaming vendors, gaming associations, and other lottery states to identify draw games with the greatest sales potential in the Florida market. The Secretary makes the final approval of all new game concepts.

The Lottery enhances draw games to maintain and/or increase lagging sales. Because scratch-off games have a shorter lifecycle, administrators report that they only enhance draw games. Enhancements may include add-ons like second chance draws and EZ match in an effort to extend the lifecycle among core players and attract new players. For multi-state games, all participating states must agree to game enhancements and the Florida Lottery does not have sole discretion to implement game enhancements.

Game termination decisions are primarily based on sales. According to Lottery procedures, scratch-off games have a finite lifecycle based on the quantity of tickets printed and sales rate. The Lottery closes games at the end of their lifecycle and replaces them with more profitable games. According to Lottery administrators, they typically close 12 to 15 scratch-off games each quarter. The Product Development unit reports that it uses the following criteria to determine when to end games:

³⁵ Licensed property companies buy the rights to use national brands/logos, e.g., the National Football League or Major League Baseball, and sell use of the brand/logo for use on scratch-off tickets.

³⁶ A conjoint analysis is a market research technique that is used to measure the value of different product features and predict the value of combinations of features.

- no remaining top prizes;
- no orderable inventory; and/or
- factors such as current sales levels, low inventory levels, contract requirements, seasonality, and other unforeseen circumstances such as changing market conditions or print defects.

As noted earlier, the Lottery launches most draw games as a permanent offering in the product mix. However, occasionally the Lottery determines that a draw game is no longer meeting sales expectations and the Secretary approves its termination. The Lottery reports that it usually replaces the game with a new game with better sales potential.

The Lottery has a comprehensive process for making decisions about advertising

We examined the Lottery’s advertising activities to describe how the Lottery makes advertising decisions and evaluates the effectiveness of those decisions. The Lottery has a comprehensive process for advertising decision-making that includes numerous steps and considers a variety of relevant factors. However, while the department monitors and assesses its advertising efforts using sales performance data as well as data from its research vendor about the public resonance of advertising campaigns, it has only recently contracted for an evaluation of the return from its advertising expenditures.

The Lottery allocates its advertising budget based on an annual product calendar. The Lottery produces a product planning calendar that establishes when it will launch the year’s new games, product enhancements, and related advertising. Executive staff report that the product planning calendar is an evolving document that is used in marketing planning meetings to determine which games will receive promotional support.

Using the product planning calendar, the Lottery’s Brand Management Division allocates advertising funds across games that will receive advertising for the year and produces a statewide flowchart outlining advertising campaign timelines per game by geographic market as well as specific media such as television, radio, and traffic drive-time radio ads. The division uses the market/media flowchart, in conjunction with the product-planning calendar, to

monitor advertising and game launch schedules. Administrators report that the process is intentionally fluid so the Lottery can shift game roll-outs and related advertising in response to factors such as changing market conditions, delays in game production, and/or varying media costs and availability. Lottery administrators report that this allows them to make budget adjustments as needed, get the best prices for media air-time, and achieve the maximum exposure in the intended market.

The Lottery uses historic sales and expected transfers to decide which games to advertise. Lottery administrators report that they place priority for advertising dollars on games they expect to yield the highest return to the Educational Enhancement Trust Fund and game types with historically high sales. Brand Management administrators report that the department can develop reliable forecast sales estimates based on a game’s performance in other states and sales history of similar games in Florida.

Player styles, game specifics, and retailer density determine which media markets and methods the Lottery will use. Rather than target specific populations or demographics with advertising campaigns, Lottery administrators report that player styles and game specifics determine where they will air or place advertising. They said that certain types of games are more likely to appeal to frequent/core players, while other games are likely to attract the more infrequent/casual player. Likewise, third-party partnerships may dictate specific geographic markets for advertising.

Retailer density is also a factor in the Lottery’s advertising decisions. The Lottery targets advertising to areas with higher concentrations of retailers to maximize exposure and ticket sales. Lottery administrators decide which form of advertising to use (e.g., billboards, radio, television) based on the advertising budget and input from its contracted advertising agencies.

The Lottery analyzes sales, public awareness, and market performance to determine the success of advertising campaigns. The Lottery monitors market performance and advertising impact across the state. According to internal procedures, the department monitors the sales

performance of all new terminal and scratch-off games on a daily, weekly, and annual basis including reviewing sales reports, sales trends, weekly sales summaries, and progress toward Revenue Estimating Conference sales forecasts. Also, the Lottery's contracted research firm, Ipsos Reid, conducts quarterly online tracking to examine Lottery marketplace performance and public awareness of advertising.³⁷

In addition to ensuring each contract deliverable is received, the Lottery also examines advertising rate of return and overall dollar value of media campaigns using a quarterly post-media buy analysis and buy effectiveness report from its advertising vendor, St. John & Partners. This report illustrates market performance per market area by comparing exposure rates (the number of times an advertising spot airs) to industry standards and provides details on any under- or over-performing districts.^{38, 39} The report itemizes added values and their dollar equivalent in cases where the Lottery received advertising time in excess of contractual requirements.

The Lottery recently contracted for an evaluation of the return from its advertising expenditures. In our 2014 report, we found that although advertising increases lottery ticket sales, most (approximately 80%) of the variation in sales was explained by other factors.^{40, 41} Lottery administrators told us that the department has recently contracted for a study of the return from its advertising expenditures and anticipates completion soon. The department should develop a schedule to regularly assess its overall advertising return to the Educational Enhancement Trust Fund.

³⁷ As part of this process, Ipsos Reid may look at participation rates in other forms of gambling, promotion awareness, product evaluation, media habits, shopping behavior, and leisure habits.

³⁸ In some cases, contractees provide more media exposure than required by the contract. This can be the result of issues like filling unsold air time.

³⁹ For example, one quarterly report found the Tallahassee market under-performing, but the explanation revealed a glitch in Nielsen sampling techniques. The Jacksonville market over-delivered in another quarter as a result of almost all radio stations over-delivering on the number of times ads were aired.

⁴⁰ *Lottery Transfers Have Recovered; Options Remain to Enhance Transfers*, OPPAGA [Report No. 14-06](#), January 2014.

⁴¹ These factors were jackpot size, time of the year, market area, retailer density, general economic conditions, and the introduction of Powerball in Florida in 2009.

The Lottery generally met the typical state procurement standards when contracting for Spanish language advertising services

In November 2013, the Lottery issued a solicitation for contractual services (an invitation to negotiate or ITN) to provide Spanish language advertising to Florida Spanish language markets to promote Lottery games and raise funds for public education. The selected company would advise the Lottery and provide strategic planning to help achieve its Spanish language marketing objectives; provide creation and production services for distribution in the Spanish-speaking communities; host a Spanish language website for the Lottery; and provide public relations and translation services while supporting community outreach and market expansion for Spanish language retailer recruitment and products.⁴²

To acquire similar services, state agencies generally follow the procurement procedures required by Ch. 287, *Florida Statutes*, and the administrative rules developed by the Department of Management Services to implement those requirements.⁴³ However, s. 24.105, *Florida Statutes*, authorizes the Lottery to adopt alternate procedures if it determines by rule that operating under Ch. 287, *Florida Statutes*, would impede the effective or efficient operation of the lottery.⁴⁴ In 2007, the Lottery used its statutory authority to adopt emergency rule 53ER07-55, *Florida Administrative Code*, which authorizes some procedures that vary from state agency procurement requirements.^{45, 46} Lottery administrators reported

⁴² In October 2014, the department executed a four-year contract with Machado/Garcia-Sierra LLC of Miami, Florida for Spanish language market advertising services. The agreement also provides the department with two additional two-year renewal periods at its sole option. Machado/Garcia-Sierra LLC is the same provider the department selected in the previous competitive procurement for the same services in 2007.

⁴³ DMS has promulgated rules [60A-1.001 to 60A-1.048](#), *F.A.C.*, to address state procurement requirements.

⁴⁴ As required by s. [24.105\(13\)](#), *F.S.*, the department must still evaluate competing proposals; achieve the greatest long-term benefit to the state in service quality, integrity and dependability; and maximize gross revenues and net proceeds during the contract term.

⁴⁵ Rule [53ER07-55](#), *F.A.C.*

⁴⁶ For example, s. [287.057\(1\)](#), *F.S.*, requires agencies to use a competitive solicitation process for procurement of commodities or contractual services that exceed \$35,000, but rule [53ER07-55](#), *F.A.C.*, authorizes a bid threshold of \$65,000 for the Department of the Lottery.

that the emergency rule provides added efficiencies in the department’s procurement processes primarily for purchases falling below the bid threshold for competitive procurement.

We evaluated the extent to which the Lottery’s actions during its recent procurement of Spanish language market advertising services followed the typical state agency procurement process, as established in Ch. 287, *Florida Statutes*, and the related administrative rules. We concluded that the Lottery generally met the typical state procurement standards, with the exception of extending the prior services contract beyond the time authorized in Ch. 287, *Florida Statutes*, to enable the Lottery to complete the procurement process.

Section 287.057(12), *Florida Statutes*, authorizes only one six-month extension of an existing contract, but the Lottery extended its 2007 Spanish language market advertising services contract twice for a total of 12 months before executing a new contract to replace it.⁴⁷ The Lottery’s emergency rule does not address additional contract extensions and provides that the requirements in Ch. 287, *Florida Statutes*, will govern its actions in the absence of rule provisions to the contrary.⁴⁸

Lottery administrators report that they delayed completing the procurement due to other priorities, including preparing for the solicitation to replace the Lottery gaming system vendor contract. They also said that the Spanish language market advertising services were critical to the operation of the Lottery and that they therefore did not want a lapse in advertising to occur.

Recommendations

While the department and the Legislature have increased transfers to education, additional

⁴⁷ Rule 60A-1.048(2), *F.A.C.*, states in part, “An agency may only extend a services contract once, unless events beyond the control of the contractor cause the contractor’s failure to meet the criteria for contract completion.”

⁴⁸ The department reports that it relied upon rule 53ER07-55, *F.A.C.*, during the Spanish language advertising services procurement only to alter the Invitation to Negotiate wording regarding potential protests to conform to the department’s authority in s. 24.109(1), *F.S.*, to require a formal written protest within 72 hours instead of 10 days as provided in s. 120.57(3), *F.S.*

actions could increase sales and efficiency and ultimately increase transfers to education.

Department Options

We recommend that the Department of the Lottery

- continue its efforts to expand the retailer network;
- continue its 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 player scanners; and
- develop a schedule to regularly assess its overall advertising return to the Educational Enhancement Trust Fund.

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 analysis that includes advantages and disadvantages, potential revenues and costs, 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 D.

OPPAGA supports the Florida Legislature by providing evaluative research and objective analyses that assist legislative budget and policy deliberations. This project was conducted in accordance with applicable evaluation standards. Copies of this report in print or alternate accessible format may be obtained by telephone (850/488-0021), by FAX (850/487-3804), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475). Cover photo by Mark Foley.

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Appendix A

New Lottery Game Options

New games that attract new players have the potential to substantially increase revenues to education. Exhibit A-1 lists new game options, 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 game to another. Some new games that could generate significant revenue, such as fast keno, could increase the negative social costs of gambling. Estimates of annual revenue assume full implementation by July 1, 2015. 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>Fast Keno Players choose from 10 to 12 numbers from a panel of 80 numbers in the hope of matching their choices to 20 numbers drawn by the central computer at Lottery headquarters; 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), <i>F.S.</i>).</p>	<ul style="list-style-type: none"> ▪ Could generate approximately \$111 million per year in additional recurring transfers to education¹ ▪ 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 won. See Appendix C for more information on U.S. lotteries that offer fast keno. ▪ Would help the Lottery recruit new retailers in social venues 	<ul style="list-style-type: none"> ▪ Fast keno is reportedly more addictive than traditional lottery games ▪ Could be considered an expansion of gambling ▪ Requires legislative budget approval for a fast keno gaming system ▪ Sales are dependent on new retailer participation ▪ Requires careful analysis of impacts on Lottery Revenue Bond rate floor²
<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 education³ 	<ul style="list-style-type: none"> ▪ Could be considered an expansion of gambling ▪ Requires careful analysis of impacts on Lottery Revenue Bond rate floor²

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>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 \$18 million per year in additional recurring transfers to education⁴ 	<ul style="list-style-type: none"> ▪ May have a limited life cycle after which sales decline ▪ Could produce shift in sales from other Lottery products ▪ Could be considered an expansion of gambling
<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 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 \$20 million per year in additional recurring transfers to education⁵ ▪ 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"> ▪ Because of its rapid play style, it could be more addictive than traditional lottery games ▪ Could be considered an expansion of gambling ▪ Requires legislative budget approval for a new gaming system ▪ Requires careful analysis of impacts on Lottery Revenue Bond rate floor²
<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"> ▪ Could generate significant revenues ▪ The Lottery's recent \$25 scratch-off game (100X the Cash) generated significant sales. The Lottery estimates that the 100X the Cash game generated approximately \$74.7 million in transfers for Fiscal Year 2013-14. 	<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 ▪ Requires careful analysis of impacts on Lottery Revenue Bond rate floor²

¹ We estimated a range of potential fast keno revenue (\$15 million to \$655 million, with a median of \$111 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 2016. 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.

² 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.

³ We estimated a range of daily keno 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 2016. The estimate assumes a draw game transfer rate to the Educational Enhancement Trust Fund of 40.53%, based on the November 2014 Revenue Estimating Conference projected transfers for Fiscal Year 2016-17, and that 5% of the sales would be shifted from existing game sales.

⁴ We estimated potential revenue from the All or Nothing game by applying per capita sales for this game in Texas to Florida's estimated population for 2016. The estimate assumes a draw game transfer rate to the Educational Enhancement Trust Fund of 40.53%, based on the November 2014 Revenue Estimating Conference projected transfers for Fiscal Year 2016-17, and that 10% of the sales would be shifted from existing game sales.

⁵ We estimated a range of potential monitor game revenue (\$5 million to \$148 million, with a median of \$20 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 2016. 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 substantially increase revenues to education. Authorizing product distribution through the Internet, increasing the number of retailers, and expanding the use of full-service vending machines have the potential to increase revenues by making lottery products more readily available to residents and tourists. 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, 2015. 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>Authorize 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 \$4 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 ▪ 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 and physically challenged 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 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.³</p> <p>Implementing this option may require statutory changes to allow player-activated terminals (s. 24.105, <i>F.S.</i>), 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, <i>F.S.</i>), modify the definition of and requirements for lottery retailers (ss. 24.103 and 24.112, <i>F.S.</i>), modify the definition of and requirements for lottery vending machines (s. 24.112, <i>F.S.</i>), address the prohibition against selling lottery tickets at anything other than the price set by the Lottery (s. 24.117, <i>F.S.</i>), and address the prohibition against taking compensation for claiming a lottery prize on behalf of someone else (s. 24.118 <i>F.S.</i>).</p>	<ul style="list-style-type: none"> ▪ 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. Ideally, the consumer would be able to combine their gas and lottery purchase. ▪ Offering this option at ATMs may help expand the retailer network to non-traditional locations 	<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 to date, in-store sales have not been 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 \$5 million per year in additional recurring transfers to education.⁴ ▪ 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"> ▪ Requires legislative budget approval for more terminals ▪ 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
<p>Expand Full-Service Vending Machines</p> <p>Increase the number of full-service vending machines that dispense both scratch-off and draw game tickets</p>	<ul style="list-style-type: none"> ▪ A 2011 impact conference predicted net education funding gains of \$21 million in the first full year of deploying 350 full-service vending machines. Subsequently, a March 2014 impact conference predicted net education funding gains of \$3 million in the first full year of deploying an additional 300 machines. ▪ Allows additional product access at high volume Lottery retailers ▪ Provides more convenience to players who do not want to stand in line to purchase tickets ▪ May attract large corporate retailers currently not selling lottery products because the vending machines minimize the need for on-site operators and increase player choice and the potential for larger sales ▪ Allows retailer network expansion into non-traditional retailer locations, such as airports, because the vending machines minimize the need for on-site operators 	<ul style="list-style-type: none"> ▪ Requires monitoring of underage play ▪ Some criticize the potential ease of access by problem gamblers

Option	Advantages	Disadvantages
<p>Electronic Instant Ticket Vending Machines</p> <p>Players touch a video screen and receive the image of the instant ticket on the screen to reveal the outcome of the ticket.</p> <p>Implementing this option may require modifying the definition of and requirements for lottery vending machines (s. 24.112, <i>F.S.</i>).</p>	<ul style="list-style-type: none"> ▪ The Department of the Lottery projected potential recurring transfers to education ranging from \$33 million to \$114 million per year depending on how implemented. ▪ Provides a business model allowing retailer network expansion into non-traditional retailer locations, such as bars and restaurants 	<ul style="list-style-type: none"> ▪ Requires legislative budget authority to purchase or lease electronic instant ticket vending machines ▪ Requires monitoring of underage play ▪ Some stakeholders criticize the potential ease of access by problem gamblers

¹ We estimated a range of potential Internet sales revenue (\$2 million to \$8 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 2016. Our estimate assumes a transfer rate to the Educational Enhancement Trust Fund of 40.53%, based on the November 2014 Revenue Estimating Conference projected draw game transfer rate for Fiscal Year 2016-17. 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 sales revenue (\$1 million to \$11 million, with a median of \$4 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 2015. Our estimate assumes a transfer rate to the Educational Enhancement Trust Fund of 40.54%, based on the November 2013 Revenue Estimating Conference projected draw game transfer rate for Fiscal Year 2015-16. The estimate also assumes that 5% of sales would be shifted from existing game sales per the Florida Lottery.

³ The Minnesota Lottery has developed the technology and payment processes needed to implement this option, and began to offer lottery purchases at gas stations and ATMs in 2012. After pilot testing the system, the Minnesota Lottery expanded its distribution points. As of December 2014, Play at the Pump is offered at 53 gas locations, with 452 pump screens and 131 ATM locations. Minnesota’s total sales through these distribution points were \$20,000 in Fiscal Year 2013-14. To make purchases, players use a debit card and select the option to purchase lottery tickets as part of the transaction for purchasing gas or using an ATM. The lottery purchase shows on the receipt, and players may also choose to receive a text message and/or register on the lottery website to track their purchases. The lottery automatically credits the bank account associated with the debit card for prizes under \$600. The Missouri Lottery began offering Play at the Pump and ATM sales in fall 2013 in select locations, followed by the California Lottery in fall 2014. California’s Play at the Pump sales are limited to participating gas stations in Sacramento and Los Angeles counties.

⁴ We estimated potential 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 2013-14. 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

Other U.S. Lotteries Offer Fast Keno

We identified 15 U.S. lotteries that offer fast keno. As shown in Exhibit C-1, a wide variety of retailers participate, such as bars, bowling alleys, convenience stores, fraternal organizations, grocery stores, liquor stores, restaurants, and tobacco stores.

Exhibit C-1
Fifteen U.S. Lotteries Offer Fast Keno at a Wide Variety of Venues

U.S. Lottery ¹	Name of Fast Keno Game	Examples of Retailers and Venues
California	Hot Spot	Bars, bowling alleys, casinos, convenience stores, fraternal organizations, grocery stores, and restaurants
Delaware	Keno	Bars, casinos, convenience stores, liquor stores, restaurants, and tobacco stores
District of Columbia	D.C. Keno	Convenience stores, grocery stores, liquor stores, and restaurants
Georgia	Keno!	Bars, convenience stores, fraternal organizations, grocery stores, and restaurants
Kansas	Keno	Bars, convenience stores, fraternal organizations, grocery stores, and restaurants
Maryland	Keno	Bars, bowling alleys, convenience stores, grocery stores, restaurants, and tobacco stores
Massachusetts ²	Keno	Keno: Bars, convenience stores, fraternal organizations, grocery stores, restaurants, and tobacco stores Keno-to-Go: Convenience stores, grocery stores, liquor stores, pharmacies, and tobacco stores
Michigan ²	Club Keno	Keno: Bars, bowling alleys, fraternal organizations, and restaurants Keno-to-Go: Convenience stores, grocery stores, pharmacies, and tobacco stores
Missouri ²	Club Keno	Keno: Bars, bowling alleys, fraternal organizations, and restaurants Keno-to-Go: Bars, bowling alleys, convenience stores, fraternal organizations, grocery stores, liquor stores, pharmacies, restaurants, and tobacco stores
New York	Quick Draw	Bars, convenience stores, grocery stores, pharmacies, and restaurants
Ohio ²	Keno	Keno: Bars, fraternal organizations, liquor stores, restaurants, and tobacco stores Keno-to-Go: Bars, convenience stores, fraternal organizations, grocery stores, liquor stores, pharmacies, restaurants, and tobacco stores
Oregon ²	Keno	Bars, bowling alleys, convenience stores, fraternal organizations, grocery stores, liquor stores, restaurants, and tobacco stores
Rhode Island ²	Keno	Keno: Bars, bowling alleys, convenience stores, fraternal organizations, grocery stores, liquor stores, and restaurants Keno-on-the-Go: Convenience stores, grocery stores, liquor stores, pharmacies, and restaurants
U.S. Virgin Islands	Caribbean Keno	Bars, convenience stores, grocery stores, pharmacies, and restaurants
West Virginia	Keno Bonus	Bars, bowling alleys, convenience stores, fraternal organizations, liquor stores, and restaurants
TOTAL U.S. LOTTERIES	15	

¹ Six states (Alabama, Alaska, Hawaii, Mississippi, Nevada, and Utah) do not operate a lottery.

² The Massachusetts, Michigan, Missouri, Ohio, Oregon, and Rhode Island lotteries offer Keno-to-Go whereby players can purchase tickets for keno drawings, leave the retailer’s premises, and check for winning numbers on the Lottery website.

Source: OPPAGA analysis of information from U.S. lottery websites.

Appendix D

RICK SCOTT
Governor



CYNTHIA F. O'CONNELL
Secretary

January 28, 2015

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

Dear Mr. Twogood:

Thank you for the opportunity to respond formally to your office's draft report: *"Lottery Transfers Continue to Increase; Options Remain to Enhance Transfers and Improve Efficiency."* 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 No. 1: We recommend that the Department of the Lottery continue efforts to expand the retailer network.

Response: The Department agrees with the recommendation and will continue its efforts to expand the retailer network.

2. Recommendation No. 2: We also recommend that the Department:
 - continue its 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 player scanners; and
 - develop a schedule to regularly assess its overall advertising return.

Response: The Department agrees with the recommendations and will continue its efforts to improve its data analysis and reporting capabilities, and to increase the availability of scanners, as part of the Department's efforts to protect consumers and the integrity of the games. The Department will also

Mr. R. Phillip Twogood
January 28, 2015
Page Two

continue its efforts to assess its overall advertising return as part of the Department's overall mission to increase transfers to the Educational Enhancement Trust Fund.

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.

Sincerely,



Cynthia F. O'Connell
Secretary

cc: J. Bruce Hoffmann, Chief of Staff
Ellyn Hutson, Chief Financial Officer
Tom Delacenserie, Deputy Secretary
Layne Smith, General Counsel
Andy Mompeller, Inspector General

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.

Local Government Financial Reporting – Materials Provided

1. **Overview:** Local Government Financial Reporting Requirements; Summary of Requirements and Enforcement Authority Related to the Joint Legislative Auditing Committee and Action Taken
2. **Schedules of Non-Filers:** Local Governments Not in Compliance with Financial Reporting Requirements and Staff Recommendations

Schedule	Staff Recommendation
1. Municipalities	Take Action
2. Special Districts (Independent)	Take Action
3. Special Districts (Dependent)	Take Action (against the special district or the municipality that created the special district, as appropriate)
4. Municipality and Special Districts	Take No Action at Present Time

3. **Notifications:** From the Auditor General and the Department of Financial Services

Local Government Financial Reporting
Summary of Requirements and Enforcement Authority
Related to the Joint Legislative Auditing Committee and Action Taken

The Joint Legislative Auditing Committee (Committee) has the authority to enforce penalties against local governmental entities that fail to file certain reports, including an annual financial report and an annual financial audit report.

Annual Financial Report (AFR)

- All counties, municipalities, and independent special districts¹ were required to file an AFR with the Department of Financial Services (DFS) for FY 2012-13 no later than 9 months after the end of the fiscal year (June 30, 2014, for most entities)² [s. 218.32(1), F.S.]
- Dependent special districts are also required to file an AFR, but they may be required to file the report with their county or municipality rather than with DFS [s. 218.32(1)(a) & (b), F.S.]
- Either staff of the entity or a certified public accountant may complete the AFR; specified staff of the entity are required to complete the certification page
- DFS notifies the Committee of the entities that have failed to file the AFR [s. 218.32(1)(f), F.S.]
- Committee staff monitor the submission of late-filed AFRs and contact all entities that continue to be non-compliant³
- DFS will assist entity staff in completion of the electronic AFR once the entity has the information needed
- The Committee may schedule a hearing to determine if action should be taken [s. 11.40(2), F.S.]

Annual Financial Audit⁴ (audit)

- The following table shows the audit requirements for counties, municipalities, and special districts [s. 218.39(1), F.S.]:

Type of Entity	Audit Requirement
Counties	Annual audit required
Municipalities – Revenues or expenditures over \$250,000	Annual audit required
Municipalities – Revenues or expenditures between \$100,000 and \$250,000	Audit required if an audit has not been performed for the previous two fiscal years
Municipalities – Revenues or expenditures below \$100,000	No audit required
Special Districts – Revenue or expenditures over \$100,000	Annual audit required
Special Districts – Revenue or expenditure between \$50,000 and \$100,000	Audit required if an audit has not been performed for the previous two fiscal years
Special Districts – Revenue or expenditures below \$50,000	No audit required

¹ As of December 2, 2014, the Department of Economic Opportunity’s website lists 1641 active special districts; 1005 are independent and 636 are dependent. A dependent special district has at least one of several characteristics including: the governing board is the same as the one for a single county or single municipality or its governing board members are appointed by the governing board of a single county or single municipality. An independent special district has no dependent characteristics.

² All counties, municipalities, and most special districts follow a fiscal year of October 1st to September 30th.

³ Committee staff notify each entity that has failed to file an AFR. Correspondence is usually sent by certified mail, return receipt requested, informing the mayor, board chair, or registered agent, as appropriate, of the AFR requirement and possible penalty.

⁴ 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.

- Audit reports for FY 2012-13 were required to be filed with the Auditor General no later than 9 months after the end of the fiscal year (June 30, 2014, for most entities) [s. 218.39(1), F.S.]
- Audits must be conducted by an independent certified public accountant (CPA) retained by the entity and paid from its public funds [s. 218.39(1), F.S.]⁵
- If an entity has not filed an AFR, the Auditor General may not have sufficient information to determine if an audit was required
- After June 30th, the Auditor General sends a letter to all entities that either *were* or *may have been* required to provide for an audit and file the audit report with the Auditor General but have failed to do so
- The Auditor General notifies the Committee of the entities that have failed to file an audit report [s. 11.45(7)(a), F.S.]
- Committee staff monitor the submission of late-filed audit reports and contact entities that continue to be non-compliant⁶
- The Committee may schedule a hearing to determine if action should be taken [s. 11.40(2), F.S.]

Committee Hearings: Authority and Action Taken

- The Committee is authorized to take action, as follows, against entities that fail to file an AFR or an audit report [s. 11.40(2), F.S.]:

Type of Entity	Penalty
Counties and Municipalities	Direct the Department of Revenue (DOR) and the DFS to withhold any funds not pledged for bond debt service satisfaction which are payable to the entity until the entity complies with the law. ⁷ Withholding begins 30 days after the agencies have received notification.
Special Districts	Notify the Department of Economic Opportunity (DEO) to proceed pursuant to provisions of ss. 189.062 or 189.067, F.S. If no registered agent information is available, the department may declare the special district to be inactive after public notice is provided in a local newspaper. For special districts created by Special Act of the Legislature, the Committee may convene a public hearing at the direction of the President and the Speaker. For special districts created by local ordinance, the chair or equivalent of the local general-purpose government may convene a public hearing within three months after receipt of notice of noncompliance from the Committee. For all special districts, once certain criteria is met, within 60 days of notification, or within 60 days after any extension the DEO has provided as authorized in law, the DEO files a petition for enforcement in Leon County circuit court to compel compliance. Note: The law was revised to authorize public hearings in 2014.

- During the years 2009 through 2014, the Committee directed action against a total of 61 municipalities and over 180 special districts. Most of these entities filed the required reports either by the date Committee staff was directed to notify DFS, DOR, or the Department of Community Affairs (DCA)/DEO, as applicable, or within the timeframe the state agencies had to commence with action once notified by the Committee.⁸ When the required reports are filed prior to the effective date of the action, revenue is not withheld (counties, municipalities) and legal action does not occur (special districts).
- As a result of the Committee's action since 2009, revenue has been withheld from 12 municipalities, eight special districts were declared inactive, and a petition was filed in court against 16 special districts.

⁵ The Auditor General may conduct a financial audit of a local governmental entity, either under his own authority or at the direction of the Committee. If this occurs and the entity is timely notified, the entity is not required to engage a private CPA to conduct an audit. The Auditor General conducts very few audits of local governmental entities. Generally, if an audit is conducted it is an operational audit, not a financial audit.

⁶ Committee staff notify each entity that has failed to file an audit report. Correspondence is sent by certified mail, return receipt requested, informing the mayor, board chair, or registered agent, as appropriate, of the audit requirement and possible penalty.

⁷ To date, the Committee has not taken action against any county. All counties have filed the required reports by the dates of the Committee hearings. The Committee has directed DOR and DFS to withhold revenue from a number of municipalities. DOR withholds Municipal Revenue Sharing and Half-Cent Sales Tax funds from municipalities that would otherwise receive these funds. Municipal Revenue Sharing funds are restored to the municipality if the municipality files the required report(s) prior to the end of the state's fiscal year. Half-Cent Sales Tax funds are redistributed and are not available to be restored to the municipality once a distribution is made. DFS has withheld grant funds from some municipalities. These funds are released to the municipality once the required report(s) are filed.

⁸DCA no longer exists; this function is now handled by DEO. DFS and DOR are provided 30 days and DEO is provided 60 days to commence with action.

List 1:

MUNICIPALITIES

	Municipality (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
1	Caryville, Town of (Washington County)	1	5	FY 2012-13 AFR and Audit Report	<p>No response received to 10/22/2014 letter.</p> <p>History: -Town was first added to Committee action list in March 2009. At that time, the last audit report submitted to Auditor General was for FY 1999-2000. DOR began withholding half-cent sales tax funds and municipal revenue sharing funds in excess of the minimum entitlement starting 4/15/2009. -In an effort to assist the Town in becoming compliant, in October 2010 Chair and Vice Chair approved sending a letter to Council Chair stating that Committee would accept an audit of FY 2009-10 in lieu of past due audits. The letter listed steps that needed to be completed in order for the Town to be in full compliance. In December 2011, an audit engagement letter for FY 2009-10 was provided to Committee staff, and DOR and DFS were notified to cease state action against Town. -Finally in February 2013, Town submitted an audit report for FY 2009-10. However, the opinion on the financial statements included major qualifications, due to lack of accounting records. At 2/11/2013 meeting, Committee approved to take no state action re: delinquent FY 2010-11 audit report and FY 2008-09 AFR. Decision for no state action was based on conversation with partner of CPA firm, who stated that state of accounting records for subsequent fiscal years is not any better, and he is not positive whether an audit of those fiscal years could be performed at all. -In February 2014, Committee approved to: (1) take action if FY 2011-12 AFR and audit report were not submitted by a date certain and (2) direct Committee staff to notify the delegation members or staff regarding the situation. Subsequent to Committee staff's notification to the delegation, the Town submitted the AFR; since the audit threshold was not met, no audit was required.</p>	*Take action if not received by 2/20/2015 and direct Committee staff to notify the delegation members or staff of the current situation
2	Midway, City of (Gadsden County)	3	8	FY 2012-13 AFR	No response received to 10/22/2014 letter.	*Take action if not received by 2/20/2015
3	Quincy, City of (Gadsden County)	3	8	FY 2012-13 AFR and Audit Report	No response received to 10/22/2014 letter.	*Take action if not received by 2/20/2015

List 1:

MUNICIPALITIES

	Municipality (County)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
4	Springfield, City of (Bay County)	1	5, 6	FY 2012-13 AFR and Audit Report	Committee staff sent an email to the Finance Director regarding the status of the AFR and audit and received a telephone call from an audit partner with the CPA firm performing the audit. The audit fieldwork is in progress, and the City is working very hard to provide the auditors with the financial information needed to complete the audit. However, there are health concerns for some of the individuals involved, which is affecting the progress of the audit. A reasonable estimate of when the audit will be completed is 4/30/2015, with an earlier date possible.	*Take action if not received by 4/30/2015
5	Weeki Wachee, City of (Hernando County)	18	34, 35	FY 2008-09 Audit Report	<p>-In February 2014, the Committee approved to require the City to have an audit for either FY 2012-13 or FY 2013-14, In lieu of FY 2008-09 audit.</p> <p>-On 2/11/2015, Committee staff spoke with City staff, who stated that they have been contacting local CPAs/CPA firms to request a quote for obtaining an audit, but are still waiting on responses.</p> <p>History:</p> <ul style="list-style-type: none"> - Based on Auditor General's records, City has not submitted an audit report since at least the 1990s. Audit threshold has not been met since FY 2008-09. -The Committee took action against the City in March 2009 for delinquent audits. DOR has been withholding municipal revenue-sharing funds in excess of the guaranteed minimum since that time. Due to the City's small size, this has amounted to less than \$1,000. -<u>AFR info for FYs 2010-2013:</u> revenue ranged from approx. \$50,000 to \$65,000 expenditures ranged from approx. \$23,000 to \$63,000 -<u>AFR info for FY 2008-09::</u> revenue = \$176,115 expenditures = \$271,265 	Stop action and direct staff to continue to monitor progress

List 2:

SPECIAL DISTRICTS (INDEPENDENT)

(Some special district boundaries are difficult to determine if they do not include an entire county. Therefore, for most CDDs, and if applicable, some additional special districts, all House and Senate districts in the county in which these special districts are located are listed.)

	District (County; Creation Method)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
1	Eastpoint Water and Sewer District (Franklin; Special Act)	3	7	FY 2012-13 AFR and Audit Report	-In January 2015, Committee staff received an email from DEO with an email from the District's Office Manager, stating that: (1) the District has had issues with accounting software, which have delayed the audit, and (2) the District estimates that the FY 2012-13 audit report and AFR will be filed by late February 2015. -In February 2015, Committee staff spoke with an auditor with the CPA firm performing FY 2012-13 audit regarding the status of audit. The audit fieldwork is in progress; and the District is cooperating and trying to provide the financial information that the auditors need to complete the audit. A reasonable estimate of when the audit will be completed is 4/30/2015, with an earlier date possible.	*Take action if not received by 4/30/2015
2	Hacienda Lakes Community Development District (Collier; Local Ordinance)	23, 39	80, 105, 106	FY 2012-13 AFR and Audit Report	-In September 2014, Committee staff received an email from DEO with letter from District's management company attached, explaining status of FY 2012-13 AFR and audit. Expect audit to be completed by 11/15/14. -On 2/12/2015, upon request by Committee staff for the current status of the audit, the District's management company stated that the audit representation letter was signed yesterday, indicating the audit is complete. Committee staff requested a date(s) that the AFR and audit report are anticipated to be submitted to DFS and AG. No response received yet.	*Take action if not received by 3/10/2015
3	Polk Soil and Water Conservation District (Polk; General Law)	14, 15, 21	39, 40, 41, 42, 56	FY 2012-13 AFR and Audit Report (if audit threshold met)	No response received to 10/23/2014 letter.	*Take action if not received by 2/20/2015

List 3:

SPECIAL DISTRICTS (DEPENDENT)

(Some special district boundaries are difficult to determine if they do not include an entire county. Therefore, for most CDDs, and if applicable, some additional special districts, all House and Senate districts in the county in which these special districts are located are listed.)

	District (County; Creation Method)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
1	Housing Authority of The City of Tampa (Hillsborough; General Law)	17, 19, 22, 24, 26	57, 58, 59, 60, 61, 62, 63, 64, 70	FY 2012-13 AFR	Pursuant to Section 189.067(a), Florida Statutes, DEO sent a technical assistance letter to the Authority; the 60-day reporting deadline included in the letter is 3/10/2015. [Note: The Authority has a March 31 st fiscal year-end. The AFR was due no later than 12/31/2014.]	*Take action if not received by 3/10/2015
2	Live Oak Housing Authority (Suwannee; General Law)	5	10	FY 2012-13 AFR	Pursuant to Section 189.067(a), Florida Statutes, DEO sent a technical assistance letter to the Authority; the 60-day reporting deadline included in the letter is 3/10/2015. [Note: The Authority has a March 31 st fiscal year-end. The AFR was due no later than 12/31/2014.]	*Take action if not received by 3/10/2015
3	Quincy Community Redevelopment Agency (Gadsden; Local Ordinance)	3	8	FY 2012-13 AFR and Audit Report (if audit threshold met)	Per prior history, the CRA will be included in the City of Quincy's (City) audit, which is currently in progress. The CRA's AFR is linked to the City's AFR, which cannot be submitted until the audit is completed. See "Comments" for City (on List 1) regarding the status of its AFR and audit.	*No action on the special district since the City of Quincy is responsible for submitting the CRA's AFR
4	Springfield Community Redevelopment Agency (Bay; Local Ordinance)	1	5, 6	FY 2012-13 AFR and Audit Report (if audit threshold met)	Per Finance Director for City of Springfield (City), the CRA will be included in the City's audit, which is currently in progress. The CRA's AFR is linked to the City's AFR, which cannot be submitted until the audit is completed. See "Comments" for City (on List 1) regarding the status of its AFR and audit.	*No action on the special district since the City of Springfield is responsible for submitting the CRA's AFR
5	West Palm Beach Housing Authority (Palm Beach; General Law)	25, 27, 32, 34	81, 82, 85, 86, 87, 88, 89, 90, 91	FY 2012-13 AFR	Pursuant to Section 189.067(a), Florida Statutes, DEO sent a technical assistance letter to the Authority; the 60-day reporting deadline included in the letter is 3/10/2015. [Note: The Authority has a March 31 st fiscal year-end. The AFR was due no later than 12/31/2014.]	*Take action if not received by 3/10/2015

List 4:

TAKE NO ACTION AT PRESENT TIME

	Municipality or District (County; Creation Method for Districts)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
1	Hampton, City of (Bradford County)	7	19	FY 2012-13 AFR and Audit Report	<p>-In October 2014, Committee staff spoke with the City Clerk, who stated that FDLE has the financial records in Jacksonville, and a CPA cannot access the records to conduct the FY 2012-13 audit.</p> <p>-In December 2014, a letter was received from the City Mayor, requesting more time to complete the audit; an audit engagement letter was approved by the City Council on 11/21/2014. All City records that cover FY 2012-13 were seized by the Bradford County Sheriff's Office and FDLE. The City has been allowed, on a limited basis, to access records that are still at the Sheriff's Office and make copies; however, the City does not have access to records that are at the FDLE office. The auditors were trying to complete the audit by 1/31/2015.</p> <p>-On 2/12/2015, Committee staff spoke with the City Clerk; the audit is still in progress. Due to the ongoing investigation, there are still some records that the City needs to obtain and provide to the auditors. The completion date of the audit is not known at the time, but they are working diligently to complete the audit.</p>	*Delay action and direct staff to continue to monitor progress
2	CrossCreek Community Development District (Manatee; Local Ordinance)	19, 26	70, 71, 73	FY 2012-13 Audit Report FY 2011-12 AFR and Audit Report	<p>-On 4/2/2014, the District submitted AFRs and an audit report for FY 2008-09, FY 2009-10, and FY 2010-11. In December 2014, Committee staff received a letter from the District's legal firm: (1) stating that the District had very recently identified funding for the FY 2011-12 and FY 2012-13 audits and engaged a CPA firm to complete the audits, and (2) requesting additional time (until mid- February 2015) to complete the audits and AFRs.</p> <p>-On 2/13/2015, Committee staff spoke with the District's legal firm; the audits are in progress, but it is taking longer than originally anticipated. They have requested a status update from the District manager and will provide such once received.</p> <p>[History: Since 2011, the Committee has both delayed action and taken actions against the District for various delinquent financial reports; the District has experienced funding and foreclosure issues during this time period.]</p>	*Continue to delay action, since District is working to catch up on delinquent audits

List 4:

TAKE NO ACTION AT PRESENT TIME

	Municipality or District (County; Creation Method for Districts)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
3	Freedom Walk Community Development District (Okaloosa; Local Ordinance)	1, 2	3, 4	FY 2011-12 Audit Report	-In October 2013, Committee staff spoke with Controller at registered agent's office re: this CDD - no revenues, barely over threshold for expenditures (\$59,483) - he will get with district manager to check on CDD's status. Committee staff subsequently received an email from district manager re: status. District has no board of supervisors or developer to develop project - no info as to whether or not District will become active in near future, but it's possible if land is ever sold and another developer builds out the project. -A "zero" AFR for FY 2012-13 was submitted to DFS on 6/27/2014.	*Continue to delay action
4	Lakeside Landings Community Development District (Polk; Local Ordinance)	14, 15, 21	39, 40, 41, 42, 56	FY 2012-13 Audit Report	On 2/10/2015, Committee staff received a letter from the District's management company in response to a request for the current status of the District and its delinquent audit. The District foreclosed on the developer-owned property and eventually gained title to it several years ago. The District is currently without funding and is cooperating with its bond trustees and bondholders in negotiating the sale of the property. The District's balance sheet will improve upon the sale of the foreclosed property, and funds will be available to complete the District's required annual audits.	*Delay action

List 4:

TAKE NO ACTION AT PRESENT TIME

	Municipality or District (County; Creation Method for Districts)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
5	Santa Rosa Bay Bridge Authority (Santa Rosa; Special Act)	2	2, 3	FY 2012-13 AFR and Audit Report (if audit threshold met) FY 2011-12 AFR and Audit Report (if audit threshold met) FY 2010-11 AFR and Audit Report (if audit threshold met) FY 2009-10 Audit Report FY 2008-09 Audit Report	-Since at least 2009, the Committee has approved to delay action until a later date since the Authority only has restricted funds, which cannot be used to pay for an audit. DOT staffs the day-to-day operations of Authority, and until sometime in 2013 the DOT IG's Office compiled the financial statements and submitted the AFR for the Authority. -On 6/30/2011, the Authority was unable to make its \$5 million bond payment, and the trustee alerted the bondholders to the default. Since the bonds were not backed by the full faith and credit of the State, the State is not liable for the debt. DOT continues to operate and maintain the bridge. -In November 2013, the Authority's registered agent stated that DOT and the bond trustee had agreed to each pay half of cost for an independent reviewer/consultant to help review financial information and get AFRs submitted. -In January 2015, DEO forwarded an email from the Authority's registered agent of record to Committee staff. He stated that he had resigned from the Authority's Board in December 2014, following other members' resignations by about two months. Mellon Bank had sent a directive for the Board to increase the bridge toll from \$3.75 to \$5; if such action had not been taken within 30 days, they were going to circumvent the Board and direct the State to raise the toll. He stated that he resigned because he had long said that he would not serve through another unwarranted toll increase and he meant it. DEO removed him as the registered agent in its records and requested, if he was aware or became aware of anyone else who was handling registered agent responsibilities for the Authority, that he let DEO know or ask the person to contact DEO. As of 2/12/2015, DEO's records show the Authority's registered agent name and address as "Unknown."	*Continue to delay action
6	Southern Hills Plantation II Community Development District (Hernando; Local Ordinance)	18	34, 35	FY 2012-13 Audit Report	Per 11/24/2014 email to DEO from the District's management company: (1) the District does not have sufficient funds to retain an auditor to complete the audit; (2) the District is working on securing sufficient funding to have the audit performed and to prevent non-compliance going forward; and (3) at this time an estimated date for filing the FY 2012-13 audit report is unknown.	*Delay action

List 4:

TAKE NO ACTION AT PRESENT TIME

	Municipality or District (County; Creation Method for Districts)	Senate District	House District	Financial Report(s) Not Submitted	Comments	Staff Recommendation
7	Southern Hills Plantation III Community Development District (Hernando; Local Ordinance)	18	34, 35	FY 2012-13 Audit Report	Per 11/24/2014 email to DEO from the District's management company: (1) the District does not have sufficient funds to retain an auditor to complete the audit; (2) the District is working on securing sufficient funding to have the audit performed and to prevent non-compliance going forward; (3) the District fluctuates with regard to being over and under the \$50,000 audit threshold; and (4) at this time an estimated date for filing the FY 2012-13 audit report is unknown. [History: The Committee has delayed action against the District since August 2012 since the original developer filed bankruptcy, and the District is economically dependent on the developer. As a result, the District has not had sufficient funds to pay for audits.]	*Continue to delay action
8	Vizcaya in Kendall Community Development District (Miami-Dade; Local Ordinance)	35, 36, 37, 38, 39, 40	100, 102, 103, 105, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120	FY 2012-13 AFR and Audit Report (if audit threshold met) FY 2011-12 AFR and Audit Report (if audit threshold met)	On 2/10/2015, Committee staff received an e-mail from the District's management company regarding the status of the District's delinquent financial reports. The audit report for FYE 9/30/08, 9/30/09, 9/30/10, and 9/30/11 was received in November 2014. The District is currently engaged in the FYE 9/30/12 audit and will keep working on each fiscal year until brought current. No estimate of when all years will be completed, but will be working on it consistently. The District is now in good financial standing; the delay was caused years ago due to the financial problems of a developer that is no longer affiliated with the project. [History: The Committee has delayed action against the District since August 2010 since the original developer filed bankruptcy, and the bank was looking at the property. The District was subsequently purchased by new owners.]	*Continue to delay action

From: DEREK NOONAN <DEREKNOONAN@AUD.STATE.FL.US>
Sent: Thursday, September 25, 2014 3:22 PM
To: Ray, Lake
Cc: White, Deborah; Dubose, Kathy
Subject: 2012-13 FY Section 11.45(7)(a), FS, Notification
Attachments: Attachment A and B.xlsb

Pursuant to Section 11.45(7)(a), Florida Statutes, this e-mail is to notify you of the results of our determination as to which local governmental entities were required to provide for an audit for the 2012-13 fiscal year but failed to do so. A separate notification regarding district school boards, charter schools, and charter technical career centers that failed to provide for an audit for the 2012-13 fiscal year was made to you in an e-mail dated May 29, 2014. A recap of our determination for local governmental entities as of September 24, 2014, is as follows:

Description	Counties (1)	Municipalities (1)	Special Districts	Total
Individual Entity Reports Received	66	382	847	1,295
Included in Another Entity's Audit Report (2)	n/a	n/a	408	408
Not Required to File (3)	n/a	9	256	265
Unable to Determine Whether Audit Was Required (4)	n/a	1	29	30
Did Not File Required Audit Report	<u>0</u>	<u>18</u>	<u>19</u>	<u>37</u>
Total Entities	<u>66</u>	<u>410</u>	<u>1,559</u>	<u>2,035</u>

- (1) The consolidated city/county government of Jacksonville/Duval County is classified as a municipality for purposes of this letter.
- (2) Includes dependent special districts that were included in audit reports of counties or municipalities.
- (3) Entities that did not meet the threshold for required submission of audit reports.
- (4) Unable to obtain an annual financial report or other sufficient information to determine whether these entities met the threshold requiring submission of audit reports.

For the 2012-13 fiscal year, pursuant to Section 218.39(1), Florida Statutes, the following local governments were required to provide for an annual financial audit of their accounts and records within 9 months after the end of their respective fiscal year:

- Each county
- Each municipality with revenues, or the total of expenditures and expenses, in excess of \$250,000
- Each municipality with revenues, or the total of expenditures and expenses, between \$100,000 and \$250,000 that has not been subject to a financial audit for the two preceding fiscal years
- Each special district with revenues, or the total of expenditures and expenses, in excess of \$100,000
- Each special district with revenues, or the total of expenditures and expenses, between \$50,000 and \$100,000 that has not been subject to a financial audit for the two preceding fiscal years

Section 218.39(7), Florida Statutes, requires that any financial audit report required under Section 218.39(1), Florida Statutes, be submitted to the Auditor General within 45 days after delivery of the audit report to the local governmental entity, but no later than 9 months after the end of the fiscal year of the local governmental entity. The following is a summary of those local governmental entities that did not submit audit reports to us:

- A total of 37 local governmental entities that were required to provide for an audit for the 2012-13 fiscal year have not submitted an audit report to us. These local governmental entities are listed on Attachment A.
- An additional 30 local governmental entities may have been required to provide for an audit for the 2012-13 fiscal year, but have not submitted an audit report to us. Because sufficient financial information was not readily available, it was not practical for us to determine whether an audit was required. These local governmental entities are listed on Attachment B.

Please advise if you or your staff have any questions regarding this information.

Attachments

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) 488-4403

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.

**Alphabetical List of Local Governmental Entities
For Which 2012-13 Fiscal Year Audit Reports
Have Not Been Received - Audit Was Required**

Attachment A

**Applicable
Note**

MUNICIPALITIES

1	M00800	Arcadia, City of	1, 2
2	M03600	Boynton Beach, City of	1
3	M05300	Caryville, Town of	1
4	M08700	DeFuniak Springs, City Of	1
5	M10000	El Portal, Village Of	1
6	M10100	Esto, Town of	1, 2
7	M13200	Gretna, Town of	1
8	M13900	Hampton, City Of	1, 2
9	M16300	Indian Rocks Beach, City of	1
10	M16710	Islamorada, Village Of	1, 2
11	M23600	Mexico Beach, City of	1, 2
12	M24200	Midway, City of	1
13	M31600	Quincy, City of	1
14	M34300	Springfield, City of	1, 2
15	M35600	Sweetwater, City of	1
16	M37000	Vernon, City of	1, 2
17	M37600	Webster, City of	1, 2
18	M38400	Westville, Town Of	1, 2

INDEPENDENT SPECIAL DISTRICTS

1	D02120	Arborwood Community Development District	1, 2
2	D05060	Belmont Lakes Community Development District	1, 2
3	D11500	Central County Water Control District	1
4	D19875	CrossCreek Community Development District	1
5	D20200	Cypress Cove Community Development District	1
6	D22900	Dorcas Fire District	1
7	D25500	Eastpoint Water and Sewer District	1
8	D37310	Homestead Educational Facilities Benefit District (Dissolved 7/12/13)	1
9	D44808	Lakeside Landings Community Development District	1, 3
10	D47100	Levy Soil and Water Conservation District	1, 2
11	D73470	Silverleaf Community Development District	4
12	D74360	South Fork East Community Development District	1
13	D75480	Southern Hills Plantation II Community Development District	1, 3
14	D75485	Southern Hills Plantation III Community Development District	3, 4
15	D80500	Tallahassee-Leon County Civic Center Authority (Dissolved 7/22/13)	1
16	D83000	Tri-County Airport Authority	1, 2
17	D84975	Venetian Community Development District	1, 2

DEPENDENT SPECIAL DISTRICTS

18	D49900	Martin County Industrial Development Authority	4
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**Alphabetical List of Local Governmental Entities
For Which 2012-13 Fiscal Year Audit Reports
Have Not Been Received - Audit Was Required**

Attachment A

19	D68750	Quincy Community Redevelopment Agency	1
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NOTES

- (1) Based on previous audit reports or other financial reports filed by the entity, the entity was required to provide for an audit for the 2012-13 fiscal year.
- (2) Entity indicated that the audit was in progress; however, as of September 24, 2014, we had not received the audit report.
- (3) Entity responded that no funds are available to obtain an audit.
- (4) According to available financial information, the entity did not provide for an audit for either of the prior two fiscal years and had revenues or expenditures/expenses in an amount that requires an audit.

**Alphabetical List of Local Governmental Entities
For Which 2012-13 Fiscal Year Audit Reports
Have Not Been Received - Audit May Have Been Required**

Attachment B

**Last FY Audit
Received**

MUNICIPALITIES

1	M02800	Belleair Shore, Town of	2011-12
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INDEPENDENT SPECIAL DISTRICTS

1	D05056	Bella Verde East Community Development District (Dissolved 2/7/14)	2005-06
2	D05057	Bella Verde Golf Community Development District (Dissolved 2/17/14)	2006-07
3	D05058	Bella Verde Lake Community Development District (Dissolved 2/7/14)	2005-06
4	D05100	Bermont Drainage District	1
5	D11940	Chandler's Meadow Community Development District (Dissolved 11/19/12)	1
6	D20100	Cypress Club Recreation District (Dissolved 11/13/12)	2011-12
7	D24000	Duval Soil and Water Conservation District	2005-06
8	D27500	Flagler Soil and Water Conservation District (Dissolved 9/11/14)	1
9	D27870	Florida PACE Funding Agency	1
10	D31620	Greater Osceola Partnership for Economic Prosperity Agency (Created 11/19/12)	1
11	D32250	Hacienda Lakes Community Development District	1
12	D46300	Lee Soil and Water Conservation District (Dissolved 9/27/13)	2010-11
13	D52050	Mills Park Community Development District (Dissolved 12/19/12)	1
14	D53090	Moultrie Creek Community Development District	1
15	D66500	Polk Soil and Water Conservation District	1
16	D70900	Santa Rosa Bay Bridge Authority	1
17	D82100	Telegraph Cypress Water Management District (Dissolved 9/30/13)	1
18	D83840	Tuscany Community Development District (Dissolved 4/5/13)	1
19	D85630	Vizcaya in Kendall Community Development District	2006-07

DEPENDENT SPECIAL DISTRICTS

20	D07200	Brevard County Educational Facilities Authority	1
21	D18400	Cooperative Producers Water Control District	1
22	D23125	Downtown Belleview Community Redevelopment Agency (Created 6/18/13)	1
23	D24605	East Lake Park Special Dependent District	1
24	D31900	Gretna Neighborhood Improvement District	1
25	D39990	Isle of Palms Special District	1
26	D56800	Northwest Neighborhood Improvement District (Dissolved 2/18/14)	1
27	D76030	Springfield Community Redevelopment Agency	1, 2
28	D81300	Tarawood Special Dependent Tax District	1
29	D84900	Valrico Manor Special Dependent Tax District	2008-09

**Alphabetical List of Local Governmental Entities
For Which 2012-13 Fiscal Year Audit Reports
Have Not Been Received - Audit May Have Been Required**

Attachment B

NOTES

- (1) No record of audit received for the 2003-04 through 2011-12 fiscal years.
- (2) Entity indicated it will be reported as a blended component unit in the primary government's audit. As of September 24, 2014, the primary government had not submitted its audit report.

From: Jones, Brendan G <Brendan.Jones@myfloridacfo.com>
Sent: Friday, October 03, 2014 10:33 AM
To: White, Deborah; Hsieh, Tim W
Cc: Jack Gaskins (Jack.Gaskins@deo.myflorida.com)
Subject: RE: AFR Non-Filers for FY 2012-13
Attachments: JLAC Non-Compliance Report FY 2013 - 10-2-2014.xlsx

Debbie,

Attached is the Non-Compliance Report for FY 2013. This includes all entities who have not filed a FY 2013 AFR.

Thanks,

Brendan Jones

Financial Administrator

Florida Department of Financial Services
Bureau of Financial Reporting
200 East Gaines Street
Tallahassee, FL 32399
(850)413-5592
Brendan.Jones@myfloridacfo.com

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From: White, Deborah [<mailto:WHITE.DEBORAH@leg.state.fl.us>]
Sent: Thursday, October 02, 2014 8:35 AM
To: Jones, Brendan G; Hsieh, Tim W
Cc: Jack Gaskins (Jack.Gaskins@deo.myflorida.com)
Subject: AFR Non-Filers for FY 2012-13

Brendan,

We have recently received the list of local governmental entities (LGEs) that have not filed an audit report for FY 2012-13 with the Auditor General. Please provide us with the list of LGEs that have not filed an AFR for FY 2012-13. Also, please copy Jack Gaskins at DEO when you send us the list.

In addition, the following special districts were included on the Auditor General's list; however, they are not included on either the LOGER Compliant report or Non-Compliant report for FY 2012-13:

1. Downtown Belleview Community Redevelopment Agency
2. Florida PACE Funding Agency
3. Greater Osceola Partnership for Economic Prosperity Agency

(Note: Per the attached documents, they were added to your database this year, so I'm not sure why they're not included on one of lists.)

Let me know if you have any questions.

Thanks,

*Debbie White, CPA, Analyst
Joint Legislative Auditing Committee
Telephone #: (850) 487-4110
Fax #: (850) 922-5667
white.deborah@leg.state.fl.us*

*111 West Madison Street, Room 876
Tallahassee, Florida 32399-1400*

Non-Compliant Local Governments with S.218.32(1)(a) F.S. for Fiscal Year 2013

Government ID	Local Government Name	AFR Received	Audit Received
Cities			
200008	Arcadia		
200053	Caryville		
200058	Century		
200086	DeFuniak Springs		
200101	Esto		
200132	Gretna		
200134	Gulf Breeze		9/4/2014
200139	Hampton		
200168	Islamorada, Village of Islands		
200238	Mexico Beach		
200244	Midway		
200276	Opa-locka		9/22/2014
200295	Parker		
200317	Quincy		
200352	Springfield		
200372	Vernon		
200379	Webster		
200387	Westville		
Special Districts			
300835	Ali-Baba Neighborhood Improvement District *		
300588	Bay Crest Park Special District *		12/9/2013
300589	Beacon Meadows Special Dependent Tax District *		12/9/2013
300119	Bermont Drainage District		
300915	Boca Raton Housing Authority *		
301295	Brandon Hills Dependent Special District *		12/9/2013
300508	Brevard County Educational Facilities Authority *		
300594	Buckhorn Estates Special Dependent District *		12/9/2013
301151	Buckhorn Oaks Special Dependent District *		12/19/2013
300595	Carrollwood Meadows Special District *		12/9/2013
300198	Central County Water Control District		
301870	Community Redevelopment Agency of the City of Parker *		
300569	Cooperative Producers Water Control District *		
300600	Country Run Maintenance District *		12/9/2013
300808	Crystal River Redevelopment Agency *		
300094	Cypress Cove Community Development District		
300346	Dorcas Fire District		
301971	Downtown Belleview Community Redevelopment Agency		
300162	Duval Soil and Water Conservation District		
301219	East Lake Park Special Dependent District *		
300176	Eastpoint Water and Sewer District		
300836	East-West Neighborhood Improvement District *		
300845	Escambia-Pensacola Human Relations Commission *		
301975	Florida PACE Funding Agency		
301981	Greater Osceola Partnership for Economic Prosperity		
300854	Gretna Housing Authority *		
300855	Gretna Neighborhood Improvement District *		
300971	Gulf Breeze Community Redevelopment Agency *		9/4/2014
301940	Hacienda Lakes Community Development District		
300789	Hollywood Housing Authority *		
300899	Housing Authority of The City of Fernandina Beach *		9/15/2014
300818	Housing Authority of The City of Homestead *		
300961	Housing Authority of The City of Lakeland *		
300609	Indian Hills-Hickory Ridge II Special Dependent Tax District *		12/9/2013
301932	Isle of Palms Special District *		
300537	Lake Asbury Municipal Service Benefit District *		

Non-Compliant Local Governments with S.218.32(1)(a) F.S. for Fiscal Year 2013

Government ID	Local Government Name	AFR Received	Audit Received
300450	Lake Lucie Community Development District		1/29/2014
300837	Niles Garden Neighborhood Improvement District *		
300616	North Pointe Special Tax District *		12/9/2013
300028	Northwest Florida Regional Housing Authority		
300997	Ormond Beach Housing Authority *		
300618	Pine Hollow Special Dependent District *		12/16/2013
300436	Polk Soil and Water Conservation District		
301149	Quincy Community Redevelopment Agency *		
300925	Riviera Beach Housing Authority *		
300461	Santa Rosa Bay Bridge Authority		
300471	Seminole County Housing Authority		
301734	Springfield Community Redevelopment Agency *		
300622	Tarawood Special Dependent Tax District *		
300623	Valrico Manor Special Dependent Tax District *		12/16/2013
301279	Venetian Community Development District		
301519	Vizcaya in Kendall Community Development District		
300627	Windemere Special Dependent District *		12/9/2013
Other Entities			
500007	Apalachee Regional Planning Council		
500051	Capital Trust Agency Inc. *		9/4/2014
500061	Central Florida Fire Academy		
500021	Florida Intergovernmental Financing Commission		
500020	Florida Ports Financing Commission		
500044	Florida Rural Utility Financing Commission		7/17/2014
500004	Gulf Breeze Financial Services		9/4/2014
500012	South Florida Regional Planning Council		
500015	Treasure Coast Regional Planning Council		6/10/2014

* Indicates a Dependent Sepcial District

From: Jones, Brendan G <Brendan.Jones@myfloridacfo.com>
Sent: Wednesday, January 07, 2015 4:33 PM
To: White, Deborah
Cc: Erven, Travis; Gaskins, Jack; localgov
Subject: Non-Compliance Report for FYE 3/31/2014
Attachments: Non-Compliance Report - 1-7-2015.xlsx

Debbie,

Good afternoon. Attached is the Non-Compliance Report for housing authorities with a 3/31 fiscal year end. Please let me know if there are any issues.

Thanks,

Brendan Jones
Financial Administrator
Florida Department of Financial Services
Bureau of Financial Reporting
200 East Gaines Street
Tallahassee, FL 32399
(850)413-5592
Brendan.Jones@myfloridacfo.com

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Non-Compliant Special Districts with S.218.32 F.S. for Fiscal Year 2014

Government ID	Local Government Name	AFR Received	Audit Received
300850	Apalachicola Housing Authority		
300950	Housing Authority of Tarpon Springs		
300874	Housing Authority of The City of Eustis		
300962	Housing Authority of The City of Mulberry		
300996	Housing Authority of The City of New Smyrna Beach		
300978	Housing Authority of The City of Sarasota		
300868	Housing Authority of The City of Tampa		
300987	Live Oak Housing Authority		
300806	Punta Gorda Housing Authority		
300928	West Palm Beach Housing Authority		

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
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 audit reports.

Statutory Authority

- **District School Boards, 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 district school board, 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 district school board or 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 district school board or 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 district school board, 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. [s. 11.45(7)(j), F.S.]

- **District School Boards, 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 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 created by:

1. A special act, notify the President of the Senate, the Speaker of the House of Representatives, the standing committees of the Senate and the House of Representatives charged with special district oversight as determined by the presiding officers of each respective chamber, the legislators who represent a portion of the geographical jurisdiction of the special district pursuant to s. 189.034(2), and 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 s. 189.062 or s. 189.067. If the special district remains in noncompliance after the process set forth in s. 189.034(3), or if a public hearing is not held, the Legislative Auditing Committee may request the department to proceed pursuant to s. 189.067(3).

2. A local ordinance, notify the chair or equivalent of the local general-purpose government pursuant to s. 189.035(2) and the Department of Economic Opportunity that the special district has failed to comply with the law. Upon receipt of notification, the department shall proceed pursuant to s. 189.062 or s. 189.067. If the special district remains in noncompliance after the process set forth in s. 189.034(3), or if a public hearing is not held, the Legislative Auditing Committee may request the department to proceed pursuant to s. 189.067(3).

3. Any manner other than a special act or local ordinance, notify the Department of Economic Opportunity that the special district has failed to comply with the law. Upon receipt of notification, the department shall proceed pursuant to s. 189.062 or s. 189.067(3).

(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

Since this is a fairly new law, the Committee received the second series of notifications from the Auditor General during late 2013. The Auditor General is required by law to conduct audits of state universities, Florida College System institutions, and district school boards.¹ Also, the Auditor General is required to review the financial audit reports of district school boards, charter schools, and local governmental entities that are performed by private CPAs and submitted pursuant to s. 218.39, F.S. 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 and 2011-12 fiscal years, as reported to the Committee by February 14, 2014:

¹All 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.

Type of Entity	Number of Entities with Repeat ² Audit Findings		Total Number of Repeat Findings	
	FY 2010-11	FY 2011-12	FY 2010-11	FY 2011-12
Colleges	5	1	8	2
Universities	4	1	12	1
District School Boards	33	50	95	107
Charter Schools	27	31	36	38
County Offices ³	90	87	178	169
Municipalities ⁴	177	141	390	314
Special Districts ⁵	155	148	332	254
Total	491	459	1051	885

The Committee has received notifications regarding repeat findings reported in FY 2012-13 audit reports; these findings will likely be brought to the Committee for action in early 2015.

Previous Committee Action

First year of enforcement: Based on notifications received by September 2013 related to the 2010-11 fiscal year audit reports, the Committee took action against 487 entities during meetings in February and September 2013. As a result of the Committee's action, letters were sent to 485 entities to direct each governing body to provide a written statement to the Committee to explain the corrective action that has occurred or is planned or to provide the reasons no corrective action is planned. Two special districts had been dissolved since the date of the notification from the Auditor General; therefore, no letter was sent to these entities.

Second year of enforcement: Based on notifications received by February 14, 2014, related to the the 2011-12 fiscal year audit reports, the Committee took action against 305 entities regarding 596 audit findings. In addition, the Committee took action against two entities that filed audit reports late for the 2010-11 fiscal year. All of these entities were required to provide a written statement regarding the current status of the audit findings.

Responses were received from all entities or the Committee staff verified that the audit finding(s) had been corrected by reviewing the most recent audit report.

The Committee did not take action related to 289 findings from over 154 entities that had also been reported to and acted on by the Committee the prior year. The entities had, in general, indicated they had addressed these findings to the best of their abilities using existing resources. The types of findings are known as "reportable conditions." An auditor is required by professional auditing standards to include such findings in the audit report, if applicable, even if the entity has addressed the finding to the best of its ability.

² 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.

³ 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).

⁴ As of December 2, 2014, there are 410 municipalities in Florida.

⁵ As of December 2, 2014, there are 1641 active special districts in Florida.

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 fiscal year, 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 below 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 College(s)

State Universities or College(s)	County	Schedule(s)
Florida Atlantic University	Palm Beach (main campus)	1
Florida International University	Miami-Dade (main campus)	1
Florida Keys Community College	Monroe	1
Florida State College at Jacksonville	Duval	1
Hillsborough Community College	Hillsborough	1
Pasco-Hernando Community College	Hernando Pasco (main campus)	1
Pensacola State College	Escambia (main campus)	1
Seminole State College of Florida	Seminole	1
University of Florida	Alachua (main campus)	1
University of North Florida	Duval	1

District School Boards

District School Boards	Schedule(s)	District School Boards	Schedule(s)
Bay	2	Madison	2
Bradford	2	Manatee	2
Brevard	2	Marion	2
Broward	2, 3	Martin	2
Calhoun	2	Miami-Dade	3
Charlotte	2	Monroe	2
Clay	2	Nassau	2
Columbia	2, 3	Orange	2
Dixie	2	Palm Beach	2
Duval	2	Pasco	2
Flagler	2	Pinellas	2
Franklin	2	Polk	3
Gadsden	2	Putnam	2
Glades	2	Santa Rosa	2
Gulf	2	Sarasota	2
Hamilton	2	St. Johns	2
Hardee	2	S. Lucie	3
Hernando	3	Suwannee	2
Holmes	2	Taylor	2
Indian River	2	Union	2
Jackson	2	Volusia	3
Jefferson	2	Wakulla	2
Leon	2	Walton	2
Liberty	2	Washington	2

Charter Schools

Charter Schools	County	Schedule(s)
AA Dixon Charter School of Excellence	Escambia	4
Academie Da Vinci Charter School	Pinellas	4
Academy of Environmental Science	Citrus	5
Archimedean Academy	Miami-Dade	4
Bay Haven Charter Academy Elementary School	Bay	5
Bay Haven Charter Academy Middle School	Bay	5
Beulah Academy of Science	Escambia	4, 5
Byrneville Elementary School	Escambia	5
Central Charter School	Broward	4
Crossroad Academy Charter School	Gadsden	5
Escambia Charter School	Escambia	4, 5
Hoggetown Middle School	Alachua	4
International School of Broward	Broward	4
Micanopy Area Cooperative School	Alachua	5
New Dimensions High School	Osceola	4
North Bay Haven Charter Career Academy (9-12)	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	4
Rise Academy School of Science and Technology	Broward	4
Rise Academy School of Science and Technology II	Broward	4
S.O.C.K. Outstanding Students (S.O.S.) Academy	Duval	4
Sebastian Charter Junior High	Indian River	5

COUNTIES

County	County Office	Schedule(s)
Baker	Board of County Commissioners	7
	Clerk of the Circuit Court	7
	Property Appraiser	7
	Sheriff	6,7
	Supervisor of Elections	7
	Tax Collector	7
Bradford	Clerk of the Circuit Court	7
	Property Appraiser	7
	Sheriff	6, 7
	Tax Collector	7
Brevard	Clerk of the Circuit Court	6
Broward	Sheriff	6
Calhoun	Property Appraiser	7
	Sheriff	7
	Supervisor of Elections	7
	Tax Collector	7
Charlotte	Board of County Commissioners	6
Citrus	Board of County Commissioners	6
	Clerk of the Circuit Court	6
Collier	Board of County Commissioners	6
Dixie	Board of County Commissioners	6, 7
	Clerk of the Circuit Court	6, 7
	Sheriff	6, 7
	Supervisor of Elections	7
Escambia	Board of County Commissioners	6
Franklin	Board of County Commissioners	7
	Clerk of the Circuit Court	7
	Property Appraiser	7
	Sheriff	6, 7
	Supervisor of Elections	7
	Tax Collector	7
Gadsden	Sheriff	6
Gilchrist	Board of County Commissioners	7
	Clerk of the Circuit Court	6
	Sheriff	6, 7
	Supervisor of Elections	7
Glades	Board of County Commissioners	7
	Clerk of the Circuit Court	6
Gulf	Sheriff	7
	Tax Collector	7
Hardee	Sheriff	7
	Supervisor of Elections	6
	Tax Collector	7

County	County Office	Schedule(s)
Holmes	Board of County Commissioners	6, 7
	Clerk of the Circuit Court	7
	Property Appraiser	7
	Sheriff	7
	Supervisor of Elections	7
	Tax Collector	7
Jackson	Board of County Commissioners	6, 7
	Property Appraiser	7
	Sheriff	7
	Tax Collector	7
Jefferson	Board of County Commissioners	7
	Clerk of the Circuit Court	7
	Property Appraiser	7
	Sheriff	7
	Supervisor of Elections	7
	Tax Collector	6, 7
Leon	Clerk of the Circuit Court	6
Levy	Board of County Commissioners	6, 7
	Clerk of the Circuit Court	7
	Sheriff	7
	Supervisor of Elections	7
Liberty	Clerk of the Circuit Court	6
	Sheriff	6
Madison	Tax Collector	6, 7
Martin	Board of County Commissioners	6
Miami-Dade	Board of County Commissioners	6
Osceola	Board of County Commissioners	6
	Clerk of the Circuit Court	6
Pasco	Board of County Commissioners	6
Putnam	Clerk of the Circuit Court	6
	Sheriff	7
	Supervisor of Elections	7
Union	Supervisor of Elections	6, 7
Volusia	Clerk of the Circuit Court	6
Walton	Board of County Commissioners	6
Washington	Board of County Commissioners	6, 7
	Clerk of the Circuit Court	7
	Property Appraiser	7
	Sheriff	7
	Supervisor of Elections	7
	Tax Collector	6, 7

Municipalities

Municipality	County	Schedule(s)
Alford, Town of	Jackson	8, 9, 11
Altha, Town of	Calhoun	9, 11
Apalachicola, City of	Franklin	9, 11
Arcadia, City of	DeSoto	8
Astatula, Town of	Lake	8
Avon Park, City of	Highlands	8, 9, 10
Bell, Town of	Gilchrist	9
Belle Glade, City of	Palm Beach	9
Belle Isle, City of	Orange	11
Biscayne Park, Village of	Miami-Dade	8, 9
Blountstown, City of	Calhoun	11
Bonifay, City of	Holmes	9, 11
Bowling Green, City of	Hardee	9
Boynton Beach, City of	Palm Beach	8
Bradenton Beach, City of	Manatee	9
Branford, Town of	Suwannee	11
Bristol, City of	Liberty	11
Bronson, City of	Levy	9, 11
Brooker, Town of	Bradford	11
Bunnell, City of	Flagler	9
Bushnell, City of	Sumter	9, 11
Callahan, Town of	Nassau	11
Campbellton, Town of	Jackson	9, 11
Carrabelle, City of	Franklin	9, 11
Cedar Key, City of	Levy	9, 11
Century, Town of	Escambia	8, 9, 11
Chattahoochee, City of	Gadsden	8, 10
Chiefland, City of	Levy	11
Clewiston, City of	Hendry	11
Coleman, City of	Sumter	9, 11
Coral Gables, City of	Miami-Dade	9
Cottondale, City of	Jackson	8, 9, 11

Municipality	County	Schedule(s)
Cross City, Town of	Dixie	11
Dania Beach, City of	Broward	9
Davenport, City of	Polk	9
Deerfield Beach, City of	Broward	9
Dundee, Town of	Polk	9
Eatonville, Town of	Orange	9
Edgewood, City of	Orange	9
Fanning Springs, City of	Gilchrist / Levy	11
Fellsmere, City of	Indian River	11
Fort Lauderdale, City of	Broward	9
Fort Myers Beach, Town of	Lee	9
Fort White, Town of	Columbia	9
Glen St. Mary, Town of	Baker	11
Golden Beach, Town of	Miami-Dade	8
Graceville, City of	Jackson	9, 11
Grand Ridge, Town of	Jackson	11
Green Cove Springs, City of	Clay	9
Greensboro, Town of	Gadsden	11
Greenville, Town of	Madison	9, 11
Greenwood, Town of	Jackson	11
Gretna, Town of	Gadsden	8
Gulf Breeze, City of	Santa Rosa	9
Haines City, City of	Polk	9
Hastings, Town of	St. Johns	11
Hialeah, City of	Miami-Dade	9
High Springs, City of	Alachua	9
Hilliard, Town of	Nassau	11
Hollywood, City of	Broward	9
Holmes Beach, City of	Manatee	9
Horseshoe Beach, Town of	Dixie	11
Howey-in-the-Hills, Town of	Lake	11
Inglis, Town of	Levy	11
Interlachen, Town of	Putnam	11
Jacob City, City of	Jackson	11

Municipality	County	Schedule(s)
Jay, Town of	Santa Rosa	11
Jennings, Town of	Hamilton	11
Jupiter Inlet Colony, Town of	Palm Beach	9
Jupiter, Town of	Palm Beach	9
La Belle, City of	Hendry	9, 11
La Crosse, Town of	Alachua	11
Lake Butler, City of	Union	11
Lake Hamilton, Town of	Polk	9, 11
Lake Helen, City of	Volusia	9, 11
Lake Park, Town of	Palm Beach	9
Lake Worth, City of	Palm Beach	9
Lakeland, City of	Polk	9
Lauderdale Lakes, City of	Broward	9
Lawtey, City of	Bradford	11
Lee, Town of	Madison	9
Macclenny, City of	Baker	11
Malone, Town of	Jackson	11
Mangonia Park, Town of	Palm Beach	9
Marianna, City of	Jackson	11
Mayo, Town of	Lafayette	9
Medley, Town of	Miami-Dade	9, 11
Melbourne Beach, Town of	Brevard	9
Melbourne Village, Town of	Brevard	9
Miami, City of	Miami-Dade	9
Miami Beach, City of	Miami-Dade	9
Micanopy, Town of	Alachua	9
Midway, City of	Gadsden	8
Milton, City of	Santa Rosa	9, 11
Miramar, City of	Broward	9
Monticello, City of	Jefferson	11
Moore Haven, City of	Glades	9, 11
Mulberry, City of	Polk	9
North Bay Village, City of	Miami-Dade	9
North Miami, City of	Miami-Dade	9

Municipality	County	Schedule(s)
North Miami Beach, City of	Miami-Dade	9
Oak Hill, City of	Volusia	9, 11
Oakland, Town of	Orange	9
Oakland Park, City of	Broward	9
Opa-locka, City of	Miami-Dade	8
Orchid, Town of	Indian River	11
Otter Creek, Town of	Levy	9
Pahokee, City of	Palm Beach	9
Palm Beach Shores, Town of	Palm Beach	11
Palm Coast, City of	Flagler	9
Panama City, City of	Bay	11
Panama City Beach, City of	Bay	9, 11
Paxton, City of	Walton	11
Penney Farms, Town of	Clay	11
Pierson, Town of	Volusia	9, 11
Pomona Park, Town of	Putnam	11
Ponce de Leon, Town of	Holmes	9, 11
Quincy, City of	Gadsden	8
Reddick, Town of	Marion	11
Rockledge, City of	Brevard	9
Sanibel, City of	Lee	9
Sewall's Point, Town of	Martin	11
Sneads, Town of	Jackson	9, 11
Sopchoppy, City of	Wakulla	11
South Bay, City of	Palm Beach	9
Springfield, City of	Bay	8, 10
St. Augustine, City of	St. Johns	9
St. Cloud, City of	Osceola	9
St. Marks, City of	Wakulla	11
Sweetwater, City of	Miami-Dade	8
Trenton, City of	Gilchrist	9
Valpariso, City of	Okaloosa	9
Vernon, City of	Washington	8
Waldo, City of	Alachua	11

Municipality	County	Schedule(s)
Wausau, Town of	Washington	11
Webster, City of	Sumter	8, 10
West Miami, City of	Miami-Dade	9
Wewahitchka, City of	Gulf	11
White Springs, Town of	Hamilton	9
Wildwood, City of	Sumter	11
Williston, City of	Levy	9
Windermere, Town of	Orange	9
Winter Haven, City of	Polk	9
Yankeetown, Town of	Levy	11

Special Districts

Special District	County	Schedule(s)
Aberdeen Community Development District	St. Johns	13
Alligator Point Water Resources District	Franklin	13, 15
Amelia Concourse Community Development District	Nassau	13
Argyle Fire Control District	Walton	15
Arlington Ridge Community Development District	Lake	13
Baker County Development Commission	Baker	15
Baker County Hospital District	Baker	15
Barefoot Bay Recreation District	Brevard	13
Bay Medical Center	Bay	12
Beach Mosquito Control District	Bay	15
Belmont Community Development District	Broward	15
Big Bend Water Authority	Dixie, Taylor	15
Blackman Fire District	Okaloosa	12
Bolles Drainage District	Hendry	15
Buckeye Park Community Development District	Manatee	13
Buckhead Ridge Mosquito Control District	Glades	15
CFM Community Development District	Lee	13
Campbellton-Graceville Hospital	Jackson	12, 14
Canaveral Port Authority	Brevard	13
Cedar Key Special Water & Sewer District	Levy	15
Central Community Redevelopment Agency (CCRA)	Manatee	13
Chapel Creek Community Development District	Pasco	13
Children's Services Council of Okeechobee County	Okeechobee	15
City Center Community Development District	Polk	12
City-County Public Works Authority	Glades	13, 15
Clearwater Cay Community Development District	Pinellas	13
Concorde Estates Community Development District	Osceola	13
Connerton West Community Development District	Pasco	13
Cordoba Ranch Community Redevelopment Agency	Hillsborough	13
Creekside Community Development District	St. Lucie	13
The Crossings at Fleming Island Community Development District	Clay	13
Daytona Beach Racing & Recreational Facilities District	Volusia	13

Special District	County	Schedule(s)
Deer Run Community Development District	Flagler	13
Disston Island Conservancy District	Glades, Hendry	15
Dorcas Fire District	Okaloosa	12
Durbin Crossing Community Development District	St. Johns	13
East Naples Fire Control and Rescue District	Collier	13
East Niceville Fire District	Okaloosa	15
Eastpoint Water & Sewer District	Franklin	12, 14
Emerald Coast Utilities Authority	Escambia	13
Escambia Health Facilities Authority	Escambia	15
Escambia-Pensacola Human Relations Commission	Escambia	15
Estates at Cherry Lake Community Development District	Lake	13
Fellsmere Water Control District	Indian River	15
Fiddler's Creek Community Development District	Collier	13
Fiddler's Creek Community Development District #2	Collier	13
Flaghole Drainage District	Glades, Hendry	15
Flagler Estates Road & Water Control District	St. Johns	15
Fred R. Wilson Memorial Law Library	Seminole	15
Gladeview Water Control District	Palm Beach	15
Gramercy Farms Community Development District	Osceola	13
Grand Bay at Doral Community Development District	Miami-Dade	13
Hamilton County Development Authority	Hamilton	12
Health Care District of Palm Beach County	Palm Beach	13
Hendry Soil & Water Conservation District	Hendry	15
Hendry-Hilliard Water Control District	Hendry	15
Hendry-La Belle Recreation District	Hendry	12
Heritage Isle Community Development District	Hillsborough	13
Heritage Plantation Community Development District	Okaloosa	13
Highland Glades Water Control District	Palm Beach	15
Highland Meadows Community Development District	Polk	13
Highlands Community Development District	Hillsborough	13
Highlands Soil & Water Conservation District	Highlands	13
Hillsborough Transit Authority	Hillsborough	13
Holmes Creek Soil & Water Conservation District	Holmes	13
Homestead 50 Community Development District	Miami-Dade	13

Special District	County	Schedule(s)
Housing Finance Authority of Lee County	Lee	15
Indian River Farms Water Control District	Indian River	15
Indigo Community Development District	Volusia	13
Jacksonville Transportation Authority	Duval	13
Jupiter Inlet District	Palm Beach	15
Lake Ashton Community Development District	Polk	13
Lakeland Downtown Development Authority	Polk	15
Lakeside Plantation Community Development District	Sarasota	13
Lealman Special Fire Control District	Pinellas	15
Leon County Educational Facilities Authority	Leon	13
Madiera Community Development District	St. Johns	13
Magnolia Creek Community Development District	Walton	13
Magnolia West Community Development District	Clay	13
Marion County Law Library	Marion	15
Matlacha and Pine Island Fire Control District	Lee	13
Meadow Pointe IV Community Development District	Pasco	13
Mediterranea Community Development District	Palm Beach	13
Miami-Dade Expressway Authority	Miami-Dade	13
Montecito Community Development District	Brevard	13
Municipal Service District of Ponte Vedra Beach	St. Johns	15
Naturewalk Community Development District	Walton	13
New Port – Tampa Bay Community Development District	Hillsborough	13
North Okaloosa County Fire District	Okaloosa	13, 15
North Palm Beach Heights Water Control District	Palm Beach	13, 15
North St. Lucie River Water Control District	St. Lucie	15
Ocean City – Wright Fire Control District	Okaloosa	15
Okeechobee Soil & Water Conservation District	Okeechobee	15
Palatka Gas Authority	Putnam	15
Palm River Community Development District	Hillsborough	13
Panhandle Public Library Cooperative System	Calhoun, Holmes, Jackson, Washington	15
Pine Island Community Development District	Lake	13
Polk Transit Authority	Polk	13
Port St. Joe Port Authority	Gulf	13, 15

Special District	County	Schedule(s)
Portofino Cove Community Development District	Lee	13
Portofino Isles Community Development District	St. Lucie	13
Portofino Landings Community Development District	St. Lucie	13
Portofino Springs Community Development District	Lee	12
Portofino Vista Community Development District	Osceola	13
Quincy-Gadsden Airport Authority	Gadsden	15
Reunion East Community Development District	Osceola	13
Ridgewood Trails Community Development District	Clay	13
Ritta Drainage District	Hendry, Palm Beach	15
River Bend Community Development District	Hillsborough	13
River Glen Community Development District	Nassau	13
River Place on the St. Lucie Community Development District	St. Lucie	13
Riverwood Estates Community Development District	Pasco	13
Rolling Hills Community Development District	Clay	13
San Carlos Estates Water Control District	Lee	15
Seminole County Port Authority	Seminole	15
Shawano Water Control District	Palm Beach	15
Shingle Creek Community Development District	Osceola	13
Six Mile Creek Community Development District	St. Johns	13
South Bay Community Development District	Hillsborough	12
South Fork East Community Development District	Hillsborough	12
South Seminole & North Orange County Wastewater Transmission Authority	Seminole, Orange	15
Southern Hills Plantation I Community Development District	Hernando	13
Spring Lake Improvement District	Highlands	15
Spring Ridge Community Development District	Hernando	13
St. Augustine Port, Waterway and Beach District	St. Johns	15
Sterling Hill Community Development District	Hernando	13
Stoneybrook Community Development District	Lee	13
Stoneybrook South Community Development District	Osceola	13
Sugarland Drainage District	Glades, Hendry	15
Sun 'n Lake of Sebring Improvement District	Highlands	13

Special District	County	Schedule(s)
Suwannee River Water Management District	Alachua, Baker, Bradford, Columbia, Dixie, Gilchrist, Hamilton, Jefferson, Lafayette, Levy, Madison, Putnam, Suwannee, Taylor, Union	13
Suwannee Valley Transit Authority	Columbia, Hamilton, Suwannee	12
Suwannee Water & Sewer District	Dixie	13, 15
Sweetwater Creek Community Development District	St. Johns	13
Taylor Coastal Water & Sewer District	Taylor	13
Tern Bay Community Development District	Charlotte	13
Tindall Hammock Irrigation & Soil Conservation District	Broward	13
Tolomato Community Development District	Duval, St. Johns	13
Trails Community Development District	Duval	13, 15
Treeline Preserve Community Development District	Lee	13
Upper Captiva Fire Protection & Rescue Service District	Lee	13, 15
Villa Vizcaya Community Development District	St. Lucie	13
Villages of Avignon Community Development District	Manatee	13
Villages of Bloomingdale Community Development District	Hillsborough	13
Waterford Estates Community Development District	Charlotte	13
Waterlefe Community Development District	Manatee	13
Waterstone Community Development District	St. Lucie	13
West Villages Improvement District	Sarasota	13
Westgate/Belvedere Homes Community Redevelopment Agency	Palm Beach	13
Westridge Community Development District	Polk	13
Westside Community Development District	Osceola	13
The Woodlands Community Development District	Sarasota	13
Wyld Palms Community Development District	Citrus	13
Zephyr Ridge Community Development District	Pasco	13

**8. Three-Peat:
Educational Entities**

State College and University

Failed to Take Full Corrective Action in Response to a Recommendation that was included in the 2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports

Entity	Audit Finding(s)	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC Letter re: FY 2011-12 Findings)	Recommend Requiring a Written Response This Year?
Florida Keys Community College	AG Report No. 2014-065 (#5 - Rental Agreements): The College entered into rental contracts with various vendors for the use of College facilities and equipment that did not require the payment of rental charges prior to the scheduled use of the college facilities, as required by College procedures. (See PDF Pages 8-9 of 20)	N/A	No	Yes
Florida State College at Jacksonville	AG Report No. 2014-085 (#8 - Collection of Social Security Numbers): The College continues to collect SSNs from students and did not always provide written notification to the students when their SSNs were collected, contrary to state law. (See PDF Pages 11-12 of 20)	N/A	No	Yes
Hillsborough Community College	AG Report No. 2014-034 (#4 - IT - Written Policies and Procedures): Written IT policies and procedures relating to retention of log files had been drafted but were not finalized or subsequently submitted to the President's cabinet for approval. (See PDF Page 6 of 14)	N/A	Yes - Letter indicates correction by Sept. 2013 (response to 2013 JLAC letter re: FY 2010-11 audit findings)	Yes
Pasco-Hernando Community College	AG Report No. 2014-061 (#1 - IT - Security Controls - User Authentication (only)): Certain College security controls related to user authentication needed improvement. (See PDF Pages 3-4 of 9)	N/A	No	Yes
Pensacola State College	AG Report No. 2014-036 (#6 - IT - Security Controls - User Authentication): Certain College security controls related to user authentication needed improvements. (See PDF Pages 7-8 of 12)	N/A	No	Yes
Seminole State College of Florida	AG Report No. 2014-022 (#3 - Parking Fees): The College should continue its efforts to ensure that parking fees are charged only to those persons using parking services, as required by state law. (See PDF Page 5 of 15)	N/A	No	Yes
Florida Atlantic University	AG Report No. 2014-045 (#1 - Textbook Affordability): The University has established the BOG required textbook adoption regulation and procedures; however, the University did not have monitoring procedures in place to ensure the timely posting of textbook lists on its website in accordance with state law. Also, the University should require faculty to provide the University with the required textbook information for textbooks ordered from off campus bookstore vendors to ensure compliance with the law. (See PDF Pages 3-4 of 15)	N/A	No	Yes
	AG Report No. 2014-045 (#4 - IT - Security Controls - User Authentication): Certain University security controls related to user authentication needed improvement. (See PDF Page 7 of 15)	N/A	No	Yes

State College and University

Failed to Take Full Corrective Action in Response to a Recommendation that was included in the 2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports

Entity	Audit Finding(s)	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC Letter re: FY 2011-12 Findings)	Recommend Requiring a Written Response This Year?
Florida International University	AG Report No. 2014-060 (#4 - <u>Monitoring Vehicle Fuel Consumption</u>): Vehicle usage logs were not always complete and did not always include evidence of supervisory review. (See PDF Page 6 of 14)	N/A	Yes - Letter indicates that new policy and procedures would be implemented by 7/1/2013. (response to 2013 JLAC letter re: FY 2010-11 audit findings)	Yes
University of Florida	AG Report No. 2014-044 (#6 - <u>IT - Disaster Recovery</u>): The University needed to establish an adequate alternate IT processing facility. (See PDF Page 10 of 22)	N/A	Yes - Full disaster recovery capability was operational at December 31, 2013. (response to 2014 JLAC letter re: FY 2011-12 audit findings)	Yes
University of North Florida	AG Report No. 2014-155 (#1 - <u>Line of Credit and Cash Payments to a Direct-Support Organization</u>): The University provided cash resources to one of its direct-support organizations without specific legal authority, including cash advances to help cover operational costs and cash payments to pay for salaries and benefits for certain personnel at the direct-support organization. Although Section 1004.28(2), F.S., authorizes the University to permit use of property, facilities, and personal services to its direct-support organizations, we [Auditor General's Office] are unaware of any specific authority in Florida Statutes or Board of Governors regulations permitting the University to make loans or cash payments to a University direct-support organization. (See PDF Pages 59-60 of 62)	N/A	No	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

Failed to Take Full Corrective Action in Response to a Recommendation Included in the
2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

County	Audit Finding(s)	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter re: FY 2011-12 findings)	Recommendation Requiring a Written Response This Year?
Bay	CPA Firm FY 2012-13 (#13-01 - Significant Audit Adjustments): Significant adjustments to the financial records were made in order for the financial statements to conform to U.S. generally accepted accounting principles. (See PDF Page 82 of 84)	MW	Yes - Email: Describes issues regarding adjustments that were made. Problem has finally remedied itself relating to one issue.	Yes
	CPA Firm FY 2012-13 (#13-02 - Electronic Funds Transfer): The Board has not adopted written policies prescribing the accounting and control procedures of EFTs, contrary to s. 1010.11, F.S. (See PDF Pages 82-83 of 84)	N/A	No	Yes
	CPA Firm FY 2012-13 (#13-03 - Timely Deactivation of Access Privileges): Timely deactivation of employee IT access privileges does not occur when employment is terminated. (See PDF Page 83 of 84)	N/A	No	Yes
	CPA Firm FY 2012-13 (#13-04 - IT - Risk Assessment): The District has not developed a written, comprehensive IT risk assessment; therefore, there are incomplete policies and procedures regarding IT-related risks. (See PDF Page 83 of 84)	N/A	No	Yes
Bradford	AG Report No. 2014-117 (#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 57 of 66)	N/A	Yes - Letter: Proposal made to the Union on differentiated pay and was ratified. This will come in place for all instructional staff.	Yes
	AG Report No. 2014-117 (#4 - IT - Written Policies and Procedures): District lacked written policies and procedures for certain IT functions. (See PDF Pages 59-60 of 66)	N/A	Yes - Letter: As of 7/1/14, the FOCUS software has been put into place; anticipated to transfer finance, human resources, and payroll sections during the 2014-15 school year. The Informational & Instructional Technology Policies and Procedures Manual will go before the School Board on 9/9/14 for a workshop and approval. With these in place, findings should change dramatically.	Yes
	AG Report No. 2014-117 (#5 - IT - Security Awareness Training Program): An IT security awareness training program had not been implemented. As of December 2013, District personnel were in the process of preparing a comprehensive training program. (See PDF Page 60 of 66)	N/A	Yes - See response for finding #4 above.	Yes
	AG Report No. 2014-117 (#6 - IT - Disaster Recovery Plan): The IT disaster recovery plan could be enhanced. (See PDF Page 60 of 66)	N/A	Yes - See response for finding #4 above.	Yes

District School Boards

Failed to Take Full Corrective Action in Response to a Recommendation Included in the
2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

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Bradford (continued)	AG Report No. 2014-117 (<u>#7 - IT - Security Incident Response Plan</u>): The District had not developed a written IT security incident response plan. (See PDF Page 61 of 66)	N/A	No	Yes
	AG Report No. 2014-117 (<u>#8 - IT - Data Classification and Application Access Authorization</u>): The District had not classified IT data according to sensitivity or level of significance, or maintained documentation of user access authorization. (See PDF Page 61 of 66)	N/A	Yes - See response for finding #4 above.	Yes
	AG Report No. 2014-117 (<u>#9 - IT - Program Change Controls</u>): The District did not have a formal program change methodology that documented the IT program change process and did not restrict programmers from accessing or updating production programs and data. (See PDF Pages 61-62 of 66)	N/A	Yes - See response for finding #4 above.	Yes
	AG Report No. 2014-117 (<u>#10 - IT - Security Controls - Logging and Monitoring of System Activity and User Authentication</u>): Certain IT security controls related to logging and monitoring of system activity and user authentication needed improvement. (See PDF Page 62 of 66)	N/A	Yes - See response for finding #4 above.	Yes
Brevard	AG Report No. 2014-089 (<u>#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 4 of 19)	N/A	No	Yes
	AG Report No. 2014-089 (<u>#2 - Time Records</u>): District records did not always evidence that certain administrators approved biweekly payroll reports of their subordinate employees. (See PDF Page 4 of 19)	N/A	No	Yes
	AG Report No. 2014-089 (<u>#7 - Subsidiary Records</u>): The District needs to strengthen procedures to ensure adequacy of its records supporting land, buildings and fixed equipment, and improvements other than buildings. (See PDF Page 8 of 19)	N/A	Yes - Letter: The District's accounting staff created a project plan to accomplish the audit recommendations. The project is expected to be 50% complete by the end of FY 2013-14 and 100% complete by the end of FY 2014-15.	Yes

District School Boards

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2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

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Broward	CPA Firm FY 2012-13 (<u>#ML 2012-01 - Payroll Approval</u>): The District needs to enhance its procedures to ensure payroll payments are accurate, properly documented, and approved. Each department director should help ensure that all required approvals are obtained and reports are maintained as evidence of compliancy with time reporting procedures. (See PDF Pages 235-237 of 241)	N/A	Yes - Letter: Describes steps being taken to address issues.	Yes
	CPA Firm FY 2012-13 (<u>#ML 2012-02 - Capital Assets Inventory Controls</u>): Improvements continue to be needed to strengthen controls over capital assets. District staff should help ensure that capital assets are adequately tracked and reconciled with capital assets database on an on-going basis. (See PDF Pages 238-239 of 241)	N/A	Yes - Letter: Describes steps being taken to address issues.	Yes
	CPA Firm FY 2012-13 (<u>#ML 2010-01 - System Needed to Monitor and Track Level 2 FBI Screenings</u>): District should ensure that the District employees undergo the background screenings at least every five years as required by law. (See PDF Pages 240-241 of 241)	N/A	Yes - Letter: A comprehensive system currently exists to monitor and track fingerprint records. This system is regularly compared to data contained in the Florida's Integrated Criminal History System (FALCON). Since July 2013 the District has enhanced software solution and processes to accommodate the overall task of fingerprint retention and compliance.	Yes
Calhoun	AG Report No. 2014-111 (<u>#2 - 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 Pages 60-61 of 68)	N/A	Yes - Letter: The District has finalized the documented processes by approving an amended 2013-14 salary schedule at the 5/8/14 Board meeting.	Yes
Charlotte	AG Report No. 2014-161 (<u>#12 - IT - Security Controls - User Authentication and Logging and Monitoring of System Activity</u>): Certain District IT security controls related to user authentication and logging and monitoring of system activity needed improvement. (See PDF Page 78 of 82)	N/A	No	Yes
Clay	CPA Firm FY 2012-13 (<u>#2013-6 - Investment Policy</u>): The District has not established a written system of internal controls over investments. Also, the investment policy did not specify the authorized securities dealers, issuers, mad banks from which securities may be purchased. (See PDF Page 76 of 79)	N/A	No	Yes

District School Boards

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2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

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Clay (continued)	CPA Firm FY 2012-13 (<u>#2013-7 - Bank Account Reconciliations</u>): The District should enhance its procedures to ensure accurate and timely reconciliations of bank amounts to the general ledger. (See PDF Page 76 of 79)	N/A	No	Yes
Columbia	AG Report No. 2014-101 (<u>#6 - IT - Security Incident Response Plan</u>): The District's written security incident response plan did not include: (1) detailed response procedures for certain incident scenarios identified in the plan; (2) procedures for logging security violations or incidents; (3) an established process for involving appropriate local, State, and Federal authorities; and (4) an established process required by F.S. of notifying affected parties whose personnel information was or was reasonably believed to have been, acquired by an unauthorized person. (See PDF Pages 69-70 of 76)	N/A	No	No [Corrected - see FY 2013-14 audit report (AG report #2015-067 - PDF p. 70 of 73)]
	AG Report No. 2014-101 (<u>#7 - IT - Security Controls - User Authentication, Data Loss Prevention, and Logging and Monitoring of System Activity</u>): Certain District IT security controls related to user authentication, data loss prevention, and logging and monitoring of system activity needed improvement. (See PDF Page 70 of 76)	N/A	No	Yes [Not Corrected - see FY 2013-14 audit report (AG report #2015-067, finding #5 - PDF pp. 67 & 70 of 73)]
Dixie	AG Report No. 2014-116 (<u>#4 - IT - Security Incident Response Plan</u>): The District's security incident response plan lacked several necessary provisions. (See PDF Pages 59-60 of 64)	N/A	No	Yes
	AG Report No. 2014-116 (<u>#5 - IT - Written Policies and Procedures</u>): The District lacked written policies and procedures for certain IT functions. (See PDF Page 60 of 64)	N/A	Yes - Letter: The District has made continuous efforts each year of the audit finding, and, at this time, has fully implemented corrective action.	Yes
	AG Report No. 2014-116 (<u>#6 - IT - Security Controls - User Authentication, Data Loss Prevention, and Logging and Monitoring of Application Activity</u>): Certain District IT security controls related to user authentication, data loss prevention, and logging and monitoring of system activity needed improvement. (See PDF Pages 60-61 of 64)	N/A	No	Yes
Duval	AG Report No. 2014-076 (<u>#9 - Schultz Center</u>): The District needs to enhance its procedures for monitoring the Center's compliance with the contract provisions. (See PDF Pages 11-12 of 35)	N/A	No	Yes

District School Boards

Failed to Take Full Corrective Action in Response to a Recommendation Included in the
2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

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Duval (continued)	AG Report No. 2014-076 (#11 - Charter School Insurance): Enhancements were needed in monitoring of insurance for the District's 21 charter schools to ensure that they maintain insurance required by the charter school agreements. (See PDF Pages 15-16 of 35)	N/A	No	Yes
	AG Report No. 2014-076 (#12 - Relocatable Facility Inspections): The District should continue its efforts to ensure relocatables used as classrooms comply with the State standards and ensure that only relocatables that meet standards are reported as satisfactory in the Florida Inventory of School Houses (FISH), created and supported by FDOE's Office of Educational Facilities. (See PDF Pages 16-17 of 35)	N/A	No	Yes
	AG Report No. 2014-076 (#15 - IT - Access Privileges): Some of the access privileges to the District's network and ERP system, including finance and human resources applications, were unnecessary or that permitted employees and contractors to perform incompatible functions. (See PDF Pages 20-21 of 35)	N/A	No	Yes
	AG Report No. 2014-076 (#16 - IT - Security Controls - User Authentication, Data Loss Prevention, and Monitoring of Application Data Changes): Certain District security controls related to user authentication, data loss prevention, and monitoring of application data changes needed improvement. (See PDF Page 21 of 35)	N/A	No	Yes
	AG Report No. 2014-076 (#17 - IT - District Security Program): The District had not finalized a security program. In addition, the District did not have a security awareness training program in place. (See PDF Pages 21-22 of 35)	N/A	No	Yes
	AG Report No. 2014-076 (#18 - IT - Disaster Recovery Plan): The District's Business Resumption Plan had not been tested in accordance with scenarios defined in the document and did not identify an alternate processing site. Without an appropriately prepared and tested disaster recovery plan, the District's ability may be limited to efficiently and effectively continue operations with minimal loss in the event of a processing disruption. (See PDF Page 22 of 35)	N/A	No	Yes

District School Boards

Failed to Take Full Corrective Action in Response to a Recommendation Included in the
2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

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Flagler	AG Report No. 2014-130 (<u>#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 68 of 77)	N/A	Yes - Email: Draft procedures are awaiting Board approval, scheduled for 6/17/14 Board meeting.	Yes
Franklin	AG Report No. 2014-142 (<u>#1 - Financial Reporting</u>): Financial reporting procedures could be improved to ensure that information is properly reported on the financial statements. (See PDF Page 59 of 71)	SD	Yes - Letter: The District has strengthened its efforts to provide accurate financial statements by contracting financial reporting services with a CPA for FY 2013-14.	Yes
	AG Report No. 2014-142 (<u>#5 - 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 63 of 71)	N/A	Yes - Letter: The District has included differentiated pay in negotiations without labor union to develop a differentiated pay plan that complies with Florida Statutes by 6/30/14.	Yes
	AG Report No. 2014-142 (<u>#9 - Adult General Education Classes</u>): Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education. Also, extent of adult general education hours misreported should be determined, and the Florida Department of Education should be contacted for proper resolution. (See PDF Page 66 of 71)	N/A	Yes - Letter: The District has contracted Management Information Services to ensure proper reporting. In addition, the Adult Education Coordinator will visit a neighboring school district with an adult education program to learn the process of enrolling, testing, and data reporting.	Yes
	AG Report No. 2014-142 (<u>#12 - IT- Security Controls - Data Loss Prevention and User Authentication</u>): Certain District IT security controls related to data loss prevention and user authentication needed improvement. (See PDF Pages 67-68 of 71)	N/A	No	Yes
Gadsden	AG Report No. 2014-171 (<u>#3 - Adult General Education Classes</u>): The District should strengthen controls to ensure accurate reporting of instructional contract hours for adult general education classes to the Florida Department of Education. Also, extent of adult general education hours misreported should be determined, and the Florida Department of Education should be contacted for proper resolution. (See PDF Page 62 of 72)	N/A	Yes - Letter: Indicates the that DOE will assist the District with training and targeted assistance to ensure that staff appropriately understand the reporting requirements and have an adequate system placed into operation to ensure future compliance.	Yes
	AG Report No. 2014-171 (<u>#4 - IT - Disaster Recovery Plan</u>): A written, comprehensive IT disaster recovery plan had not been established. (See PDF Pages 62-63 of 72)	N/A	Yes - Letter: The disaster recovery plan will be submitted for final approval at the 4/22/14 regular School Board meeting.	Yes

District School Boards

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2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

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Gadsden (continued)	AG Report No. 2014-171 (<u># 5 - IT - Security Controls - Logging and Monitoring of System Activity</u>): IT security controls related to logging and monitoring network activity needed improvement. (See PDF Page 63 of 72)	N/A	Yes - Letter: The information technology department has developed a written change control procedure to document the implemented process.	Yes
Glades	AG Report No. 2014-153 (<u>#4 - IT - Access Privileges</u>): The District had not developed procedures for or performed a review of access privileges for employees and contractors granted end-user and administrative access within the District's finance and human resources application. (See PDF Pages 59-60 of 64)	N/A	Yes - Email: Since Glades is a small school district and does not have the expertise to satisfy all of the technology policy and procedure requirements noted, the School Board contracted with a policy and procedure updating service company to assist with the process to satisfy the audit findings. We hope to complete the process by early 2015.	Yes
	AG Report No. 2014-153 (<u>#5 - IT - Disaster Recovery Plan</u>): The IT disaster recovery plan did not identify the District's critical data, processes, and applications; provide for back-up of critical data; or detail procedures for recovery. (See PDF Page 60 of 64)	N/A	Yes - See response for finding #4 above.	Yes
	AG Report No. 2014-153 (<u>#6 - IT - Written Policies and Procedures</u>): The District lacked written policies and procedures for authorizing and assigning user identifications and associated access privileges, ensuring the timely deactivation of access privileges, and resetting user passwords. (See PDF Page 60 of 64)	N/A	Yes - See response for finding #4 above.	Yes
	AG Report No. 2014-153 (<u>#7 - IT - Security Controls - User Authentication and Workstation Controls, Data Loss Prevention, and Logging and Monitoring of System Activity</u>): IT security controls related to user authentication and workstation controls, data loss prevention, and logging and monitoring of system activity needed improvement. (See PDF Pages 60-61 of 64)	N/A	Yes - See response for finding #4 above.	Yes
Gulf	AG Report No. 2014-055 (<u>#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 57 of 66)	N/A	Yes - Email: The District is still in negotiations with Gulf County Education Association.	Yes [Not Corrected - see FY 2013-14 audit report (AG report #2015-078, finding #3 - PDF pp. 54 & 57 of 60)]

District School Boards

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2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

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Gulf (continued)	AG Report No. 2014-055 (#8 - Adult General Education Classes): Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education. Also, extent of adult general education hours misreported should be determined, and the Florida Department of Education should be contacted for proper resolution. (See PDF Pages 61-62 of 66)	N/A	Yes - Email: The District revised and strengthened its procedures for reporting adult education general education hours during the FY 2012-13 school year and fully implemented these procedures in August 2013.	Yes [Not Corrected - see FY 2013-14 audit report (AG report #2015-078, finding #6 - PDF pp. 56-57 of 60)]
Hamilton	AG Report No. 2014-135 (#3 - 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 57 of 64)	N/A	Yes - Letter: It is our intent to comply with the required mandates. Please understand, however, that a small rural district such as this one has limited staff member and limited resources.	Yes
	AG Report No. 2014-135 (#7 - IT - Security Controls - User Authentication, Data Loss Prevention, and Logging and Monitoring of Data Changes and Network Security Events): IT security controls related to user authentication, data loss prevention, and logging and monitoring of data changes and network security events needed improvement. (See PDF Page 60 of 64)	N/A	No	Yes
Hardee	AG Report No. 2014-154 (#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 63 of 69)	N/A	Yes - Letter: The School Board and staff intend to take full corrective action before June 30, 2014. Letter outlines the timeline of activity to address finding.	Yes
	AG Report No. 2014-154 (#4 - IT - Risk Assessment): The District had not completed a written, comprehensive IT risk assessment. (See PDF Pages 65-66 of 69)	N/A	No	Yes
Holmes	AG Report No. 2014-141 (#2 - 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 62-63 of 71)	N/A	Yes - Letter: The Holmes DSB Bargaining Team met with the Holmes County Teachers' Association and negotiated contract language for Differentiated Pay for additional responsibilities for Holmes County teachers. This proposal was approved by the School Board on 4/15/14.	Yes

District School Boards

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2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

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Indian River	AG Report No. 2014-067 (#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 Pages 3-4 of 11)	N/A	Yes - Letter: It is the District's intent to fully comply with the Florida Statutes dealing with this differentiated pay, but unfortunately were not able to bring this issue to finality at the bargaining table this year.	No [Corrected - see FY 2013-14 audit report (AG report #2015-076 - PDF p. 10 of 19)]
	AG Report No. 2014-067 (#3 - IT - Timely Deactivation of Access Privileges): The District should continue its efforts to ensure that IT access privileges of former employees are timely deactivated. (See PDF Page 5 of 11)	N/A	Yes - Letter: The District implemented a new system to replace the old software for account and network account management, which should address issue.	No [Corrected - see FY 2013-14 audit report (AG report #2015-076 - PDF p. 10 of 19)]
Jackson	AG Report No. 2014-081 (#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 66 of 74)	N/A	Yes - Due to error, a response to this finding was not requested. Per response to audit finding in audit report, District committees are developing a set of criteria that would ensure that differentiated pay of instructional personnel is appropriately identified on the salary schedules.	Yes
	AG Report No. 2014-081 (#6 - Financial Reporting): Financial reporting procedures could be improved to ensure that financial statement account balances and transactions are properly reported. (See PDF Pages 69-70 of 74)	N/A	Yes - Letter: The ARRA Economic Stimulus Debt Service Fund was not properly classified as a major fund. This error has been corrected.	Yes
Jefferson	AG Report No. 2014-177 (#1 - Financial Reporting): Financial reporting procedures could be improved to ensure that financial statement account balances and transactions are properly reported. (See PDF Page 56 of 76)	SD	Yes - Letter: The Chief Financial Officer will introduce controls to ensure that all future financial statement account balances and transactions are reconciled and reported accurately.	Yes
	AG Report No. 2014-177 (#2 - Bank Account Reconciliations): The District should consider consolidating certain bank accounts to reduce the number of monthly account reconciliations and enhance procedures to ensure that bank account reconciliations are properly and timely completed. (See PDF Pages 56-57 of 76)	SD	No	Yes
	AG Report No. 2014-177 (#9 - 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 61 of 76)	N/A	Yes - Letter: The School Board will adopt formal policies and procedures ensuring that a portion of each instructional employee's compensation is based on performance, and differentiated pay of instructional personnel and school-based administrators is appropriately identified on salary schedules consistent with FS.	Yes

District School Boards

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2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

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Jefferson (continued)	AG Report No. 2014-177 (#12 - Adult General Education Classes): Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education. (See PDF Pages 62-63 of 76)	N/A	Yes - Letter: Measures are being taken to ensure that all attendees are recorded accurately beginning the week of following spring break 2013 going forward.	Yes
	AG Report No. 2014-177 (#14 - IT - Disaster Recovery Plan): The IT disaster recovery plan lacked key disaster recovery control elements and had not been tested. (See PDF Pages 63-64 of 76)	N/A	Yes - Letter: The Disaster Recovery Plan for Informational Technology has been revised to reflect the change to our current data storage setup and personnel involved in recovering data. Also, we will ensure that the plan is tested annually to ensure that it still meets our purposes.	Yes
	AG Report No. 2014-177 (#15 - IT - Written Policies and Procedures): The District lacked written policies and procedures for certain IT functions. (See PDF Page 64 of 76)	N/A	Yes - Letter: Written policies and procedures have been developed in the areas identified and the District will form a District Technology Committee to review the written policies and procedures once a month and make any necessary changes to policy, keeping the changing needs to technology in mind.	Yes
	AG Report No. 2014-177 (#16 - IT - Security Awareness Training Program): A comprehensive IT security awareness training program had not been developed and implemented. (See PDF Pages 64-65 of 76)	N/A	Yes - Letter: The Director of Technical Support Services will develop a training video for all employees that will cover the importance of securing all data.	Yes
	AG Report No. 2014-177 (Federal #1 - Reporting): Improvements were needed in controls over the monitoring and reporting of Federal cash balances and program expenditures to ensure that amounts reported to FDOE agree with or reconcile to the District's accounting records. In addition, the District should complete all final expenditure reports and the Cash Advance and Reporting of Disbursements System (CARDS) reconciliations by the due dates. (See PDF Pages 65-66 of 76)	N/A	Yes - Letter: The District has changed internal procedures in relation to the drawdown of federal funds from the FDOE CARDS. Each drawdown of funds is supported by an internal printout detailing expenditures by grant area. In addition, CARDS reconciliations have been undertaken at the end of each month from December 2013 forward.	Yes

District School Boards

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Leon	CPA Firm FY 2012-13 (<u>#13-01 - Financial Reporting</u>): Financial reporting procedures could be improved to ensure that information is properly reported on the financial statements. (See PDF Page 90 of 97)	N/A	No	Yes
Liberty	AG Report No. 2014-125 (<u>#5 - Electronic Funds Transfers</u>): Improvements are needed to enhance accounting and control procedures for EFTs. (See PDF Pages 58-59 of 75)	SD	No	Yes
	AG Report No. 2014-125 (<u>#11 - 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 63 of 75)	N/A	Yes - Letter: Explains differential pay and that the Chief Negotiator for the district has begun discussions with the bargaining unit in regards to differentiated pay for 2014-15.	Yes
	AG Report No. 2014-125 (<u>#16 - IT - Written Policies and Procedures</u>): The District lacked written policies and procedures for certain IT functions. (See PDF Page 67 of 75)	N/A	Yes - Letter: The District has posted its newly adopted policies on the website.	Yes
Madison	AG Report No. 2014-112 (<u>#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 60 of 69)	N/A	Yes - Letter: A draft Differentiated Pay Plan is awaiting review and approval by a joint Union / School District committee. This Plan should be in place prior to the beginning of the 2014-15 school year.	Yes
	AG Report No. 2014-112 (<u>#2 - Electronic Funds Transfers and Bank Withdrawals</u>): The School Board should adopt written policies and procedures to address accounting and control procedures for EFTs, including the use of electronic signatures. (See PDF Pages 60-61 of 69)	N/A	No	Yes
	AG Report No. 2014-112 (<u>#7 - IT - Security Controls - Data Loss Prevention</u>): Improvements are needed to improve IT security controls related to data loss prevention. (See PDF Page 64 of 69)	N/A	No	Yes
	AG Report No. 2014-112 (<u>Federal #1 - Allowable Costs / Costs Principles - Documentation of Time and Effort</u>): Improvements are needed to enhance procedures to ensure required documentation is maintained to support salary and benefits charged to federal programs. (See PDF Pages 64-65 of 69)	SD	No	Yes

District School Boards

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2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

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Manatee	AG Report No. 2014-098 (<u>Federal #1 - Matching, Level of Effort, Earmarking - Early Intervention Services</u>): The District should strengthen procedures to ensure that coordinated early intervention services are adequately documented for Special Education programs. In addition, the District should document to the grantor (FDOE) the allowability of the \$1,503,624 of questioned costs or restore this amount to the program. (See PDF Pages 87-88 of 98)	MW	Yes - Letter: The District has taken steps to identify expenditures by documentations on purchase orders and is taking steps toward full corrective action.	Yes
	AG Report No. 2014-079 (<u>#14 - Background Screenings</u>): Procedures need to be enhanced to ensure that required background screenings are performed for instructional and noninstructional contractors. (See PDF Page 15 of 57)	N/A	No	Yes
	AG Report No. 2014-079 (<u>#23 - Adult General Education Classes</u>): The District needs to strengthen controls to ensure accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education (FDOE). The District should also determine the extent of adult general hours misreported and contact FDOE for proper resolution. (See PDF Page 23 of 57)	N/A	Yes - Letter: - Describes steps being taken to address issues.	Yes
Marion	CPA Firm FY 2012-13 (<u>Federal #2013-1 - Child Nutrition Cluster</u>): The District needs to continue to work with FDACS to develop a spending plan that incorporates current year excess cash in the subsequent year. Also, the District needs to incorporate an internal control procedure to monitor the net cash position on a more frequent basis. (See PDF Page 140 of 147)	SD	No	Yes
Martin	AG Report No. 2014-062 (<u>#3 - 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 6 of 14)	N/A	Yes - Letter: The District has finalized and adopted a formal policy and procedures 5/20/14. Board policy addresses the action in how the board will determine differentiated pay.	Yes [Not corrected - see FY 2013-14 audit report (AG report #2015-071, finding #1 - PDF pp. 4 & 8 of 16)]
Monroe	AG Report No. 2014-151 (<u>#2 - Net Position Deficit - Worker's Compensation/General Liability Internal Service Fund</u>): Improvements were needed toward eliminating the net asset deficit of the internal service fund and ensuring that a favorable balance is maintained to meet the fiscal demands of the self-insurance program. (See PDF Page 81 of 92)	N/A	Yes - Letter: The District is continuing its efforts to eliminate the net position deficit of the internal service fund.	Yes

District School Boards

Failed to Take Full Corrective Action in Response to a Recommendation Included in the
2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

County	Audit Finding(s)	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter re: FY 2011-12 findings)	Recommendation Requiring a Written Response This Year?
Monroe (continued)	AG Report No. 2014-151 (#4 - Payroll Processing - Time Records): Payroll processing procedures could be enhanced to ensure that all employee work time is appropriately documented and approved, accurately recorded, and reconciled to payroll leave records. (See PDF Pages 82-83 of 92)	N/A	Yes - Letter: Effective for FY 2013-14, the District has implemented a procedure whereby schools and departments document time worked on sign in/sign out sheets or time cards, which are then turned into the payroll department for review.	Yes
Nassau	AG Report No. 2014-133 (#5 - Adult General Education Classes): Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education (FDOE). Also, the extent of adult general education hours misreported should be determined, and the FDOE should be contacted for proper resolution. (See PDF Pages 63-64 of 68)	N/A	No	Yes
Orange	AG Report No. 2014-147 (#10 - IT - Access Privileges): The District should develop procedures for the review of access privileges and remove inappropriate or unnecessary access privileges detected. (See PDF Pages 101-102 of 109)	N/A	No	Yes
	AG Report No. 2014-147 (#11 - IT - Security Controls - User Authentication, Data Loss Prevention, and Logging and Monitoring of System Activity): IT security controls related to user authentication, data loss prevention, and logging and monitoring of system activity needed improvement. (See PDF Page 102 of 109)	N/A	No	Yes
	AG Report No. 2014-147 (#12 - IT - Written Policies and Procedures): The District lacked written policies and procedures for certain IT functions. (See PDF Page 103 of 109)	N/A	No	Yes
Palm Beach	AG Report No. 2014-163 (#1 - Decentralized Collections): The District needed improvements in decentralized cash collection procedures. (See Page 92 of 100)	N/A	No	Yes
	AG Report No. 2014-163 (#5 - IT - Risk Assessment): The District had not developed a written, comprehensive IT risk assessment. (See Page 95 of 100)	N/A	No	Yes
	AG Report No. 2014-163 (#6 - IT - Security Controls - User Authentication and Data Loss Prevention): Improvements could be made in controls over IT security controls related to user authentication and data loss prevention. (See PDF Pages 95-96 of 100)	N/A	No	Yes

District School Boards

Failed to Take Full Corrective Action in Response to a Recommendation Included in the
2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

County	Audit Finding(s)	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter re: FY 2011-12 findings)	Recommendation Requiring a Written Response This Year?
Pasco	AG Report No. 2014-073 (#6 - Inventories): The District needed improvements in its procedures to provide for an adequate separation of duties associated with the warehouse and transportation departments' inventories. (See Page 9 of 24)	N/A	No	Yes
Pinellas	CPA Firm FY2012-13 (#2013-001 - Investment): The District was not fully complying with their own investment policy and implementing corrective actions for investment findings from prior periods. (See PDF Pages 74-75 & 80 of 87)	MW	No	Yes
	CPA Firm FY 2012-13 (#2013-002 - Financial Reporting): Financial reporting procedures could be improved to ensure that information is properly reported on the financial statement. (See PDF Pages 75-76 & 80 of 87)	SD	Yes - Letter: Describes steps being taken to address issues.	Yes
	CPA Firm FY 2012-13 (Repeat #17 - Workforce Education Postsecondary Student Fees): The District transferred \$6,157,936 of student fees from the workforce development program to an unrestricted account during FY 2004-05 through FY 2007-08, contrary to FDOE guidance, and District records did not evidence resolution of the unauthorized transfers. The District should consult with FDOE regarding reimbursement of such funds to the workforce development program account. (See PDF Page 80 of 87; Also see AG Report No. 2012-150, finding #17 (PDF Page 86 of 115))	N/A	No	Yes
	CPA Firm FY 2012-13 (#2013-004 - Information Technology): Improvements could be made to the IT policies and procedures to ensure that they match industry IT best practices. (See PDF Page 80 & 84-85 of 87)	N/A	Yes - Letter: Outside help was hired to perform a two-part comprehensive risk assessment. The first part was an onsite risk assessment performed 4/28/14, with results due back 5/27/14. The second part was a penetration test conducted on 5/12/14 and is ongoing; results are due back in June 2014.	Yes

District School Boards

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2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

County	Audit Finding(s)	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter re: FY 2011-12 findings)	Recommendation Requiring a Written Response This Year?
Putnam	AG Report No. 2014-170 (#2 - Bank Account Reconciliations): Improvements are needed to ensure bank account reconciliations are properly and timely completed and any differences are promptly investigated and resolved. (See PDF Pages 70-71 of 96)	SD	Yes - Email: The payroll bank account reconciliation is up to date through May 2014. We do not envision this being a problem again.	Yes
	AG Report No. 2014-170 (#4 - Electronic Funds Transfers): Improvements are needed to the Board's written policies prescribing the accounting and control procedures of EFTs. (See PDF Pages 71-72 of 96)	N/A	No	Yes
	AG Report No. 2014-170 (#9 - 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 76 of 96)	N/A	Yes - Differentiated pay of instructional personnel is appropriately identified on salary schedules.	Yes
	AG Report No. 2014-170 (#14 - Information Technology - Access Privileges): Some inappropriate IT access privileges existed, indicating a need for periodic District review of user access privileges. Also, the District had not developed written policies and procedures for routine monitoring of the financial application security logs. (See PDF Pages 79-80 of 96)	N/A	Yes - The Putnam County School District reviews access privileges for internally and externally used systems and periodically runs report to ensure the access privileges are adequate.	Yes
Santa Rosa	AG Report No. 2014-131 (#15 - IT - Disaster Recovery Plan): The District's IT disaster recovery plan did not identify key recovery personnel and their responsibilities, along with personnel having back-up responsibilities, during a disaster. (See PDF Pages 72-73 of 77)	N/A	No	Yes
	AG Report No. 2014-131 (#16 - IT - Security Controls - User Authentication, Data Loss Prevention, and Logging and Monitoring of System Activity): Improvements could be made in controls over IT security controls related to user authentication, data loss prevention, and logging and monitoring of system activity. (See PDF Page 73 of 77)	N/A	No	Yes
Sarasota	CPA Firm FY 2012-13 (No Finding # -ML IT - Access Control Finding): Some inappropriate IT access privileges existed, indicating a need for periodic District review of user access privileges. (See PDF Page 190 of 190)	N/A	Yes - Letter: Describes steps being taken to address issues.	Yes

District School Boards

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2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

County	Audit Finding(s)	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter re: FY 2011-12 findings)	Recommendation Requiring a Written Response This Year?
St. Johns	CPA Firm FY 2012-13 (<u>PY Finding No. 4 - Electronic Funds Transfers</u>): The Board has not adopted formal written policies and procedures prescribing the accounting and control procedures governing EFTs. (See PDF Page 93 of 93)	N/A	No	Yes
Suwannee	AG Report No. 2014-087 (<u>#3 - Adult General Education Classes</u>): The District needs to strengthen controls to ensure accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education (FDOE). The District should also determine the extent of adult general hours under-reported and contact the FDOE for proper resolution. (See PDF Pages 57-58 of 62)	N/A	No	Yes
	AG Report No. 2014-087 (<u>Federal 1 - Federal Pell Grant Program - Financial Reporting and Special Test and Provisions - Return of Pell Grant Funds</u>): Controls over the Federal Pell Grant Program need to be enhanced to ensure that disbursements dates are properly recorded and that refunds to the USDOE are timely. (See PDF Pages 58-59 of 62)	N/A	Yes - Letter: Indicates that the District recognizes the deficiencies noted and outlines the actions taken to correct.	Yes
Taylor	AG Report No. 2014-124 (<u>#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 61 of 68)	N/A	Yes - Letter: The District has scheduled a meeting with the bargaining unit for end of April 2014 to revisit language; once ratified it will become effective for the FY 2014-15 school year.	Yes
	AG Report No. 2014-124 (<u>#2 - Adult General Education Classes</u>): Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education (FDOE). Also, the extent of adult general education hours misreported should be determined, and the FDOE should be contacted for proper resolution. (See PDF Pages 61-62 of 68)	N/A	Yes - Letter: Describes steps being taken to address issues.	Yes

District School Boards

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2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

County	Audit Finding(s)	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter re: FY 2011-12 findings)	Recommendation Requiring a Written Response This Year?
Union	AG Report No. 2014-144 (#6 - <u>Adult General Education Classes</u>): Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education (FDOE). Also, the extent of adult general education hours misreported should be determined, and the FDOE should be contacted for proper resolution. (See PDF Page 61 of 74)	N/A	No	Yes
Wakulla	AG Report No. 2014-134 (#1 - <u>Adult General Education Classes</u>): Improvements were needed in controls over the reporting of instructional contract hours for adult general education classes to the Florida Department of Education. (See PDF Page 61 of 66)	N/A	Yes - Letter: Indicates that best practices (described in letter) were initiated by the new IT Director, findings should be corrected for the FY 2013-14.	Yes
	AG Report No. 2014-134 (#2 - <u>IT - Disaster Recovery Plan</u>): The IT disaster recovery plan lacked key disaster recovery control elements and had not been tested. (See PDF Pages 61-62 of 66)	N/A	Yes - Letter: Indicates that the Disaster Recovery Plan was presented to and approved by the Board in March 2014 and will be implemented and tested according to provision within the Plan.	Yes
	AG Report No. 2014-134 (#3 - <u>IT - Security Incident Response Plan</u>): Improvements were needed to enhance IT security incident response procedures. (See PDF Page 62 of 66)	N/A	No	Yes
	AG Report No. 2014-134 (#4 - <u>IT - Security Controls - Data Loss Prevention</u>): Improvements were needed to the IT security controls related to data loss prevention. (See PDF Page 63 of 66)	N/A	No	Yes
Walton	AG Report No. 2014-138 (#1 - <u>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 60 of 69)	N/A	Yes - Letter: The WCSB has just completed the impasse hearing (May 2014), and the Special Magistrate ruled in favor of the School District. New salary schedules were ratified and approved by the School Board, which included language needed to clear up the audit finding. We are now in compliance and have taken full corrective action.	Yes
	AG Report No. 2014-138 (#7 - <u>IT - Security Incident Response Plan</u>): Improvements were needed in District procedures relating to training security response team members and reporting of incidents to end users. (See PDF Page 64 of 69)	N/A	No	Yes
	AG Report No. 2014-138 (#8 - <u>IT - Security Controls - Data Loss Prevention</u>): Improvements were needed to the IT security controls related to data loss prevention. (See PDF Page 64 of 69)	N/A	No	Yes

District School Boards

Failed to Take Full Corrective Action in Response to a Recommendation Included in the
2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

County	Audit Finding(s)	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter re: FY 2011-12 findings)	Recommendation Requiring a Written Response This Year?
Washington	AG Report No. 2014-114 (#6 - IT - Security Incident Response Plan): The District needs to develop a written security incident response plan. (See PDF Pages 70-71 of 75)	N/A	No	Yes
	AG Report No. 2014-114 (#7 - Information Technology - Security Controls - Data Loss Prevention and Management of Access Privileges): IT 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 71 of 75)	N/A	Yes - Letter: The District has improved the IT security controls related to data loss prevention and management of access privileges to protect the confidentiality, integrity, and availability of District data and IT resources.	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.

District School Boards (Update)

Failed to Take Full Corrective Action in Response to a Recommendation
Included in the 2011-12 Fiscal Year Audit Report and the Two Preceding Audit Reports

NOTE: A CPA Firm performed the District's Financial/Federal Audit for FY 2012-13, and the audit report states that the District has taken action to address findings made in "the preceding Annual Financial Audit Report." The findings noted in this schedule were in a prior year Auditor General Operational Audit Report. Since the CPA Firm is not required by law to follow up on such operational audit findings, verification of whether these findings have been corrected will be determined by the Auditor General during the District's next operational audit.

District School Board	Audit Finding	MW or SD?	Comments (Response to March 2014 JLAC letter on FY 2011-12 findings)	Page Reference for FY 2012-13 CPA Report
Broward	AG Report No. 2013-160 (<u>#5 - Overtime Payment Monitoring</u>): The District needs to enhance its procedures to ensure overtime payments are properly documented and approved. The District should also enhance management controls to require overtime and staffing analyses to ensure the most cost effective use of human resources. (See PDF Pages 92-93 of 115)	N/A	Letter: Describes steps being taken to address issues.	PDF Page 231 of 241
	AG Report No. 2013-160 (<u>#9 - Annual Facility Inspections</u>): Improvements were needed to ensure that deficiencies noted in inspection reports are timely corrected. (See PDF Pages 97-98 of 115)	N/A	Letter: Although staff and funding resources remain limited, the District is pursuing options to be able to execute this work.	
	AG Report No. 2013-160 (<u>#14 - Information Technology - Security Controls - Software Management, User Authentication, and Monitoring of Application Data Changes</u>): District should improve its security controls related to software management, user authentication, and monitoring of application data changes to ensure the continuity, confidentiality, integrity, and availability of District data and IT resources. (See PDF Pages 100-101 of 115)	N/A	Letter: Describes steps being taken to address issues.	
Clay	AG Report No. 2013-156 (<u>#7 - Adult General Education Classes</u>): Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education. (See PDF Pages 68-69 of 81)	N/A	Letter: Outlines steps taken to address finding.	PDF Page 73 of 79
	AG Report No. 2013-156 (<u>#11 - Information Technology - Access Privileges</u>): Improvement is needed in the review of employee access privileges. Also any unnecessary or inappropriate access privileges detected should be deactivated. (See PDF Pages 71-72 of 81)	N/A	Letter: 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.	
	AG Report No. 2013-156 (<u>#13 - Information Technology - Security Controls - Use Authentication, Data Loss Prevention, and Monitoring of System Activity</u>): IT security controls related to user authentication, data loss prevention, and monitoring needed improvement. (See PDF Pages 72-73 of 81)	N/A	Letter: Additional security issues regarding security controls were noted, and the District has taken appropriate action to avoid compromising District and IT resources.	

District School Boards (Update)

Failed to Take Full Corrective Action in Response to a Recommendation
Included in the 2011-12 Fiscal Year Audit Report and the Two Preceding Audit Reports

District School Board	Audit Finding	MW or SD?	Comments (Response to March 2014 JLAC letter on FY 2011-12 findings)	Page Reference for FY 2012-13 CPA Report
Hernando	AG Report No. 2013-044 (<u>#9 - Information Technology - Access Privileges</u>): The District should continue to improve its efforts to evaluate the application screens and further restrict access privileges within transaction screens to ensure that access privileges assigned are appropriate. (See PDF Pages 72-73 of 81)	N/A	Letter: Finding has been corrected in FY 2012-13 report.	PDF Page 163 of 170
Miami-Dade	AG Report No. 2013-108 (<u>#4 - Monitoring Fuel Efficiency</u>): Improvements were needed to enhance the accountability and control of fuel usage. (See PDF Page 7 of 16)	N/A	Letter: Outlines the strategies used to correct finding.	Not Online [Note: included as finding #11 in AG Report #2015-089]
Polk	AG Report No. 2013-071 (<u>#11 - Information Technology - Access Privileges</u>): The District did not have written policies and procedures for review of employee and contractor IT access privileges and timely removal for inappropriate or unnecessary access detected. (See PDF Pages 12-13 of 27)	N/A	Letter: Finding has been corrected in FY 2012-13 report.	PDF Page 189 of 190
	AG Report No. 2013-071 (<u>#15 - Information Technology - Security Controls - User Authentication, Protection of Workstations, Data Loss Prevention, and Monitoring</u>): The District needed to improve security controls related to user authentication, protection of workstations, data loss prevention, and monitoring of critical data changes to ensure the continued confidentiality, integrity, and availability of District data and IT resources. (See PDF Page 14 of 27)	N/A	Letter: Finding has been corrected in FY 2012-13 report.	
St. Lucie	AG Report No. 2013-171 (<u>#4 - Background Screening Requirements</u>): The District needed to improve procedures to ensure that required background screenings are performed for non-instructional contractors. (See PDF Pages 72-73 of 96)	N/A	Letter: Describes steps taken to address finding. Also, a new system called "Raptor System" is being introduced to all sites in 9/2014, which should minimize the potential exposure.	PDF Page 76 of 78

District School Boards (Update)

Failed to Take Full Corrective Action in Response to a Recommendation
 Included in the 2011-12 Fiscal Year Audit Report and the Two Preceding Audit Reports

District School Board	Audit Finding	MW or SD?	Comments (Response to March 2014 JLAC letter on FY 2011-12 findings)	Page Reference for FY 2012-13 CPA Report
Volusia	AG Report No. 2013-039 (<u>#5 - Information Technology - Written Policies and Procedures</u>): The District needed to continue its efforts to maintain and update, as appropriate, written policies and procedures to document management's expectations for the performance of the IT functions. (See PDF Page 7 of 20)	N/A	Letter: Management Letter of the Independent Auditor indicates that findings have been corrected.	PDF Page 194 of 195
	AG Report No. 2013-039 (<u>#6 - Information Technology - Security Controls - Network Administration, Data Loss Prevention, and Logging and Monitoring</u>): Improvements were needed in security controls related to network administration, data loss prevention, and logging and monitoring to ensure the continued confidentiality, integrity, and availability of District data and IT resources. (See PDF Pages 7-8 of 20)	N/A	Letter: Management Letter of the Independent Auditor indicates that findings have been corrected.	

Charter Schools

Failed to Take Full Corrective Action in Response to a Recommendation Included in the
2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

County	Charter School	Audit Finding(s)	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter re: FY 2011-12 audit findings)	Recommend Requiring a Written Response This Year?
Alachua	Hoggetowne Middle School	#13-02 - <u>Charter School Board Meetings</u> : Documentation of minutes of meetings of the School's Board of Directors should be improved. (See PDF Pages 21 & 23 of 24)	SD	Yes - Letter: The 2012-13 minutes are documented, improvements were made, and the process is being fine-tuned in order to meet all requirements.	No SCHOOL CLOSED ON 7/15/2014
		#13-03 - <u>Other Expenditures</u> : Processes need to be reviewed for payment of invoices and payroll taxes to ensure that the School pays only the necessary costs in a timely manner and avoids the incurrence of late fees and penalties. (See PDF Pages 21 & 23 of 24)	SD	No	
		#13-04 - <u>Cash Controls</u> : Documentation was not available for all transactions in the Parent Teacher Group Account. (See PDF Pages 21 & 23 of 24)	SD	No	
Bay	North Bay Haven Charter Career Academy	#13-1 - <u>Records Management</u> : Significant adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles. (See PDF Pages 28-29 of 31)	MW	No	Yes
		#13-2 - <u>Policies and Procedures</u> : Inadequate design of internal control over the preparation of the financial statements. (See PDF Page 29 of 31)	MW	No	No [Corrected - see FY 2013-14 CPA Report (PDF p. 34 of 35)]
	North Bay Haven Charter (Academy) Elementary School	#13-1 - <u>Records Management</u> : Significant adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles. (See PDF Page 29 of 31)	MW	No	Yes
		#13-2 - <u>Policies and Procedures</u> : Inadequate design of internal control over the preparation of the financial statements. (See PDF Page 29 of 31)	MW	No	No [Corrected - see FY 2013-14 CPA Report (PDF p. 33 of 34)]

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

Charter Schools

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County	Charter School	Audit Finding(s)	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter re: FY 2011-12 audit findings)	Recommend Requiring a Written Response This Year?
Bay (continued)	North Bay Haven Charter (Academy) Middle School	#13-1 - <u>Records Management</u> : Significant adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles. (See PDF Pages 28-29 of 31)	MW	No	Yes
		#13-2 - <u>Policies and Procedures</u> : Inadequate design of internal control over the preparation of the financial statements. (See PDF Page 29 of 31)	MW	No	Yes
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 38 of 40)	MW	No	Yes
	International School of Broward	#2013-01 - <u>Property, Equipment and Depreciation</u> : Auditor was not provided with a detailed schedule of fixed assets purchases that included calculation of depreciation by item; only general ledger transaction detail was provided. (See PDF Page 34 of 36)	SD	Yes - E-mail: The Board has taken action to ensure that a detailed schedule of fixed assets purchased includes the calculation for depreciation of each item.	No [Corrected - see FY 2013-14 CPA Report (PDF pp. 31-33 of 35)]
	Rise Academy School of Science and Technology	#2013-01 - <u>Property, Equipment and Depreciation</u> : Auditor was not provided with a detailed schedule of fixed assets purchases that included calculation of depreciation by item; only general ledger transaction detail was provided. (See PDF Page 32 of 34, also see Revised Management Letter, PDF Pages 1-2 of 3)	SD	Yes - Letter: A detailed property and equipment list has been developed and is being maintained. The list is periodically reconciled with physical counts. Accounting department will reconcile and include a calculation of depreciation of asset on a yearly basis.	No [Corrected - see FY 2013-14 CPA Report (PDF p. 27 of 28)]
	Rise Academy School of Science and Technology II	#2013-01 - <u>Property, Equipment and Depreciation</u> : Auditor was not provided with a detailed schedule of fixed assets purchases that included calculation of depreciation by item; only general ledger transaction detail was provided. (See PDF Page 31 of 33, also see Revised Management Letter, PDF Pages 1-2 of 3)	SD	Yes - Letter: A detailed property and equipment list has been developed and is being maintained. The list is periodically reconciled with physical counts. Accounting department will reconcile and include a calculation of depreciation of asset on a yearly basis.	No [Corrected - see FY 2013-14 CPA Report (PDF p. 26 of 27)]

Charter Schools

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County	Charter School	Audit Finding(s)	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter re: FY 2011-12 audit findings)	Recommend Requiring a Written Response This Year?
Duval	S.O.C.K. Outstanding Students (S.O.S.) Academy	<u>Comment #1 - Financial Condition</u> : The School continues to carry a deficit in the net assets of the Governmental Funds and needs to continue to work on elimination of it in the subsequent school year. (See PDF Pages 30-31 of 34)	N/A	No	Yes
Escambia	AA Dixon Charter School of Excellence	<u>#2013-01 - Financial Condition</u> : The School should continue efforts to eliminate the fund balance and net position deficits. (See PDF Page 31 of 32; also see Addendum to the Management Letter, PDF Page 1 of 1)	N/A	No	No SCHOOL CLOSED ON 6/30/2013
	Beulah Academy of Science	<u>#09-2 - Budget Amendment</u> : Modifications of original budget amounts were not made in sufficient amounts to prevent actual expenditures from exceeding budgeted expenditures. (See PDF Page 8 of 35)	N/A	Yes - Letter: Controls have been established so that expenses are captured in the appropriate year. Controls have been made in budget procedures to meet goals and to accomplish a balanced budget.	No [Corrected - see FY 2013-14 CPA Report (PDF p. 37 of 38)]
	Escambia Charter School	<u>#2009-5 - Budget</u> : Modifications of original budget amounts were not made in sufficient amounts to prevent actual expenditures from exceeding budgeted expenditures. (See PDF Page 7 of 33)	N/A	Yes - Letter: We will continue to review the budget over the year and true it up as close as possible at year end with board approval.	No [Corrected - see FY 2013-14 CPA Report (PDF p. 32 of 35)]
Miami-Dade	Archimedean Academy	<u>#2008-1 - Cash Controls</u> : In past years, the amount of the accounts receivable in the 90-day and over category has increased; management should continue to monitor the accounts receivable on a timely basis. Auditor recommended that the School review its credit and collections policy. (See PDF Pages 36-37 of 37)	N/A	Yes - Letter: In order to improve our collection procedures and monitor the accounts receivable on a timely basis, the school has taken specific measures and set specific policies. Letter provides specifics regarding such.	Yes

Charter Schools

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County	Charter School	Audit Finding(s)	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter re: FY 2011-12 audit findings)	Recommend Requiring a Written Response This Year?
Orange	Oakland Avenue Charter School	#11-1 - <u>Board Governance Training</u> : One of the five members did not have evidence of completing the required board governance training or refresher course before actively voting in board related decisions. (See PDF Pages 40-41 of 42)	N/A	No	No [Corrected - see FY 2013-14 CPA Report (PDF pp. 35 & 38 of 38)]
		#09-2 - <u>Finger Printing of Employees and Board Members</u> : Although the School's charter agreement requires the School's employees and Board members to comply with the fingerprinting requirements of s. 1012.32(2)(b), F.S., the School was unable to provide documentation to determine compliance for three of the five Board members. In addition, the other two Board members were out of compliance for a majority of the school year. (See PDF Pages 39-40 of 42)	N/A	Yes - Letter: This finding has been corrected and will be reflected on the FY 2013-14 audit. [Note: Per FY 2013-14 audit report, the School was unable to provide documentation to determine compliance for all but one of the School's five Board members. (See PDF page 38 of 38)]	Yes
Osceola	New Dimensions High School	#11-1 - <u>Custodial Risk on Deposits</u> : At fiscal year-end, the School had \$254,000 in its bank accounts that was not covered by FDIC insurance and was uncollateralized. Therefore, it is at a higher risk of possible loss on the amounts that not covered by the FDIC. (See PDF Page 41 of 41; also see Management Response, PDF Page 2 of 2)	N/A	No	Yes
		#10-1 - <u>Budget Amendments</u> : The School did not properly amend its budget to reflect additional expenditures incurred after the final budget amendment; thus the School's actual expenditures exceeded budgeted appropriations. (See PDF Page 41 of 41; also see Management Response, PDF Page 1 of 2)	N/A	Yes - Letter: The School has partially corrected this finding and will fully correct the finding in FY 2013-14 and subsequent years.	Yes

Charter Schools

Failed to Take Full Corrective Action in Response to a Recommendation Included in the
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Pinellas	Academie Da Vinci Charter School	#2011-1 - Records Management: The School does not prepare year-end adjustments to convert its cash basis general ledger to an accrual basis general ledger, as required by generally accepted accounting principles. (See PDF Pages 34-35 of 35)	N/A	Yes - Letter states this finding has been corrected. Financial statements are now on an accrual basis.	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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Alachua	Micanopy Area Cooperative School	#13-01 - <u>Records Management</u> : Auditor recommended three adjusting journal entries that, when posted decreased net assets by approx. \$24,900. The School should have procedures in place to identify and make all necessary year-end closing adjustments. (See PDF Page 24 of 25)	SD	Yes -- Letter ^A : States no changes being made; not cost effective.	No [Corrected - see FY 2013-14 CPA Report (PDF pp. 22-23 of 24)]
Bay	Bay Haven Charter Academy Elementary School	#13-1 - <u>Records Management</u> : Significant adjustments to the financial records were made in order for the financial statements to conform to GAAP. (See PDF Pages 28-29 of 31)	MW	Yes -- Letter ^A : Management believes costs for correction would outweigh benefits of corrective action.	No
		#13-2 - <u>Policies and Procedures</u> : Inadequate design of internal control over the preparation of the financial statements. (See PDF Page 29 of 31)	MW	Yes -- Letter ^A : Management believes costs for correction would outweigh benefits of corrective action.	No
	Bay Haven Charter Academy Middle School	#13-1 - <u>Records Management</u> : Significant adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles. (See PDF Pages 28-29 of 31)	MW	Yes - Letter ^A : Management believes costs for correction would outweigh benefits of corrective action.	No
		#13-2 - <u>Policies and Procedures</u> : Inadequate design of internal control over the preparation of the financial statements. (See PDF Page 29 of 31)	MW	Yes - Letter ^A : Management believes costs for correction would outweigh benefits of corrective action.	No [Corrected - see FY 2013-14 CPA Report (PDF pp. 31-33 of 34)]
Citrus	Academy of Environmental Science	#2013-001 - <u>Separation of Duties</u> : Employee who maintains accounting records also handles cash collections, cosigns checks, and reconciles bank statements. 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 of 34)	SD	Yes - Letter ^A : Insufficient funding to hire additional personnel to correct this problem.	No

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Escambia	Beulah Academy of Science	#08-1 - Segregation of Duties: 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 Page 7 of 35)	SD	Yes - Letter ^A : A third person has been added to procedures relating to entering receipt of funds into the accounting system, preparation of checks for disbursement, and maintaining personnel data and custody of time records.	No [Corrected - see FY 2013-14 CPA Report (PDF p. 37 of 38)]
	Byrneville Elementary School	#10-01 - Lack of Segregation of Duties: The School's day-to-day administrative operations are administered by a small number of personnel. The school bookkeeper/ administrative assistant generally makes deposits, signs checks, reconciles bank statements, prepares and mails cash disbursements, and posts transactions to the accounting system. (See PDF Pages 27-28 of 30)	MW	Yes - Letter ^B : 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
	Escambia Charter School	#2009-1 - Segregation of Duties: 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 Page 6 of 33)	SD	Yes - Letter ^A : 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
Gadsden	Crossroad Academy Charter School	#2013-01 - Preparation of Financial Statements: Management relies on the audit firm to draft the financial statements and related disclosures. (See PDF Page 13 of 16)	SD	Yes - Letter ^A : 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

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Indian River	Sebastian Charter Junior High	#2009-1 - Separation of Duties: Inadequate segregation of duties between authorization, custody, and recordkeeping processes for assets. 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 Page 27 of 30)	MW	Yes - Letter ^A : Small organization; describes some procedures implemented to address finding; Board members have a high degree of involvement/oversight in the financial processes.	No

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.

**8. Three-Part:
Local Governmental Entities**

COUNTIES

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?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter re: FY 2011-12 findings)	Recommend Requiring a Written Response This Year?
Baker	Sheriff	#2013-002 - Fixed Assets: Noncompliance with rules related to tangible personal property. The Office was unable to produce a subsidiary record for its tangible personal property and did not conduct physical inventories during the year. (See PDF Page 112 of 175)	MW	Yes - Letter: Outlines the process that the County is doing to correct the inventory finding. States that 100% inventory of fixed assets is underway and should be completed prior to the end of the fiscal year.	Yes
Bradford	Sheriff	#ML 2010-1 - Unclaimed Property: While the Sheriff had taken action to distribute the old outstanding checks in the inmate trust account of the State as unclaimed funds, several outstanding checks in the education and public service bank accounts were several years old. Sheriff should review these checks and determine if they should be reissued, voided, or distributed as unclaimed funds to the State. (See PDF Page 134 of 201)	N/A	Yes -Letter: States that the finding was corrected and not noted in the FY 2012-13 audit report. [Note: The auditors <u>did</u> include the finding in the FY 2012-13 audit report.]	Yes
Brevard	Clerk of the Circuit Court	#08-02 - Follow-up on cases with balances due: Status as of 9/30/2013 : One of 25 cases tested had exceptions; the case was not sent to collection due to a program not being available when a defendant was released from incarceration. (See PDF Pages 81-83 of 155 in Part 2)	N/A	Yes - Letter: We now use the VINE network, which provides us notification when a person has been released from jail.	Yes
		#08-05 - Article V - Timeliness Rate Output Measures: Status as of 9/30/2013 : Juror summons population could not be agreed to counts reported, so a sample was not tested. Testing counts reported to the Florida Clerks of Court Operations Corporation ("FCCOC") could not be performed. (See PDF Pages 84-85 of 155 in Part 2)	N/A	Yes - Letter: Juror payments have been corrected. There still remains a reporting issue with juror summons manually issued outside of our Jury system. Our reporting will have to be fine-tuned once again to account for these items.	Yes

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Brevard (continued)	Clerk of the Circuit Court (continued)	#10-03 - <u>Improve Review Process</u> : Processes used for entering and extraction of data from FACT's and the preparation of required reports and financial statements should be reviewed by supervisors and/or management prior to submitting. Status as of 9/30/2013 : Seven instances of reporting case output measures and one instance of reporting the financial receipt issued for Article V was incorrectly reported. (See PDF Pages 79-81 of 155 in Part 2)	N/A	Yes - Letter: We feel our current procedure is satisfactory. We have set up a review process, which has been in place since FY 2010-11. In addition, we have assigned staff as quality control reviewers to randomly check staff's work. Only one item slipped through and was reported incorrectly for the FY 2011-12 audit.	Yes
		#11-02 - <u>Jury Output</u> : Implementation of a new jury management system could not produce the juror summons and payments population to verify counts reported to the "FCCOC." Status of 9/30/2013 : The juror summons could not be agreed to the jury counts reported; however, the juror payments were agreed to the juror counts reported. (See PDF Page 79 of 155 in Part 2)	N/A	No	Yes
Broward	Sheriff	#2011-1 - <u>User Administration Procedures</u> : Recommendations to prior year findings addressed developing an approved role-based security matrix to serve as a template used to assign user access based on job responsibilities and to enforce segregation of duties. Current status : (1) Changes not reviewed for temporarily assigned correction mode access: The Sheriff created and submitted a modification to BSO Form EB3 in late June to address the issue, which was posted for use in late July. As a result, there was a substantial period of time during the fiscal year where the control issue noted in the prior year was not mitigated. (2) Periodic review of correction mode changes for those granted permanent correction mode access: Sheriff policy does not currently require review of this activity. (See PDF Pages 40-42 of 194 in Part 2)	SD	No	Yes
Charlotte	Board of County Commissioners	#13-01 - <u>Penetration Testing and Vulnerability Assessment</u> : Appropriate firewall testing by a qualified third-party provider has not been performed. (See PDF Pages 128 and 131 of 165)	N/A	Yes - Letter: We have contracted to have comprehensive vulnerability testing done during the month of August 2014.	Yes

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Citrus	Board of County Commissioners	<u>#MLO 2013-01 - Financial Condition Assessment</u> : The financial condition assessment resulted in an overall unfavorable rating. It should be noted that various financial ratios have begun to stabilize. Should this trend continue, the auditors expect that this comment would not be repeated. (See PDF Pages 195 & 197 of 334)	N/A	Yes - Letter: The financial indicators illustrate what has occurred over the past five years as the County has been responding to declining property values and revenues. The County will continue to carefully monitor fund balance levels in all funds and financial ratios from the financial assessment condition procedures. Indicates that finding has been corrected and is not in the FY 2012-13 audit report.	Yes
	Clerk of the Circuit Court	<u>#11-1 - Evaluate Existing Cash Receipting Software</u> : Software should properly assign sequential numbering to its cash receipts. (See PDF Pages 225-226 of 334)	N/A	No	Yes
		<u>#11-2 Performance Measurement Standards</u> : The Clerk did not meet all quarterly performance measurement standards developed and certified by the Florida Clerk of Courts Operations Corporation. Performance deficiencies were noted in the area of collection rates. (See PDF Pages 226-227 of 334)	N/A	Yes - Letter: We conduct routine analysis of this area of performance and consistently explore every option available to increase collection rates. This proactive approach has been and will continue to be the oversight position in this area of operations.	Yes
Collier	Board of County Commissioners	<u>#2012-02 - Federal Awards and State Financial Assistance</u> : There was a lack of a process to minimize the time between disbursement and reimbursement request. This could adversely affect County cash flows, as well as result in the grantor not reimbursing the County for reimbursements requested within a reasonable time frame. (See PDF Pages 203-204 of 374)	N/A	No	Yes

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Collier (continued)	Board of County Commissioners (continued)	#2012-03 - Federal Program - Summer Food Service Program for Children: The amounts recorded on the daily tracking sheets did not agree to the monthly manual tracking sheets held by the Parks and Recreation office. Also, the amounts on the monthly tracking sheets did not trace to the reimbursement request submitted to the Florida Department of Agriculture. Therefore, reimbursement requests submitted to the grantor could not be fully substantiated with evidence that they were for qualifying meals served. (See PDF Pages 204-205 of 374)	N/A	No	Yes
Dixie	Board of County Commissioners	#2013-002 - Payroll and Personnel Administration: The same individual who processes payroll has access to change pay rates and the same individual who processes accounts payable has access to change vendors. Also, County could not provide documentation of authorized pay rates for employees who began work with County more than several years ago. Additionally, authorized timesheets for some employees were not maintained on file for audit. (See PDF Page 67 of 177)	SD	Yes - Letter: The County had anticipated hiring an HR Officer; however, that has not occurred to date. The County is currently budgeting this position for the upcoming fiscal year. Protocols have been established and will be implemented this fiscal year. The timesheet portion of the finding is not repeated in FY 2012-13 audit.	Yes
		#2013-003 - Fixed Assets: The County did not perform a physical inventory of tangible personal property. (See PDF Page 67 of 177)	SD	Yes - Letter: A comprehensive and thorough inventory will be completed during the current fiscal year.	Yes
	Clerk of the Circuit Court	#2013-002 - Cash: The Registry Fund has several individual balances that relate to cases that have been inactive or have been adjudicated for more than five years. Pursuant to s. 43.19, F.S., the Office should evaluate the balances and work with the judge as to the final disposition of each case. (See PDF Page 97 of 177)	MW	Yes - Letter: Remaining balances are in pending cases. We are continuing to work on closing these cases, at which time an order will be issued instructing the Clerk to disburse funds.	Yes

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Dixie (continued)	Clerk of the Circuit Court (continued)	#2013-004 Policies and Procedures: Transactions and collections via the internet are only recorded monthly when performing bank reconciliations. This procedure will not allow the Office to detect errors in a timely manner. (See PDF Page 97 of 177)	MW	Yes - Letter: Traffic clerk is reporting to finance as internet collections are received, and they are being recorded accordingly. Recording clerk will begin providing a report to finance daily as internet collections are received, and finance will then record these daily.	Yes
		#2013-005 - Financial Reporting: It was necessary to assist with the preparation of financial statements. (See PDF Page 98 of 177)	MW	No	Yes
		#2013-006 - Other Control Deficiencies and Noncompliance: The Office did not achieve performance measure standards in collection rates for county criminal and criminal traffic and timely issuance of juror payments. (See PDF Page 98 of 177)	N/A	No	Yes
	Sheriff	#2013-002 - General Accounting Records: Internal controls were not sufficient to ensure accountability of the resources of the Inmate Trust Fund. Current status : The bank balance of the Fund is not in agreement with the accounting records. Also, amounts due to the Board of County Commissioners are not remitted timely. (See PDF Page 123 of 177)	MW	Yes - Letter: The ITF bank account has been reconciled to the accounting records for each month. Checks have been issued and all unclaimed funds will be advertised and disposed of in accordance with F.S. Account reconciliations will be performed each month.	Yes
Escambia	Board of County Commissioners	#2013-1 - Article V Expenditures: The Board did not comply with the minimum expenditure requirements for certain expenditure categories related to county funded court-related functions. (See PDF Page 217 of 309)	N/A	No	Yes
Franklin	Sheriff	#13-04 - Budget Administration: Current year expenditures exceeded the approved budget. (See PDF Page 135 of 223)	MW	Yes - Letter: The Sheriff will review and amend the budget when required. Also, the Sheriff will properly train staff with available software to assist in complying with the budget monitoring process.	Yes

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Gadsden	Sheriff	#2010-2 - <u>Information Technology Controls</u> : There is not a formalized business comprehensive disaster recovery plan and/or documentation. (See PDF Page 143 of 211)	N/A	Yes - Letter: The Sheriff's Office began the development and implementation of its comprehensive disaster recovery plan in FY 2012; however, due to changes in IT staffing, the implementation was delayed and will be completed in FY 2014.	Yes
Gilchrist	Clerk of the Circuit Court	#2013-001 - <u>Other Control Deficiencies and Noncompliance</u> : Collection performance standards were not achieved for County Criminal and Criminal Traffic cases. (See PDF Page 89 of 169)	N/A	No	Yes
	Sheriff	#2013-002 <u>Fixed Assets</u> : Annual physical inventory of its tangible personal property was not performed. (See PDF Page 113 of 169)	SD	No	Yes
Glades	Clerk of the Circuit Court	#ML 2010-001 - <u>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 Pages 103-104 of 203; See also Revised Management Letter PDF Pages 3-4 of 4)	N/A	Yes - Letter: There are limited number of personnel in the Finance Office; however, the Clerk's Office is diligently working to improve the policies and procedures that are currently in place to prevent future audit findings.	Yes
Hardee	Supervisor of Elections	#2013-02 - <u>Accrual of Vacation Time</u> : One employee had accrued vacation time in excess of maximum accrual amount allowed. The Supervisor and staff did not adequately review vacation time accruals to ensure vacation time was appropriately utilized. [Note: Also refers to finding as #2010-08.] (See PDF Pages 191-193 of 221)	N/A	Yes - Letter: Corrective action in place and expected to be clear in the FY 2013-14 audit.	Yes
Holmes	Board of County Commissioners	#2011-04 - <u>Inventory</u> : The present system of controls are not adequate to account for and safeguard the County's inventory. Specifically, a physical count is not performed on a regular basis, and the costing system does not capture historical cost. [Note: Also refers to finding as #07-05.] (See PDF Pages 80 & 82 of 203)	MW	Yes - Letter: Corrective action was taken in March 2014 which included purchasing software for maintaining perpetual inventory and completing the initial count.	Yes

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Jackson	Board of County Commissioners	#ML 06-02 - Payroll and Personnel Administration: The Board had not adopted written policies and procedures governing the accounting or administration of its grant programs. (See PDF Page 149 of 269)	N/A	Yes - Letter: The County will correct these deficiencies by adopting adequate policies prior to 9/30/14.	Yes
		#ML 06-03 - Travel: 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 149 of 269)	N/A	Yes - Letter: The County will correct these deficiencies by adopting adequate policies prior to 9/30/14.	Yes
		#ML 06-04 - Policy and Procedures: The Board does not have a written cell phone or internet usage policy. (See PDF Page 150 of 269)	N/A	Yes - Letter: The County will correct these deficiencies by adopting adequate policies prior to 9/30/14.	Yes
		#ML 10-01 - Debt Administration: The County did not meet the stated requirement regarding submission of audited financial statements in the bond resolution for the Gas Tax Revenue Bonds (within 240 days). (See PDF Page 150 of 269)	N/A	Yes - Letter: Finding was resolved as of 9/30/13 audit. Auditor Report: Subsequent to year end, this item was corrected.	No
Jefferson	Tax Collector	#TC2009-1 - Tax Account Reconciliation: The Tax Collector's tax account had undisbursed taxes and fees in excess of the installments collected for next year's taxes and other amounts collected. It appears this undisbursed balance has accumulated from several years and possibly past administrations. [Also refers to finding as #TC06-01.] (See PDF Pages 62 & 188 of 197)	SD	Yes - Letter: The Tax Collector's office is a small office with limited resources. We are going to seek outside expertise to assist with the reconciliation and disbursement overages, once the budget is approved.	Yes
Leon	Clerk of the Circuit Court	#13-01 - Timing of Juror Payments: Payments for two jury service dates were not made within the statutory requirement. (See PDF Pages 200-201 of 305)	N/A	Yes - Letter: Describes process changes implemented to address finding.	Yes
Levy	Board of County Commissioners	#2013-002 - State Financial Assistance (CSFA 55.001): The County's Transit Department has during the year several overlapping and concurrent grants for operations. It was noted that multiple methods are currently used to capture the costs claimed for reimbursement. Consequently, it is difficult during the audit process to ensure that the costs charged to one grant have not been charged to another and that the costs are reasonable and allocable to a particular grant. (See PDF Page 75 of 187)	SD	Yes - Letter: Expects the finding to be eliminated in FY 2013-14.	Yes

COUNTIES

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Liberty	Clerk of the Circuit Court	<u>#10-1 - Failure to Achieve Performance Measure Standards</u> : The Clerk did not meet the standards established by the Clerks of Court Operations Corporation for several court/case collections. (See PDF Page 136 of 199; also see Clerk's Revised Management Letter, PDF Page 2 of 3)	N/A	No	Yes
	Sheriff	<u>#10-1 - Written Policies and Procedures</u> : Written policies and procedures were not in place or were not up-to-date for personnel, purchasing, payroll, investigative funds, property, or other general operations. (See PDF Page 104 of 199)	N/A	Yes - Letter: The Sheriff's Office currently has general orders in place regarding personnel. Anticipated date for completion of Office policies and procedures is March 2015.	Yes
		<u>#11-1 - Fixed Assets</u> : The Sheriff started the process of preparing a complete physical inventory; however, the process was not completed and the detailed fixed asset records were not updated. (See PDF Page 104 of 199)	N/A	No	Yes
Madison	Tax Collector	<u>#2013-02 - Bank Reconciliations</u> : The bank reconciliation for one account was not being properly reconciled to the general ledger. [Note: Also refers to finding as #TC 2012-02.] (See PDF Pages 170, 172-173 of 175; also see Tax Collector's Revised Management Letter, PDF Pages 1-2 of 3)	MW	No	Yes
Martin	Board of County Commissioners	<u>#2011-1 - Information Technology</u> : A penetration and vulnerability test of the IT network has not been performed. (See PDF Page 401 of 412)	MW	Yes - Email: The department has evaluated this action for several years now. Until testing can be performed with acceptable mitigation and risk reduction as a responsibility of those conducting tests, we are reluctant to subject to such testing. However, some measures have been taken to begin to address finding; describes such.	Yes

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County	Constitutional Officer	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter re: FY 2011-12 findings)	Recommend Requiring a Written Response This Year?
Martin (continued)	Board of County Commissioners (continued)	#2011-2 - <u>Information Technology</u> : There is no formal disaster recovery plan for recovering from a disaster affecting data processing services and the loss of financial systems and data. (See PDF Page 402 of 412)	MW	Yes - Email: Describes various projects completed by the IT services department relating to disaster recovery planning, including completing a disaster recovery plan for the two primary financial systems. The department is working on testing the existing plans and developing a comprehensive plan as resources permit.	Yes
Miami-Dade	Board of County Commissioners	#11-2 - <u>Section 8 Housing Choice Voucher Program Tenant Files (Miami-Dade Public Housing and Community Development Department)</u> : 24 CFR 982.516 requires policies and internal controls to be in place to ensure compliance with HUD requirements, as well as complete and accurate tenant files. The Department is required to obtain and document third party verification of income, assets and other factors that affect the determination of housing assistance payments (HAP). However, the Department's internal controls failed to detect and correct deficiencies noted relating to tenant files and HAP calculations. [Note: Also refers to finding #F2013-002.] (See Part 2, PDF Pages 26 & 124 of 204)	MW	No	Yes
		#2013-01 - <u>IT General Controls (Miami-Dade County Aviation Department)</u> : Two IT programmers have excessive access to the PeopleSoft Financials system. Authorizations or access rights not assigned in accordance with the responsibilities of the various roles or profiles (e.g., allowing programmers more than read-only access in production, not limiting access to powerful security roles, and controlling who can move changes into production environment) increase the risk of unauthorized/inappropriate access to data and functionality relevant to internal control over financial reporting. (See Part 2, PDF Page 34 of 204)	SD	No	Yes

COUNTIES

Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
Included in the 2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

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Miami-Dade (continued)	Board of County Commissioners (continued)	#2013-01 - Self-Insurance Fund Deficit: The County's self-insurance fund significantly reduced its overall deficit in the fiscal year ended 9/30/2012; however, in the current fiscal year, the deficit increased \$11.788 million to an accumulated deficit of \$15.155 million as of 9/30/2013. (See Part 2, PDF Page 9 of 204)	N/A	No	Yes
		#2013-02 - Self-Insurance Discount Rate: The County's discount rate, which is being used by their independent actuary, serves as a component in the computation of the self-insurance liability; however, the discount rate used by the County's actuary is not consistent with the current market risk-free rates. (See Part 2, PDF Page 10 of 204)	N/A	No	Yes
Osceola	Board of County Commissioners	#ML2011-01 - Information Technology: The County's data integrity, system security, and business continuity could be improved. Specifics were discussed in detail with the responsible personnel and County management. (See Part 1, PDF Page 268 of 306)	N/A	No	Yes
	Clerk of the Circuit Court	#10-01 - Information Technology (IT) Disaster Recovery Plan: There is no formally documented IT disaster recovery plan. (See Part 1, PDF Page 303 of 306)	N/A	Yes - Letter: The Business Continuity and Disaster Recovery Plan has been finalized. The plan will be phased in over an 18-month period. The "Plan" will be a living document over the phased implementation; updated as functionality goes on-line. Currently, the plan has been formalized and core functions are operating.	Yes
		#10-02 - Failure to Achieve Performance Measure Standards: The Clerk did not meet the performance measure standards established by the Clerk of Court Operations Corporation. (See Part 1, PDF Pages 303-304 of 306)	N/A	Yes - Letter: Describes that steps are being taken to address issue.	Yes

COUNTIES

Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
Included in the 2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

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Pasco	Board of County Commissioners	#2012-01 - Fixed Assets: During the FY 2012-13 audit, the auditors identified an uncorrected audit difference of approximately \$3.7 million to reduce construction in progress for governmental activities related to impaired projects included in the balance at fiscal year-end. [Also refers to finding as #BCC-GAS 2011-02 and #BCC GAS 2012-01.] (See PDF Pages 258-259 of 396)	N/A	No	Yes
Putnam	Clerk of the Circuit Court	#2013-001 - Other Control Deficiencies and Noncompliance: Collection performance standards were not met for Circuit Criminal and Civil Traffic cases. Also, timeliness performance standards were not met for Criminal County, Criminal Circuit, Civil Circuit Probate, and Civil Juvenile Dependency. (See PDF Page 181 of 267)	N/A	Yes - Letter: Circuit Criminal collections are particularly difficult given that Putnam has the highest incarceration rate in the state. Costs are converted to a civil lien upon sentencing. We are working on a relationship with an outside agency to increase collections, due to staffing constraints in this very intense area.	Yes
Union	Supervisor of Elections	#2013-02 - Controls Related to Payroll Procedures: Procedures relating to payroll processing revealed that some time sheets contained mathematical errors. (See PDF Page 191 of 193)	MW	No	Yes
Volusia	Clerk of the Circuit Court	#2011-1 - Performance Measurement Standards: The Clerk did not meet all quarterly performance measurement standards developed and certified by the Florida Clerks of Court Operations Corporation. Performance deficiencies were noted in the areas of collection rates and timeliness. (See PDF Page 298 of 299)	N/A	No	Yes

COUNTIES

Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
Included in the 2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

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Walton	Board of County Commissioners	#11-01 - Codification of Accounting Policies and Procedures: A comprehensive effort should be made to document and codify all current controls into a single document that addresses controls over each major area of County operations and describes responsibilities of in-charge personnel. Once developed, an operational reporting system should be established to ensure control additions or deletions are properly evaluated and approved by the appropriate level of supervisory personnel before implementation. <i>(See PDF Pages 207-208 of 349)</i>	N/A	No	Yes
Washington	Board of County Commissioners	#BCC 03-01 - Depreciation Records: 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. <i>(See PDF Pages 70-71 of 275)</i>	SD	Yes - Letter: The County is currently addressing this, and great improvements have been made with regard to asset inventory. The County hopes to complete by FY 2014-15. Management has retained the services of a CPA to assist in completion of the inventory.	Yes
		#BCC09-03 - Accounting Transactions: Certain accounting transactions were misclassified. The items were related to non-recurring and unusual transactions. <i>(See PDF Page 72 of 275)</i>	SD	Yes - Letter: Management has engaged the services of a CPA who will work with staff and the auditors to ensure that significant nonrecurring transactions are recorded properly.	Yes
		#BCC09-04 - Emergency Management Services: Accounts receivable for EMS charges were not recorded at year-end. Contractual adjustments for EMS were not recorded for part of 2009. <i>(See PDF Page 72 of 275)</i>	SD	Yes - Letter: Management will work with all County personnel involved with this function to ensure that all charges and receivables related to EMS operations are recorded properly.	Yes
		#BCC10-01 - Federal - Reporting and Monitoring: 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. <i>(See PDF Page 80 of 275)</i>	SD	Yes - Letter: Management will complete the process of implementing this reporting requirement.	Yes

COUNTIES

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Included in the 2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

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Washington (continued)	Board of County Commissioners (continued)	#BCC11-02 - <u>Federal - Reimbursement Request</u> : The County requested reimbursement in excess of actual costs to complete a FEMA project. <i>(See PDF Pages 79-80 of 275)</i>	SD	No	Yes
		#BCC11-05 - <u>Other Post Employment Benefits</u> : The County did not implement GASB Statement 45 or obtain the actuarial report necessary to determine the amounts to report in the financial statements. <i>(See PDF Page 70 of 275)</i>	MW	No	Yes
		#BCC97-01 - <u>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. <i>(See PDF Page 70 of 275)</i>	MW	Yes - Letter: The County is currently addressing this, and great improvements has been made with regard to asset inventory. The County hopes to complete by FY 2014-15. Management has retained the services of a CPA to assist in completion of the inventory.	Yes
		#BCC ML 05-01 - <u>General Accounting Records</u> : There are no written accounting policies and procedures. <i>(See PDF Pages 82 of 275)</i>	N/A	Yes - Letter: Management will continue working on making sure cross-training is adequate. Additionally, we recognize the need to have procedures to address accounting practices in the office. The Clerk has retained the services of a CPA to assist in the development of policies and procedures.	Yes
		#BCC ML 05-02 - <u>Expenditure/Expenses</u> : Documentation of personal and/or business use of automobiles does not appear to be in compliance with Internal Revenue Service regulations. <i>(See PDF Pages 82 of 275)</i>	N/A	Yes - Letter: Management will implement procedures to make sure that correct documentation is used for vehicle usage.	Yes

COUNTIES

Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
Included in the 2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

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Washington (continued)	Board of County Commissioners (continued)	#BCC ML 05-03 - Purchasing/Contract Management: The County needs to improve their controls over credit cards issued to employees for the purchase of fuel and general items. (See PDF Pages 83 of 275)	N/A	Yes - Letter: Management has exercised additional control by collecting all credit cards and storing in the County Coordinator's office. The cards are issued to employees on an as-needed basis.	Yes
	Tax Collector	#TC ML 05-01 - Revenues/Collections: No warrants were issued for delinquent tangible personal property (TPP) taxes as required by state law. (See PDF Pages 83 and 274 of 275)	N/A	Yes - Letter: Court date is being sought for a hearing to seek ratification and confirmation of the applicable delinquent TPP tax warrants. As soon as this hearing has been held and a final order received, my office will move forward in order to fully enforce and collect the delinquent tangible personal property taxes and will have fully cured this audit finding.	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.

COUNTIES

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Baker	Board of County Commissioners	#2013-001 - Separation of Duties: To the extent possible, given the availability of personnel, the County should 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 62 of 175)	MW	Yes - Letter ^A : Due to limited staff; understand the finding and will do everything we can to keep a check and balance on financial activities.	No
		#2013-002 - Financial Reporting: The auditors assisted with the preparation of the financial statements and proposed journal entries. The County should consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process. (See PDF Page 62 of 175)	MW	Yes - Letter ^A : Due to limited staff, it is in the best interest to outsource this task to independent auditors.	No
	Clerk of the Circuit Court	#2013-001 - Separation of 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 related accounting records, or to all phases of a transaction. (See PDF Page 85 of 175)	MW	Yes - Letter ^A : Corrected and segregated duties to the extent possible.	No
	Property Appraiser	#2013-001 - Separation of 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 related accounting records, or to all phases of a transaction. (See PDF Page 155 of 175)	MW	Yes - Letter ^A : Not enough employees. Implemented compensating controls with available staff to mitigate this weakness.	No
	Sheriff	#2013-001 - Separation of 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 related accounting records, or to all phases of a transaction. (See PDF Page 112 of 175)	MW	Yes - Letter ^A : Limited funding and staff size. Have separated duties to extent possible.	No
		#2013-003 - Financial Reporting: The auditors assisted with the preparation of the financial statements and proposed journal entries. The Office should consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process. (See PDF Page 112 of 175)	MW	Yes - Letter ^A : Continuing to make improvements and hope to have corrected in the near future.	No

COUNTIES

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Baker (continued)	Supervisor of Elections	#2013-001 - Separation of 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 related accounting records, or to all phases of a transaction. (See PDF Page 174 of 175)	MW	Yes - Letter ^A : Due to limited resources, have not been able to hire additional staff. Understand the finding and will do everything we can to keep a check and balance on financial activities.	No
	Tax Collector	#2013-001 - Separation of 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 related accounting records, or to all phases of a transaction. (See PDF Page 136 of 175)	MW	Yes - Letter ^A : Not enough employees. Implemented compensating controls with available staff to mitigate this weakness.	No
Bradford	Clerk of the Circuit Court	#2009-1 - Separation of Duties: Where feasible, the Clerk should separate incompatible duties. (See PDF Page 102 of 201)	SD	Yes - Letter ^A : Small county with limited staff – have asked auditors what can be done, if anything, to address finding.	No
	Property Appraiser	#2009-1 Separation of Duties: Where feasible, the Property Appraiser should separate incompatible duties. (See PDF Pages 177 of 201)	SD	Yes - Letter ^A : Extremely limited staff, it is not feasible to divide the financial duties.	No
	Sheriff	#2009-1 - Separation of Duties: Where feasible, the Sheriff should separate incompatible duties. (See PDF Page 133 of 201)	SD	Yes - Letter ^A : Procedures implemented - should be in compliance for FY 12-13.	No
	Tax Collector	#2009-1 - Separation of Duties: Where feasible, the Tax Collector should separate incompatible duties. (See PDF Page 156 of 201)	SD	Yes - Letter ^A : Indicates that procedures have been implemented to separate incompatible duties; also plans to cross train other employees to assist.	No
Calhoun	Property Appraiser	#04-01 - Separation of Duties: The auditor recognizes that the small size of the office makes it impractical to provide total separation of incompatible duties; however, controls should be implemented to help compensate for the weakness and to provide checks and balances. (See PDF Pages 67-68 of 192)	SD	Yes - Letter ^A : The cost/benefit ratio is far too great for this office to employ more budget personnel. Have implemented some compensating controls.	No

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SD = Significant Deficiency (see 3. in Legend)

COUNTIES

Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
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Calhoun (continued)	Sheriff	#04-02 - Separation of Duties: Due to a limited number of employees; the office recognizes that the cost of its internal control structure should not exceed the benefits expected to be derived and the inherent limitations of any internal control structure. (See PDF Page 68 of 192)	SD	Yes - Letter ^A : Small agency, limited funding. Sheriff involved in monitoring finances.	No
	Supervisor of Elections	#04-01 - Separation of Duties: The auditor recognizes that the small size of the office makes it impractical to provide total separation of incompatible duties; however, controls should be implemented to help compensate for the weakness and to provide checks and balances. (See PDF Pages 67-68 of 192)	SD	Yes - Letter ^A : Invoices and checks are verified by the supervisor and asst. supervisor to ensure invoices were processed properly.	No
	Tax Collector	#04-02 - Separation of Duties: Due to a limited number of employees; the office recognizes that the cost of its internal control structure should not exceed the benefits expected to be derived and the inherent limitations of any internal control structure. (See PDF Page 68 of 192)	SD	Yes - Letter ^A : Considering the number of employees, I believe we have a good segregation of duties. Tax Collector involved in day-to-day operations.	No
Dixie	Board of County Commissioners	#2013-001 - Financial Reporting: Auditor proposed material adjustments to the County's financial statements and assisted with the preparation of the County's financial statements. (See PDF Page 67 of 177)	MW	Yes - Letter ^A : Evaluated cost/benefit, it is in the best interest to outsource this task to independent auditors.	No
	Clerk of the Circuit Court	#2013-001 - Separation of Duties: 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 97 of 177)	MW	Yes - Letter ^A : Small county and staff; working toward restructuring to incorporate an employee to alleviate this finding.	No
	Sheriff	#2013-001 - Revenues/Collections: Certain employees who record cash transactions in the accounting records also have access to cash collections and perform bank reconciliations. To the extent possible, 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 123 of 177)	MW	Yes - Letter ^A : We are unable to employ additional personnel. We have a system in place to separate employee duties to the extent possible.	No

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COUNTIES

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Dixie (continued)	Sheriff (continued)	#2013-003 - <u>Financial Reporting</u> : It was necessary for the auditor to propose material adjustments to the Office's financial statements and assist in the preparation of the Sheriff's financial statements. (See PDF Page 123 of 177)	MW	Yes - Letter ^A : No CPA in place due to financial restraints. We prepare all financial statements which are presented to the CPAs for review and recommendations.	No
	Supervisor of Elections	#2013-001 - <u>Separation of Duties</u> : To the extent possible, 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 176 of 177)	MW	Yes - Letter ^A : Every effort is being made to accomplish more effective internal procedures.	No
		#2013-002 - <u>Financial Reporting</u> : Auditor proposed material adjustments to the Office's financial statements and assisted with the preparation of the Office's financial statements. (See PDF Page 176 of 177)	MW	Yes - Letter ^A : Investing in the resources necessary for us to implement an effective internal control system would outweigh the cost of those resources.	No
Franklin	Board of County Commissioners	#13-01 - <u>Significant Audit Adjustments</u> : Significant adjustments to the financial statements were required for conformity with generally accepted accounting principles. (See PDF Page 78 of 223)	MW	Yes - Letter ^A : Benefits derived from investing in the resources do not outweigh the cost of those resources.	No
		#13-02 - <u>Financial Reporting</u> : Inadequate design of internal controls over the preparation of the financial statements exists. The auditors assist with the preparation of the financial statements. (See PDF Page 78 of 223)	MW	Yes - Letter ^A : Benefits derived from investing in the resources do not outweigh the cost of those resources.	No

COUNTIES

Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
Included in the 2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

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Franklin (continued)	Clerk of the Circuit Court	#13-01 - Separation of Duties: In the absence of the ability to hire additional employees, mitigating procedures, including additional oversight with regard to certain duties, should be performed regularly. (See PDF Page 107 of 223) (Note: Findings numbers do not agree on the combined constitutional officers PDF Page 78 of 223)	MW	Yes - Letter ^A : Due to small number of employees, it is virtually impossible to maintain complete separation.	No
		#13-02 - Financial Reporting: 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 107 of 223)	MW	Yes - Letter ^A : Benefits derived from investing in the resources do not outweigh the cost of those resources.	No
	Property Appraiser	#13-01 - Financial Reporting: Inadequate design of internal controls over the preparation of the financial statements exists. The auditors assist with the preparation of the financial statements. (See PDF Page 181 of 223)	MW	Yes - Letter ^A : In the near future, benefits derived from investing in the resources do not outweigh the cost of those resources.	No
	Sheriff	#13-01 - Separation of Duties: In the absence of the ability to hire additional employees, mitigating procedures, including additional oversight with regard to certain duties, should be performed regularly. (See PDF Page 135 of 223)	MW	Yes - Letter ^A : Due to small number of employees, it is virtually impossible to maintain complete separation.	No
		#13-02 - General Accounting Records: Significant adjustments to the financial statements were required for conformity with generally accepted accounting principles. (See PDF Page 135 of 223)	MW	Yes - Letter ^A : In the near future, benefits derived from investing in the resources do not outweigh the cost of those resources.	No
		#13-03 - Financial Reporting: Inadequate design of internal controls over the preparation of the financial statements exists. The auditors assist with the preparation of the financial statements. (See PDF Page 135 of 223)	MW	Yes - Letter ^A : In the near future, benefits derived from investing in the resources do not outweigh the cost of those resources.	No
	Supervisor of Elections	#13-01 - Separation of Duties: In the absence of the ability to hire additional employees, mitigating procedures, including additional oversight with regard to certain duties, should be performed regularly. (See PDF Page 202 of 223)	MW	Yes - Letter ^A : Due to small number of employees, it is virtually impossible to maintain complete separation.	No

COUNTIES

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Franklin (continued)	Supervisor of Elections (continued)	#13-02 - Financial Reporting: Inadequate design of internal controls over the preparation of the financial statements exists. The auditors assist with the preparation of the financial statements. (See PDF Page 202 of 223)	MW	Yes - Letter ^A : In the near future, benefits derived from investing in the resources do not outweigh the cost of those resources.	No
	Tax Collector	#13-01 - Separation of Duties: In the absence of the ability to hire additional employees, mitigating procedures, including additional oversight with regard to certain duties, should be performed regularly. (See PDF Page 160 of 223)	MW	Yes - Letter ^A : Due to small number of employees, it is virtually impossible to maintain complete separation.	No
		#13-02 - Financial Reporting: Inadequate design of internal controls over the preparation of the financial statements exists. The auditors assist with the preparation of the financial statements. (See PDF Page 160 of 223)	MW	Yes - Letter ^A : In the near future, benefits derived from investing in the resources do not outweigh the cost of those resources.	No
Gilchrist	Board of County Commissioners	#2013-001 - Financial Statement Findings: The Auditor assisted with the preparation of financial statements and proposed material adjustments to the financial statements in order for them to be fairly presented in conformity with generally accepted accounting principles (GAAP). (See PDF Page 61 of 169)	MW	Yes - Letter ^A : Gilchrist is a small governmental entity, with limited resources; we have evaluated and determined that it is in our best interest to outsource the preparation of our financial statements to the independent auditors.	No
	Sheriff	#2013-001 - Separation of Duties: Whenever 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 113 of 169)	MW	Yes - Letter ^A : Limited staff; practice separation of duties when possible.	No
	Supervisor of Elections	#2013-001 - Financial Reporting: It was necessary for auditor to assist with the preparation of the Office's financial statements in order to present them in conformity with generally accepted accounting principles. (See PDF Page 168 of 169)	MW	Yes - Letter ^A : We are aware of this situation, but currently employ two employees which makes it impossible to properly segregate responsibilities.	No

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COUNTIES

Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
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Glades	Board of County Commissioners	#2010-001 - Audit Adjustments: Audit adjustments were proposed 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. (See PDF Page 68 of 203)	MW	Yes - Letter ^B : 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.	No
Gulf	Sheriff	#13-01 - Separation of Duties: In the absence of the ability to hire additional employees, mitigating procedures, including additional oversight with regard to certain duties, should be performed regularly. (See PDF Page 151 of 217)	MW	Yes - Letter ^A : Due to limited staff and required duties, complete separation of duties not always practical; has implemented mitigating procedures to compensate.	No
	Tax Collector	#13-01 - Separation of Duties: In the absence of the ability to hire additional employees, mitigating procedures, including additional oversight with regard to certain duties, should be performed regularly. (See PDF Page 177 of 217)	MW	Yes - Letter ^A : Limited number of employees, but changes have been made; have implemented mitigating procedures to compensate.	No
Hardee	Sheriff	#2013-01 - Separation of Duties: The bookkeeper initiates, prepares and disburses checks; prepares the bank deposits and bank reconciliations; and has signature on bank accounts. [Also refers to finding as #2009-01.] (See PDF Pages 151-153 of 221)	MW	Yes - Letter ^A : Due to financial restraints, there are currently no plans to hire additional staff.	No

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COUNTIES

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Hardee (continued)	Sheriff (continued)	#2013-02 - <u>Material Financial Statement Adjustments</u> : Material audit adjustments were necessary in order for the financial statements to be in conformity with generally accepted accounting principles. [Note: Also refers to finding as #2009-03.] (See PDF Pages 151-153 of 221)	MW	Yes - Letter ^B : Due to being a small entity with limited resources, unable to hire a CPA to do fiscal year adjustments. Obtained assistance from the Clerk's office in fiscal year closing. Working to correct.	No
	Tax Collector	#2013-01 - <u>Separation of Duties</u> : Due to limited staffing, the Tax Collector initiates, prepares, and disburses checks and also prepares bank deposits and bank reconciliations. In addition, the Tax Collector initiates, prepares, and reviews journal entries. [Note: Also refers to finding as #2009-01.] (See PDF Pages 122-123 of 221)	MW	Yes - Email ^B : Outlines changes that have been made in the office to resolve finding.	Yes
Holmes	Board of County Commissioners	#2010-01 - <u>Financial Statement Preparation Knowledge</u> : Auditors' assistance was necessary to prepare the financial statements including note disclosures in accordance with general accepted accounting principles. (See PDF Pages 79-80 of 203)	MW	Yes - Letter ^A : Budget constraints prohibit an "in-house" CPA.	No
	Clerk of the Circuit Court	#2010-01 - <u>Financial Statement Preparation Knowledge</u> : Staff's lack of institutional experience, background, and knowledge of Governmental Accounting and Financial Accounting Standards prohibits the Office from preparing the financial statements internally, including full note disclosures, as required by those standards. (See PDF Pages 112-113 of 203)	MW	Yes - Letter ^A : Budget restraints prohibit employment of an "in-house" CPA.	No
	Property Appraiser	#2010-01 - <u>Financial Statement Preparation Knowledge</u> : Staff's lack of institutional experience, background, and knowledge of Governmental Accounting and Financial Accounting Standards prohibits the Office from preparing the financial statements internally, including full note disclosures, as required by those standards. (See PDF Pages 130-131 of 203)	MW	Yes - Letter ^A : Addressing issue, but will continue to rely on external auditor.	No

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

COUNTIES

Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
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Holmes (continued)	Sheriff	#2010-01 - Segregation of Duties: The Chief Financial Officer's (CFO) responsibilities include accounts payable, check register review and approval, and preparation of bank account reconciliations. The CFO is not an authorized check signer. In addition, the CFO has IT rights to create vendors and general ledger access and authorization. (See PDF Pages 177-178 of 203)	MW	Yes - Letter ^A : Management has implemented some changes. Sheriff now reviews, approves, and signs checks, and a third party distributes the checks.	No
		#2010-02 - Financial Statement Preparation Knowledge: Staff's lack of institutional experience, background, and knowledge of Governmental Accounting and Financial Accounting Standards prohibits the Office from preparing the financial statements internally, including full note disclosures, as required by those standards. (See PDF Page 178 of 203)	MW	Yes - Letter ^A : This requirement is a financial burden.	No
	Supervisor of Elections	#2010-01 - Financial Statement Preparation Knowledge: Staff's lack of institutional experience, background and knowledge of Governmental Accounting and Financial Accounting Standards prohibits the Office from preparing the financial statements internally, including full note disclosures, as required by those standards. (See PDF Pages 151-152 of 203)	MW	Yes - Letter ^A : Due to budget constraints, it is not feasible to have a CPA on staff.	No
	Tax Collector	#2010-01 - Financial Statement Preparation Knowledge: Staff's lack of institutional experience, background, and knowledge of Governmental Accounting and Financial Accounting Standards prohibits the Office from preparing the financial statements internally, including full note disclosures, as required by those standards. (See PDF Pages 200-201 of 203)	MW	Yes - Letter ^A : Due to budgetary constraints, cannot hire additional employee or consultant.	No
Jackson	Board of County Commissioners	#ML 06-01 - Inadequate Separation of Duties: 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. (See PDF Page 149 of 269)	N/A	Yes - Letter ^A : Due to financial pressure and lack of funding, cannot hire additional staff; have implemented compensating controls.	No

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Jackson (continued)	Property Appraiser	#PA 06-01 - <u>Need for Segregation of Duties</u> : Inadequate separation of duties between employees who have record keeping responsibility and custody of assets due to limited staff. Continued effort should be made to separate those duties as much as possible. (See PDF Page 195 of 269)	SD	Yes - Letter ^A : Small size of office; compensating controls have been implemented – property appraiser involved in day-to-day operations.	No
	Sheriff	#SH 06-01- <u>Need for Segregation of Duties</u> : Inadequate separation of accounting and administrative duties due to limited staff. At a minimum, the Sheriff should receive and review unopened bank statements each month. (See PDF Page 220 of 269)	MW	Yes - Letter ^A : Due to budget constraints, cannot add administrative positions; financial duties have been broken down between three employees. Describes procedures implemented to compensate.	No
	Tax Collector	#TC 06-01 - <u>Need for Segregation of Duties</u> : Inadequate separation of duties between employees who have record keeping responsibility and custody of assets due to limited staff. Continued effort should be made to separate those duties as much as possible. (See PDF Page 265 of 269)	SD	Yes - Letter ^A : Due to size of office, this area will always be of concern. Measures have been implemented to help compensate.	No
Jefferson	Board of County Commissioners	#2008-1 - <u>Segregation of Duties</u> : Inadequate separation of certain accounting and administrative duties due to limited staff. At a minimum, the Constitutional Officers should receive and review the unopened bank statements each month, indicating on the statement evidence of the review. (See PDF Page 62 of 197)	SD	Yes - Letter ^A : Due to financial pressure and lack of funding, cost/benefit ratio is far too great to employ more personnel; have implemented compensating controls.	No
		#2008-2 - <u>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. County must hire a firm; auditor understands the cost-benefit ratio of hiring appropriate staff is not practical. (See PDF Page 63 of 197)	SD	Yes - Letter ^A : The cost/benefit ratio is far too great to employ more personnel; effort being made to improve quality of accounting staff.	No

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Jefferson (continued)	Clerk of the Circuit Court	#2008-1 - Segregation of Duties: Inadequate separation of certain accounting and administrative duties due to limited staff. At a minimum, the Constitutional Officers should receive and review the unopened bank statements each month, indicating on the statement evidence of the review. [Note: Also refers to finding as #C08-01.] (See PDF Pages 62 & 97 of 197)	SD	Yes - Letter ^A : Due to financial pressure and lack of funding, cost/benefit ratio is far too great to employ more personnel; have implemented compensating controls.	No
		#2008-2 - Preparation of GAAP-Based Financial Statements: No individual on staff has the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles. County must hire a firm; auditor understands the cost-benefit ratio of hiring appropriate staff is not practical. [Note: Also refers to finding as #C08-02.] (See PDF Pages 62-63 & 97 of 197)	SD	Yes - Letter ^A : The cost/benefit ratio is far too great to employ more personnel; effort being made to improve quality of accounting staff.	No
	Property Appraiser	#2008-1 - Segregation of Duties: Inadequate separation of certain accounting and administrative duties due to limited staff. At a minimum the Constitutional Officers should receive and review the unopened bank statements each month, indicating on the statement evidence of the review. [Note: Also refers to finding as #PA08-01.] (See PDF Pages 62 & 119 of 197)	SD	Yes - Letter ^A : In 2012 staff with accounting and financial experience was hired and new policies and procedures have been implemented to help address issues.	No
		#2008-2 - Preparation of GAAP-Based Financial Statements: No individual on staff has the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles. County must hire a firm; auditor understands the cost-benefit ratio of hiring appropriate staff is not practical. [Note: Also refers to finding as #PA08-02.] (See PDF Pages 62-63 & 119 of 197)	SD	Yes - Letter ^A : 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.	No

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Jefferson (continued)	Sheriff	#2008-1 - Segregation of Duties: Inadequate separation of certain accounting and administrative duties due to limited staff. At a minimum the Constitutional Officers should receive and review the unopened bank statements each month, indicating on the statement evidence of the review. [Note: Also refers to finding as #S08-01.] (See PDF Pages 62 & 143 of 197)	SD	Yes - Letter ^A : Due to financial pressure and lack of funding, cost/benefit ratio is far too great to employ more personnel; have implemented compensating controls.	No
		#2008-2 Preparation of GAAP-Based Financial Statements: No individual on staff has the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles. County must hire a firm; auditor understands the cost-benefit ratio of hiring appropriate staff is not practical. [Note: Also refers to finding as #S08-02.] (See PDF Pages 62-63 & 143 of 197)	SD	Yes - Letter ^A : 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.	No
	Supervisor of Elections	#2008-1 - Segregation of Duties: Inadequate separation of certain accounting and administrative duties due to limited staff. At a minimum the Constitutional Officers should receive and review the unopened bank statements each month, indicating on the statement evidence of the review. [Note: Also refers to finding as #SOE08-01.] (See PDF Pages 62 & 164 of 197)	SD	Yes - Letter ^A : Due to financial pressure and lack of funding, cost/benefit ratio is far too great to employ more personnel; have implemented compensating controls.	No
		#2008-2 - Preparation of GAAP-Based Financial Statements: No individual on staff has the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles. County must hire a firm; auditor understands the cost-benefit ratio of hiring appropriate staff is not practical. [Note: Also refers to finding as #SOE08-02.] (See PDF Pages 62-63 & 164 of 197)	SD	Yes - Letter ^A : 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.	No

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Jefferson (continued)	Tax Collector	#2008-1 - <u>Segregation of Duties</u> : Inadequate separation of certain accounting and administrative duties due to limited staff. At a minimum, the Constitutional Officers should receive and review the unopened bank statements each month, indicating on the statement evidence of the review. [Note: Also refers to finding as #TC08-01.] (See PDF Pages 62 & 188 of 197)	SD	Yes - Letter ^A : Due to financial pressure and lack of funding, cost/benefit ratio is far too great to employ more personnel; have implemented compensating controls.	No
		#2008-2 - <u>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. County must hire a firm; auditor understands the cost-benefit ratio of hiring appropriate staff is not practical. [Note: Also refers to finding as #TC08-02.] (See PDF Pages 62-63 & 189 of 197)	SD	Yes - Letter ^A : 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.	No
Levy	Board of County Commissioners	#2013-001 - <u>Financial Statement Findings</u> : It was necessary for the auditor to assist with the preparation of the Board's financial statements. (See PDF Page 75 of 187)	SD	Yes - Letter ^A : Due to limited staff, it is in the best interest to outsource this task to independent auditors.	No
	Clerk of the Circuit Court	#2013-001 - <u>Financial Reporting</u> : It was necessary for the auditor to assist with the preparation of the Clerk's financial statements. (See PDF Page 103 of 187)	SD	Yes - Letter ^A : Would require additional personnel, which is not cost effective.	No
	Sheriff	#2013-001 - <u>Separation of Duties</u> : Inadequate separation of duties due to limited staff. 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 128 of 187)	MW	Yes - Letter ^A : Continuing to improve dual role responsibilities.	No
	Supervisor of Elections	#2013-001 - <u>Separation of Duties</u> : Inadequate separation of duties due to limited staff. 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 186 of 187)	MW	Yes - Letter ^A : Will provide bank statements to accountant to review monthly transactions and review disbursements to ensure validity of expenditures. Will take effect May 1, 2013.	No

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County	Constitutional Officer	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to JLAC letter re: FY 2010-11 ^A or FY 2011-12 ^B Findings)	Recommend Requiring a Written Response This Year?
Madison	Tax Collector	#2013-01 - Segregation of Duties: Separation of certain accounting and administrative duties among employees was not adequate. [Note: Also refers to finding as #TC 2012-01.] (See PDF Pages 170, 172-173 of 175; also see Tax Collector's Revised Management Letter, PDF Pages 1-2 of 3)	MW	Yes - Letter ^B : Small county with limited funds.	No
Putnam	Sheriff	#2013-001 - Financial Reporting: It was necessary for the auditor to assist with the preparation of the financial statements. (See PDF Page 207 of 267)	MW	Yes - Letter ^A : Evaluated cost vs. benefit and determined that it was in office's best interest to outsource to our independent auditors.	No
	Supervisor of Elections	#2013-001 - Financial Reporting: It was necessary for the auditor to assist with the preparation of the financial statements, enabling them to be fairly presented in conformity with generally accepted accounting principles. (See PDF Page 266 of 267)	MW	Yes - Letter ^A : Met and discussed issue with bookkeeper; clarified that a more extensive and thorough job of completing financial statements must be done.	No
Union	Supervisor of Elections	#2013-01 - Segregation of 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 191 of 193)	MW	Yes - Letter ^A : Due to limited staff, it is hard to segregate certain duties; made changes so that there would be a separation of duties.	No
Washington	Board of County Commissioners	#BCC05-01 - Segregation of Duties: Controls should be implemented to separate custody of assets, recordkeeping, and authorization to the greatest extent possible. (See PDF Page 71 of 275)	SD	Yes - Letter ^A : Due to financial pressures and lack of funding, cost/benefit ratio too great to employ more personnel; describes some actions taken to address issue.	No

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Washington (continued)	Board of County Commissioners (continued)	#BCC07-01 - <u>Deficiency Over Financial Reporting</u> : No individual on staff has the accounting education and experience to properly record more complex accounting transactions and prepare financial statements in accordance with generally accepted accounting principles. County has to hire someone to provide bookkeeping services and a firm to prepare the financial statements; auditor understands that hiring someone with this expertise may not be cost effective. (See PDF Pages 71-72 of 275)	SD	Yes - Letter ^A : Due to financial pressures and lack of funding, cost/benefit ratio too great to employ more personnel; describes some actions taken to address issue.	No
	Clerk of the Circuit Court	#CC03-03 - <u>Segregation of Duties</u> : Inadequate separation of duties between employees with recordkeeping responsibility and those with custody of assets. Size of administrative staff limits the ability to achieve ideal separation of duties; however, the Clerk 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. (See PDF Pages 73 & 180 of 275)	SD	Yes - Letter ^A : Due to financial pressures and lack of funding, cost/benefit ratio is far too costly.	No
		#CC07-09 - <u>Deficiency Over Financial Reporting</u> : No individual on staff has the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles. Clerk has to hire a firm; auditor understands the cost-benefit of hiring someone with this expertise is not practical. (See PDF Pages 73 & 180 of 275)	SD	Yes - Letter ^A : Due to financial pressures and lack of funding, cost/benefit ratio is far too costly.	No
	Property Appraiser	#PA03-03- <u>Segregation of Duties</u> : Inadequate separation of duties between employees with recordkeeping responsibility and those with custody of assets. Size of administrative staff limits the ability 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 #03-03.] (See PDF Pages 74 & 201 of 275)	SD	Yes - Letter ^A : Indicates that this will always be an issue due to size of office; have implemented measures to help compensate.	No

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Washington (continued)	Property Appraiser (continued)	#PA07-11 - <u>Deficiency Over Financial Reporting</u> : No individual on staff has the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles. Property Appraiser has to hire a firm; auditor understands the cost-benefit of hiring someone with this expertise is not practical. [Note: Also refers to finding as #07-11.] (See PDF Pages 74 & 201 of 275)	SD	Yes - Letter ^A : Cost-benefit of hiring someone with such expertise is not feasible.	No
	Sheriff	#SH03-01 - <u>Segregation of Duties</u> : Inadequate separation of duties between employees with recordkeeping responsibility and those with custody of assets. Size of administrative staff limits the ability to achieve ideal separation of duties; however, the Sheriff 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 #03-01.] (See PDF Pages 74 & 225 of 275)	SD	Yes - Letter ^A : It is not feasible for our agency to employ additional staff.	No
		#SH07-10 - <u>Deficiency Over Financial Reporting</u> : No individual on staff has the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles. The Sheriff has to hire a firm; auditor understands the cost-benefit of hiring someone with this expertise is not practical. [Note: Also refers to finding as #07-10.] (See PDF Pages 75 & 225 of 275)	SD	Yes - Letter ^A : It is not feasible for our agency to employ additional staff.	No

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Washington (continued)	Supervisor of Elections	#SE03-03 - Segregation of Duties: Inadequate separation of duties between employees with recordkeeping responsibility and those with custody of assets. Size of County finance office staff limits the ability to achieve ideal separation of duties; however, the Board of County Commissioners and Supervisor of Elections 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 #SOE03-03.] (See PDF Pages 75 & 247 of 275)	SD	Yes - Letter ^A : BCC responsible for maintaining financial record keeping related to this Office. Limited staff; will continue to ensure there are checks and balances in daily work.	No
		#SE07-12: No individual on staff has the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles. The Supervisor of Elections has to hire a firm; auditor understands the cost-benefit of hiring someone with this expertise is not practical. [Note: Also refers to finding as #SOE07-12.] (See PDF Pages 76 & 247 of 275)	SD	Yes - Letter ^A : It is not feasible for our office to hire someone with this expertise.	No
	Tax Collector	#TC03-03 - Segregation of Duties: Inadequate separation of duties between employees with recordkeeping responsibility and those with custody of assets. Size of staff limits the ability 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 #03-03.] (See PDF Pages 76 & 271 of 275)	SD	Yes - Letter ^A : States that this will always be an area of concern because of size of office.	No

COUNTIES

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Washington (continued)	Tax Collector (continued)	#TC07-13 - Deficiency Over Financial Reporting: No individual on staff has the accounting education and experience to prepare financial statements in accordance with generally accepted accounting principles. The Tax Collector has to hire a firm; auditor understands the cost-benefit of hiring someone with this expertise is not practical. [Note: Also refers to finding as #07-11.] (See PDF Pages 76 & 271 of 275)	SD	Yes - Letter ^A : Cost-benefit of hiring someone with this expertise is not feasible.	No

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.

Municipalities--Addendum

Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
Included in the 2011-12 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

Municipality	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2013 JLAC letter re: FY 2010-11 findings)	Recommend Requiring a Written Response This Year?
Alford, Town of	Jackson	#2005-03 - Accounts Receivable - Utility Billings: The general ledger account, accounts receivable-utility billings, was not reconciled monthly to the accounts receivable subsidiary records. (See PDF Page 33 of 39)	MW	Yes - Letter: Describes antiquated water billing system and procedures implemented in FY 2012-13 to partially resolve issue, including currently performing monthly reconciliations.	No [Corrected - see FY 2012-13 CPA Report (PDF p. 33 of 39)]
Arcadia, City of	Desoto	#12-1 - Financial Condition Assessment: The City's financial condition has disclosed a gradual deterioration in the City's financial position. The City has suffered a deficiency of revenues under expenditures in the General Fund and operating losses and negative cash flows in the Water and Sewer Enterprise Fund for many years. The financial condition remains critical, and appropriate action needs to be taken as soon as possible to remedy the current situation and prevent further depletion of operating reserves. (See PDF Page 95 of 100)	N/A	Yes - Letter: CPA was unable to complete audit on time due to FDLE investigation. Indicates that there are new City personnel and steps have been and continue to be taken to address issue; expect to see dramatic changes in financial condition starting with 2012-13 budget year. [Note: JLAC staff have spoken with CPA firm and received e-mail from finance director re: investigation and nonfiler status for financial reports.]	Yes
		#12-5 - Budget: The City was not maintaining its budget for changes in operating activity, thus resulting in expenditures exceeding appropriations. (See PDF Page 97 of 100)	N/A	No	Yes
		#12-6 - Audit Adjustments: As a result of audit procedures, two prior period adjustments to restate fund balance net assets and numerous other entries were necessary for the fair presentation of the financial statements. Although the City relies on the independent auditor for the fair presentation of the financial statements, the auditor cannot be a part of the City's internal control system. (See PDF Pages 97-98 of 100)	MW	No	Yes
Astatula, Town of	Lake	#2010-003 - Financial Reporting: Through 9/30/2012, financial reports were not being prepared on a monthly basis for Council review. (See PDF Page 31 of 34)	MW	No	Yes
		#2010-005 - Payroll and Personnel Administration: Staffing assignments should be reviewed to ensure financial information is being prepared in a timely manner. (See PDF Page 31 of 34)	SD	No	Yes

Municipalities--Addendum

Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
Included in the 2011-12 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

Municipality	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2013 JLAC letter re: FY 2010-11 findings)	Recommend Requiring a Written Response This Year?
Avon Park, City of	Highlands	#2011-3 - <u>Timeliness of Bank Reconciliations</u> : Bank statements in some instances were accumulated for several months before they were reconciled to the appropriate general ledger account. (See PDF Page 78 of 88)	MW	No	No [Corrected - see FY 2012-13 CPA Report (PDF p. 87 of 91)]
Biscayne Park, Village of	Miami-Dade	#2009-1 - <u>Budgeting</u> : The final amended budget was passed by the Village Commission beyond the 60-day requirement in Florida Statutes. (See PDF Pages 93-94 of 98)	N/A	Yes - Letter: States that procedures have now been established to ensure timely process of budget amendments.	No [Corrected - see FY 2012-13 CPA Report (PDF p. 97 of 99)]
		#2010-2 - <u>Misp postings of Revenue and Expenditure Transactions</u> : Instances were noted where double-booking of revenue and expenditures were recorded in the general ledger, requiring journal entries to correct the accounting records. (See PDF Pages 91-92 of 98)	MW	No	No [Corrected - see FY 2012-13 CPA Report (PDF p. 96 of 99)]
		#2010-5 - <u>Develop Instructions for Year-End Closing Procedures and Budgeting</u> : Formal fiscal year-end closing instructions and related accounting practices had not been developed and included in the Village's accounting policies and procedures manual. (See PDF Pages 92-93 of 98)	SD	No	No [Corrected - see FY 2012-13 CPA Report (PDF pp. 96-97 of 99)]
Boynton Beach, City of	Palm Beach	#2010-04 - <u>Excess of Expenditures Over Appropriations</u> : The City's expenditures exceeded the final budgeted appropriations for the Public Service Tax Debt Service Fund and Public Art Fund. (See PDF Page 256 of 266)	N/A	Yes - No response received to 9/27/2013 JLAC letter.	Yes

Municipalities--Addendum

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Century, Town of	Escambia	#11-3 - <u>Revenues/Collections</u> : Customer deposits in the Enterprise Garbage Fund of \$850 have not been placed in a restricted account. (See PDF Page 53 of 54)	N/A	Yes - Email: States that "Town requires no deposit for garbage service."	No [Corrected - see FY 2012-13 CPA Report (PDF pp. 46-49 of 49)]
Chattahoochee, City of	Gadsden	#09-1 - <u>Accounting Discipline</u> : There is a certain lack of review and reconciliation in some areas of the accounting function, such as utility accounts receivable, customer deposits, and utility tax payable. (See PDF Page 59 of 63)	N/A	Yes - Letter: Describes procedures implemented to address finding; however, due to small staff size, finding may never be completely resolved.	No [Corrected - see FY 2012-13 CPA Report (PDF p. 57 of 60)]
		#08-4 - <u>Park and Recreation Activity</u> : The City has two off-site locations for the collection of funds, the RV park and recreational activity sites. The accounting records maintained for each activity need to be improved to provide better documentation and provide the ability to evaluate existing programs and activity. (See PDF Page 58 of 63)	N/A	Yes - Letter: Describes procedures implemented to address finding.	Yes [Partially Corrected - see FY 2012-13 CPA Report, finding #08-4 (PDF p. 57 of 60)]
		#08-3 - <u>Collection of Utility Receivables</u> : The City has not been able to take down deposits against all accounts with unpaid balances as required by City policy, and collectability has not been actively pursued. (See PDF Page 58 of 63)	N/A	Yes - Letter: Describes procedures implemented to address finding; however, due to small staff size, finding may never be completely resolved.	No [Corrected - see FY 2012-13 CPA Report (PDF p. 57 of 60)]
Cottondale, City of	Jackson	#2004-3 - <u>Excess Funds in Sinking Fund</u> : Based on prior year audit records, the City previously made a deposit to one of the Enterprise bond sinking funds that was not intended to go there. Approximately \$49,000 of this money is still in the sinking fund account. (See PDF Page 52 of 58)	N/A	Yes - Letter: Funds have now been transferred to correct accounts.	No [Corrected - see FY 2012-13 CPA Report (PDF pp. 55-56 of 61)]

Municipalities--Addendum

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Cottondale, City of (continued)	Jackson (continued)	#04-1 - <u>Purchasing/Contract Management</u> : The City previously had no formal purchasing policy. A formal purchasing policy was recently adopted (in 2012); however, it does not appear that the policy is being followed. (See PDF Pages 43-44 of 58)	SD	No	No [Corrected - see FY 2012-13 CPA Report (PDF pp. 55-56 of 61)]
		#07-3 - <u>Expenditures/Expenses</u> : The City staff was unable to locate several documents supporting expenditures paid by the City. This was noted in several funds. (See PDF Pages 44-45 of 58)	MW	Yes - Letter: Describes procedures implemented to address issue.	No [Corrected - see FY 2012-13 CPA Report (PDF pp. 55-56 of 61)]
Golden Beach, Town of	Miami-Dade	#2009-03 - <u>Upgrade accounting software, including accounts payable software</u> : The Town current accounting system does not have the capability to produce an accounts payable detailed schedule that is date sensitive in order to document the amounts due to vendors as of fiscal year-end. (See PDF Page 77 of 77)	N/A	Yes - Letter: A more robust system is in its pilot phase; hope to transition to system for FY 2014.	No [Corrected - see FY 2012-13 CPA Report (PDF p. 70 of 75)]
Gretna, Town of	Gadsden	#2006-2 - <u>Revenue/Collections</u> : The general ledger control account for Utilities Accounts Receivable and the total Accounts Receivable Subsidiary ledgers disclosed a discrepancy. (See PDF Page 63 of 63)	N/A	Yes - Letter: Describes steps being taken to address finding; does not expect same finding in future years.	Yes
		#2011-02 - <u>Financial Reporting</u> : The City's annual financial audit report was not submitted to the State of Florida Auditor General's office within nine months after the end of the fiscal year as required by law. (See PDF Page 60 of 63)	N/A	Yes - Letter: Steps being taken to address finding.	Yes

Municipalities--Addendum

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Midway, City of	Gadsden	#09-01 - <u>Prepare Financial Statements in Accordance with GAAP and Significant Adjustments</u> : There was no one on staff with sufficient knowledge to prepare GAAP-based financial statements. There was a CPA that was retained as a staff consultant for FY 2011-12. However, 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 31 of 38)	MW	Yes - Letter: City has retained services of a CPA; should address concerns related to this matter in the future.	Yes [Not Corrected - see FY 2012-13 CPA Report, finding #13-01 (PDF p. 32 of 39)]
		#09-02 - <u>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 City's accounting staff prohibits complete adherence to this concept, certain practices could be implemented to improve existing internal controls without impairing efficiency. These include having someone other than employees maintaining cash records receiving bank statements and canceled checks. (See PDF Page 31 of 38)	MW	Yes - Letter: Describes procedures implemented to address issues.	Yes [Not Corrected - see FY 2012-13 CPA Report, finding #13-02 (PDF p. 32 of 39)]
		#09-03 - <u>Supporting Documentation for Cash Disbursements</u> : Supporting documentation could not be located for several cash disbursements selected for detailed audit testing. (See PDF Page 31 of 38)	MW	Yes -- Letter: States that City has employed procedures to ensure that files are properly kept.	Yes [Not Corrected - see FY 2012-13 CPA Report, finding #13-03 (PDF p. 32 of 39)]
Opa-locka, City of	Miami-Dade	#2012-01 - <u>Utility Billings and Receivables</u> : Customer accounts are not being properly maintained, reviewed and reconciled in a timely manner. (See PDF Page 78 of 90)	MW	No	Yes [Not Corrected - see FY 2012-13 CPA Report, finding #2013-02 (PDF p. 97 of 108).]

MW = material weakness (see 2. in Legend)
SD = significant deficiency (see 3. in Legend)

Municipalities--Addendum

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Quincy, City of	Gadsden	#2010-IC-IM-10-05 - <u>Journal Entries Lack Approval</u> : Journal entries were created and approved by the same individual due to lack of staffing in the finance department. (See PDF Page 150 of 181)	N/A	No	Yes
		#2009-IC-IM-09-01 - <u>Account Monitoring/Timing of Journal Entry Postings</u> : Five of 12 journal entries were related to the current audit period; however, the authorization date and the posting dates were after the 9/30/2009 fiscal year-end. (See PDF Page 150 of 181)	N/A	Yes - Letter: Management continues to monitor the periods in which journal entries are recorded to ensure that there are not significant delays in the transaction timing and the recording period. Management will develop review processes to ensure that postings are not later than 45 days beyond the end of the period. This should allow sufficient time to perform the financial analysis necessary to properly close the financial records for each period.	Yes
		#2010-IC-IM-10-01 - <u>No Filing of Annual QPD to State</u> : The City did not file the annual Qualified Public Depositor (QPD) report due to the State of Florida CFO as required. (See PDF Page 148 of 181)	N/A	No	Yes
		#2005-IC-M-05-03 - <u>Lack of Access Control/Segregation of Duties</u> : The computerized payroll system is susceptible to manual override for restricted information. (See PDF Page 153 of 181)	MW	Yes - Letter: Management acknowledges that controls will continue to be strengthened to address the issues related to this finding internally since it has been decided that the payroll process will not be outsourced. In addition to the controls previously implemented to address this issue, management continues to evaluate the segregation of duties issues and will work with the software provider to streamline the system access in a manner that achieves maximum internal controls without increasing costs. This includes the identification and use of system audit reports as a tool for reviewing and assessing the adequacy of internal controls. Documentation will be maintained as evidence of such review with changes made as deemed both necessary and appropriate.	Yes

Municipalities--Addendum

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Quincy, City of (continued)	Gadsden (continued)	#2005-IC-M-04-05 - Bank Reconciliations Not Prepared: Monthly bank reconciliation statements were not prepared. In addition, the main operating bank account was not properly reconciled, and there was no proper listing of outstanding checks. (See PDF Page 153 of 181)	MW	Yes - Letter: Describes steps being taken to address finding, including the reassignment of some duties relating to the reconciliations and review of such among staff.	Yes
		#2001-C/IC-M-01-3 - No Reconciliation of Inventory: The City conducted a periodic physical inventory of property and equipment both for the enterprise and general government operations. However, the results of the physical count were not reconciled to the listings maintained at the property section and to the book balances. Also, the City did not prepare fixed asset schedules to support the computation of the monthly depreciation expenses recorded in the books, and, in the City's annual physical count of property and equipment, they did not include its land, buildings, and improvements. (See PDF Page 155 of 181)	MW	Yes - Letter: Within 60 days after the completion of the fiscal year, the Procurement Department or management's designee will conduct an inventory of all the City's assets. The results of the inventory will be provided to the Accountant in Finance who will reconcile the inventory to the financial records. This will be completed with all adjustments recorded within 45 days after receipt of the inventory.	Yes
		#2005-C-M-1 - Loan Compliance Not Met: Compliance requirements relating to the Drinking Water State Revolving Loan Fund Agreement were not met. In addition, the requirements pertaining to the 2011 Series Issuance were not met regarding continuing disclosures and submissions of financial statements within 12 months. (See PDF Page 152 of 181)	N/A	Yes - Letter: Management has worked diligently to ensure that compliance issues pertaining to both the Drinking Water Loan and the 2002 Capital Improvement Bond are complied with.	Yes

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Quincy, City of (continued)	Gadsden (continued)	#2005-C-M-2 - <u>Loan Compliance Not Met</u> : Compliance requirements relating to the Sewer State Revolving Loan Fund Agreement were not met. (See PDF Page 152 of 181)	N/A	Yes - Letter: Compliance requirements are now monitored in the Finance department, including appropriate and timely filing. The certification was filed but not received by DEP until 3 business days after due date. Additional measures (including specific assignment of duties to staff other than the Director) will be implemented to ensure report is filed timely. Filling the open position in the current budget will provide additional resources to ensure that compliance requirements are assigned to a designated person for completion. Annual certification report for FY2012 has been completed and filed timely. Although the FY2011 report was also filed, it was not filed timely. To ensure all filing are timely in the future, the Administrative Assistant will be responsible for monitoring timely completion of all tasks on the Department checklist.	Yes
		#2010-IC-IM-10-02 - <u>Accounts Receivable Not Monitored</u> : Accounts receivable balances are not monitored throughout the year. The reports produced for audit were not able to agree to the trial balance or one another. (See PDF Page 149 of 181)	N/A	No	Yes
		#2005-IC-M-05-04 - <u>Revenue Bonds Not Recorded</u> : Transactions relating to revenue bonds were not recorded in a timely manner. (See PDF Page 153 of 181)	MW	No	Yes
Springfield, City of	Bay	#12-05 - <u>Operating Expenditures Exceed Budget</u> : Expenditures exceeded the approved budget in the special governing, police, fire, protective services, library, and recreation departments. (See PDF Page 52 of 61)	MW	Yes - Email: Proper budgeting procedures are now in place to ensure the budget is amended in a timely manner.	Yes

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Springfield, City of (continued)	Bay (continued)	#12-04 - <u>Account Balances</u> : Many general ledger accounts had incorrect balances and were not reconciled to the subsidiary ledger when the audit was started. (See PDF Page 52 of 61)	MW	Yes - Email: We are continuing to adjust the setup of our software so that it properly records our day-to-day transactions in the appropriate general ledger accounts, and we are also paying close attention when posting anything that will ultimately transfer to the general ledger.	Yes
		#12-06 - <u>Transfers and Interfund Balances</u> : Transfers between funds and interfund balances between funds did not always agree. An audit adjusting entry was proposed to correct these errors. (See PDF Pages 52-53 of 61)	MW	Yes - Email: We are aware of the interfund and due to/from balances being an issue and are trying to establish appropriate procedures to ensure that these differences are zeroed out at the end of each month. Software constraints do make this process difficult but we are working diligently to identify the best process for our required end results.	Yes
		#12-13 - <u>Recording Activity in the Proper Period and in a Timely Manner</u> : On numerous occasions, the City did not record transactions in the general ledger in a timely manner. Also, certain transactions were recorded in the wrong period. (See PDF Page 55 of 61)	MW	Yes - Email: We are making sure now that activity is recorded in the period it belongs to, and we are also making sure all activity is correctly reflected in the general ledger in a timely manner.	Yes
		#12-15 - <u>Month End Closing</u> : The City lacks month-end closing procedures that would provide for determining that all accounting activity for the month has been appropriately recorded. (See PDF Page 56 of 61)	SD	No	Yes
		#12-07 - <u>Accounts Receivable</u> : The subsidiary ledger of accounts receivable for the proprietary funds did not agree with, and was not reconciled to, the general ledger at fiscal year-end. (See PDF Page 53 of 61)	MW	Yes - Email: We are now printing the appropriate detailed accounts receivable reports monthly and reconciling the subsidiary ledger to the general ledger on at least an annual basis. We hope that, once some of our software components begin functioning the way they are designed, this will free up the necessary time to complete this task on a monthly basis.	Yes

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Springfield, City of (continued)	Bay (continued)	#12-09 - <u>Customer Deposits</u> : The subsidiary ledger of customer deposits did not agree with, and was not reconciled to, the general ledger. (See PDF Page 54 of 61)	MW	Yes - Email: We have recently implemented a procedure to reconcile the customer deposit subsidiary ledger to the general ledger on a monthly basis; we may have this note through the FY 2013-14 audit since we have just implemented this process.	Yes
		#12-12 - <u>Transaction Documentation</u> : Various types of transactions had little or no supporting documentation. (See PDF Page 55 of 61)	MW	Yes - Email: Transaction documentation is being maintained in a lot better manner than in the past to include: bank statements provide images of cleared checks; finance director is now keeping all voided checks in a single location; we are making copies of all returned checks and keeping them together; we are keeping a log of all credits/adjustments to customer accounts; credit card receipts are being kept with the statement they are charged to; and adjusting journal entries are being kept in a folder with the back-up for the journal entry stapled to the adjustment.	Yes
		#12-01 - <u>Audit Adjusting Entries</u> : Significant adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles. (See PDF Page 51 of 61)	MW	Yes - Email: The City is making strives at minimizing the audit adjusting entries. In the past year we have hired an accountant to our finance director position, and she is working closely with a very experienced governmental bookkeeper on staff to minimize the adjustments required.	Yes
		#12-03 - <u>Bank Reconciliations</u> : Several general ledger bank account balances did not agree with related reconciliations because activity was not recorded in a timely manner when audit was initially begun. Also, bank reconciliations were not completed in a timely manner. (See PDF Pages 51-52 of 61)	MW	Yes - Email: We are in the process of catching up prior period bank reconciliations and once those are caught up we intend to complete reconciliations in a timely manner, on a monthly basis. In the meantime, we do complete daily a similar report which monitors all bank activity.	Yes
		#12-08 - <u>Property and Equipment</u> : The property and equipment records were not complete and the property and equipment is not being properly tagged. (See PDF Pages 53-54 of 61)	MW	Yes - Email: We have implemented a property and equipment inventory tagging system and do have a property inventory log. This change will be reflected in the FY 2013-14 audit report.	Yes

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Springfield, City of (continued)	Bay (continued)	#12-16 - <u>Errors in Customer Billings</u> : There is a lack of controls in place in reviewing customer billings before they are processed. Also, there is a lack of documentation associated with a number of adjustments in the general ledger which relate to corrections of customer billings. (See PDF Pages 56-57 of 61)	SD	No	Yes
		#12-10 - <u>Summary of Grant Awards</u> : Certain grants were not initially identified by the City as grants awarded, due to lack of organized records. Also, a summary of grant activity was not prepared. (See PDF Page 54 of 61)	MW	Yes - Email: We are aware that grant activity has not been monitored correctly in the past. We have very few grants as of this fiscal year, and they are being tracked properly. We will prepare a summary sheet for our audit firm listing the required information.	Yes
Sweetwater, City of	Miami-Dade	#2004-01 - <u>Budget Process</u> : While some budget issues from prior year were corrected, several line item expenditures still exceeded budget appropriations for the fiscal year. This was predominantly caused by certain unbudgeted capital outlay expenditures, debt service expenditures, and professional fees, and underbudgeted operating expenditures due to higher costs than originally expected for salaries and insurance. (See PDF Pages 78-79 of 79)	N/A	Yes - Letter: Describes steps being taken to address finding.	Yes [Not Corrected - see FY 2012-13 CPA Report, finding #2004-01 (PDF p. 69 of 81)]
		#2007-02 - <u>Audit Journal Entries</u> : The City's audit required several audit adjustments to prepare GAAP financial statements. This creates an absence of internal process to report deficiencies in internal control to management on a timely basis. (See PDF Pages 74-75 of 79)	MW	Yes - Letter: Describes steps being taken to address finding.	Yes [Not Corrected - see FY 2012-13 CPA Report, finding #2007-02 (PDF p. 69 of 81)]

Municipalities--Addendum

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Sweetwater, City of (continued)	Miami-Dade (continued)	<p><u>#2007-04 - Capital Assets:</u> In prior years, the City did not perform an annual physical inventory of capital assets and lacks a sufficient detailed schedule of capital assets. In the current year, management has moved forward with the process of completing a physical inventory by department. Also, a new accounting software program is expected to be implemented in FY 2013-14. The next necessary step would be to reconcile the physical inventory to the capital assets listing and enter all assets and accumulated depreciation into the accounting system's asset and depreciation module. (See PDF Page 76 of 79)</p>	SD	Yes - Letter: Describes steps being taken to address finding; expect deficiency to be corrected for FY 2013-14 audit.	Yes [Not Corrected - see FY 2012-13 CPA Report, finding #2007-04 (PDF p. 69 of 81)]
		<p><u>#2007-06 - Grant Management and Administration:</u> The City lacked sufficient maintenance of grants in terms of file maintenance and grant management in general. Support for grant revenues as well as reimbursement packages were not readily available. In some instances, reimbursement requests are not being completed on a timely basis, which is causing deficits in corresponding funds. (See PDF Pages 76-77 of 79)</p>	N/A	Yes - Letter: Describes steps being taken to address finding; expect deficiency to be corrected by FY 2013-14 or FY 2014-15.	Yes [Not Corrected - see FY 2012-13 CPA Report, finding #2007-06 (PDF p. 69 of 81)]
		<p><u>#2009-01 - Reimbursement Requests – Local Awards:</u> The City was awarded several funding allocations from Miami-Dade County's Building Better Communities General Obligation Bond Program. It was noted that reimbursement requests related to these awards were not being completed on a timely basis, which caused a deficit in the Capital Project Fund at 9/30/2009. During the current year, the deficit was slightly reduced as a result of reimbursements received; however, expenditures from prior years have yet to be reimbursed. (See PDF Page 72 of 79)</p>	N/A	Yes - Letter: Describes steps being taken to address finding; expect finding to be corrected for FY 2013-14 audit.	Yes [Not Corrected - see FY 2012-13 CPA Report, finding #2009-01 (PDF p. 69 of 81)]

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Municipalities--Addendum

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Sweetwater, City of (continued)	Miami-Dade (continued)	#2007-03 - <u>Accounts Payable Subsidiary Ledgers</u> : The City's accounting software contains a module which provides for the processing of vendor invoices/checks and provides other information related to accounts payable. The City was requested to provide a listing of the outstanding vendor payments as of fiscal year-end; however, the City was not able to provide such support, as no aging/ledger or schedule is maintained. Management has purchased a new accounting software program, which is expected to be implemented in FY 2013-14 and does contain an accounts payable module. (See PDF Page 75 of 79)	N/A	Yes - Letter: Describes steps being taken to address finding; expect deficiency to be corrected for FY 2012-13 audit.	Yes [Not Corrected - see FY 2012-13 CPA Report, finding #2007-03 (PDF p. 69 of 81)]
		#2008-01 - <u>Failure to Report Federal Expenditures on Schedule of Expenditures of Federal Awards</u> : The City was awarded several grants from FEMA and received advances related to these grants. The advances were recorded as deferred revenues in the year they were received. As of 9/30/2008, the City had \$1.6 million still in deferred revenues related to these grants. The grants were never closed out, and the deferred grant amounts were never reported as revenues or included in the City's Schedule of Expenditures of Federal Awards. (See PDF Page 73 of 79)	N/A	Yes - Letter: Describes steps being taken to address finding; has made attempts to contact FEMA, requesting resolution and closeout documentation; nothing has been provided by the state or FEMA yet.	Yes [Not Corrected - see FY 2012-13 CPA Report, finding #2008-01 (PDF p. 69 of 81)]
Vernon, City of	Washington	#2003-01 - <u>Fixed Assets</u> : The property records do not have a complete listing of buildings and land owned by the City. (See PDF Page 44 of 55)	N/A	Yes - No response received to 9/27/2013 JLAC letter.	Yes
		#2003-02 - <u>Separation of Duties</u> : Custody of assets, record keeping, and recording of assets should have adequate separation. Due to City's size, proper separation of duties may not be feasible, since the City has a small one-person bookkeeping system. (See PDF Page 44 of 55)	MW	Yes - No response received to 9/27/2013 JLAC letter.	Yes
		#2007-01 - <u>Financial Reporting</u> : The City relies on the external auditor to assist with preparing and explaining financial statements in conformity with GAAP. (See PDF Page 45 of 55)	MW	Yes - No response received to 9/27/2013 JLAC letter.	Yes

Municipalities--Addendum

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Vernon, City of (continued)	Washington (continued)	#1. - <u>General Accounting Records</u> : The recreation department lacks adequate internal controls for reporting purposes (remaining from fiscal year 9/30/2008). (See PDF Page 52 of 55)	N/A	Yes - No response received to 9/27/2013 JLAC letter.	Yes
		#2. - <u>Cash</u> : There are several old items on the bank account reconciliations (remaining from fiscal year 9/30/2009). (See PDF Page 52 of 55)	N/A	Yes - No response received to 9/27/2013 JLAC letter.	Yes
Webster, City of	Sumter	#12-3 - <u>Debt Administration</u> : The City has a state revolving fund loan that requires Sanitation and Sewer user fees to be set at a level to meet a specified revenue ratio, as defined by the loan document. The City did not meet its revenue ratio requirement for FY 2011-12. (See PDF Page 45 of 54)	N/A	No	Yes

LEGEND:

- These audits have been conducted by private certified public accountants, as required by Section 218.39(1), Florida Statutes.
- 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 material misstatement of the entity's financial statements, or
 - 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.

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Municipalities

Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
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Municipality	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter re: FY 2011-12 Findings)	Recommend Requiring a Written Response This Year?
Alford, Town of	Jackson	#2010-01 - Other Post Employment Benefits: The Town did not implement GASB Statement 45 or obtain the actuarial report necessary to determine the amounts to report in the financial statements. (See PDF Page 34 of 39)	MW	No	Yes
		#2011-01 - Accounts Receivable - Collections: The Town does not always implement cut off and subsequent collection procedures on delinquent accounts in a timely manner. (See PDF Page 34 of 39)	MW	No	Yes
Altha, Town of	Calhoun	#2013-01 - Accounting Policies and Procedures Documentation: The Town did not have an accounting procedures manual that had been finalized and adopted. (See PDF Page 40 of 52)	MW	Yes - Letter: The Town is developing accounting policies and setting up procedures for staff. The manual for accounting should be complete by the end of the year (2014).	Yes
		#2013-03 - Bank Reconciliations: Certain accounts had reconciling items that were old and outstanding or did not exist, as well as outstanding checks. Also, bank reconciliations were not prepared timely; therefore, the Council is not reviewing up-to-date financial information. (See PDF Page 41 of 52)	MW	Yes - Letter: The bank reconciliations have been made for the fiscal year ending 9/30/2014, and a policy is in place to reconcile all bank accounts within the first 10 days of the month.	Yes
		#2013-04 - Monthly Closeout Procedures: The Town did not have any formalized monthly or year-end financial statement closeout procedures. Also, accounting system used does not require a "close" of each month; as a result, transactions can be backdated to the prior period, thus changing the previously reported financial statements. (See PDF Page 41 of 52)	MW	Yes - Letter: Monthly closeout procedures are being developed along with procedure for closing out the year.	Yes

Municipalities

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Altha, Town of (continued)	Calhoun (continued)	#2013-06 - Utility Billing: The Town did not keep an accurate utility billing system. Instances were noted where amounts billed to customers did not agree with Town's utility rate sheet and to meter reading worksheets. In addition, late fees were not charged accurately due to system overrides. Also, the Town Clerk could not produce an accurate monthly cutoff worksheet from billing system, and accounts receivable aging obtained from the utility billing system included significantly old outstanding client account balances that either no longer existed or had been written off in previous years. (See PDF Page 42 of 52)	MW	Yes - Letter: The Utility Billing has been extensively reviewed. Late bills have almost all been collected or an agreed upon installment in place. The cutoff policy is in place. We are currently reviewing the account billing system to make sure that all accounts are being billed at the proper rate.	Yes
		#2013-07 - Cash Disbursements: Checks were made out to "cash" that were intended for various petty cash related purposes, which could easily be negotiated by anyone in the event one is lost or stolen. (See PDF Page 42 of 52)	MW	No	Yes
		#2013-08 - Disaster Recovery Plan: The Town does not have current well-defined, written disaster recovery procedures. (See PDF Pages 42-43 of 52)	MW	Yes - Letter: This finding has not been addressed yet. We do expect to have that done in the near future. It should be done by the time the FY 2013-14 audit is done.	Yes
		#2013-10 - Property Records and Inventory of Property: The Town has not complied with the Florida Department of Financial Services' Rules which require governmental units to maintain adequate records of property in their custody, including marking of property items for identification and completing a physical inventory of property annually. (See PDF Pages 43-45 of 52)	N/A	No	Yes
		#2013-13 - File all Tax Returns on a Timely Basis: The Town did not file IRS Forms 1099 and 1096 for various contracted services. (See PDF Page 48 of 52)	N/A	No	Yes

Municipalities

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Altha, Town of (continued)	Calhoun (continued)	#2013-14 - <u>Budgetary Controls - General</u> : The Town did not amend 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. (See PDF Page 48 of 52)	N/A	Yes - Letter: The Town is working on this finding, but expects to take some time to work through the budget year. We realize that a policy needs to be in place for the budget amendments. In the course of making other policies, this will be addressed as well.	Yes
		#2013-15 - <u>Excess Expenditures Over Appropriations</u> : Expenditures exceeded appropriations in the General Fund, the Water and Wastewater Fund, and the Garbage Fund. (See PDF Page 49 of 52)	N/A	Yes - Letter: We have found that the utility billing, old balances, and problems with cash disbursement all played into this finding. The Town has in place controls that will help.	Yes
		#2013-16 - <u>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 funds, and continuing operating losses in the water and wastewater fund, as well as a deficient unrestricted net assets in the water and wastewater fund. (See PDF Page 49 of 52)	N/A	No	Yes
Apalachicola, City of	Franklin	#13-01 - <u>Need to Comply with Budgetary Requirements</u> : General Fund expenditures exceeded budgeted amounts. (See PDF Page 61 of 62)	SD	Yes - Letter: The City received unanticipated grant revenues during the year and did not amend the budget to reflect associated expenditures. In the future, the City plans to review the budget and amend as needed during the year in accordance with the City's current policy to ensure in the future that their expenditures do not exceed budgeted amounts for the year.	Yes
Avon Park, City of	Highlands	#2013-001 - <u>Review of Journal Entries</u> : Many journal entries lacked essential supporting documentation and did not identify the preparer and reviewer. (See PDF Page 81 & 87 of 91)	MW	No	Yes
		#2013-002 - <u>Controls over Payroll Processing</u> : The balancing of total hours for pay period from the population of approved employee time cards to a payroll system generated payroll register for the time period did not contain any indication of review. (See PDF Page 82 & 87 of 91)	MW	No	Yes

MW = material weakness (see 2. in Legend)
SD = significant deficiency (see 3. in Legend)

Municipalities

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Avon Park, City of (continued)	Highlands (continued)	#2013-004 - <u>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 plans. In other circumstances, the plans are outdated as it relates to management's current plans with utilization of community redevelopment funds. (See PDF Pages 87-88 of 91)	N/A	Yes - Letter: States that the CRA Board hired a new management firm in June 2013 and provides action steps and timeframe for resolution of finding.	Yes
Bell, Town of	Gilchrist	#2009-1 - <u>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 35 of 39)	SD	No	Yes
Belle Glade, City of	Palm Beach	#2008-05 - <u>FEMA Deferred Revenue in Marina Fund</u> : The Marina Fund had a balance of \$591,387 of Deferred Revenue from FEMA. FEMA has not conducted the final close-out, therefore, the amount due to FEMA has not yet been determined, but the current Deferred Revenue is more than available net position. (See PDF Page 145 of 148)	N/A	Yes - Letter: The City has provided all of the closeout documents for two of the three FEMA projects to the Florida Division of Emergency Management, who reviewed the two projects and found that the City has been overpaid in the amount of \$432,910.02 due to a reduction of eligible costs. On 6/2/2014, the City Commission approved refunding the State of Florida and transferring the funds to the Mariana Fund. Also, one project is not complete and an extension has been approved to 12/31/2014.	Yes
Biscayne Park, Village of	Miami-Dade	#2011-01 - <u>Journal Entries</u> : Journal entries disclosed that the Village does not print, file and attach supporting documents of all journal entries posted in the general ledger. (See PDF Page 93 of 99)	SD	No	Yes
Bonifay, City of	Holmes	#2010-04 - <u>Water Billing</u> : The City has had difficulty minimizing and accounting for unbilled water consumption. (See PDF Page 58 of 58, also see Response to Management Letter, PDF Page 1 of 1)	N/A	Yes - Letter: The City has implemented several corrective actions in hopes that they will improve the efficiency of the water system and bring the water loss percentage down to an acceptable level.	Yes

Municipalities

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Bowling Green, City of	Hardee	#13-01 - Year End Adjustments: Numerous year-end adjustments were required to correctly reflect the City's financial position and results of operations. (See PDF Page 49 of 53)	SD	Yes - Letter: The new City Manager has made some staff changes, reassigned duties, and implemented a cross training program so that all office staff are trained correctly. The above changes were implemented during 2013, the changes won't be fully apparent until the 2014 audit.	Yes
Bradenton Beach, City of	Manatee	#2010-1 - Segregation of Duties: The City has two employees who have access to the general ledger system and are also authorized check signers, which creates a lack of separation of duties. (See PDF Page 38 of 42)	N/A	Yes - Letter: Finding was repeated in FY 2012-13 audit; however, the finding has since been corrected by the City. In February 2014, the City hired a Finance Director/City Treasurer.	Yes
		#13-01 - Year End Adjustments: Numerous City accounts were not reconciled timely or accurately. As a result, year-end adjustments were required to correctly reflect the City's financial position and results of operations. (See PDF Pages 36-37 of 42)	MW	Yes - Letter: Stated finding was fixed. However CPA report states otherwise.	Yes
Bronson, City of	Levy	#ML2009-4 - Water and Sewer Fund: 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. (See PDF Page 32 of 35)	N/A	Yes - Letter: Utility rates were increased initially during the past fiscal year, but will be addressed again in late 2014 or early 2015 to meet an additional funding requirement for the sewer expansion grant. Increases will be addressed annually, but will take some time due to rates not being adjusted for over 10 years.	Yes
Bunnell, City of	Flagler	#2013-1 - Ensure Coding of Grants is Accurate: Several erroneous grant revenues/expenditures codings needed correction in the general ledger in order to properly analyze the City's grants for purposes of the Single Audit. (See PDF Page 60 of 62)	SD	No	Yes
Bushnell, City of	Sumter	#2011-1 - Financial Condition Assessment – Wastewater Fund: The wastewater fund has negative working capital, continues to show a net operating loss, and is operating with borrowed funds from both outside sources and through interfund advances from the electric and water fund. (See PDF Page 111 of 115)	N/A	Yes - Letter: The City performed a rate study at the end of the fiscal year; the City Council reviewed the results and elected to make transfers from the General Fund, instead of raising customer rates, to begin funding repair and replacement and thereby creating cash reserves in the Wastewater Fund.	Yes

Municipalities

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Campbellton, Town of	Jackson	#09-1 - <u>Water Reconciliation</u> : The Town does not have procedures in place to reconcile monthly utility billings to utility collections. (See PDF Page 50 of 52)	N/A	Yes - Letter: Almost resolved. The Town has developed a spreadsheet for FY 2013-14 to track monthly billings, receipts, and accounts receivable by month.	Yes
Carrabelle, City of	Franklin	#13-03 - <u>General Fixed Assets</u> : The City had not taken a complete physical inventory of property and equipment. (See PDF Page 48 of 55)	N/A	Yes - Letter: The City is in the process of completing an inventory list which will correlate with the Auditors depreciation list. All department supervisors will receive a list and be responsible for property on the list and for an annual physical inventory.	Yes
		#13-04 - <u>Accounting Manual</u> : The City does not have an accounting procedures manual. (See PDF Page 51 of 55)	N/A	Yes - Letter: Writing of the Accounting Manual is in progress and will be completed by Year End 2014.	Yes
		#13-05 - <u>Disaster Recovery Plan</u> : The City does not have current, well-defined, written disaster recovery procedures. (See PDF Page 51 of 55)	N/A	Yes - Letter: The City has completed a Disaster Recovery Plan by implementing off site backup.	Yes
		#13-06 - <u>Budgetary Controls</u> : The City adopts its budget for the various funds on the modified accrual basis of accounting. Based upon that budget approach, the City's expenditures exceeded appropriations in the General Fund, the Special Revenue Fund, the Water and Sewer Fund, and the Port and Airport Fund. (See PDF Page 52 of 55)	N/A	Yes - Letter: The City will amend its budget at year end and will include the cash carry forward from year to year in future budgets.	Yes
		#13-07 - <u>Budgetary Controls – General</u> : The City did include carry forward amounts in its adopted budget. However, after fiscal year-end when the final fund equities were determined, the City did not amend the budget to include the appropriate amounts. (See PDF Page 52 of 55)	N/A	Yes - Letter: The City will amend its budget at year end and will include the cash carry forward from year to year in future budgets.	Yes
		#13-08 - <u>Bank Reconciliations</u> : Bank reconciliations were not signed off on as being reviewed. Also, several bank reconciliations included checks that were outstanding at the prior year's audit date. (See PDF Page 48 of 55)	MW	No	Yes

Municipalities

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Cedar Key, City of	Levy	#2011-1 - Budget Compliance: The general fund budget was not amended to increase appropriations for capital expenditures related to a boat ramp project. The general fund reported expenditures of \$146,231 in excess of the approved appropriations. (See PDF Page 38 of 42)	N/A	No	Yes
Century, Town of	Escambia	No Finding # - Policies and Procedures: There is no written description of duties for accounting personnel that outline the internal controls and procedures. (See PDF Page 46 of 49)	N/A	Yes - Email: Policies and procedures manual has been updated; still working on written duties of personnel.	Yes
		#12-1 - Fixed Assets: Inadequate safeguarding of assets exists, in that, although fixed assets are kept on schedules, the process of specifically identifying assets with "tagging" process is not consistently applied. (See PDF Page 48 of 49; also see Addendum to the Management Letter, PDF Pages 2-3 of 4)	N/A	Yes - Email: States that they are in process of performing inventory and tagging assets.	Yes
		#12-3 - Revenue/Collections: Accounts receivable and customer deposits in the Enterprise Funds are not reconciled to the subsidiary ledger on a periodic basis. (See PDF Page 48 of 49; also see Addendum to the Management Letter, PDF Pages 2-3 of 4)	N/A	Yes - Email: : Accounts receivable are tied out monthly to subsidiary ledger; however, there are always some adjustments at year-end.	Yes
Coleman, City of	Sumter	#2013-2 - Lack of Capital Assets Records and Safeguarding of Assets: The City's procedure for safeguarding property and equipment are inadequate. The primary issue pertains to very old property and equipment - lack of old records and incompleteness of description of assets. (See Part 2, PDF Page 32 of 36)	SD	Yes - Letter: The City is a small city with a population of less than 700 people. We have attempted to check old records to reconcile the fixed asset ledger; however, lack of old records, incompleteness of description of assets and limited personnel are making this task very difficult. The City will continue to work toward implementing policies to better safeguard property and equipment.	Yes

Municipalities

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Coral Gables, City of	Miami-Dade	#ML 2013-01 - Internal Service Fund: The fees charged by the internal service insurance fund related to the respective user funds of the City are in excess of the amounts necessary to fund the costs of providing insurance related services. The City has not analyzed the rates charged to user funds to ensure activities are fully financed through the application of reasonable fees and charges. (See PDF Page 147 of 150)	N/A	Yes - Letter: Management believes that the revised rates for the 2013-14 fiscal year approximates the insurance needs of user departments and will continue to review these fees charged to user departments to ensure adequate funding is appropriated through the budget process.	Yes
Cottondale, City of	Jackson	#2004-2 - Capital Asset Inventory: The City should take periodic inventory of its capital assets (property and equipment). (See PDF Page 57 of 61)	N/A	Yes -- Letter: States that the City will put a plan into place to take periodic inventories of its capital assets on an annual basis beginning 10/1/2013.	Yes
		#09-1 - General Accounting Records: 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, the general ledger accounts payable account for the general and enterprise funds were significantly off from the subsidiary reports. (See PDF Page 47 of 61)	MW	Yes - Letter: States this was an ongoing issue for awhile; describes procedures being implemented to address issue.	Yes
		#09-2 - General Accounting Records: Since FY 2005-06, the City has changed City Clerk several times; 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. Since the last major staff change in summer 2013, conditions are much improved. (See PDF Page 48 of 61)	MW	Yes - Letter: States this was an ongoing issue for awhile; describes procedures being implemented to address issue.	Yes
		#09-3 - Policies and Procedures: There was no consistent policy for allocations of several revenues and expenditures. While a formal allocation system was adopted for payroll several years ago and the allocation has improved considerably, some related accounts did not appear to follow this allocation. (See PDF Pages 48-49 of 61)	SD	Yes - Letter: States "This has now been resolved."	Yes

Municipalities

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Cottondale, City of (continued)	Jackson (continued)	#2013-1 - <u>Interfund Transfers Do Not Balance</u> : Although greatly improved, the accounts were still out of balance. A significant part of this was caused by misclassifying one side of the transaction. (See PDF Page 57 of 61)	N/A	Yes - Letter: States "This has now been resolved within house auditing among the staff."	Yes
Dania Beach, City of	Broward	#2013-01 - <u>Water Service Connections</u> : The City has incurred losses resulting from the misapplication of, and deficiencies in, its water service connection procedures. (See PDF Pages 165-166 of 169)	N/A	Yes - Letter: The City administration developed and approved written procedures and is now engaged in the process of training staff, in the approved water and sewer procedures.	Yes
Davenport, City of	Polk	#2013-001 - <u>Bank Reconciliations</u> : Reconciliations are not performed immediately upon receipt of the bank statements. (See PDF Page 49 of 57)	MW	Yes - Letter: Bank reconciliations are now being completed within the requested 30-day window; fully expect finding to be cleared in FY 2013-14 audit.	Yes
Deerfield Beach, City of	Broward	#IC 10-09 - <u>Eligibility (SHIP)</u> : Operations of this program have been temporarily suspended while the City takes corrective actions relating to procedures for eligibility. (See PDF Page 134 of 153)	N/A	Yes - Letter: The issues have been resolved, and the grant program is fully operational.	Yes
		#IC 10-10 - <u>Reporting (SHIP)</u> : Operations of this program have been temporarily suspended while the City takes corrective actions relating to procedures for ensuring that reporting requirements are met. (See PDF Page 134 of 153)	N/A	Yes - Letter: The issues have been resolved, and the grant program is fully operational.	Yes
		#ML 07-1 - <u>Retrospective look back on risk reserves</u> : The City has not yet established a formal policy and procedure on the retrospective review to assess reasonableness of actuarial results and verification by finance of information provided to the actuary. (See PDF Page 153 of 153)	N/A	Yes - Letter: The City is currently devising a protocol that will include a retrospective look-back as part of the review process of data sent to the actuary. The City hired a Risk Analysis Manager during the current fiscal year (2014-15) and will implement review procedures for the year ending 9/30/14.	Yes
		#ML 08-2 - <u>Accounting Policies and Procedures Manual</u> : The manual continues to be a work in progress as of 9/30/2013 and has not been completed and approved. (See PDF Page 152 of 153)	N/A	Yes - Letter: The Policies and Procedures manual continues to be a work in progress. The City plans to hire a consultant to help implement the policies and procedures in FY 2014-15.	Yes

Municipalities

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Deerfield Beach, City of (continued)	Broward (continued)	#ML 09-2 - <u>Documentation of IT Policies and Procedures</u> : The City's IT Management has taken steps towards documenting policies and procedures, but the drafts have not been approved as yet and there are specific areas still missing. (See PDF Page 151 of 153)	N/A	Yes - Letter: The City's IT department has a draft of its disaster recovery plan; however a formal review cycle is needed. It remains a high priority to the department for implementation in the current fiscal year (2014-15).	Yes
		#ML 10-2 - <u>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. (See PDF Page 150 of 153)	N/A	Yes - Letter: The Finance and HR departments will work collaboratively to devise a solution that will alleviate the incompatible duties. The City is currently implementing an ERP (Enterprise Resource Planning) system, which will streamline some of the processes. The testing and implementation phases of this system will occur FY 2014-15.	Yes
		#ML 11-1 - <u>Compliance with Investment Policy</u> : The City was not in compliance with two provisions of its new investment policy. (See PDF Page 141 of 153)	N/A	No	Yes
		#ML 11-4 - <u>New Hire Access Request Process and Terminated User Disablement and Removal Process</u> : 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 City should continue the process of completing its IT Department Policies and Procedures Manual. (See PDF Pages 142-143 of 153)	N/A	No	Yes
		#ML 11-5 - <u>Network Domain and AS-400 Password Parameters</u> : 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 City should continue the process of completing its IT Department Policies and Procedures Manual. (See PDF Pages 144-145 of 153)	N/A	No	Yes

Municipalities

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Deerfield Beach, City of (continued)	Broward (continued)	#ML 11-6 - <u>Logging and Monitoring of Security and Auditable Events</u> : The City has not reviewed available monitoring mechanisms and reports and has not established formal review controls and related processes. The City should continue its attempts to create a formal policy. (See PDF Page 146 of 153)	N/A	No	Yes
		#ML 11-7 - <u>Server Room (Data Center) Physical Access</u> : The City does not appear to have a formal, documented review process in place in relation to physical access to the server room. (See PDF Page 147 of 153)	N/A	No	Yes
		#ML 11-8 - <u>Change Management Policies and Procedures and Change Management Approval and Testing</u> : Appropriate controls are not in place to ensure that all changes made to the IT systems are tested, validated, and approved prior to implementation into the production environment. The City should continue the process of completing its IT Department Policies and Procedures Manual. (See PDF Page 148 of 153)	N/A	No	Yes
		#ML 11-9 - <u>Disaster Recovery Plan and Data Restoration Testing</u> : The City does not appear to have a documented Disaster Recovery Plan or process in place to periodic data restoration testing and communication of results in place. The City should continue the process of completing its IT Department Policies and Procedures Manual. (See PDF Page 149 of 153)	N/A	No	Yes
Dundee, Town of	Polk	#11-01 - <u>Restricted Cash Monitoring Needs Improvement</u> : The procedures in place are not adequate to track the sources and uses of all restricted resources or to monitor compliance with all debt-related covenants. (See PDF Page 52 of 53)	MW	Yes - Letter: Finding should be resolved by FY 2013-14 audit.	Yes

Municipalities

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Eatonville, Town of	Orange	#2006-01 - <u>Reconciliations</u> : Reconciliations were not provided for receivables and interfund balance sheet accounts during the fiscal year. As a result, certain general ledger account balances were incorrectly recorded. The Town's ability to address financial management matters is compromised by the inability to rely on unsupported financial data. (See PDF Page 61 of 68)	MW	Yes - Letter: We are moving forward with this finding because the last couple of years the Town has received less adjusting journal entries for our auditors.	Yes
		# <u>Observation 2006-A - Financial Condition Assessment</u> : Town had a deficit fund balance when aggregating the General Fund and enterprise funds, and thus met a condition that could lead to a state of financial emergency. (See PDF Page 67 of 68)	N/A	Yes - Letter: The Mayor and Town Council are working very hard to get a developer to come in with retail store, restaurants, and housing. The Town is still working with the county and other municipality to create a better partnership. In addition, the Town continues to stream-line expenses and finding other resources to improve the Town's revenue.	Yes
		#2008-02 - <u>Recording of Receivables</u> : There were instances where receivables and revenues were not recorded in the proper period, and where receivables were incorrectly classified as internal fund balances. (See PDF Page 61 of 68)	SD	Yes - Letter: The finance department will change its billing cycle to end of each month and make necessary journal entries to reflected current year activity. A new accounting software is needed to allow staff to do more.	Yes
		# <u>Observation 2010-B - Enterprise Fund Receivables</u> : The Town had an allowance for doubtful accounts for Water and Sewer Fund activities and adjustments had not been made. (See PDF Page 67 of 68)	N/A	Yes - Letter: In spite of the limited staff, the finance department will reconcile Enterprise Fund receivable to reflect the current activity for water and sewer, storm water, and solid water.	Yes
		# <u>Observation 2012-C - Interfund Transfers and Interfund Balances</u> : There are significant balances from/to within the Town. Fund level accountability is compromised and it is unclear as to how interfund balances will be eliminated. (See PDF Page 68 of 68)	N/A	Yes - Letter: We are still working resolving this past finding with limited staff because some of these balances are very old. We are looking for funds to purchase new accounting software that allows staff to do more.	Yes
Edgewood, City of	Orange	#2012-2 - <u>Ensure Compliance with Charter Provisions</u> : The City's "unassigned" fund balance of the governmental funds exceeded 75% of the gross annual revenues, contrary to charter provisions; it was approximately 92%. (See PDF Page 40 of 44)	N/A	No	Yes

Municipalities

Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
Included in the 2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports ¹

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Edgewood, City of (continued)	Orange (continued)	#2012-3 - <u>Develop an Accounting Manual</u> : The City has not finalized its "operating" or "accounting" manual. (See PDF Page 40 of 44)	N/A	No	Yes
		#2012-4 - <u>Redundancy in the Accounting System</u> : While two different accounting software packages were used in the past, the City made the decision during FY 2012-13 to utilize just one of them. Also, the City no longer has an in-house accountant and decided to continue to use the services of an outside accountant experienced and knowledgeable in governmental accounting. However, due to the transition in personnel during the year, an inordinate number of mispostings in the general ledger occurred, which required numerous adjusting journal entries by the auditors. (See PDF Page 41 of 44)	SD	No	Yes
		#2012-6 - <u>Council Minutes Should Be Timely Prepared and Posted</u> : Minutes of the City Council were not timely prepared and posted on the City's website. (See PDF Page 41 of 44)	N/A	No	Yes
		#2013-2 - <u>Ensure Correct Account Coding of Transactions</u> : There were numerous mispostings and misclassifications in the general ledger. (See PDF Page 40 of 44)	SD	No	Yes
Fort Lauderdale, City of	Broward	#2012-4 - <u>Calculation of Compensated Absences</u> : Errors were noted in the underlying data used in the calculation. Also errors were noted in the calculation of accrued leave using the approved leave accrual rates, and recalculation of some balances was not possible because underlying supporting data was not available. (See PDF Page 181 of 192)	SD	Yes - Letter: Corrective action plan is in progress and expected to be completed by September 30, 2015.	Yes
Fort Myers Beach, Town of	Lee	#2013-01 - <u>Prior Period Adjustment</u> : Internal controls were not sufficient to prevent material misstatements in the reporting of the Town's financial statements. (See PDF Pages 58 & 61 of 62)	MW	No	Yes
		#2013-02 - <u>Year-end Accruals</u> : Internal controls were not sufficient to detect material misstatements in the reporting of the Town's liabilities and related expenses/expenditures. (See PDF Pages 58 & 61 of 62)	N/A	Yes - Letter: The Department staff will verify on November 30th any additional outstanding invoices that affect the prior year.	Yes

Municipalities

Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
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Fort White, Town of	Columbia	#2009-2 - <u>Pumped vs. Billed Variances</u> : The auditors noted that the revenues in the Town's Enterprise Fund showed large undocumented gallons variances between the amounts of water pumped and the amounts billed for water usage. (See PDF Page 44 of 46)	N/A	Yes - Letter: The Town now maintains a record of gallons pumped and billed and attempts to reconcile large monthly differences.	Yes
		#2011-1 - <u>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 GAAP. (See PDF Pages 42-43 of 46)	SD	No	Yes
Graceville, City of	Jackson	#2010-1 - <u>Revenues/Collections</u> : The City's water and sewer revenue was not reconciled to the water and sewer billing system. (See PDF Page 64 of 67)	N/A	Yes - Letter: The City operates with a small staff. During FY 2013-14, the City purchased a utility operating system that will allow for such reconciliations on a routine basis.	Yes
		#2011-1 - <u>Purchasing/Contract Management</u> : Several grant revenue and expenditures that were received and expensed during the same month were not recorded on the general ledger. (See PDF Page 64 of 67)	N/A	No	Yes
Green Cove Springs, City of	Clay	#2013-01 - <u>Segregation of Duties</u> : There is no secondary review of journal entries prepared and posted by the Asst. City Manager. (See PDF Page 67 of 76)	SD	No	Yes
Greenville, Town of	Madison	#2013-02 - <u>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 could be implemented to improve existing internal controls without impairing efficiency. These include depositing cash receipts intact daily and having someone other than employees maintaining cash records receiving bank statements and canceled checks. (See PDF Pages 42-43 of 50)	MW	No	Yes
		#2013-09 - <u>Bond Reserve and Sinking Fund Requirements</u> : Monthly sinking fund deposits are not being made by the specified time period. (See PDF Page 45 of 50)	N/A	No	Yes

Municipalities

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Included in the 2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports ¹

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Gulf Breeze, City of	Santa Rosa	#2008-1 - <u>Capital Asset Balances</u> : In the auditors' testing of the general ledger capital asset control accounts and the subsidiary capital asset balances and other City controls over capital assets, it was noted that the beginning balances in the subsidiary ledger for business-type activities did not agree to the prior year ending balances; capital assets were not consistently classified in the general ledger or in the capital asset system. (See PDF Pages 138-140 of 146)	MW	Yes - Letter: New financial management software was installed late FY 2012-13 to improve staff's ability to create, review, and prepare necessary close-out entries and required audit schedules.	Yes
		#2008-3 - <u>Annual Close-Out and General Ledger Maintenance</u> : The auditors noted instances where balance sheet accounts were not properly adjusted as part of the City's year-end closing. (See PDF Page 140 of 146)	MW	Yes - Letter: New financial management software was installed late FY 2012-13 to improve staff's ability to create, review, and prepare necessary close-out entries and required audit schedules.	Yes
Haines City, City of	Polk	#2013-03 - <u>Publicly Accessible Email Servers</u> : Publicly accessible email servers are not segmented in an area of the network known as the DMZ. If the email servers are not segmented from the City's network by a DMZ, the threat of a Denial of Service (DoS) attack is increased, resulting in access to the network by unauthorized individuals. In addition, the City's network could be targeted and used as a spam relay. (See PDF Page 119 of 120)	N/A	Yes - Letter: A Cisco Iron Port email security device has been purchased and installed subsequent to FY 2012-13.	Yes
		#2013-04 - <u>Technology Disaster Recovery Plan</u> : Currently, the City does not have a written disaster and recovery plan in place; it is in the development stage. (See PDF Page 120 of 120)	N/A	Yes - Letter: The Plan has not been adopted at this time. The plan has been completed but is still awaiting approval by the City Commission.	Yes
Hialeah, City of	Miami-Dade	#2007-7 - <u>Solid Waste Fund Deficit</u> : The Solid Waste enterprise fund had an operating loss. The fees charged to the City by Miami-Dade County for waste disposal have increased; however, there have been no significant adjustments to rates charged to the residents for these services. (See PDF Page 171 of 173)	N/A	Yes - E-mail: Describes procedures implemented to address issue.	Yes

Municipalities

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High Springs, City of	Alachua	#2011-1 - <u>Interfund Transfers to General Fund</u> : The City's General Fund received transfers from several funds for administrative service allocations. The amounts transferred were apparently based upon allocations determined several years ago. The City subsequently commissioned a study to document the allocated costs, and results indicated that adjustments should be made. However, the City has not yet developed a plan to implement the changes. (See PDF Page 54 of 56)	N/A	No	Yes
Hollywood, City of	Broward	#IC 2013-01 - <u>State Financial Assistance Reporting - Local Services Program - Fred Lippman Multipurpose Center</u> : Expenditure reports selected for testing were not filed timely with the grantor agency. (See PDF Page 187 of 195)	SD	No	Yes
Holmes Beach, City of	Manatee	#2010-1 - <u>Cross Training</u> : The Treasurer performs most accounting functions and no other employee is trained to perform these functions. (See PDF Pages 50-51 of 51)	N/A	Yes - Letter: Describes actions being taken to address issue; The City hired a new City Treasurer, who began cross-training in the areas of payroll and accounts payable. The City is continuously working to correct this issue and believe it should be resolved by the FY 2013-14 audit.	Yes
Jupiter Inlet Colony, Town of	Palm Beach	#2011-2 - <u>Excess of Expenditures Over Appropriations</u> : Two departments had expenditures in excess of appropriations, contrary to Florida Statutes. (See PDF Pages 40-41 of 42)	N/A	No	Yes
Jupiter, Town of	Palm Beach	#2010-3 - <u>Purchase Approvals</u> : For five purchases tested, the purchase requisition or approval documentation was approved after the vendor invoice date. (See PDF Pages 136-137 of 139)	N/A	Yes - Letter: The Town does not deem this a significant audit finding which would warrant substantial changes to their purchased procedures or policies. However, additional training will be provided to ensure that employees involved clearly understand purchasing policies. Letters provides additional specific explanation.	Yes

Municipalities

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LaBelle, City of	Hendry	<u>#2009-2 - Meeting Required Sinking Fund and Reserve Account Covenants Related to Water and Sewer Revenue Bonds, Series 2002 and Series 2005:</u> The Water and Sewer Bonds require the City to deposit monthly into the Sinking fund an amount equal to 1/12 of the interest and principal due on the following Sept 1. There was a shortage of funds in the Sinking Fund and Reserve Account, in comparison to the amount required by the bond covenants. (See PDF Page 78 of 84)	N/A	Yes - Letter: The City is in the process of constructing a new water treatment plant. Appropriate deposits will be made to correct shortages. The new plant opening is set for July 10, 2014.	Yes
Lake Hamilton, Town of	Polk	<u>#2009-2 - General Accounting Records:</u> Enterprise Fund accounts receivable detail had not been reconciled to the general ledger control account. Recordkeeping was insufficient to provide accurate recording of accounts receivable. (See PDF Page 42 of 53)	MW	Yes - Letter: Staff is working on implementing CPA's recommendations.	Yes
		<u>#2009-3 - General Accounting Records:</u> Water deposits payable were not reconciled to the general ledger account. Recordkeeping was insufficient to provide accurate recording of accounts receivable. (See PDF Page 43 of 53)	MW	Yes - Letter: Staff is working on implementing CPA's recommendations.	Yes
		<u>#2009-8 - General Accounting Records:</u> Payroll record totals were not in agreement with, and were not reconciled to, the general ledger. (See PDF Page 43 of 53)	MW	Yes - Letter: The CPA and the Town Clerk have established procedures, which were implemented in October 2013. This condition should not exist beyond 2013.	Yes
		<u>#2009-10 - Policies and Procedures:</u> The Town did not have and continues not to have written policies for many of its accounting systems or departmental functions. (See PDF Page 44 of 53)	SD	Yes - Letter: The Town continues to work on drafting and adopting accounting system policies.	Yes
		<u>#2009-11 - General Accounting Records:</u> Several receipts and disbursements were found to be misposted in the general ledger. (See PDF Pages 44-45 of 53)	SD	Yes - Letter: The CPA and the Town Clerk review general ledger at least quarterly. This was implemented in October 2013.	Yes

Municipalities

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Lake Helen, City of	Volusia	#2008-MW03 - <u>Capital Asset Records and Maintenance</u> : The City has not performed a physical inventory of its general and utility fixed assets to determine if the assets actually exist, or are no longer in use. It was also noted, that the City has not developed or employed a formal system to internally account for its investment in capital assets. Instead, the City has relied on externally prepared asset depreciation schedules that do not contain sufficient asset descriptions or provide other essential information that is necessary. These records are separately produced and maintained and they are not integrated into the City's automated financial accounting systems. Instead, the records are updated annually on a manual, batch entry basis. (See PDF Pages 83-84 of 102)	MW	Yes - Letter: Computerized tracking of capital assets now exists; physical inventory was conducted in 2013; and annual physical inventory for 2014 is currently in progress.	Yes
		#2008-SD01 - <u>Accounts Payable Reconciliation and Postings</u> : The City continued to experience significant difficulties in reconciling its computerized accounts payable subsidiary ledger with the general ledger. The auditors noted that numerous accounting entries were posted to the general ledger after the closing of the year-end accounting period. However, no reconciliations have been prepared that separately account for these transactions, or to provide a means to document that these payables were accounted for in the proper accounting period(s). (See PDF Page 90 of 102)	SD	Yes - Letter: Effective June 1, 2014, the City implemented a new accounting information system to replace the laborious and tedious batch-based system previously in use. The new system significantly improves the ease and efficiency with which accounts payable reconciliation functions are accomplished.	Yes
		#2009-MW01 - <u>Utility Accounts Receivable</u> : The City is continuing to experience difficulty in reconciling the computerized customer accounts receivable subsidiary ledger with the general ledger. Customer account reconciliation procedures should be performed, and reviewed by oversight personnel, on a routine and timely basis. (See PDF Pages 85-86 of 102)	MW	Yes - Letter: New accounting information system improves ease of maintaining the customer accounts receivable subsidiary ledger in reconciliation with the general ledger. Customer payments are now posted as close to daily as possible.	Yes

Municipalities

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Lake Helen, City of (continued)	Volusia (continued)	#2009-SD01 - <u>Accuracy of Account Postings</u> : The City continues to have significant difficulties in the development of the routine account postings, many of which required audit corrections to ensure accurate financial reporting. (See PDF Pages 90-91 of 102)	SD	Yes - Letter: The City's new accounting information system allows for a quasi-immediate identification of errors on a per-transaction basis. It is expected that the new system will significantly improve the efficiency with which errors are identified and corrected, which will improve the accuracy of account posting.	Yes
		#2010-COM01 - <u>Timely Deposit of Police Pension Funds</u> : The City continued to fail to deposit the state-provided Casualty Insurance Premium Tax funds in the local law plan within the required 5-day limit. (See PDF Page 94 of 102)	N/A	Yes - Letter: The new accounting information system automatically accrues amounts to be deposited to the police pension fund. Deposits are now completed as a part of every payroll cycle.	Yes
		#2010-COM02 - <u>Impact Fee Funds</u> : The City did not deposit the proceeds of its water utility development (impact) fees into the required and restricted water development account. (See PDF Page 94 of 102)	N/A	Yes - Letter: The new accounting information system keeps track of impact fees in separate accounts as separate revenue sources and links pertinent expenditures to impact fees collected.	Yes
		#2010-MW01 - <u>Inventory Procedures - Creative Arts Café Restaurant</u> : The management of the restaurant no longer performs routine physical inventory counts of its food stock items, some of which are stored in an outside building structure with little security. Also, no procedures are in place to monitor food cost percentages that are effective management tools to control food stores and costs. (See PDF Page 86 of 102)	MW	Yes - Letter: This finding is no longer relevant, since the City has now (in 2014) terminated operation of the café.	Yes
		#2010-SD02 - <u>Purchase Orders and Procurements</u> : The City does not utilize a formally approved Purchase Order system to manage its contractual purchasing commitments, budget authorizations, and related procurements. (See PDF Page 91 of 102)	SD	Yes - Letter: Did not address this finding.	Yes
		#2011-MW01 - <u>Utility Customer Deposits</u> : The City has been unable to produce a detailed utility customer deposit report that supported the current utility deposit account balance reported in the general ledger. (See PDF Pages 86-87 of 102)	MW	No	Yes

Municipalities

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Lake Helen, City of (continued)	Volusia (continued)	#ML 2008-02 - <u>Uniform Accounting Policies and Procedures Manual</u> : The City has not yet fully developed a formal, written accounting policies and procedures manual or written job descriptions. (See PDF Pages 99-100 of 102)	N/A	Yes - Letter: The City plans to draft, prove, refine, polish and finalize new policies and procedures in FY 2014-15.	Yes
Lake Park, Town of	Palm Beach	#2011-2 - <u>Financial Condition Assessment Procedures</u> : The Town is in a deteriorating financial condition. This was caused by increased expenditures and drops in the incremental tax revenues over the years. (See PDF Page 139 of 142)	N/A	No	Yes
		#2013-1 - <u>Written Accounting Procedures Manual</u> : The Town has prepared an accounting policy manual and has made improvements in strengthening the internal control system and in communicating to employees their responsibilities in the system. However, there is not a detailed written accounting procedures manual. (See PDF Page 136 of 142)	SD	Yes - Letter: An Accounting Policy Manual has been approved and adopted.	Yes
Lake Worth, City of	Palm Beach	#2008-SD-05 - <u>Inventory</u> : The City is not addressing the amount of potential obsolete inventory. An oversight of inventory results in an understatement of expenses as well as an overstatement of net assets. (See PDF Pages 176-177 of 180)	SD	Yes - Letter: Outlines progress and completion timeline for finding.	Yes
Lakeland, City of	Polk	#2013-2 - <u>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. (See PDF Page 223 of 224)	N/A	Yes - Letter: Describes corrective actions taken or that will be taken to address issues in audit findings. Some programmer segregation of duties and access to source code issues may never be 100% resolved due to the limited resources for staffing, but compensating controls are in place to help mitigate some of the inherent risks.	Yes
Lauderdale Lakes, City of	Broward	#2010-02 - <u>Year-End Closing Entries</u> : Balance sheet accounts, which include accrued liabilities, capital assets and due to/from in all funds, reflected on the respective trial balances were not properly reconciled to reflect the appropriate balances as of fiscal year-end. (See PDF Pages 134-135 of 138)	SD	Yes - Letter: The City Commission intends to take full corrective action to correct this finding. A resolution was approved to authorize the City Manager to negotiate with a CPA to provide various accounting services to augment the services of the City's Finance Department,	Yes

Municipalities

Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
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Lauderdale Lakes, City of (continued)	Broward (continued)	#2011-05 - <u>Timely Completion of Bank Reconciliations</u> : The City did not properly reconcile its pooled cash bank account nor was it completed in a timely manner. (See PDF Pages 135-136 of 138)	MW	No	Yes
Lee, Town of	Madison	#2011-001 - <u>Payroll and Payroll Taxes</u> : Wages and related payroll taxes were not correctly stated by department. However, payroll taxes were correctly computed by fund and reimbursements made between funds. (See PDF Pages 56-57 of 64)	N/A	No	Yes
Mangonia Park, Town of	Palm Beach	#2009-02 - <u>Capital Assets Record Keeping</u> : The Town did not have a detailed listing of capital assets. (See PDF Page 45 of 51)	MW	Yes - Letter: The Town has purchased new software, including a "Fixed Assets" module, to address this finding.	Yes
		#2011-03 - <u>Excess of Expenditures Over Appropriations</u> : There were departments with expenditures in excess of budgeted amounts. (See PDF Page 49 of 51)	N/A	No	Yes
Mayo, Town of	Lafayette	#2007-1 - <u>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. (See PDF Page 46 of 47)	N/A	Yes - Letter: Limited staff and resources make it difficult to do the necessary relocation and repair to the hydrant to stop the water loss. The Town continues to search for funding assistance for this project.	Yes
		#2011-1 - <u>Financial Statement Preparation</u> : The Town does not have the expertise necessary to draft the financial statements and required footnotes in accordance to GAAP. (See PDF Pages 44-45 of 47)	SD	No	Yes

Municipalities

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Medley, Town of	Miami-Dade	#2013-02 - <u>Capital Assets</u> : The Town does not complete periodic or annual inventories for reconciliation purposes. 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. (See PDF Page 67 of 72)	MW	Yes - Letter: For smaller items, such as office furniture and computers, we believe that an annual physical inventory is not cost effective and not material to our operations or financial statements. We believe we have a good handle on what we have and would know if certain items are not accounted for. Regarding conveyance of certain pump stations and right-of-way title issue, we now have stable legal representation (after several years without such) and a process in place to obtain proper dedication and conveyance of pump station and right-of-ways.	Yes
		#2013-03 - <u>Licenses and Permit Items</u> : There are a significant amount of manual calculations in the license and permit processes. In addition, there is a lack of supervisory review in the processes. Various licenses and permits were tested and noted the following: (1) Subsidiary ledgers do not interface with the general ledger. Reports cannot be generated. (2) The Town periodically receives cash payments 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. (3) One of the quarterly surcharge fee reports submitted to the state was completed inaccurately resulting in an underpayment to the state. (See PDF Page 68 of 72)	SD	Yes - Letter: Partially corrected in FY 2012-13. Corrections are in progress.	Yes
Melbourne Beach, Town of	Brevard	#IC 2010-002 - <u>Travel Expenditures</u> : The Town paid for attendance of an official's spouse at an event contrary to Town policy, resulting in a \$30 overpayment. (See PDF Page 75 of 76)	N/A	Yes - Letter: Every measure is being taken to ensure the Town does not overpay for travel expenditures.	Yes

Municipalities

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Melbourne Village, Town of	Brevard	#001 - <u>Timeliness of Year-End and Other Accounting Procedures</u> : Although the Town has roughly developed a process for year-end closing procedures, the process has not been formalized and documented with planned completion dates well in advance of the June 30 deadline. In addition, the task of preparing and reviewing the Town's closing entries was performed by one person, with limited assistance from the firm preparing the financial statement compilation. Capital asset inventory had not been maintained properly. (See PDF Page 47 of 58)	SD	Yes - Letter: Town staff is in the process of designing and implementing year-end closing procedures. Parts of this process were implemented this year, but some problems remained. We hope to have refined the process sufficiently this fall that it will not be repeated in FY 2013-14 audit report.	Yes
		#002 - <u>Continuing Professional Education on Investments</u> : The Town Clerk/Treasurer had not completed eight hours of continuing professional education related to investments during FY 2012-13, as required by Florida Statutes. (See PDF Page 48 of 58)	N/A	No	Yes
Miami, City of	Miami-Dade	#2013-0001 - <u>Financial Statement Close Process</u> : The City's Comprehensive Annual Financial Report presented for audit contained numerous issues, such as inconsistent amounts between financial statements and footnotes, and amounts that did not agree to supporting documentation. (See Part 2, PDF Pages 158-161 of 204)	MW	Yes - Letter: The City has had significant turnover and vacancies within the Finance Department. The City has made strides in addressing many of the weaknesses. This issue should be fully addressed in FY 2013-14.	Yes
		#2013-0002 - <u>Capital Assets</u> : 1) The City does not record Neighborhood Stabilization Program (NSP) properties based on cost (appraised value) and does not classify these assets as held for sale; 2) Closed projects were not put into service and depreciated timely; 3) The City recorded adjustments relating to capital assets for errors relating to prior years with a cumulative increase to change in net assets of \$7.6 million. (See Part 2, PDF Pages 162-164 of 204)	MW	Yes - Letter: During FY 2013-14, all capital asset accounting functions were centralized and merged into the Finance Department. The City has made strides in FY 2012-13, the full benefit of the changes did not take place until FY 2013-14.	Yes

Municipalities

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Miami, City of (continued)	Miami-Dade (continued)	#2013-05 - <u>Information Systems General Controls</u> : Improvements could be made in controls relating to: (1) Change Management Segregation of Duties, (2) Periodic User Access Reviews and Role Validation, (3) Privilege User Access, and (4) Entity Level Controls - IT Risk Assessment. (See Part 2, PDF Pages 197-201 of 204)	N/A	No	Yes
Miami Beach, City of	Miami-Dade	#2013-1 - <u>Self-Insurance Fund Deficit and Actuarial Discount Rate</u> : The City's self-insurance fund reported a net position deficit of approximately \$1.5 million as of 9/30/13. Also, the discount rate of 3.5% is not compensable with the fund's investments' long-term yield. (See PDF Pages 169-170 of 207)	N/A	No	Yes
		#IC 2013-01 - <u>Federal Awards - Allowable Costs</u> : For 27 of 37 payroll expenditures tested, auditors were not provided any personnel activity reports delineating the hours worked by employees on each grant or certifications of those employees that work solely on one grant, resulting in \$273,481 of questioned costs. (See PDF Pages 158-159 & 164 of 207)	MW	No	Yes
Micanopy, Town of	Alachua	#2011-1 - <u>Financial Statement Preparation</u> : The Town does not have the expertise necessary to draft the financial statements and required footnotes in accordance to GAAP. (See PDF Pages 45-46 of 49)	SD	No	Yes
Milton, City of	Santa Rosa	#2010-01 - <u>Cash</u> : The pooled cash account reconciliation did not agree to the general ledger balance. (See PDF Page 92 of 97)	SD	Yes - Letter: In light of recent staff increase, more reviews of the reconciliation process, work efforts, and further staff training, the City is confident that the findings referenced above will be resolved.	Yes
Miramar, City of	Broward	#ML 2011-03 - <u>Audit Logging and Review</u> : A policy has not yet been formalized requiring documentation of any system reviews performed that are not internally documented by the software. (See PDF Page 230 of 230)	N/A	No	Yes
		#ML 2013-02 - <u>Password Configurations</u> : Password configurations have not been set up to meet minimum requirements as stated in the City's Acceptable Technology Use Policy. (See PDF Page 226 of 230)	N/A	No	Yes

Municipalities

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Municipality	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter re: FY 2011-12 Findings)	Recommend Requiring a Written Response This Year?
Moore Haven, City of	Glades	#2011-005 - <u>Mowing Revenue</u> : The City was unable to produce appropriate support for the listing of mowing receivable amounts provided. (See PDF Pages 76-77 of 85)	MW	No	Yes
Mulberry, City of	Polk	#13-01 - <u>Accounting Function</u> : Transactions were not properly recorded in the general ledger. There were also various financial statement accounts, which were not timely reconciled and required material audit adjustments. (See PDF Page 54 of 60)	MW	Yes - Letter: The accounts payable/payroll clerk made a lot of basic accounting entry mistakes which caused a lot of adjusting entries at year-end. The Finance Director is now doing the entries.	Yes
North Bay Village, City of	Miami-Dade	#2006-1 - <u>Capital Assets Subsidiary Detail Ledger Software, Reconciliation and Maintenance</u> : The City maintains a manually prepared schedule in Excel for tracking its capital assets. The existing subsidiary ledger maintained on the spreadsheet requires constant maintenance and formula manipulation which lends itself to the possibility of errors being made, miscalculation along with additional time and effort to maintain. (See PDF Page 65 of 67)	N/A	Yes - Letter: The Village has contracted to implement a complete financial, account, utility billing and fixed asset maintenance software system. The finance department has recently started the conversion for the first phase of this project.	Yes
		#2009-1 - <u>Bank Reconciliations</u> : Reconciliations of the City's operating cash accounts had been performed but not reconciled to the general ledger for a significant portion of the fiscal year. In addition to the preparation of bank reconciliations by a designated individual, there should be another individual charged with the review and approval of the reconciliation once it is prepared to verify the reconciliation process is complete. (See PDF Page 65 of 67)	MW	Yes - Letter: The reconciliations are being prepared within two weeks of month-end. Also, segregation of duties have been established for preparing the bank reconciliations, reviewing them, and posting of any items. In addition, the finance department is implementing a new accounting system that will be effective with the beginning of FY 2014-15.	Yes
		#2010-03 - <u>Document Significant Operational and Accounting Processes</u> : The Village should institute a program to methodically identify and document its significant operational and accounting process. (See PDF Page 66 of 67)	N/A	Yes - Letter: The finance department is currently converting the utility billing, cashing, business license and building permit to the new computer system which should be completed before 9/30/14. The accounting system will be converted in October or November 2014.	Yes

Municipalities

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North Bay Village, City of (continued)	Miami-Dade (continued)	#2010-07 - <u>Consider Implementing an Enterprise Risk Management (ERM) Program</u> : The Village will face risks from both expected and unexpected channels. To weather current financial crisis, the Village has to be more proactive than ever when identifying, assessing, prioritizing, and managing those risks. (See PDF Page 67 of 67)	N/A	Yes - Letter: The Village reviewed this finding with the insurance provider and plans on implementing a basic program during FY 2014-15.	Yes
North Miami, City of	Miami-Dade	#2013-01 - <u>Balance Sheet Schedules</u> : Certain cash, accounts receivable, and current liability schedules were adjusted after being made available. Additionally, interim monthly reports have not been prepared on a regular basis as a result of these reconciling processes. (See Part 2, PDF Page 59 of 65)	N/A	No	Yes
North Miami Beach, City of	Miami-Dade	#09-3 - <u>Upgrade the Accounting System Criteria</u> : The financial accounting and reporting system software program used to perform the financial functions and related activity are several years old and outdated. Also, since that time, growth of the City has resulted in increased financial and operational requirements. (See PDF Page 162 of 169)	SD	Yes - Letter: The City is currently negotiating with the vendor selected for a new Enterprise Resource Planning (ERP) system. This software package will replace and integrate several of the City's outdated systems. Finalization of the contract is expected prior to the end of FY 2013-14.	Yes
		#11-1 - <u>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. (See PDF Pages 161-162 of 169)	SD	No	Yes
Oak Hill, City of	Volusia	#2009 SD01 - <u>Capital Asset Records and Inventory</u> : The City continues to have difficulty in developing and maintaining the records necessary to support the acquisition costs for prior years' qualifying fixed asset purchases. The physical inventory on the City's personal property items could not be completed until such records are generated. (See PDF Pages 67-68 of 76)	SD	Yes - Letter: While the City does maintain capital assets inventory listings in the form of detailed depreciation schedules, the City does not presently have the necessary human resource capabilities to examine archived prior year files to obtain the additional supporting documentation for all prior year asset acquisitions.	Yes

Municipalities

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Oak Hill, City of (continued)	Volusia (continued)	#2011 SD01 - Accounts Payable - Cutoff Procedures: Since the City currently does not have any purchasing and/or accounts payable cutoff procedures in place, many of the current year expenditures were not being recorded with the correct accounting period. (See PDF Pages 68-69 of 76)	SD	No	Yes
		#ML 2009-1 - Uniform Accounting Policies and Procedures Manual: The City has not yet fully developed a formal accounting policies and procedures manual. (See PDF Pages 73-74 of 76)	N/A	Yes - Letter: The City has not yet fully developed a written and formal accounting policies and procedures manual due to the lack of the availability of trained finance personnel. The City has a small office (two person) environment and has not had the ability to complete this task.	Yes
		#ML 2009-2 - Personnel Policies and Procedures Manual: The City has made progress in revising its Personnel Policy Manual (last revised in December 2005), but has not yet completed or formally adopted the revised formal Manual. (See PDF Page 74 of 76)	N/A	Yes - Letter: The City Clerk has continually worked with the City Attorney to resolve many of the difficult and legal conflicts that exist in the current documents. The new manual is now complete and awaiting final Commission approval.	Yes
		#ML 2009-3 - Information Technology - Data Backups of Network: The City's email records are effectively backed up on the City's secondary backup server, but there are concerns that the backup records are still retained in the same physical location (City Hall). (See PDF Page 74 of 76)	N/A	Yes - Letter: The City does not own an off-site structure capable of storing this data. We are currently working with our external technology services contractor to acquire the proper tools to actively produce off-site backup of all electronic materials. We expect to achieve this in the next fiscal year	Yes
		#ML 2011-04 - Disposition of Restricted Police Funds: 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 75 of 76)	N/A	No	Yes
		#ML 2011-05 - Federal Information and Tax Reporting Requirements-IRS Form 1099: The City did not prepare and file all required Form 1099-MISCs which could potentially lead to future IRS complications for not being in compliance with federal reporting requirements. (See PDF Page 75 of 76)	N/A	No	Yes

Municipalities

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Oak Hill, City of (continued)	Volusia (continued)	#ML 2011-06 - Updated OPEB Actuarial Report: The City's previous valuation of OPEB, conducted in 2011, is no longer materially accurate and the obligation of liability is substantially overstated, due to the disbanding of the City Police Department in 2011. (See PDF Pages 75-76 of 76)	N/A	No	Yes
Oakland, Town of	Orange	#10-01 - Utility Billing Subledgers should be Reconciled to the General Ledger: Management should implement monthly reconciliations between the detailed utility customer accounts receivable and customer deposit subsidiary ledgers to the general ledger control accounts. (See PDF Page 46 of 49)	MW	Yes - Letter: The Town has converted to a new accounting system and added a staff member to assist with better internal controls which will address all the audit findings by the end of FY 2014-15.	Yes
		#10-02 - Cash Disbursements: Internal control procedures over cash disbursements have not been adequately designed or were not operating properly: (1) inadequate supporting documentation to support several disbursements; and (2) there is no formally adopted purchasing policy. (See PDF Page 46 of 49)	N/A	Yes - Letter: Even though the Town's policy requires invoices for all payments, the Town has had an issue with staff removing paid invoices from the file and not returning them after reviewing. The formal purchasing policy finding has been resolved as of the end of FY 2013-14.	Yes
		#10-03 - Cash Receipts: Internal control procedures over cash receipts have not been adequately designed. The utility billing cashier has the ability to make unapproved adjustments to customer accounts. (See PDF Page 46 of 49)	SD	Yes - Letter: The new accounting system is in place, and auditors have listed this finding as "monitoring" as of the end of FY 2013-14.	Yes
		#10-04 - Payroll: Internal control procedures over payroll processing and human resources have not been adequately designed or were not operating properly: (1) payroll data is being entered incorrectly into general ledger, and there is no reconciliation of payroll-related liabilities to the actual amounts paid; and (2) several employees were receiving annual leave time in excess of the annual leave provisions. (See PDF Page 47 of 49)	N/A	Yes - Letter: The Town has recently moved to a new payroll company and the issues relating to incorrect data entries will all be resolved in FY 2014-15. As of the end of FY 2013-14, the other issues have been resolved.	Yes
		#10-05 - Internal Control over Financial Reporting: Internal control over financial reporting failed to detect many financial statement misstatements resulting in audit adjustments. (See PDF Page 47 of 49)	SD	Yes - Letter: The Town has converted to a new accounting system and added a staff member to assist with better internal controls which will address all the audit findings by the end of FY 2014-15.	Yes

Municipalities

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Oakland, Town of (continued)	Orange (continued)	#10-06 - <u>Restricted Cash Monitoring Needs Improvement</u> : Management was not always monitoring the restrictions places on revenues that are restricted as to use by enabling legislation or contract. (See PDF Page 47 of 49)	SD	Yes - Letter: The Town has converted to a new accounting system and added a staff member to assist with better internal controls which will address all the audit findings by the end of FY 2014-15.	Yes
		#11-3 - <u>Competitive Bid Procedures</u> : The Town has not formally adopted a comprehensive purchasing policy. (See PDF Page 48 of 49)	N/A	No	Yes
		#11-4 - <u>Reconciliation of Inter-fund Activity Needs Improvement</u> : The Town's interfund due to/from accounts are not monitored and reconciled on a monthly basis. (See PDF Page 48 of 49)	MW	No	Yes
		#11-5 - <u>Approval and Support of Journal Entries</u> : The Town could not produce any documentation or support for several transactions, including a \$62,792 transaction related to the payment and allocation of insurance costs for FY 2012-13. (See PDF Page 48 of 49)	MW	No	Yes
Oakland Park, City of	Broward	#2011-ML-02 - <u>Information Technology (IT) Access Control Procedures</u> : The City does not have a formal process to grant, change and remove Users' access to critical information systems and resources. (See PDF Pages 144-145 of 145)	N/A	No	Yes
		#2011-ML-04 - <u>Inventory of Utility Meters</u> : The City does not perform a periodic or cyclical physical inspection of water meters installed in homes and buildings within the service area and compare the information against its database of utility customers. (See PDF Page 145 of 145)	N/A	No	Yes
Otter Creek, Town of	Levy	#2011-1 - <u>Financial Statement Preparation</u> : The Town does not have the expertise necessary to draft the financial statements and required footnotes in accordance to GAAP. (See PDF Page 38 of 42)	SD	No	Yes
		#2009-3 - <u>Annual Financial Statements</u> : The Town elected to forgo a financial audit for FY 9/30/12. The Town only prepared and filed the State Annual Financial Report not intended for GAAP principles. Thus, necessary beginning general ledger account balances were not available. (See PDF Page 40 of 42)	N/A	No	Yes

Municipalities

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Pahokee, City of	Palm Beach	#2010-1 - <u>Fixed Assets</u> : The City did not perform a physical count of inventories and has not maintained perpetual inventory records for the Cemetery Fund. Also, the City has not established adequate controls over the completeness of revenues and receivables for the Cemetery Fund. (See PDF Page 69 of 74)	MW	Yes - Letter: The City has engaged the services of an outside CPA to assist with planning, implementing, and controlling the physical counts of inventories for the Cemetery. The City has purchased a software package that will assist with correcting this finding. With the help of the CPA and new software package, the City will make every effort to rectify this finding with the FY 2013-14.	Yes
		#2011-8 - <u>Financial Condition Assessment Procedures</u> : Two of the City's three enterprise funds have experienced operating losses for several years, and the general fund had a significant decrease in fund balance during the current fiscal year. The City is in a deteriorating financial condition. (See PDF Pages 73-74 of 74)	N/A	Yes - Letter: Provides specifics relating to each fund. For FY 2012-13, the City adopted a balanced budget that did not include the use of any fund balance reserves and does not anticipate further decreases in fund balance in the General Fund.	Yes
Palm Coast, City of	Flagler	#2011-001 - <u>Segregation of Duties over Journal Entries</u> : The Finance Director has access to all primary areas of the general ledger and has access to post journal entries without approval by another person. (See PDF Pages 174-175 of 178)	N/A	No	Yes
Panama City Beach, City of	Bay	#13-02 - <u>Accounting Policies</u> : Some of the policies in the policy handbook have not been updated in several years. (See PDF Page 93 of 104)	N/A	Yes - Letter: Staff is currently in the process of updating the accounting manual. Should the City be unable to complete such an update utilizing its staff, an outside consultant will be hired to ensure it is updated before FY 2013-14 audit.	Yes
Pierson, Town of	Volusia	#2008-01 - <u>Recording Activity on General Ledger</u> : The Town does not maintain a complete set of financial records. Several bank accounts were identified where the receipt and disbursement transactions are not being included in the Town's books. (See PDF Page 39 of 40)	N/A	Yes - Letter: The Town has hired a new Town Clerk and contracted with a CPA to develop and adopt monthly financial statement closeout procedures. The Town will integrate the Town's annual budget into the accounting software system and monthly financial reports will be produced from the accounting software system and provided to the Town Council for their review and approval. These findings should be corrected in the FY 2013-14 audit report.	Yes

Municipalities

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Pierson, Town of (continued)	Volusia (continued)	#2008-02 - <u>Early Redemption of Bonds</u> : The Council should consider paying off the Water Revenue Bonds as soon as feasible after September 1, 2008. The early redemption penalties expire at that date. This would eliminate \$66,000 annual payment and save the Town over \$600,000 in interest over the life of the bonds. (See PDF Page 39 of 40)	N/A	Yes - Letter: Indicates that finding has been corrected and is not in the FY 2012-13 audit report. [Note: Per FY 2012-13 audit report, the Town paid off the bonds in September 2013.]	Yes
		#2008-03 - <u>Codification of Ordinances</u> : The Town should update the codification of the ordinances. The Town's ordinances have not been codified since 1984. (See PDF Page 39 of 40)	N/A	Yes - Letter: The Town is currently in the process of contracting with a company that specializes in the codification of municipal laws and ordinances.	Yes
		#2009-03 <u>Bank Reconciliations</u> : The Town's bank reconciliations were prepared; however, they were never agreed to the general ledger. There were numerous transactions that were not recorded that required significant adjustments to the cash accounts during the audit. (See PDF Page 36 of 40)	MW	Yes - Letter: The Town has hired a new town clerk and contracted with an independent CPA. The Town will investigate old outstanding checks and handle them in accordance with State of Florida unclaimed property laws. These findings should be corrected in FY 2013-14 audit.	Yes
		#2010-02 - <u>Timely Recording of Transactions</u> : Several deposits and electronic fund transfers had not been posted for the entire year. (See PDF Page 39 of 40)	N/A	Yes - Letter did not address this finding.	Yes
		#2010-03 - <u>Improve Accounts Payable Recording and Payment Practices</u> : Several late fees had been paid to multiple vendors. At present, accounts payable are processed 1-2 times a month. (See PDF Pages 39-40 of 40)	N/A	Yes - Letter did not address this finding.	Yes
		#2011-01 - <u>Minutes</u> : The Town Council minutes of meetings were recorded electronically but several were not subsequently typed and placed in a binder for later reference. (See PDF Pages 36-37 of 40)	SD	No	Yes
		#2011-02 - <u>Payroll Taxes</u> : In several instances, the Town failed to make payroll payments and file tax returns in a timely manner. (See PDF Page 40 of 40)	N/A	No	Yes
		#2011-03 - <u>Disaster Recovery Plan</u> : The Town does not have well-defined, written disaster recovery procedures. (See PDF Page 40 of 40)	N/A	No	Yes

Municipalities

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Ponce de Leon, Town of	Holmes	#05-04 - <u>Sinking and Reserve Fund Deposits</u> : Sewer and Water Bond covenant requires that by the 15 th 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. All required deposits had been made, but not timely. (See PDF Page 67 of 69)	SD	Yes - Letter: The Town is attempting to make the required sewer and water deposits in a timely manner. To date, the total water bond debt service requirement for the fiscal year has been met ahead of schedule, and the Town will be meeting the sewer bond debt service requirement prior to 9/1/2014. Due to limitations on funds, the deposits are not made each month as required.	Yes
		#08-05 - <u>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. (See PDF Page 68 of 69)	MW	Yes - Letter: Since the Town is very small, the relative complexity of accrual accounting would be difficult to implement. At this time, the Town does not have the funding to employ additional personnel for a conversion from the cash basis of accounting.	Yes
Rockledge, City of	Brevard	#2010-A - <u>Disaster Grants - Public Assistance</u> : The final inspection report from State of Florida Division of Emergency Management (DEM) asserts that, at the time of the 2005 Hurricane Wilma disaster, Phase I of the project was complete, but Phase II was still underway, and, as a result, ineligible for reimbursement of repair expenditures. The City is following the appeals process and is awaiting a final report from DEM. (See Part 2 PDF Pages 55-56 of 59)	N/A	Yes - Letter: The City has met repeatedly with its local representative and representative from DEM to resolve this matter and is awaiting a final response to the appeals process. The City maintains that the project should be eligible for funding, as the City has acted in compliance with all applicable laws and regulations.	Yes
Sanibel, City of	Lee	#2010-03 - <u>Information Technology Controls</u> : The City's information security policies should continue to be enhanced for organization and management controls as should user access and applicable reviews for application security administration and access controls. (See PDF Page 177 of 179)	N/A	Yes - Letter: It is the City's intent to take full corrective action by 9/30/2014. Due to the sensitive nature of the area of concern, the City's auditors provided an itemized report to the City Council and management, describing various items and suggestions for improvement. Some items have been partially remediated. The City has engaged the services of an outside IT auditor to complete a review of the items noted during July 2014.	Yes

Municipalities

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Sneads, Town of	Jackson	#00-1 - <u>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. (See PDF Page 50 of 61)	SD	Yes - Letter: Complete records to comply with statutes is a time consuming process, and the Town's limited personnel prevents a quick solution.	Yes
		#2009-1 - <u>Purchasing Policies and Procedures</u> : In a prior year, the Town adopted updated purchasing policies and procedures; however, they did not stress documentation of calls for quotes and other data used for purchasing decisions. In the current year, the Town Council adopted a reworded policy requiring adequate documentation. While the auditors noted better application of good purchase documentation, there is still room for improvement, and they recommended the area be monitored carefully. (See PDF Page 55 of 61)	N/A	Yes - Letter: The Town Council adopted a Policy on 11/13/2012. The Town is continuing to comply.	Yes
South Bay, City of	Palm Beach	#2013-01 - <u>Capital Assets - Buildings and Facilities</u> : The City has failed to upkeep and maintain certain buildings and facilities; they have been neglected and are run down. Management needs to implement procedures to provide some basic maintenance to the City's buildings and facilities. (See PDF Page 45 of 47)	SD	No	Yes
St. Augustine, City of	St. Johns	#11-02 - <u>Pension Plans</u> : The City does not post its Pension Plans activity to the general ledger. (See PDF Page 191 of 194)	N/A	No	Yes
St. Cloud, City of	Osceola	#2013-02 - <u>Information Technology (IT) Assessment</u> : The City has made progress in the assessment of IT processes and controls; however, many of these areas are incomplete and may require additional time and resources to be fully implemented. Management should provide periodic updates to the City Council regarding the status of such. (See PDF Page 169 of 174)	N/A	No	Yes

Municipalities

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Trenton, City of	Gilchrist	<u>#2007-1 - Financial Statement Preparation</u> : The City is not capable of drafting the financial statements and all required note disclosures in accordance with generally accepted accounting principles (GAAP). The City also does not have the expertise necessary to prevent, detect, and correct misstatements in the financial statements and related notes. (See PDF Pages 49-50 of 51)	SD	Yes - NOTE: No letter was sent last year on this finding.	Yes
Valparaiso, City of	Okaloosa	<u>#2011-9 - OPEB Reporting</u> : The City has not engaged in an actuary to perform an analysis of other post-employment benefit (OPEB) liability since retirees can participate in their medical insurance plan paying full rates. (See PDF Page 69 of 71)	N/A	No	Yes
West Miami, City of	Miami-Dade	<u>#2010-1 - Restricted Cash and Customer Deposits</u> : The City did not have sufficient cash and/or deposits in the Water System Enterprise Fund to restrict for customer deposits. (See PDF Page 65 of 66)	N/A	Yes - Letter: The City has made improvements to the Water System Enterprise Fund to address the shortage of cash and investments. Due to the size of the City and the timing of funding received throughout the year, it is difficult to maintain cash and investments in this Fund over the required customer deposit amount.	Yes
White Springs, Town of	Hamilton	<u>#2011-01 - Financial Statement Preparation</u> : The City does not have the expertise necessary to prevent, detect, and correct misstatements. The City is not capable of drafting the financial statements and all required footnote disclosures in accordance to GAAP. (See PDF Pages 57-58 of 61)	SD	No	Yes
Williston, City of	Levy	<u>#2008-1 - Utility Materials and Supplies Inventory</u> : The City continues to maintain its utility materials and supplies inventory record keeping using a combination of manual and Excel spreadsheets. These tools and related procedures fail to accurately record the nature and amount of any receipt and requisition of materials and supplies transactions on a timely and consistent basis. (See PDF Page 80 of 82)	N/A	Yes - Letter: In December 2013, the City completed a significant upgrade to the accounting software and now has the tools required to implement an integrated inventory management system. The City plans to have this system in place by the end of FY 2013-14.	Yes

Municipalities

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Williston, City of (continued)	Levy (continued)	#2010-5 - Airport Fund: The Airport Fund has a deficit balance at fiscal year-end; this deficiency was created by expenditures utilized to match the state grants in prior years that were not properly funded for in the budget. (See PDF Page 80 of 82)	N/A	Yes - Letter: The City has taken steps in the current budget year to improve cash flow and anticipates that the fund balance deficit will be eliminated by the end of FY 2013-14.	Yes
Windermere, Town of	Orange	#13-01 - Internal Controls Over the Preparation of Financial Statements: The Town does not have the necessary expertise to draft the financial statements without assistance from the auditors. (See PDF Page 48 of 52)	MW	No	Yes
Winter Haven, City of	Polk	#2013-003 - Utility Billing: Rates were incorrectly charged to various customers during the year. (See PDF Page 180 of 180)	N/A	Yes - Letter: Indicates that steps in the current budget year are being taken to address issue. Due to the complexity of the new rate structure, it was not fully implemented until February 2013	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.

Municipalities--Addendum

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Avon Park, City of	Highlands	#2011-1 - Financial Statement Adjustments and Preparation: Internal control over financial reporting should be in place to ensure the City is preparing complete and accurate financial statements in accordance with GAAP. The City staff's knowledge and expertise does not currently allow them to perform all of the functions necessary to prepare financial statements and note disclosures in accordance with GAAP. (See PDF Page 76 of 88)	MW	Yes - Letter: Letter: Describes steps taken to resolve finding.	No [Corrected - see FY 2012-13 CPA Report (PDF p. 87 of 91)]
Chattahoochee, City of	Gadsden	#08-1 - Financial Reporting Deficiency: City staff lacks the skills and knowledge to apply GAAP in recording the entity's financial transactions or preparing its financial statements. Management requested the auditors to prepare the proposed journal entries and draft the financial statements, including related note disclosures. (See PDF Pages 57-58 of 63)	SD	Yes - Letter: Describes procedures implemented to address finding; however, due to small staff size, finding may never be completely resolved.	No
		#08-2 - Segregation of Duties: Separation of certain accounting and administrative duties among employees is not considered feasible by the City because of its size and limited number of employees. (See PDF Page 58 of 63)	MW	Yes - Letter: Describes procedures implemented to address finding; however, due to small staff size, finding may never be completely resolved.	No

MW = material weakness (see 2. in Legend)
SD = significant deficiency (see 3. in Legend)

Municipalities--Addendum

Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
 Included in the 2011-12 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

Municipality	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2013 JLAC letter on FY 2010-11 findings)	Recommend Requiring a Written Response This Year?
Springfield, City of	Bay	#12-11 - Separation of Duties: Due to the small number of staff, the City doesn't have proper segregation of duties in many areas. (See PDF Pages 54-55 of 61)	MW	Yes - Email: We are taking steps to segregate significant responsibilities among qualified staff members; however, due to the size of the City, some of the duties that would typically be best separated are not able to be. We believe that this note will always be present due to the cost factor of having sufficient qualified staff to properly segregate duties.	No
		#12-02 - Financial Statements: Inadequate design of internal control over the preparation of financial statements being audited. The auditor assists in the preparation of the financial statements, while the City retains responsibility for them. (See PDF Page 51 of 61)	MW	Yes - Email: We believe the new finance director is qualified to prepare our financial statements; however, due to cost constraints, we believe it is beneficial to have the audit team assist in the preparation of our financial statements.	No
Webster, City of	Sumter	#12-1 - Separation of Duties: Because of a limited number of available accounting 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. (See PDF Page 45 of 54)	MW	Yes - Letter: Provides brief history of City and describes procedures being implemented to compensate; however, due to small City with limited staff and resources, finding may never be completely resolved.	No

MW = material weakness (see 2. in Legend)
 SD = significant deficiency (see 3. in Legend)

Municipalities--Addendum

Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
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Municipality	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2013 JLAC letter on FY 2010-11 findings)	Recommend Requiring a Written Response This Year?
Webster, City of (continued)	Sumter (continued)	#12-2- Financial Reporting: Statement on Auditing Standard No. 115, Communicating Internal Control Related Matters Identified in an Audit , requires auditors to prepare a written communication if they identified misstatements during the audit process or if it was necessary to assist with the preparation of the financial statements. Several errors in the City’s accounting records were detected, and material audit adjustments were proposed. Also, auditors assisted with the preparation of the financial statements. (See PDF Page 45 of 54)	MW	Yes - Letter: Provides brief history of City and describes procedures being implemented to address finding, including hiring a government financial consultant to assist City. However, due to small City with limited staff and resources, finding may never be completely resolved.	No

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.

Municipalities

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Alford, Town of	Jackson	#2007-02 - <u>Separation of Duties</u> : Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedures, was not adequate. (See PDF Page 33 of 39)	MW	Yes - Letter ^A : Very small rural community with very limited budget and staff; describes some procedures implemented to compensate.	No
		#2007-03 - <u>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). (See PDF Page 33 of 39)	MW	Yes - Letter ^A : States that, due to budget constraints, finding will never be fully resolved; not financially feasible to hire staff with necessary expertise.	No
Altha, Town of	Calhoun	#2013-02 - <u>Separation of Duties</u> : Although the size of the Town's accounting staff prohibits complete adherence to the premise that one employee should not have access to both physical assets and the related accounting records or to all phases of a transaction, certain practices could be implemented to improve existing internal controls without impairing efficiency. These practices include a responsible official reviewing all checks and related source documents before signing checks. (See PDF Page 40 of 52)	MW	Yes - Letter ^A : Describes some procedures implemented to compensate.	No
		#2013-05 - <u>Prepare Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP) and Significant Adjustments</u> : Financial statements were submitted to the auditor 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. (See PDF Page 41 of 52)	MW	Yes - Letter ^B : 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.	No
Apalachicola, City of	Franklin	#13-02 - <u>Segregation of Duties</u> : Due to small number of accounting staff, the City does not have proper segregation of duties in many areas. The City Clerk currently has the ability to issue and approve cash disbursements; reconcile the cash account; input, edit, and approve accounting journal entries; and prepare the financial information. (See PDF Page 61 of 62)	MW	Yes - Letter ^A : Limited number of employees; Duties continually reviewed by City administration in an effort to improve controls.	No

Municipalities

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Apalachicola, City of (continued)	Franklin (continued)	#13-03 - Significant Adjustments to the Financial Records: Adjustments were needed in order for the financial statements to conform with GAAP. (See PDF Page 61 of 62)	MW	Yes - Letter ^B : It is not considered practical or economically feasible for the City to invest in the substantial resources that would be required for staff to produce financial statements that require no proposed audit adjustments; provides specifics regarding such resources.	No
Belle Isle, City of	Orange	#ML 12-3 - Financial Reporting: The City does not have controls over preparation of the financial statements which would prevent or detect a misstatement in the financial statements. (See PDF Page 104 of 117; also see Revised Report on Internal Controls, PDF Pages 2 & 5 of 6)	SD	Yes - Letter ^B : Due to the size of the City and limited staff, it is not practical for the City to prepare its own financial statements at this time. Beginning FY 2013-14, the Auditor is going to try to work with the Finance Manager to prepare the financial statements.	No
Blountstown, City of	Calhoun	#06-01 - Segregation of Duties: Separation of certain accounting and administrative duties among employees was not considered feasible by the City because of its size and limited number of employees. (See PDF Page 65 of 68)	SD	Yes - Letter ^A : Size of City and staff not sufficient; cost/benefit ratio far too great to employ more personnel; have implemented some procedures to compensate.	No
		#07-01 Deficiency Over Financial Reporting: 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 GAAP. (See PDF Page 65 of 68)	N/A	Yes - Letter ^A : Size of City and staff not sufficient; City staff doesn't have expertise or resources to prepare financial statements.	No
Bonifay, City of	Holmes	#2010-01 - Financial Statement Preparation Knowledge: 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. (See PDF Pages 54-55 of 58; also see Response to Management Letter, PDF Page 1 of 1)	MW	Yes - Letter ^A : Sufficient revenue not generated to warrant hiring accountant with such skill level.	No

MW = material weakness (see 2. in Legend)
SD = significant deficiency (see 3. in Legend)

Municipalities

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Bonifay, City of (continued)	Holmes (continued)	#2010-03 - Analysis of Financial Condition Assessment: The City ended the fiscal year with a deficit in unrestricted net assets for governmental activities and a larger deficit fund balance in the general fund than in the previous fiscal year. (See PDF Pages 56-58 of 58; also see Response to Management Letter, PDF Page 1 of 1)	N/A	Yes - Letter ^A : Management is keenly aware of budget constraints facing the City; closely monitoring expenditures, etc.	No
Branford, Town of	Suwannee	#2010-1 - Financial Statement Preparation: The Town does not have the expertise necessary to draft the financial statements and all required footnote disclosures in accordance with GAAP. (See PDF Pages 50-51 of 53)	SD	Yes - Letter ^B : 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.	No
Bristol, City of	Liberty	#2011-01 - Prepare Financial Statements in Accordance with GAAP and Significant Adjustments: 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 40 of 44)	MW	Yes - Letter ^A : Due to nature and size of city, it would be cost prohibitive to engage separate accounting firm to draft financial statements and related notes.	No
Bronson, City of	Levy	#2009-1 - Segregation of Duties: Separation of certain accounting and administrative duties among employees was not considered possible because of the limited number of employees. (See PDF Page 31 of 35)	MW	Yes - Letter ^A : States that one additional staff added in 2012 and procedures implemented to compensate.	No
Brooker, Town of	Bradford	#2013-1 - Separation of Duties: Due to limited personnel, the Town does not adequately separate the duties in the accounting department. The same employee should not have access to both physical assets and the related accounting records. (See PDF Page 42 of 47)	SD	Yes - Letter ^A : Due to limited staff and financial resources, finding will never be resolved; have implemented some procedures to compensate.	No

Municipalities

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Municipality	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (relating to Most Recent Response to JLAC letter re: FY 2010-11 ^A or FY 2011-12 ^B Findings)	Recommend Requiring a Written Response This Year?
Brooker, Town of (continued)	Bradford (continued)	#2013-2 - <u>Financial Reporting</u> : The Town does not have someone on staff to prepare the financial statements including disclosures in accordance with GAAP and to record complex adjustments. (See PDF Page 42 of 47)	SD	Yes - Letter ^A : States that town cannot afford to hire someone to prepare financial statement in accordance with generally accepted accounting principles (GAAP).	No
Bushnell, City of	Sumter	#2008-2 - <u>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. (Update for 2013 - The City has recently reallocated resources and individuals to assist with internal control related to segregation of duties concerns. These changes were not effective until close to the fiscal year-end.) (See PDF Page 108 of 115)	SD	Yes - Letter ^B : 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.	No
Callahan, Town of	Nassau	#2013-001 - <u>Separation of Duties</u> : Since 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. (See PDF Page 38 of 39)	MW	Yes - Letter ^A : Due to limited staff, not always possible to separate incompatible duties; have separated whenever possible to minimize impact of control deficiency.	No
		#2013-002 - <u>Financial Reporting</u> : The auditors assisted in the preparation of the financial statements and proposed material adjustments to the Town's financial statements. (See PDF Page 38 of 39)	MW	Yes - Letter ^A : States that measures put in place to ensure all financial activity is captured in accounting records; does not address preparation of financial statements though.	No
Campbellton, Town of	Jackson	#04-01 - <u>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. (See PDF Page 46 of 52)	SD	Yes - Letter ^A : Due to budget constraints in a small rural town; describes controls added and procedures implemented to compensate.	No

Municipalities

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Municipality	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (relating to Most Recent Response to JLAC letter re: FY 2010-11 ^A or FY 2011-12 ^B Findings)	Recommend Requiring a Written Response This Year?
Campbellton, Town of (continued)	Jackson (continued)	#07-01 - <u>Financial Reporting</u> : The Town relies on the external auditor to assist with preparing and explaining financial statements in conformity with GAAP. It does not have someone on staff to prepare such. (See PDF Pages 46-47 of 52)	MW	Yes - Letter ^A : Due to budget constraints in a small rural town, Town does not have resources to train personnel or pay a second auditor to do final preparation of financial statements prior to audit.	No
Carrabelle, City of	Franklin	#13-01 - <u>Prepare Financial Statements in Accordance with GAAP and Significant Adjustments</u> : There was no one on staff with sufficient knowledge to prepare GAAP-based financial statements. As a result, certain material adjustments were required to be made to the accounting records during the audit process. (See PDF Page 47 of 55)	MW	Yes - Letter ^A : City will continue to use outside auditor due to cost issues.	No
		#13-02 - <u>Separation of Duties</u> : Due to the size of the City's accounting staff, it is not possible to completely 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. However, the auditors recommended certain practices that could be implemented to improve internal controls without impairing efficiency, such as cash receipts deposited intact daily. (See PDF Pages 47-48 of 55)	MW	Yes - Letter ^A : Indicates that city has separated duties, such as receiving and depositing cash and opening mail.	No
Cedar Key, City of	Levy	#2009-1 - <u>Separation of Duties</u> : The City's limited number of available personnel does not always make it possible to adequately separate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records. (See PDF Page 37 of 42)	MW	Yes - Letter ^A : City implementing new bookkeeping system to help alleviate this problem; added a receptionist position also.	No
Century, Town of	Escambia	#12-2 - <u>Separation of Duties</u> : A weakness on internal control exists due to a limited number of personnel to permit an adequate segregation of duties consistent with appropriate control objectives. (See PDF Page 48 of 49; also see Addendum to the Management Letter, PDF Pages 2-3 of 4)	N/A	Yes - Email ^A : Hiring additional staff is not practical just to have separation control; have assigned duties to mitigate these circumstances.	Np

Municipalities

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Municipality	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (relating to Most Recent Response to JLAC letter re: FY 2010-11 ^A or FY 2011-12 ^B Findings)	Recommend Requiring a Written Response This Year?
Chiefland, City of	Levy	#2013-001 - Separation of Duties: The City's limited number of available personnel does not always make it 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. (See PDF Page 40 of 43)	MW	Yes - Letter ^A : 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.	No
Clewiston, City of	Hendry	#2009-1 - Internal Control Over Financial Reporting: The City does not currently have professional personnel capable of preparing the financial statements and who have the skills and competencies necessary to prevent, detect, and correct a material misstatement on the financial statements. (See PDF Page 83 of 89)	MW	Yes - Letter ^A : Due to limited financial resources and fiscal staffing, may not be resolved in the foreseeable future; have implemented compensating controls where possible.	No
Coleman, City of	Sumter	#2013-1 - Improve Knowledge of Internal Control Over Financial Reporting: The person responsible for the accounting and reporting function lacks the skills and knowledge to apply GAAP in recording the City's financial transactions or preparing its financial statements. (See Part 2, PDF Page 32 of 36)	SD	Yes - Letter ^A : 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.	No
		#2013-3 - Lack of Separation of Duties: The small size of the City's accounting staff precludes certain internal controls and separation of duties afforded by a larger staff. The financial manager performs all of the accounting tasks. (See Part 2, PDF Page 32 of 36)	SD	Yes - Letter ^A : Limited personnel and resources; describes some procedures that have been implemented to compensate.	No
Cottondale, City of	Jackson	#03-1 - Separation of Duties: The City has not designed their internal control system to include sufficient separation of duties. Staff members having custody of accounting records also have access to assets. (See PDF Page 46 of 61)	SD	Yes - Letter ^A : Describes some procedures implemented to compensate.	No
		#07-1 - Financial Reporting: The City relies on the external auditor to assist with preparing and explaining financial statements in conformity with GAAP. (See PDF Pages 46-47 of 61)	MW	Yes - Letter ^A : 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.	No

Municipalities

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Cross City, Town of	Dixie	#2013-001 - <u>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. (See PDF Page 43 of 45)	MW	Yes - Letter ^A : The Town is working to ensure all appropriate controls are adhered to; due to limited staff, finding may never be fully resolved.	No
Fanning Springs, City of	Gilchrist, Levy	#2012-1 - <u>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. (See PDF Page 56 of 59)	N/A	Yes - Letter ^A : States that City is small and not financially able to hire additional staff.	No
Fellsmere, City of	Indian River	#2013-FS-1 - <u>Segregation of Duties</u> : Due to the small office environment in which the City operates, and the heavy reliance on the Finance Director, oversight by the City Manager and the City Council is vital to ensuring proper control over the financial reporting process. (See PDF Pages 70 & 73-74 of 75)	SD	Yes - Letter ^A : Not likely to improve in the near future.	No
Glen Saint Mary, Town of	Baker	#2013-01 - <u>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. (See PDF Page 37 of 38)	MW	Yes - Letter ^A : Due to budget constraints and small size of Town and staff, Town Council gets copies of check registers each month to review.	No
		#2013-02 - <u>Financial Reporting</u> : The auditors identified misstatements during the audit process that required material adjustments to the financial statements. Also, it was necessary for the auditors to assist with the preparation of the financial statements. (See PDF Page 37 of 38)	MW	Yes - Letter ^B : Due to budget constraints it is not feasible to have someone on staff with the knowledge and experience to correctly prepare the financial statements.	No
Graceville, City of	Jackson	#2006-01 - <u>Separation of Duties</u> : Custody of assets, recordkeeping, and recording of assets should be adequately separated; however, due to the City's size, proper separation of duties may not be feasible. (See PDF Page 57 of 67)	SD	Yes - Letter ^A : "City will continue to operate w/ as much separation of duty as can be achieved w/ limited staff available."	No
		#2007-01 - <u>Financial Reporting</u> : The City relies on the external auditor to assist with preparing and explaining financial statements in conformity with GAAP. (See PDF Page 57 of 67)	MW	Yes - Letter ^A : "City currently has no plan of hiring additional staff or outside consulting due to budget constraints."	No

Municipalities

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Grand Ridge, Town of	Jackson	#11-01 - <u>Prepare Financial Statements in Accordance with 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 45 of 49)	MW	Yes - Letter ^A : States that it would be cost prohibitive to engage another accounting firm to draft financial statements and related disclosures.	No
Greensboro, Town of	Gadsden	#10-01 - <u>Preparation of Financial Statements in Accordance with 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 38 of 42)	MW	Yes - Letter ^A : One-person clerical staff & limited resources; not able to hire staff with such expertise.	No
		#10-02 - <u>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. (See PDF Page 38 of 42)	MW	Yes - Letter ^A : One-person clerical staff & limited resources; some compensating controls.	No
Greenville, Town of	Madison	#2013-01 - <u>Significant Adjustments and Preparation of Financial Statements</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 42 of 50)	MW	Yes - Letter ^A : States that town cannot feasibly prepare or hire another firm to prepare financial statements due to limited funds and staff.	No
Greenwood, Town of	Jackson	#05-01 - <u>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. (See PDF Page 33 of 38)	SD	Yes - Letter ^A : Small town – not feasible to hire additional staff; describes some procedures implemented to compensate.	No

Municipalities

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Greenwood, Town of (continued)	Jackson (continued)	#07-01 - Preparation of GAAP Based Financial Statements: 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. (See PDF Page 33 of 38)	SD	Yes - Letter ^A : States that town doesn't have expertise or resources to prepare annual financial statements as required.	No
Hastings, Town of	St. Johns	#2013-001 - Separation of Duties: 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. (See PDF Page 38 of 39)	MW	Yes - Letter ^A : Due to limited staff, difficult to separate duties; have implemented some procedures to compensate.	No
		#2013-002 - General Accounting Records: As part of the audit process it was necessary for the auditors to assist with the preparation of the Town's financial statements, enabling the financial statements to be fairly presented in conformity with GAAP. (See PDF Page 38 of 39)	MW	Yes - Letter ^A : 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.	No
Hilliard, Town of	Nassau	#2009-1 - Preparation of Financial Statements: The Town does not have a system of internal controls that would enable management to conclude the financial statements and related disclosures are complete and presented in accordance with GAAP. As such, management requested us to prepare a draft of the financial statements, including journal entries to report financial information in accordance with the Governmental Accounting Standards Board and including the related footnote disclosures. (See PDF Page 52 of 56)	MW	Yes - Letter ^A : 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.	No

Municipalities

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Horseshoe Beach, Town of	Dixie	#2011-1 - Financial Statement Preparation: The Town is not capable of drafting the financial statements and all required note disclosures in accordance with generally accepted accounting principles. The Town also does not have the expertise necessary to prevent, detect, and correct misstatements in the financial statements and related notes. (See PDF Pages 46-47 of 50)	SD	Yes - Letter ^B : 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.	No
Howey-in-the-Hills, Town of	Lake	#2013-001 - Financial Reporting: The auditors proposed material adjustments to the Town's financial statements. It was also necessary for the auditor to assist with the preparation of the financial statements and propose adjustments to those statements. (See PDF Page 54 of 57)	MW	Yes - Letter ^A : The Town will continue to evaluate cost/benefit of adding staff; cannot financially commit at current time.	No
Inglis, Town of	Levy	#2013-001 - Separation of Duties: 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. (See PDF Page 41 of 43)	MW	Yes - Letter ^A : 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.	No
Interlachen, Town of	Putnam	#2007-01 - Preparation of Financial Statements: A control deficiency exists in instances where the Town is not positioned to draft financial statements and all required disclosures. The situation exists with the Town of Interlachen. (See PDF Page 36 of 40)	SD	Yes - Letter ^A : Town started using an accounting consultant re: various accounting related topics; will continue to look for additional mitigating procedures to address finding.	No

Municipalities

Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
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Municipality	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (relating to Most Recent Response to JLAC letter re: FY 2010-11 ^A or FY 2011-12 ^B Findings)	Recommend Requiring a Written Response This Year?
Jacob City, City of	Jackson	#13-01 - <u>Segregation of Duties</u> : The City did not have enough personnel to adequately implement the separation of incompatible duties. (See PDF Page 30 of 30)	MW	Yes - Letter ^A : Due to limited budget and staff, may never be able to fully separate duties to eliminate finding; have implemented some procedures to compensate.	No
		#13-02 - <u>Audit Adjustments</u> : Certain audit adjustments were proposed relating to the posting and reversing of year-end accruals that were material to the overall financial statements. (See PDF Page 30 of 30)	MW	Yes - Letter ^A : Due to budget constraints, may never be able to fully resolve finding; cannot afford to hire staff with sufficient accounting background to be able to comply with complex accounting rules.	No
Jay, Town of	Santa Rosa	#07-1 - <u>Segregation of Duties</u> : The Town office/accounting staff is limited to two employees who are under the direction of the Town Clerk. The Town Clerk's office and Town Council have instituted procedures where they believe checks and balances exist to the greatest extent possible. (See PDF Page 37 of 41)	SD	Yes - Letter ^A : Due to limited staff, may never be able to fully separate duties to eliminate finding; have implemented some procedures to compensate.	No
Jennings, Town of	Hamilton	#13-01 - <u>Segregation of Duties</u> : 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. (See PDF Page 67 of 70)	MW	Yes - Letter ^A : Due to limited staff, may never be able to fully separate duties to eliminate finding; have implemented some procedures to compensate.	No
		#13-02 - <u>Financial Reporting</u> : Inadequate design of internal controls over the preparation of financial statements in accordance with GAAP. There was no one on staff with the sufficient knowledge to prepare GAAP-based financial statements. Certain adjustments were required to be made to the accounting records subsequent to the start of the auditing process, and management requested the auditors to prepare a draft of the financial statements, including the related footnote disclosures. (See PDF Page 68 of 70)	SD	Yes - Letter ^A : Staff doesn't have sufficient knowledge to prepare GAAP-based financial statements; rely on assistance from external auditors.	No

Municipalities

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Municipality	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (relating to Most Recent Response to JLAC letter re: FY 2010-11 ^A or FY 2011-12 ^B Findings)	Recommend Requiring a Written Response This Year?
LaBelle, City of	Hendry	#2009-1 - Internal Controls Over Financial Reporting: The City does not currently have the professional personnel needed to meet the requirements of Statement on Auditing Standards Number 115 (lack skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements). (See PDF Page 77 of 84)	MW	Yes - Letter ^A : 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.	No
LaCrosse, Town of	Alachua	#2013-1 - Separation of Duties: Due to the limited personnel, the Town does not adequately separate the duties in the accounting department. (See PDF Page 28 of 32)	SD	Yes - Letter ^A : Due to limited staff and financial resources, may never be able to fully separate duties to eliminate finding; have implemented some procedures to compensate.	No
Lake Butler, City of	Union	#2009-1 - Financial Statement Preparation: The City is not capable of drafting the financial statements and all required note disclosures in accordance with generally accepted accounting principles. The City also does not have the expertise necessary to prevent, detect, and correct misstatements in the financial statements and related notes. (See PDF Pages 55-56 of 59)	SD	Yes - Letter ^B : 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.	No
Lake Hamilton, Town of	Polk	#2009-1 - Separation of Duties: There is a lack of separation of duties. Administrative personnel continue to perform conflicting duties due to a limited number of personnel. (See PDF Page 42 of 53)	MW	Yes - Letter ^A : Due to limited staff and lack of funding - may never be able to fully separate duties to eliminate finding.	No
Lake Helen, City of	Volusia	#2008-MW01 - Year-End Closing Procedures: The City has experienced delays in its accounting, financial closing and reporting processes. The lack of accounting staff contributes to delays in processing critical accounting information. The City has continued to experience significant delays in performing critical year-end closing procedures that are essential to both the City's financial reporting requirements and the related independent audit process. (See PDF Page 82 of 102)	MW	Yes - Letter ^A : Seeking new finance manager; partly due to limited finance staff; have trained an existing staff member to perform in a limited fiscal capacity in absence of finance manager – will continue to serve in back-up role as needed once new finance manager is hired.	No

Municipalities

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Municipality	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (relating to Most Recent Response to JLAC letter re: FY 2010-11 ^A or FY 2011-12 ^B Findings)	Recommend Requiring a Written Response This Year?
Lake Helen, City of (continued)	Volusia (continued)	#2008-MW02 - Cash Disbursements: The City's accounting systems, internal control environment and operating procedures and controls related to the cash disbursement functions are the sole responsibility of a single employee due to the limited number of staff available in the finance area. This condition causes the City to assume substantial additional risks from its lack of ability to appropriately delegate these essential control responsibilities to more than one individual to strengthen administrative oversight and to ensure significant independent review of these functions. (See PDF Pages 82-83 of 102)	MW	Yes - Letter ^A : Seeking new finance manager; due to limited staff and financial resources, not practical to hire additional staff; may never be able to fully separate duties to eliminate finding; will continue to assess use of existing staff or supplemental staffing to mitigate risk.	No
		#2008-MW04 - Managerial Oversight Function: Virtually all of the City's financial transactions are managed and recorded by a single person who is also responsible for maintaining the general ledgers and all subsidiary customer accounts. The City has established and implemented a new series of policies and procedures to manage and oversee the essential accounting requirements. In the process of developing and making these changes, the City's finance personnel faced a significant number of conflicting procedures and priorities, many of which resulted in a growing backlog of current transaction processing, lost and misplaced documentation, and frequent duplication of effort due to the lack of coordinated efforts and oversight. (See PDF Page 85 of 102)	MW	Yes - Letter ^A : Seeking new finance manager; financial management oversight function is severely hampered due to lack of availability of trained finance personnel and resultant inability to separate various accounting functions and responsibilities; city will continue to assess current staffing to determine best means of developing an effective oversight system.	No
Lawtey, City of	Bradford	#2013-1 - Separation of Duties: Due to limited personnel, the City does not adequately separate the duties in the accounting department. The same employee should not have access to both physical assets and the related account records. (See PDF Pages 33 & 35 of 41)	SD	Yes - Letter ^A : 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.	No
		#2013-2 - Financial Reporting: The organization does not have someone on staff to prepare the financial statements including disclosure in accordance with GAAP and to record complex adjustment resulting in a significant deficiency under professional standards. (See PDF Pages 33 & 35 of 41)	SD	Yes - Letter ^A : 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.	No

MW = material weakness (see 2. in Legend)
SD = significant deficiency (see 3. in Legend)

Municipalities

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Municipality	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (relating to Most Recent Response to JLAC letter re: FY 2010-11 ^A or FY 2011-12 ^B Findings)	Recommend Requiring a Written Response This Year?
Macclenny, City of	Baker	#2013-1 - <u>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. (See PDF Page 60 of 63)	MW	Yes - Letter ^A : 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.	No
		#2013-2 - <u>Financial Reporting</u> : As part of the audit process, an external auditor assisted with the preparation of the financial statements and proposed material adjustments to the City's financial statements. (See PDF Page 61 of 63)	MW	Yes - Letter ^A : 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.	No
Malone, Town of	Jackson	#04-01 - <u>Separation of Duties</u> : Custody of assets, recordkeeping, and recording of assets should have adequate separation. Internal controls lack proper checks and balances due to the size of the Town. (See PDF Page 51 of 59)	SD	Yes - Letter ^A : Due to small staff and limited resources; mayor and town council are actively involved and will continue to be involved.	No
		#07-1 - <u>Financial Reporting</u> : The Town relies on the external auditors to assist with preparing and explaining financial statements in conformity with GAAP. (See PDF Page 51 of 59)	MW	Yes - Letter ^A : Limited resources; not cost effective for Town to prepare financial statements in accordance with generally accepted accounting principles (GAAP).	No
Marianna, City of	Jackson	#03-01 - <u>Separation of Duties</u> : There is a lack of separation of duties between employees who have recordkeeping responsibilities and employees in custody of city assets. (See PDF Page 71 of 72)	SD	Yes - Letter ^A : 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.	No

Municipalities

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Municipality	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (relating to Most Recent Response to JLAC letter re: FY 2010-11 ^A or FY 2011-12 ^B Findings)	Recommend Requiring a Written Response This Year?
Medley, Town of	Miami-Dade	#2013-01 - Supervisory Review: 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. (See PDF Page 67 of 72)	MW	Yes - Letter ^A : Due to small size of finance department, not always practicable to have journal entries reviewed; have implemented some compensating controls.	No
Milton, City of	Santa Rosa	#2008-1 - External Financial Reporting: The City designated a capable individual responsible for overseeing the financial statement process, it was noted that existing personnel did not currently have the technical background required, with respect to emerging governmental accounting standards, to produce its external financial statements. (See PDF Pages 94-95 of 97)	N/A	Yes - Letter ^A : The City will continue to provide training to ensure staff is current on any new or changing standards that might impact the City.	No
Monticello, City of	Jefferson	#13-01 - Preparation of Financial Statements: The City is not positioned to draft the financial statements and all required disclosures in accordance with generally accepted accounting principles. The City relies on the external auditors to assist with preparing and explaining financial statements in conformity with GAAP. (See PDF Page 55 of 58)	SD	Yes - Letter ^A : No cost benefit for the City to hire a CPA solely for purpose of drafting financial statements ahead of year-end audit procedures.	No
Moore Haven, City of	Glades	#2010-001 - Financial Reporting Process: City management requested the external auditors to prepare a draft of the financial statements, including the related notes to the financial statements. (See PDF Page 75 of 85)	MW	Yes - Letter ^A : Due to limited resources, the City feels it's cost prohibitive to hire an employee or consultant in order to resolve finding.	No
		#2010-002 - Audit Adjustments: The external auditors proposed 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. (See PDF Pages 75-76 of 85)	MW	Yes - Letter ^A : Due to limited resources, the City feels it's cost prohibitive to hire an employee or consultant in order to resolve finding.	No
Oak Hill, City of	Volusia	#2009 SD02 - Segregation of Duties: Due to the limited number of staff working with the administrative and finance departments, many of the critical duties are combined and assigned to the available employees. Presently, a single individual performs the majority of the accounting functions. (See PDF Page 68 of 76)	SD	Yes - Letter ^A : 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.	No

Municipalities

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Municipality	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (relating to Most Recent Response to JLAC letter re: FY 2010-11 ^A or FY 2011-12 ^B Findings)	Recommend Requiring a Written Response This Year?
Orchid, Town of	Indian River	#2009-02 - Council Oversight and Separation of Duties: The Town lacks proper separation of duties in its accounting function due to the small office environment in which it operates. (See PDF Pages 35-36 of 37)	N/A	Yes - Letter ^A : Due to limited staff (2 full-time and 1 part-time), unlikely that finding will ever be fully resolved; describes procedures implemented to compensate.	No
Palm Beach Shores, Town of	Palm Beach	#2009-01 - Segregation of Duties: There is insufficient segregation of duties in the accounting department. (See PDF Page 50 of 51)	N/A	Yes - Letter ^A : Small size of staff limits options to separate duties; have implemented procedures to mitigate some of the inherent risk.	No
Panama City, City of	Bay	#2007-1 - Segregation of Duties: Panama City Downtown Improvement Board (component unit): Due to the limited number of people working in the Board office, many duties are combined and assigned to the available employees. (See PDF Page 181 of 191)	SD	Yes - Letter ^A : Due to limited staff and funding, separation of duties will always be a concern; describes some procedures implemented to compensate.	No
Panama City Beach, City of	Bay	#13-01 - Segregation of Duties: The condition is the result of limited accounting staff and the responsibility of the finance director. The finance director currently has the ability to issue and approve cash disbursements; reconcile the cash accounts; input, edit, and/or approve accounting journal entries and prepare the financial information. (See PDF Page 97 of 104)	MW	Yes - Letter ^A : Due to limited resources, separation of duties finding may never be fully resolved; describes some procedures implemented to compensate; considering adding another accounting position in next year's budget process.	No
Paxton, City of	Walton	#2013-01 - Financial Reporting: 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 GAAP based financial statements. (See PDF Page 48 of 53)	SD	Yes - Letter ^B : 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.	No

Municipalities

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Municipality	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (relating to Most Recent Response to JLAC letter re: FY 2010-11 ^A or FY 2011-12 ^B Findings)	Recommend Requiring a Written Response This Year?
Paxton, City of (continued)	Walton (continued)	#2013-02 - Separation of Duties: No one employee should have access to both physical assets and related accounting records, or to all phases of a transaction. 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 48 of 53)	SD	Yes - Letter ^B : 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.	No
Penny Farms, Town of	Clay	#2011-1 - Financial Statement Preparation: Management's lack of knowledge and familiarity with Governmental Accounting and Financial Accounting Standards prohibits the Town's personnel from being able to prepare financial statements and note disclosures as required by those standards. (See PDF Page 46 of 50)	SD	Yes - Letter ^A : Due to small size of entity, expense to employ an accountant not justified at this time.	No
Pierson, Town of	Volusia	#2009-01 - Financial Statement Preparation: Management requested the auditors to prepare a draft of the financial statements, including the related notes to the financial statements. (See PDF Pages 35-36 of 40)	MW	Yes - Email ^A : Limited staffing; Town Clerk does prepare financial reports for financial statements to be completed.	No
		#2009-02 - Segregation of Duties: The Town Clerk is responsible to all accounting functions. (See PDF Page 36 of 40)	MW	Yes - Email ^A : 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.	No
Pomona Park, Town of	Putnam	#2009-IC-1 - Segregation of Duties: Because of the number of personnel in the financial department, there is a lack of separation of duties between employees that prepare the transaction and those that review the transaction. (See PDF Page 54 of 57)	SD	Yes - Email ^A : Due to small staff size, finding will most likely not be resolved for many years; letter attached describes some procedures implemented to compensate.	No

Municipalities

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Municipality	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (relating to Most Recent Response to JLAC letter re: FY 2010-11 ^A or FY 2011-12 ^B Findings)	Recommend Requiring a Written Response This Year?
Ponce de Leon, Town of	Holmes	#05-02 - Separation of Duties: The Town lacks sufficient personnel to appropriately separate all accounting functions. (See PDF Page 67 of 69)	MW	Yes - Letter ^A : 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.	No
		#07-04 - Financial Statement Preparation: 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. (See PDF Pages 67-68 of 69)	MW	Yes - Letter ^A : 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.	No
Reddick, Town of	Marion	#IC2009-1 - Financial Reporting: The Town's knowledge and expertise does not currently allow its staff to perform all of the functions necessary to prepare the financial statements and note disclosures in accordance with GAAP. (See PDF Page 27 of 32)	MW	Yes - Letter ^A : The Town has only one part-time employee paid on a contract basis; does not have expertise or knowledge required to prepare financial statements and notes in accordance with generally accepted accounting principles (GAAP).	No
		#ML2009-1 - Management Discussion and Analysis: Due to the inherent staff limitations, the Town is unable to produce the extensive Management Discussion and Analysis that accounting principles generally accepted in the U.S. has determined necessary to supplement although not required to be a part of the basic financial statements. (See PDF Page 30 of 32)	N/A	Yes - Letter ^A : The Town has only one part-time employee paid on a contract basis and does not have the resources to hire an outside accountant to prepare the financial statements and other required information.	No
Sewall's Point, Town of	Martin	#2011-1 - Organizational Structure: 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 Town is in the process of receiving federal grant funds, oversight and internal controls are a significant part of monitoring these funds. (See PDF Pages 36-37 of 38)	N/A	Yes - Letter ^A : Describes procedures implemented to compensate for Town's small size.	No

MW = material weakness (see 2. in Legend)
SD = significant deficiency (see 3. in Legend)

Municipalities

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Municipality	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (relating to Most Recent Response to JLAC letter re: FY 2010-11 ^A or FY 2011-12 ^B Findings)	Recommend Requiring a Written Response This Year?
Sneads, Town of	Jackson	#07-1 - Financial Reporting: The Town relies on the external auditors to assist with the preparing and explaining financial statements in conformity with GAAP. (See PDF Page 51 of 61)	MW	Yes - Letter ^A : Limited resources; costs still not in Town's budget capabilities to correct this problem.	No
Sopchoppy, City of	Wakulla	#13-01 - Preparation of Financial Statements: The City relies on the external auditors to assist with the preparing and explaining financial statements in conformity with GAAP. (See PDF Pages 44-45 of 47)	SD	Yes - Letter ^A : No cost benefit to City in hiring a CPA solely for purpose of drafting financial statements ahead of year-end audit procedures.	No
St. Marks, City of	Wakulla	#2010-01 - Segregation of Duties: The same person within the accounting department handled cash and checks and posted receipts and disbursements to the general ledger. (See PDF Page 40 of 43)	MW	Yes - Letter ^A : 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.	No
Waldo, City of	Alachua	#2011-1 - Financial Statement Preparation: The City does not have the expertise necessary to prevent, detect, and correct misstatements. The City is not capable of drafting the financial statements and all required footnote disclosures in accordance to GAAP. (See PDF Pages 49-50 of 56)	SD	Letter ^B : No (however, City responded to this finding in its response to 2014 JLAC letter relating to a different finding) - Letter: 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.	No

Municipalities

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Municipality	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (relating to Most Recent Response to JLAC letter re: FY 2010-11 ^A or FY 2011-12 ^B Findings)	Recommend Requiring a Written Response This Year?
Wausau, Town of	Washington	#2010-1 - <u>Segregation of Duties</u> : The Town presently employs only one part-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. (See PDF Pages 59-60 of 61)	MW	Yes - Letter ^A : Limited resources; this is and will be an ongoing situation; one-person operation; describes some procedures implemented to compensate.	No
		#2010-2 - <u>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 GAAP. (See PDF Pages 60-61 of 61)	MW	Yes - Letter ^A : Will continue to provide educational opportunities for employees to increase knowledge in areas that are lacking.	No
Wewahitchka, City of	Gulf	#2011-2 - <u>Financial Statement Preparation</u> : The City does not have the expertise necessary to prevent, detect, and correct misstatements. The City is not capable of drafting the financial statements and all required footnote disclosures in accordance to GAAP. [NOTE: Shown as finding #2011-1 in error.] (See PDF Pages 54-55 of 63)	SD	Yes - Letter ^A : Small staff; will continue to request outside assistance needed in reporting more complex transactions.	No
Wildwood, City of	Sumter	#2013-001 - <u>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. (See PDF Page 49 of 50)	MW	Yes - Letter ^A : Costs outweigh benefits; its in City's best interest to continue to outsource task to auditors; due to additional cost that would have to incur to resolve finding.	No

Municipalities

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Municipality	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (relating to Most Recent Response to JLAC letter re: FY 2010-11 ^A or FY 2011-12 ^B Findings)	Recommend Requiring a Written Response This Year?
Yankeetown, Town of	Levy	#2013-001 - Separation of Duties: 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. (See PDF Page 37 of 38)	MW	Yes - Letter ^A : 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.	No

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.

Special Districts--Addendum

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?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2013 JLAC letter re: FY 2010-11 Findings)	Recommend Requiring a Written Response This Year?
Bay Medical Center	Bay	<u>#2012-2 - Information Security</u> : The District does not have a formal process for reviewing terminated users' access is revoked in a timely manner. Some logical access security controls were not in place. (See PDF Page 60 of 64)	SD	Yes - Letter: Describes changes taken place at the Center (joint venture w/ another company to operate hospital facilities) and corrective efforts implemented to address issue.	No [Corrected - see FY 2012-13 CPA Report (PDF p. 34 of 48)]
Blackman Fire District	Okaloosa	<u>#2010-ML-01 - Use of Pre-Numbered Receipts for Collection of Impact Fees and Other Revenue Sources</u> : The District did not use pre-numbers receipts for other sources of revenue during FY 2011-12, but has begun using pre-number receipts for impact fees. (See PDF Page 37 of 38; also see Revised Management Letter, PDF Page 3 of 4)	N/A	No	No [Corrected - see FY 2012-13 CPA Report (PDF p. 35 of 36)]
		<u>#2011-ML-01 - Financial Statement Preparation, Knowledge, and Audit Adjustments</u> : The District must rely on an external auditor to propose audit adjustments and prepare its annual financial statements in accordance with GAAP. During FY 2010-11, the District started outsourcing accounting services to an independent CPA, who provides knowledge and insight to the Board about financial reports. The number of audit adjustments was significantly reduced. (See PDF Page 37 of 38; also see Revised Management Letter, PDF Page 3 of 4)	N/A	Yes - Letter: Finding mostly corrected; included in FY 2011-12 CPA report, though ('Prior Year Findings and Recommendations' section of Management Letter).	No [Corrected - see FY 2012-13 CPA Report (PDF p. 35 of 36)]
Campbellton-Graceville Hospital	Jackson	<u>#12-2 - Establish Supervisory Review</u> : The auditors noted a general lack of supervisory review of accounting transactions and month-end reconciliations. (See PDF Page 31 of 36)	N/A	Yes - Letter: Describes steps taken to address issue.	Yes [Not Corrected - see FY 2012-13 CPA Report, finding #13-2 (PDF p. 33 of 37)]

Special Districts--Addendum

Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
Included in the 2011-12 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

Special District	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2013 JLAC letter re: FY 2010-11 Findings)	Recommend Requiring a Written Response This Year?
Campbellton-Graceville Hospital (continued)	Jackson (continued)	<u>#12-3 - Financial Condition</u> : The Hospital has experienced declining financial conditions evidenced by operating losses incurred over the past several years and has experienced cash flow problems both during and after fiscal year-end. (See PDF Page 32 of 36)	N/A	Yes - Letter: Did not address this finding.	Yes [Not Corrected - see FY 2012-13 CPA Report, finding #13-3 (PDF p. 34 of 37)]
City Center Community Development District	Polk	<u>#2012-01 - Reserve Requirement</u> : The Debt Service Reserve Requirement was not met during the entire fiscal year ended 9/30/2012. (See PDF Page 34 of 36)	N/A	Yes - Letter: Describes history and current status of CDD; developer defaulted on payment of debt assessments and District is currently engaged in foreclosure litigation with developer; District's trial counsel reports that trial is expected to be completed in late January 2014. Currently, resolution of audit findings is beyond District's or Board's control; will work toward and correct audit findings at earliest practical time.	Yes [Not Corrected - see FY 2012-13 CPA Report, finding #2013-01 (PDF p. 37 of 41)]
		<u>#2012-02 - Financial Condition Assessment</u> : The District's financial conditions are deteriorating. The developer and certain landowners failed to pay their share of assessments in the current fiscal year, resulting in deficit fund balances in the General Fund and the Debt Service Fund. (See PDF Page 34 of 36)	N/A	See response for finding #2012-01 above.	Yes [Not Corrected - see FY 2012-13 CPA Report, finding #2013-02 (PDF p. 37 of 41)]
		<u>#2012-03 - Failure to Make Debt Service Payment When Due</u> : During and subsequent to FY 2010-11, the District did not make certain scheduled debt service payments when due. (See PDF Page 34 of 36)	N/A	No	Yes [Not Corrected - see FY 2012-13 CPA Report, finding #2013-03 (PDF pp. 37-38 of 41)]

Special Districts--Addendum

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Included in the 2011-12 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

Special District	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2013 JLAC letter re: FY 2010-11 Findings)	Recommend Requiring a Written Response This Year?
Dorcas Fire District	Okaloosa	#2011-1 - <u>Separation of Duties</u> : A lack in separation of duties pertaining to separation of financial reporting duties versus financial custodian duties. The former bookkeeper was arrested and charged with grand theft. The District is implementing steps to improve internal controls and to help prevent future fraud or thefts. (See PDF Pages 34-35 of 36; also see Revised Management Letter, PDF Page 1-2 of 4)	SD	No	Yes [Not Corrected - see FY 2012-13 CPA Report, finding #2012-1 (PDF p. 34 of 36)]
Eastpoint Water and Sewer District	Franklin	#12-02 - <u>General Accounting Records</u> : Significant adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles. (See PDF Page 35 of 36)	MW	Yes - Letter: Much of the issues have arisen from timing and inexperience of our staff. Also, the accounting software currently used only allows two fiscal years to be opened and should the fiscal year be closed, it is impossible to go back and correct. The office manager is currently taking classes to further his education.	Yes
Hamilton County Development Authority	Hamilton	#2010-001 - <u>Bank Reconciliation</u> : Cash had not been timely reconciled. There were no procedures in place to ensure that a timely bank to book reconciliation is performed. (See PDF Page 43 of 51)	SD	No	No [Corrected - see FY 2012-13 CPA Report (PDF p. 41 of 47)]
		#2010-002 - <u>Annual Audit</u> : The annual audit was not completed in accordance with Florida Statutes. (See PDF Pages 43-44 of 51)	N/A	No	No [Corrected - see FY 2012-13 CPA Report (PDF p. 41 of 47)]
Hendry-LaBelle Recreation Board	Hendry	#2011-1 - <u>Internal Control Over Financial Reporting</u> : The Board does not currently have staff with skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements. (See PDF Page 26 of 29)	MW	Yes - No response received to 9/27/2013 JLAC letter.	Yes

Special Districts--Addendum

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Special District	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2013 JLAC letter re: FY 2010-11 Findings)	Recommend Requiring a Written Response This Year?
Portofino Springs Community Development District	Lee	#2012-01 - <u>Reserve Requirement and Other Compliance</u> : The Debt Service Reserve requirement was not met as of fiscal year-end. Further, the non-payment of debt service on 5/1/2012 was not reported on MSRB, Municipal Securities Rulemaking Board, as required by SEC Rule. (See PDF Page 28 of 30)	N/A	Yes - Letter: Describes history and current status of CDD; lawsuit filed seeking foreclosure on all property benefitted by specified bonds for which assessments delinquent; however, at request of bondholders, District is dismissing lawsuit; as of 6/27/2013, District has new developer who has paid all past due assessments in full.	No [Corrected - see FY 2012-13 CPA Report (PDF p. 28 of 29)]
		#2012-02 - <u>Financial Condition Assessment</u> : The District's financial conditions continue to deteriorate. Due to delinquent assessments due from the Developer in the prior, current, and subsequent fiscal years, certain scheduled debt service payments were not made on time or were made, in part, by draws on the debt service reserve account. (See PDF Page 28 of 30)	N/A	See response for finding #2012-01 above.	No [Corrected - see FY 2012-13 CPA Report (PDF p. 28 of 29)]
South Bay Community Development District	Hillsborough	#2012-01 - <u>No Supporting Documentation Provided for Certain Expenditures</u> : Invoices could not be provided for certain expenditures paid for out of the Trust Accounts by the Trustee. (See PDF Page 29 of 31)	SD	No	Yes [Not Corrected - see FY 2012-13 CPA Report, finding #2013-02 (PDF p. 32 of 34)]
		#2012-02 - <u>Debt Service Reserve</u> : The debt service reserve requirements were not met at fiscal year-end. Funds from the debt service reserve accounts were used for partial debt obligations and operating expenses, and, as of the report date, the reserve accounts have not been replenished. (See PDF Page 29 of 31)	N/A	Yes - Letter: District has engaged in lawsuits for foreclosure against conventional lenders; to date default judgments have been entered against one lender and District has settled with two other lenders; in settlement mediation with final two lenders and hope to reach a conclusion in near future; if settlement achieved, District will once again be economically viable; if no settlement, trial set for 12/2013.	Yes [Not Corrected - see FY 2012-13 CPA Report, finding #2013-03 (PDF pp. 32-33 of 34)]

Special Districts--Addendum

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Special District	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2013 JLAC letter re: FY 2010-11 Findings)	Recommend Requiring a Written Response This Year?
South Bay Community Development District (continued)	Hillsborough (continued)	<u>#2012-03 - Financial Condition Assessment</u> : It was determined that a deteriorating financial condition exists in the District. The Developer and replacement Developers within the District failed to pay their share of the prior, current, and subsequent fiscal years' assessments. As a result, certain scheduled debt service payments either were made, in part, by draws on the Debt Service Reserve Account or not made. In addition, the general fund and the debt service fund reported deficit fund balances at fiscal year-end. (See PDF Pages 29-30 of 31)	N/A	See response for finding #2012-02 above.	Yes [Not Corrected - see FY 2012-13 CPA Report, finding #2013-04 (PDF p. 33 of 34)]
South Fork East Community Development District	Hillsborough	<u>#2011-01 - Reserve Requirement</u> : The District is not in compliance with the reserve requirements as outlined in the Series 2005, 2007A, and 2007B Bond Indentures at fiscal year-end. (See PDF Page 32 of 34)	N/A	No	Yes
		<u>#2011-02 - Financial Condition Assessment</u> : The District's financial conditions continue to deteriorate. Due to non-payment of assessments during the current and prior fiscal years, certain scheduled debt service payments either were made, in part, by draws on the Debt Service Reserve Account or were not made. In addition, the District had several uncontested outstanding accounts payable that were over 90 days old. (See PDF Page 32 of 34)	N/A	No	Yes

Special Districts--Addendum

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Special District	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2013 JLAC letter re: FY 2010-11 Findings)	Recommend Requiring a Written Response This Year?
Suwannee Valley Transit Authority	Columbia, Hamilton, Suwannee	#10-01 - <u>Significant Adjustments and Preparation of Financial Statements</u> : In prior years, several significant audit adjustments were proposed that had to be made to the accounting records including: cash to accrual entries for property and equipment additions, accumulated depreciation, accounts payable, accrued expenditures, receivables, revenues, expenditures, and reclassification of various revenues to appropriate general ledger accounts. In addition, no one on staff of the Authority was in a position to draft financial statements in accordance with GAAP. In the current year, the auditors noted that management was in the process of developing and implementing policies and procedures so that in-house monthly financial statements are prepared in accordance with GAAP. (See PDF Page 37 of 51)	MW	Yes - Letter: Describes procedures implemented to address finding (i.e., additional training of fiscal staff).	No [Corrected - see FY 2012-13 CPA Report (PDF p. 40 of 44)]
		#10-02 - <u>Segregation of Duties</u> : In the prior year, the Authority did not have an adequate segregation of duties in place. In the current year, the Authority had implemented most of the auditors' recommendations, except certain ones relating to bank reconciliations and cash handling procedures. (See PDF Pages 37-38 of 51)	MW	No	No [Corrected - see FY 2012-13 CPA Report (PDF pp. 40-41 of 44)]

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.

Special Districts

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Included in the 2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

Special District	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter on FY 2011-12 Findings)	Recommend Requiring a Written Response This Year?
Aberdeen Community Development District	St. Johns	#2011-01/2012-01/ - Reserve Requirements: The Debt Service Reserve Requirements for the Series 2005 and Series 2006 Bonds were not met at fiscal year-end. (See PDF Page 35 of 37) [Note: AG Notification has this finding as "AG 1."]	N/A	Yes - Letter: Describes history and current status of CDD; 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.	Yes
		#2011-02/2012-02/ - Financial Condition: Principal and interest was not paid when due on the Series 2005 and Series 2006 Bonds. (See PDF Page 36 of 37) [Note: AG Notification has this finding as "AG 2."]	N/A	See response for finding #2011-01/2012-01 noted above.	Yes
Alligator Point Water Resources District	Franklin	#2011-02 - Segregation of Duties: 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. (See PDF Page 22 of 26)	MW	No	Yes
Amelia Concourse Community Development District	Nassau	#2010-01/2011-01/2012-01 - Reserve Requirement: The Debt Service Reserve Requirement was not met at fiscal year-end. (See PDF Page 34 of 36) [Note: AG Notification has this finding as "AG 1."]	N/A	Yes -Letter: Describes history and current status of CDD; SPE (special purpose entity) that was created to hold foreclosed property continues to fund its share of the District's operating and maintenance cost and is actively marketing the property for resale. After the sale of the property, the net proceeds from the sale will be paid to the bondholders. The cancelation of the remaining debt associated with this property will correct the findings by the District's auditor.	Yes
		#2010-07/2011/02/2012/02 - Financial Condition Assessment: The District's financial conditions continue to deteriorate, and the future of the project remains uncertain. General Fund and Debt Service Fund reported deficit fund balances at 9/30/2013. (See PDF Page 35 of 36) [Note: AG Notification has this finding as "AG 2."]	N/A	Yes - See response noted above.	Yes

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

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?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter on FY 2011-12 Findings)	Recommend Requiring a Written Response This Year?
Arlington Ridge Community Development District	Lake	#IC2010-01 - <u>Debt Administration</u> : The District did not have sufficient funds to make certain scheduled debt service payments and, as a result, the payments were not made. (See PDF Page 32 of 34)	N/A	Yes - Letter: Describes history and current status of CDD; SPE (special purpose entity) was created to hold foreclosed property. In December 2013, a new developer purchased the majority of the land and is now actively engaged in building and marketing the property within the District.	Yes
		#IC2010-02 - <u>Financial Condition</u> : The District has not received a majority of 2009 and 2010 debt service assessment funds due from the Developer. Consequently, events of default on the Series 2006A Bonds occurred. (See PDF Page 32 of 34)	N/A	Yes - Letter: See response noted above.	Yes
Barefoot Bay Recreation District	Brevard	#ML 2011-01 - <u>Information Technology</u> : The District's IT policies and procedures had not been formalized in a written document. Also, the District had not performed an IT assessment. (See PDF Page 38 of 38)	N/A	No	Yes
		#2012-002 - <u>Aging Receivable</u> : While the District accounted for most of the reconciled items between the general ledger and detail sub-ledger, however, there was no proper documentation of timeliness of these reconciliations. (See PDF Page 35 of 38)	SD	No	Yes
Buckeye Park Community Development District	Manatee	#2013-02 - <u>Failure to Meet Debt Service Reserve Account Requirements</u> : The Debt Service Reserve account requirement exceeded the balance in the Debt Service Reserve account at fiscal year-end. (See PDF Pages 36-37 of 40)	N/A	No	Yes
CFM Community Development District	Lee	#IC2010-1 - <u>Debt Administration</u> : At fiscal year-end, the District was not in compliance with certain provisions of its Debt Service Bond indenture, including collecting amounts to provide payment of debt service, maintaining adequate funds in debt service reserve accounts, and making its semi-annual debt service principal and interest payments. (See PDF Page 30 of 32)	N/A	Yes - Letter: Describes history and current status of CDD; SPE (special purpose entity) was formed to take ownership of the undeveloped land; states efforts of the District and the Bondholders to remedy this finding are ongoing.	Yes

Special Districts

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Special District	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter on FY 2011-12 Findings)	Recommend Requiring a Written Response This Year?
Canaveral Port Authority	Brevard	<u>#ML2011-01 - Parking Lot Audit Reconciliation Process</u> : During FY 2012-13, finance staff identified differences ranging from 6 to 202 vehicles between total vehicles observed in the Port's parking lots and total vehicles in the parking lots per the ticket value reports. However, the differences could not be reconciled to the parking system reports due to lack of detail on the system reports. Failure to reconcile vehicles counted during parking lot audits to system reports could potentially cause issues with the proper reporting of revenues. Management selected a new parking system which is expected to be implemented and operational during FY 2013-14. (See PDF Page 85 of 88)	N/A	No	Yes
Central Community Redevelopment Agency (CCRA)	Manatee	<u>#2013-1 - Journal Entries</u> : Monthly financial statements are prepared for the Board in a format that the Board feels is user friendly, and allows them to make informed operating decisions on an ongoing basis. This format is not intended to be in accordance with generally accepted accounting principles. It was necessary for the auditors to propose numerous journal entries in the general ledger in order for it to be in accordance with generally accepted accounting principles. (See PDF Page 30 of 32)	MW	Yes - Letter: Did not address this finding.	Yes
		<u>#2013-4 - Segregation of Duties</u> : Custody of checks after signature, but prior to mailing is not handled by an employee who is independent of all payable, disbursing, cash, receiving, and general ledger functions. (See PDF Page 31 of 32)	N/A	Yes - Letter: The CCRA will, to the best of its abilities, segregate duties between the Executive Director, CCRA Manager, Administrative Assistant, and CCRA Board members. At this point in time no major changes have been implemented to address this issue due to funding.	Yes

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Special Districts

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Special District	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter on FY 2011-12 Findings)	Recommend Requiring a Written Response This Year?
Central Community Redevelopment Agency (CCRA) (continued)	Manatee (continued)	#2013-5 - <u>Credit Card Documents</u> : Original invoices were not available to support some credit card charges for expenditures. (See PDF Page 31 of 32)	N/A	Yes - Letter: As of March 2014, the Administrative Assistant and the CCRA's accountant have been assigned to review all credit card charges and receipts for errors and irregularities; the Administrative Assistant is independent of all credit card charges since she has not been assigned a credit card or spending authority.	Yes
Chapel Creek Community Development District	Pasco	#12-01 - <u>Failure to Make Debt Service Payments When Due</u> : In current and prior year, the District did not pay principal and interest due on the Series 2006A Bonds. At 9/30/2013, the District was not in compliance with the requirements of the Bond Indenture and has met a financial emergency condition. (See PDF Pages 37-38 of 40)	N/A	Yes - Letter: 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
		#12-03 - <u>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. (See PDF Page 36 of 40)	MW	Yes - Letter: 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
		#12-04 - <u>Land Held for Resale Not Recorded</u> : No appraisal was performed on the land held for resale owned by the 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 36 of 40)	MW	No	Yes
City-County Public Works Authority	Glades	#ML 2010-02 - <u>Policies and Procedures</u> : The Authority does not have their own approved policies and procedures independent of the City of Moore Haven. (See PDF Page 23 of 26)	N/A	Yes - Letter: Staff is working on Policies and Procedures for the Authority and they will be in effect by the end of this fiscal year (9/30/2014). At this time, they are about half way completed.	Yes

Special Districts

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Special District	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter on FY 2011-12 Findings)	Recommend Requiring a Written Response This Year?
Clearwater Cay Community Development District	Pinellas	<u>#IC2009-1 - 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 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 30 of 32)	N/A	Yes - Letter: Describes history and current status of CDD; former developer failed to pay debt service special assessments; as a result, District filed foreclosure suit, which was successful; states that the District's balance sheet will improve dramatically upon the sale of the foreclosed property.	Yes
Concorde Estates Community Development District	Osceola	<u>#12-01 - Failure to Include Component Unit Financial Statements in the Financial Report</u> : The District did not include the SPE as a component unit in the District's financial report. (See PDF Page 38 of 40)	MW	No	Yes
Connerton West Community Development District	Pasco	<u>#13-01 - Failure to Make Bond Debt Service Payments When Due</u> : The District is not in compliance with the requirements of the Bond Indenture; it is delinquent on paying bond principal and interest. This is due to the Developer's failure to pay debt service special assessments to the District. (See PDF Page 37 of 39)	N/A	Yes - Letter: Describes brief history and current status of CDD; forbearance agreements with Trustee and Developer; states that the District has taken all necessary and available actions in order to comply with the Trust Indenture.	Yes
		<u>#13-02 - Failure to Make Debt Service Account Reserve Requirements</u> : Debt Service Accounts for the Series 2006A Bonds and Series 2007B Bonds were deficient at fiscal year-end. (See PDF Page 37 of 39)	N/A	Yes - Letter: See response for finding #13-01 above.	Yes
Cordoba Ranch Community Development District	Hillsborough	<u>#12-02 - Failure to Meet Debt Service Reserve Account Requirement</u> : The Series 2006 Debt Service Reserve Account was deficient at fiscal year-end. (See PDF Page 34 of 35)	N/A	No	Yes

Special Districts

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Special District	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter on FY 2011-12 Findings)	Recommend Requiring a Written Response This Year?
Creekside Community Development District	St. Lucie	#2013-01 - Reserve Requirement and Other Compliance: The District's debt service reserve requirement was not met as of fiscal year-end. Also, although required, the nonpayment of certain scheduled debt service payments during the current FY was not reported on MSRB, Municipal Securities Rulemaking Board. <i>(See PDF Page 30 of 31)</i>	N/A	Yes - Letter: The District has authorized filing of foreclosure lawsuit against one of the major landowners with delinquent assessments on their property. The District will not be able to correct the auditor's findings until successful completion of the foreclosure lawsuit and sale of the property.	Yes
		#2013-02 - Financial Condition Assessment: The District's financial conditions continue to deteriorate. The District reported a deficit unassigned fund balances in the general fund and debt service fund. The Developers have essentially stopped funding the District and the future of the project remains uncertain. A significant portion of the assessments levied during fiscal years 2009-2013 remain delinquent. Furthermore, as a result of lack of funds, the District has not been paying operating costs of creditors as they come due. <i>(See PDF Page 30 of 31)</i>	N/A	Yes - Letter: See response for finding #2013-01 above.	Yes
The Crossings at Fleming Island Community Development District	Clay	#2012-01 - Financial Condition: The District reported a net asset deficit in the Water and Sewer Fund and the Golf Course Fund for which sufficient resources were not available to cover the deficit. <i>(See PDF Page 43 of 44)</i>	N/A	Yes - Letter: The District is currently refunding and restructuring its Series 2000C Special Assessment Refunding Bonds and Special Assessment Bonds. As part of this process, the debt holder of certain subordinate debt has agreed to cancel those obligations. Removal of the subordinate debt will allow the District to possibly restructure, redeem or refund the Golf Course Revenue Bonds, which should eliminate the financial condition assessment of the District. Restructuring and refunding plan is scheduled to be completed in August 2014.	Yes

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

Special Districts

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Special District	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter on FY 2011-12 Findings)	Recommend Requiring a Written Response This Year?
The Crossings at Fleming Island Community Development District (continued)	Clay (continued)	<u>No Finding # - Consideration of Financial Emergency Criteria</u> : The District continues to meet the financial emergency conditions described in Section 218.503(1), F.S., related to the failure to make debt service reserve payments when due. (See PDF Page 42 of 44)	N/A	Yes - Letter: The District is currently refunding and restructuring its Special Assessment Refunding Bonds and Special Assessment Bonds. Removal of the subordinate debt will allow the District to possibly restructure, redeem or refund the Golf Course Revenue Bonds. This should eliminate the financial condition assessment of the District. Restructuring and refunding plan is scheduled to be completed in August 2014.	Yes
Daytona Beach Racing and Recreational Facilities District	Volusia	<u>#2011-001 - Car Show Revenue Reconciliation</u> : No procedures were in place to reconcile car show revenues to sale's expectations. (See PDF Page 27 of 31)	SD	No	Yes
Deer Run Community Development District	Flagler	<u>#2013-01 - Debt Administration</u> : The Debt Service reserve requirement for the Series 2008 bonds was not met at fiscal year-end. (See PDF Page 36 of 37)	N/A	No	Yes
		<u>#2013-02 - Financial Condition</u> : The District's financial condition continues to deteriorate. 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 36 of 37)	N/A	No	Yes
Durbin Crossing Community Development District	St. Johns	<u>#IC2011-01 - Debt Administration</u> : The District is not in compliance with provisions of its Debt Service Bond indenture relating to maintaining adequate funds in debt service reserve account and making its semi-annual debt service interest payments. (See PDF Page 32 of 34)	N/A	No	Yes

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Special Districts

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Special District	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter on FY 2011-12 Findings)	Recommend Requiring a Written Response This Year?
East Naples Fire Control and Rescue District	Collier	#2013-01 - Uniform Chart of Accounts: The District does not use the uniform chart of accounts as provided by the Department of Financial Services. (See PDF Page 45 of 52)	N/A	Yes - Letter: A pending update to the software should allow the District to implement the Uniform Chart of Accounts for FY 2014-15. The District awaits a final vote on the potential merger with Golden Gate Fire Control and Rescue District. The uncertainty of merger and expense of both options has restricted the full implementation and use of the uniformed chart of accounts to date.	Yes
Emerald Coast Utilities Authority	Escambia	#2013-1 - Information Technology - Documentation and Controls: The small size of the Information Technology (IT) Department places limitations on internal controls that are applicable to the Authority's IT, such as separation of duties, systems documentation, and some computer security procedures. During FY 2012-13, the Authority addressed several concerns; however, areas remain where improvements can be made. (See PDF Page 113 of 114)	N/A	Yes - Letter: The Authority believes it has taken prudent steps to mitigate these concerns given its limited resources, and trusts that the JLAC understands that this finding cannot be feasibly eliminated until the long-range IT master plan is developed and implemented.	Yes
Estates at Cherry Lake Community Development District	Lake	#2013-01 - Failure to Make Debt Service Payments When Due: Debt service assessments are not being paid to the District due to the prior Developer nonpayment of debt service assessments. The District was not in compliance with the requirements of the Bond Indenture and has met a financial emergency condition. (See PDF Page 35 of 37)	N/A	Yes - Letter: The District dismissed its foreclosure suit without prejudice on 11/18/2013. On 5/6/2014, the District entered into a settlement agreement with the owners of the defaulted property that provided for the outstanding debt service assessments on the defaulted property, as well as the outstanding operations and maintenance assessments, being brought current.	Yes

Special Districts

Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
Included in the 2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

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Estates at Cherry Lake Community Development District (continued)	Lake (continued)	<u>#2013-02 - Failure to Meet Reserve Account Requirement</u> : The District is not in compliance with the Trust Indenture requirement to keep a minimum amount in the Debt Service Reserve Account. (See PDF Page 35 of 37)	N/A	Yes - Letter: Once assessments are collected, the Trustee and the Bondholders will determine whether or not the debt service reserve will be replenished with the funds. However, the findings will remain until the assessments are collected or the land is foreclosed on.	Yes
Fiddler's Creek Community Development District	Collier	<u>#2013-01 - Reserve Requirement</u> : The Series 2002A and B and the Series 2005 debt service reserve requirements were not met as of fiscal year-end. (See PDF Page 33 of 34)	N/A	No	Yes
Fiddler's Creek Community Development District Number 2	Collier	<u>#2010-01 - Debt Administration</u> : The Series 2003A, 2003B, 2004 and 2005 reserve accounts reflect deficits at fiscal year-end. (See PDF Page 36 of 37)	N/A	Yes - Letter: Describes history and current status of CDD; developer filed bankruptcy and bankruptcy court approved plan of reorganization, which included de-acceleration and restructuring of bonds. Several lawsuits are outstanding against Trustee by District and its bondholders. Once related litigation concludes, District may be able to refund bonds, which would alleviate the finding. Also, Trustee has taken no action to enforce non-compliance with bond indenture requirements.	Yes
Gramercy Farms Community Development District	Osceola	<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 38 of 43)	MW	No	Yes

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

Special Districts

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Gramercy Farms Community Development District (continued)	Osceola (continued)	#12-03 - <u>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 40 of 43)	N/A	Yes - Letter: The District has taken all necessary and available actions in order to comply. A SPE was formed and, on the Bondholder's behalf, took ownership of all developable property within the District. Due to restructure, it is uncertain as to if and when the Trustee may use funds to replenish the reserves for the unexchanged bonds.	Yes
		#12-04 - <u>Financial Condition Assessment</u> : The District's financial conditions have 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. All land was subsequently transferred to a SPE and debt was restructured with agreement of the bondholders. The restructured agreement requires no current payments, and the SPE is not 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 41 of 43)	N/A	Yes - Letter: The SPE is providing operating funds for the District and, per the restructuring agreement, the unexchanged bonds require no payments.	Yes
Grand Bay at Doral Community Development District	Miami-Dade	#2010-01 - <u>Failure to Make Debt Service Payments When Due</u> : The District did not make all of its principal and interest payments on the Series 2007 Bonds for FY 2009-10 through FY 2012-13. There is a deficiency in the Series 2007 Reserve Account; this deficiency is a result of the Reserve Account and Construction accounts being used to pay debt service amounts in FY 2012-13. (See PDF Page 33 of 35)	N/A	Yes - Letter: The District had previously authorized foreclosure proceedings against the major landowner and subsequently negotiated a land ownership change/transfer. As of July 2014, the District is current with their bond payments.	Yes

Special Districts

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Grand Bay at Doral Community Development District (continued)	Miami-Dade (continued)	#2010-01 - Deteriorating Financial Conditions: The Series 2007A and 2007B were in default because principal and interest payments had not been made since May 2010. None of the FY 2010-11 assessments were received, and a small portion of FY 2011-12 assessments were received. In FY 2012-13, the District received all of its assessments as budgeted. In April 2013, the successor developer/bondholder directed the Trustee to make payment and interest payments on the Series 2007 Bonds. (See PDF Page 34 of 35)	N/A	Yes - Letter: See response for finding #2010-01 above - Failure to Make Debt Service Payments When Due.	Yes
Health Care District of Palm Beach County	Palm Beach	#2011-2 - Inventory - Lakeside Medical Center: The Hospital's surgical inventory continues to have significant errors in pricing and quantities, including pricing errors, lack of documentation to substantiate the cost of certain inventory items, and different quantities reported on the final inventory valuation report than those counted during inventory observation. (See PDF Pages 132-133 of 145)	N/A	No	Yes
Heritage Isle Community Development District	Hillsborough	#2009-01 - Financial Condition: The District failed to meet certain debt service requirements on the Series 1999 Recreational Revenue Bond. (See PDF Page 45 of 46)	N/A	Yes - Letter: Describes brief history and current status of CDD; outlines steps the District will be taking to resolve the finding.	Yes
Heritage Plantation Community Development District	Okaloosa	#11-01 - Failure to Meet Debt Service Reserve Account Requirements: The District did not keep minimum amounts in the Series 2006 Debt Service Reserve Accounts. The Series 2006 Debt Service Reserve Accounts were deficient at fiscal year-end. (See PDF Page 36 of 38)	N/A	No	Yes
		#11-02 - Failure to Make Bond Debt Service Payments When Due: In the current and prior year, required principal and interest were not paid when due on the Series 2006 Bonds. (See PDF Pages 36-37 of 38)	N/A	No	Yes

Special Districts

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Highland Meadows Community Development District	Polk	#2013-1 -Debt Administration: The District was unable to make scheduled debt service payments due on 11/1/2009, and thereafter. This condition was the result of financial difficulties by the landowners in the District and resultant of non-payment of tax assessments to the District. <i>(See PDF Page 36 of 38)</i>	N/A	Yes - Letter: Describes history and current status of CDD; SPE (special purpose entity) was created to own, manage, and dispose of land; states that it is the District's position is that corrective action, within the ability of the District, has been taken relating to the finding.	Yes
Highlands Community Development District	Hillsborough	#2013-01 - Financial Condition Assessment: In the current and prior fiscal years, the District did not have the necessary funds to make certain Series 2005 debt service payments. Also, subsequent to fiscal year-end, certain scheduled debt service payments were due; however, there were insufficient amounts available to fund those payments. <i>(See PDF Page 33 of 35)</i>	N/A	Yes - Letter: Describes history and current status of CDD; foreclosure suit against developer was successful; most of property sold to new owner and proceeds used to pay debt service; some property still being held by District for benefit of bondholders; cooperating with them in negotiating sale of this property.	Yes
		#2013-02- Reserve Requirement: The Series 2005 Debt Service reserve requirement was not met. <i>(See PDF Page 33 of 35)</i>		Yes - Letter: See response to finding #2013-01 above.	Yes
Highlands Soil & Water Conservation District	Highlands	#2010-1 - Reconciliation and Monitoring of General Ledger Accounts: The District did not review payments made to producers shortly after year end to determine whether the payments represented a liability to the District at year end and record any receivables and payables due by journal entry. <i>(See PDF Pages 35-36 of 39)</i>	MW	Yes - Letter: District is continuing to take steps to correct finding, with assistance from an accounting firm to perform certain services.	Yes

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Special Districts

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Hillsborough Transit Authority	Hillsborough	#2011-008 - Revenue Reconciliation Procedures: Management is responsible for comparing actual cash deposits to daily summary reports generated by the computer system that collects and reports revenue and ridership for buses and streetcars and investigating differences that exceed a specified threshold. There were instances in which the evaluation and reconciliation procedures of certain daily variances in excess of standard threshold were not performed on a timely basis. (See PDF Pages 115-116 of 123)	SD	No	Yes
Holmes Creek Soil and Water Conservation District	Holmes	#03-2 - Separation of Duties: Custody of assets, record keeping and recording of assets should have adequate separation. Due to the size of the District (small one-person bookkeeping system), proper separation of duties may not be feasible. (See PDF Page 30 of 35)	SD	No	Yes
		#07-1 - Financial Reporting: The District relies on the external auditor to assist with preparing and explaining financial statements in conformity with GAAP. (See PDF Page 30 of 35)	MW	No	Yes
Homestead 50 Community Development District	Miami-Dade	#2013-01 - Reserve Requirement: The Debt Service Reserve Requirements for the Series 2007A Bonds was not met as of fiscal year-end. (See PDF Page 30 of 31)	N/A	No	Yes

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Special Districts

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Indigo Community Development District	Volusia	#2013-01 - Reserve Requirement and Other Compliance: As a result of unscheduled draws on the Series 1999C and 2005 Debt Service Reserve Accounts to make certain default related expenditures, the reserve requirements were not met at fiscal year-end. Further, the nonpayment of certain scheduled debt service payments during the current FY was not reported on MSRB, Municipal Securities Rulemaking Board, as required by Securities Exchange Commission Rule. <i>(See PDF Page 31 of 32)</i>	N/A	No	Yes
		#2013-02 - Financial Condition Assessment: The District's financial conditions continue to deteriorate. The debt service fund had a deficit fund balance at fiscal year-end. <i>(See PDF Page 31 of 32)</i>	N/A	No	Yes
Jacksonville Transportation Authority	Duval	#ML 2010-01 - Capital Asset Inventory: An annual of physical inventory of capital assets is not being performed. <i>(See PDF Pages 70-71 of 71)</i>	N/A	Yes - Letter: Historically, in order to meet both State and FTA requirements, beginning FY 2013-14 capital asset inventories will occur on an annual basis. Estimated completion date is no later than 12/31/2014.	Yes
Lake Ashton Community Development District	Polk	#ML12-01 - Financial Condition Assessment: SAME FINDING AS #ML13-01 BELOW. <i>(See PDF Page 36 of 39)</i>	N/A	SAME FINDING AS #ML13-01 BELOW.	Yes
		#ML-13-01 - Failure to Make Bond Debt Service Payments When Due: The Developer has not paid their debt service assessments to the District. As a result certain principal and interest payments due on the Capital Improvement Revenue Bonds Series 2001, 2003 and 2005 have not been paid. <i>(See PDF Page 37 of 39)</i>	N/A	No	Yes

Special Districts

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Special District	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter on FY 2011-12 Findings)	Recommend Requiring a Written Response This Year?
Lake Ashton Community Development District (continued)	Polk (continued)	#ML-13-02 - Failure to Meet Reserve Account Requirement: The District had to use amounts in reserve account to pay debt service since the Developer and two significant landowners have not paid their special assessments to the District. At fiscal year-end, the District did not meet the reserve requirement. (See PDF Page 37 of 39)	N/A	No	Yes
Lakeside Plantation Community Development District	Sarasota	#07-01 - Failure to Meet Reserve Account Requirement: The District failed to meet the reserve requirement on the Series 1999 Bonds at fiscal year-end. (See PDF Page 34 of 35)	N/A	Yes - Letter: Describes brief history and current status of CDD. There has been no material change in relation to the amount of funding in the District's Reserve Account. The District does not presently intend to assess landowners and residents to replenish the Reserve Account. Despite its prior interest in refinancing its Bonds, the Board has decided not to undergo such refinancing as this time.	Yes
Leon County Educational Facilities Authority	Leon	#2009-01 - Fixed Charges Coverage Ratio: The Fixed Charges Coverage Ratio for the current fiscal year was 1.01. Since the fixed charges coverage ratio is greater than 1.0 but less the 1.2, the Authority is required to engage a financial consultant acceptable to the Bond Issuer to submit a report containing recommendations to remedy the Ratio noncompliance. (See PDF Page 34 of 39)	N/A	Yes - Letter: After a waiver was denied by the bond insurer, a consultant was hired to evaluate operations. Management has reviewed the consultant's report and has applied some of the recommendations but many changes did not take effect until August 2013.	Yes
		#2010-01 - Significant Adjustments: Numerous significant adjustments were made in order for the financial statements to be presented in accordance with generally accepted accounting principles. (See PDF Page 33 of 39)	MW	Yes - Letter: Prior period adjustments were made to the FY 2012-13 financial statements to reflect the proper accounting of incorrectly expensed items that should have been capitalized. It is not anticipated that any such adjustments will be necessary for FY 2013-14.	Yes
		#2010-02 - Reserve Fund Requirement Series: The Reserve Fund was below the required minimum balance at fiscal year-end. (See PDF Page 33 of 39)	N/A	Yes - Letter: The Authority will continue to follow the adopted plan to bring the reserve fund balance to the required amounts.	Yes

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Madeira Community Development District	St. Johns	<u>#2012-04 - No Supporting Documentation Provided for Certain Expenditures:</u> Invoices could not be provided for certain expenditures paid for out of the Trust Accounts. <i>(See PDF Page 32 of 33)</i>	SD	No	Yes
		<u>#2013-01 - Reserve Requirement:</u> The District's debt service reserve requirement was not met at fiscal year-end. <i>(See PDF Page 31 of 33)</i>	N/A	Yes - Letter: The District continues to work with the Trustee to take the necessary remedial actions to comply with the Trust Indenture. The District believes the debt assessments are valid liens and that there is a strong likelihood of success should the bondholders direct the District to re-file the foreclosure suit. It is the District's position that corrective action within the District's ability has been taken relating to the findings.	Yes
		<u>#2013-02 - 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 debt service payments were not made. Also, the debt service fund reported a deficit fund balance at fiscal year-end. <i>(See PDF Page 31 of 33)</i>	N/A	Yes - Letter: The District is pursuing delinquent assessments. Also see response to finding #2012-01 above.	Yes
		<u>#2013-03 - Bondholder Consent:</u> Bondholder consent for certain expenditures paid for by the debt service fund, and for amounts transferred from the debt service fund to fund general fund operations, was not provided. <i>(See PDF Page 31 of 33)</i>	N/A	No	Yes

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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?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter on FY 2011-12 Findings)	Recommend Requiring a Written Response This Year?
Magnolia Creek Community Development District	Walton	#13-01 - Failure to Meet Debt Service Reserve Requirements: The Trust Indentures require the District to keep minimum balance in the Debt Service Reserve Accounts. At fiscal year-end, the Series 2007 Debt Service Reserve Accounts were deficient. <i>(See PDF Page 38 of 40)</i>	N/A	Yes - Letter: Describes history and current status of CDD, including two foreclosure cases. One foreclosure sale is currently set for 9/5/2014. The other case was dismissed on 1/24/2014 after the landowner paid certain delinquent assessments. 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. The District has taken all necessary and available actions in order to address the findings; however, the District's ultimate recovery remains uncertain at this time.	Yes
		#13-02 - Failure to Make Bond Debt Service Payments When Due: In prior years and in the current year, principal was not paid when due on the Capital Improvement Revenue Bonds, Series 2007. <i>(See PDF Pages 38-39 of 40)</i>	N/A	Yes - Letter: See response for finding #13-01 above.	Yes
Magnolia West Community Development District	Clay	#12-01 - Failure to Meet Debt Service Payments When Due: In the current and prior years, the District did not pay all of the principal and interest due on the Series 2006 Bonds. <i>(See PDF Page 38 of 40)</i>	N/A	No	Yes
		#12-02 - Failure to Meet Debt Service Reserve Account Requirement: The Trust Indenture requires the District to keep minimum balance in the Debt Service Reserve Accounts. At fiscal year-end, the Reserve Accounts was deficient. <i>(See PDF Page 38 of 40)</i>	N/A	No	Yes
Matlacha and Pine Island Fire Control District	Lee	#2010-02 - Audit Adjustments: It was necessary for the auditors to propose audit adjustments to revise the District's books at year-end. The adjustments involved the recording of accruals, reclassifications of revenues and disbursements to the proper accounts, and fund balance reclassifications. <i>(See PDF Page 38 of 50)</i>	MW	Yes - Letter: The District engaged in the services of an accounting professional to oversee the financial reporting process. It is anticipated that this comment will be cleared during FY 2013-14.	Yes

Special Districts

Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
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Matlacha and Pine Island Fire Control District (continued)	Lee (continued)	<u>#ML 2010-01 - Excess Accrual of Compensated Absences</u> : Nine employees did not take the minimum required time away from work as required by the District's collective bargaining agreement. Also, 14 employees had accrued vacation time in excess of the allowable limits. (See PDF Page 43 of 50)	N/A	Yes - Letter: The Chief and supervisors are monthly monitoring the District's use of accrued compensated absences. The Chief is committed to making certain this condition is rectified by September 2014.	Yes
Meadow Pointe IV Community Development District	Pasco	<u>#13-01 - Failure to Make Bond Debt Service Payments When Due</u> : The District has failed to make bond debt service payments when due, this is because debt service assessments are not being paid to the District due to landowner bankruptcies. (See PDF Page 41 of 44)	N/A	Yes - Letter: Describes history and current status of CDD; SPE (special purpose entity) was created to own, manage, and dispose of land taken in lieu of foreclosure; states that, 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>#13-02 - Failure to Meet Debt Service Reserve Requirements</u> : The District failed to meet debt service reserve requirements. (See PDF Page 41 of 44)	N/A	Yes - Letter: At this time, there is no plan to replenish the reserves for the unexchanged portions of the bonds. Also see response for finding #13-01 above.	Yes
		<u>#13-03 - 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 40 of 44)	N/A	No	Yes

Special Districts

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Mediterranea Community Development District	Palm Beach	#IC2010-01 - Debt Administration: The District is not in compliance with certain provisions of its bond indenture including those relating to levying and collecting assessments, maintaining adequate funds in debt service reserve accounts, and making semi-annual principal and interest payments. <i>(See PDF Page 30 of 32)</i>	N/A	Yes - Letter: Describes brief history and current status of CDD; SPE (special purpose entity) was created to hold majority of land within District deeded by landowner taken in lieu of foreclosure; states that, the SPE remains the majority landowner with the District, and none of the criteria for collecting debt assessments has been reached; therefore, the District is unable to correct the finding at this time.	Yes
Miami-Dade Expressway Authority	Miami-Dade	#ML-2010-01 - Policies and Procedures: In prior years, the Authority has no direct interface of the RITE system sub-ledger to MUNIS system GL; Report reconciliations for manual journal entries were not consistent in each period; lack of physical documentation of proper approval of system access rights for RITE system; and lack of SSAE 16 review for the third-party provider (AMTEC). During the current year, the lack of a SSAE 16 review for the third-party provider still had not been done. AMTEC will no longer be the third-party provider to the Authority, so this comment will not be applicable in the subsequent year. <i>(See PDF Page 103 of 106)</i>	N/A	Yes - Letter: The Authority transitioned to other vendors to provide services. This finding will be reflected as resolved in FY 2013-14.	No
Montecito Community Development District	Brevard	#2013-03 - Reserve Requirement: The Debt Service Reserve Requirements were not met at fiscal year-end. <i>(See PDF Pages 34-35 of 36)</i>	N/A	Yes - Letter: The District is pursuing assessments to replenish the debt service reserve fund. If the SPE (special purpose entity) is successful in selling the delinquent property, the District is uncertain if the funds will be used to replenish the debt service account.	Yes
		#2013-04 - Financial Condition Assessment: The District's financial conditions continue to deteriorate. The Developer and certain major landowners failed to pay a significant portion of the assessments in FY 2008-09 through FY 2013-14. <i>(See PDF Page 35 of 36)</i>	N/A	Yes - Letter: The District is making every effort to collect the assessments and pay the debt service payments. At this time it is uncertain as to when the findings will be corrected.	Yes

Special Districts

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Naturewalk Community Development District	Walton	#12-01 - Failure to Meet Debt Service Reserve Requirements: 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 37 of 38)	N/A	Yes - Letter: The District and the bondholders have been working to alleviate these issues.	Yes
		#12-02 - Failure to Make Bond Debt Service Payments When Due: In the current year, principal and interest was not paid when due on the 2007 Bonds. (See PDF Page 37 of 38)	N/A	No	Yes
New Port - Tampa Bay Community Development District	Hillsborough	#IC2009-1 - Debt Administration: The District is not in compliance with certain provisions of its bond indenture including those relating to levying and collecting assessments, maintaining adequate funds in debt service reserve accounts, and making semi-annual principal and interest payments. (See PDF Page 30 of 32)	N/A	Yes - Letter: Describes brief history and current status of CDD; SPE (special purpose entity) was created and holds title to all developer-owned property within the District. The District is cooperating with the trustee and bondholders in negotiating a sale of this property. The District's balance sheet will improve dramatically upon the sale of the foreclosed property.	Yes
North Okaloosa County Fire District	Okaloosa	#2013-02 - Financial Statement Preparation, Knowledge and Audit Adjustments: Due to the size of the entity, the District has elected to rely on an external auditor to propose audit adjustments and prepare its annual financial statements in accordance with GAAP. (See PDF Page 36 of 36)	MW	No	Yes
North Palm Beach Heights Water Control District	Palm Beach	#2012-01 - Excess of Expenditures Over Appropriations: Several departments had expenditures in excess of appropriations contrary to F.S. (See PDF Page 34 of 36)	N/A	Yes - Email: The Board considers this finding corrected and is confident that this internal accounting control change will eliminate the cost overruns previously experienced.	Yes

Special Districts

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Palm River Community Development District	Hillsborough	#2013-01 - Failure to Make Debt Service Payments When Due: During the current year, the District did not pay the required principal and interest due. (See PDF Page 37 of 41)	N/A	Yes - Letter: Describes brief history and current status of CDD. These findings are still relevant, because the development did not grow as planned and homes were never sold to end users at a quantity that would sustain the CDD operations and debt service requirements. In FY 2013-14 and beyond, the CDD management company and the bondholders will continue to work with real estate advisors and counsel to make sure the development continues to grow.	Yes
		#2013-02 - Failure to Meet Debt Service Reserve Account Requirements: The debt service reserve account requirements exceeded the balances in the Debt Service Reserve accounts at fiscal year-end. (See PDF Pages 37-38 of 41)	N/A	See response for finding #2013-01 above.	Yes
		#2013-03 - Failure to Pay Uncontested Claims of Creditors Within 90 Days: At times during the current year, the District did not pay uncontested claims of creditors within 90 days, due to a lack of funds. (See PDF Page 38 of 41)	N/A	See response for finding #2013-01 above.	Yes
Pine Island Community Development District	Lake	#2011-01 - Debt Administration: The District continues to meet a financial emergency condition described in s. 218.503(1), F.S., in that the District is unable to redeem the Series 2004 Utility System Bonds, which matured on 11/1/2010. This condition met as a result that the District failed to meet certain debt service requirements. (See PDF Page 40 of 42)	N/A	Yes - Letter: Describes current status of CDD; states that the District has not been able to correct the findings, but is optimistic that the improving economy and improving real estate market will enable the District to collect sufficient pledged revenues to eventually eliminate these comments.	Yes
		#2011-02 - Debt Administration: 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 39 of 42)	N/A	See response for finding #2011-01 above.	Yes

Special Districts

Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
Included in the 2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

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Pine Island Community Development District (continued)	Lake (continued)	<u>#2013-01 - Financial Condition</u> : The District continues to report a net position deficit in the Enterprise Fund for which sufficient resources were not available to cover the deficit. (See PDF Page 41 of 42)	N/A	No	Yes
Polk Transit Authority	Polk	<u>#2009-1 - Entity Level Controls</u> : The entity is in the developmental stage and has not yet adopted key policies relating to: (1) formal job descriptions for key employees, (2) an employee handbook, and (3) formal fraud risk assessments. Such key policies should be considered as the entity begins to more formally organize and prepare for daily operations. (See PDF Page 23 of 24) [Note: Finding is also referred to as #2013-003.]	N/A	Yes - Letter: The Authority does not currently operate any services or have any employees; as a result, there are no job descriptions, employee handbook, or fraud or risk assessment program. Since the Authority has no employees, the potential for fraud and risk is minimized.	Yes
Port St. Joe Port Authority	Gulf	<u>#2013-03 - Inadequate Design of Internal Controls</u> : There is an inadequate design of internal control over the preparation of the financial statements. The Auditor assists with the preparation of the financial statements. (See PDF Page 20 of 22)	MW	No	Yes
Portofino Cove Community Development District	Lee	<u>#2013-01 - Reserve Requirement and Other Compliance</u> : The Debt Service Reserve requirements were not met at fiscal year-end. Also, the non-payment of FY 2012-13 debt service payments was not reported on MSRB, Municipal Securities Rulemaking Board as required by SEC Rule. (See PDF Page 30 of 31)	N/A	Yes - Letter: Describes history and current status of CDD; due to developer not paying assessments; lawsuit filed seeking foreclosure on all property benefitted by specified bonds for which assessments delinquent; successful conclusion to foreclosure proceedings will eliminate delinquent assessments financially burdening property and allow District to sell property at market value; proceeds of sale will eliminate specified bonds and fund operations.	Yes
		<u>#2013-02 - 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. (See PDF Page 30 of 31)	N/A	See response for finding #2013-01 above.	Yes

Special Districts

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Included in the 2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

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Portofino Isles Community Development District	St. Lucie	#2013-02 - Financial Condition Assessment: 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. As a result, the District did not have sufficient funds necessary to make certain debt service payments. During a prior FY, a 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 34 of 36)	N/A	Yes - Letter: Describes brief history and current status of CDD; SPE (special purpose entity) was created and holds title to certain developer-owned property within the District in lieu of foreclosure. The SPE is funding their share of the operating cost of the District; however, the findings have not been corrected and will not be corrected until the property is sold.	Yes
		#2013-03 - Reserve Requirement and Other Compliance: The Debt Service Reserve Requirement for the Series 2005 Bonds was not met as of fiscal year-end. Also, the non-payment of certain scheduled debt service payments during the current FY was not reported on MSRB, Municipal Securities Rulemaking Board, as required by SEC Rule. (See PDF Page 35 of 36)	N/A	See response for finding #2013-02 above.	Yes
Portofino Landings Community Development District	St. Lucie	#2013-01 - Reserve Requirement and Other Compliance: The Series 2007A and Series 2007B Debt Service Reserve requirements were not met as of fiscal year-end. Also, the non-payment of certain scheduled debt service payments during the current FY was not reported on MSRB, Municipal Securities Rulemaking Board, as required by SEC Rule. (See PDF Page 31 of 33)	N/A	Yes - Letter: The District's foreclosure lawsuit is slowly progressing with completion date of the lawsuit unknown at this time. The District will not be able to correct the findings until the lawsuit is completed.	Yes

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Special Districts

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Portofino Landings Community Development District (continued)	St. Lucie (continued)	#2013-02 - Financial Condition Assessment: The District's financial conditions continue to deteriorate. The Developer stopped funding the District resulting in a significant portion of assessments for the year to be delinquent. Two debt service payments were not made, resulting in an event of default. The interest payment on two bond series was not made, resulting in an event of default, due to the Developer's failure to pay its assessments. In addition, there is a deficit in the capital projects fund due to the Developer's failure to pay certain expenses relating to the project per the completion agreement. The District is economically dependent on the Developer. <i>(See PDF Page 31 of 33)</i>	N/A	Yes - Letter: See response for finding #2013-01 above.	Yes
Portofino Vista Community Development District	Osceola	#2013-01 - Reserve Requirement and Other Compliance: Debt Service Reserve requirements were not met as of fiscal year-end. Also, the non-payment of certain scheduled debt service payments during the current FY was not reported on MSRB, Municipal Securities Rulemaking Board, as required by SEC Rule. <i>(See PDF Page 30 of 31)</i>	N/A	Yes - Letter: The District has dismissed the foreclosure lawsuit subject to negotiations of a settlement agreement between landowner, debt holders, and the District. The negotiations are on-going, and the District is optimistic of a positive outcome. Unfortunately, the District is not able to correct the findings while this process continues.	Yes
		#2013-02 - Financial Condition Assessment: The District's financial conditions continue to deteriorate. The Developer 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 the scheduled debt service payments. Furthermore, the District reported deficit fund balances on the General Fund and the Debt Service Fund. <i>(See PDF Page 30 of 31)</i>	N/A	Yes - Letter: See response to finding #2013-01 above.	Yes

Special Districts

Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
Included in the 2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

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Reunion East Community Development District	Osceola	<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 Series 2005 and Series 2002A-2 Bonds have not been made as of fiscal year-end. (See PDF Page 39 of 40)	N/A	Yes - Letter: The major landowner and developer of the District has failed to pay their annual debt service assessments therefore the District hasn't had sufficient funds to make the annual debt service payment on the Bonds. A foreclosure lawsuit has been filed. Until this matter is resolved, the District will not be able to correct the finding.	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. (See PDF Page 39 of 40)	N/A	No	Yes
Ridgewood Trails Community Development District	Clay	<u>#2011-01 - Debt Administration:</u> The balance on hand in the reserve accounts were substantially below the reserve account requirement. Reserve requirements remain unmet and funds are not available to make the May principal and interest payments in current year. (See PDF Page 33 of 34)	N/A	No	Yes
River Bend Community Development District	Hillsborough	<u>#12-01 - Failure to Meet Debt Service Reserve Account Requirement:</u> The Series 2005 and Series 2007 Debt Service Reserve Accounts were deficient at fiscal year-end. (See PDF Page 37 of 40)	N/A	No	Yes
		<u>#12-02 - 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 2005 and Series 2007 Bonds. (See PDF Page 37 of 40)	N/A	No	Yes
		<u>#12-04 - Actual Expenditures Exceeded Budgeted Expenditures:</u> The District did not amend the General Fund budget for expenditures that exceeded the original budget. (See PDF Page 38 of 40)	N/A	No	Yes

Special Districts

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Included in the 2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

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River Glen Community Development District	Nassau	<u>#2013-01 - Appraisal Not Performed and Land Held for Resale Not Recorded:</u> No appraisal was performed on the property owned by the SPE. Consequently, no amount was recorded on the financial statements related to this asset as the market value of the property could not be determined. (See Page 35 of 37)	MW	No	Yes
		<u>#2013-03 - Financial Condition Assessment:</u> The District's financial conditions are deteriorating and continue to deteriorate. The Developer failed to pay assessment during prior years, and the District foreclosed on the related property. Due to lack of sufficient funds, certain scheduled debt service payments were not made in the current and prior years. Also, the debt service fund reported a deficit fund balance at fiscal year-end. (See PDF Pages 35-36 of 37)	N/A	Yes - Letter: The land has not been sold and there are no debt assessments to collect.	Yes
		<u>#2013-04 - Reserve Requirement:</u> As a result of unscheduled draws on the Series 2006 Debt Service Reserve Account to make certain scheduled debt service payments and pay certain expenditures in prior years, the reserve requirement was not met at fiscal year-end. (See PDF Page 36 of 37; also see Addendum to Management Letter PDF Page 1 of 1)	N/A	Yes - Letter: See response for finding #2013-03 above.	Yes
River Place on the St. Lucie Community Development District	St. Lucie	<u>#ML 13-01 - Failure to Make Bond Debt Service Payments When Due:</u> Capital Improvement Revenue Bonds Series 2001B matured in 2010 and were not paid. Interest continues to accrue and is not being paid. (See PDF Page 36 of 37)	N/A	Yes - Letter: The District's foreclosure suit is progressing slowly. Unfortunately, until the district obtains ownership of the property with delinquent assessments, the finding will not be corrected.	Yes
		<u>#ML 13-02 - Failure to Meet Service Reserve Account Requirement:</u> The District did not meet the reserve requirement at fiscal year-end. (See PDF Page 36 of 37)	N/A	No	Yes

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Special Districts

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Riverwood Estates Community Development District	Pasco	<u>#13-01 - Failure to Make Debt Service Payments When Due:</u> In the current and prior year, the District did not make the required debt service interest and principal payments due on the Series 2006 Bonds. <i>(See PDF Page 37 of 40)</i>	N/A	Yes - Letter: Describes brief history and current status of CDD; SPE (special purpose entity) was created to hold, manage and dispose of the property on behalf of the bondholders. The SPE has 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, the Debt Service Reserve account has not been replenished. The findings will remain until assessments are collected, the debt service payments made, and the debt service reserve account replenished.	Yes
		<u>#13-02 - Failure to Meet Debt Service Reserve Account Requirement:</u> The Debt Service Reserve Accounts was deficient at fiscal year-end. <i>(See PDF Page 37 of 40)</i>	N/A	Yes - Letter: See response for finding #13-01 above.	Yes
		<u>#13-03 - Failure to Include Component Unit Financial Statements in the Financial Report:</u> The SPE was not included as a component unit in the District's financial report. <i>(See PDF Page 36 of 40)</i>	N/A	No	Yes
		<u>#13-04 - Failure to Pay Claims from Creditors within 90 Days:</u> The District had payables due to creditors that were greater then 90 days old at fiscal year-end. <i>(See PDF Page 38 of 40)</i>	N/A	No	Yes
Rolling Hills Community Development District	Pasco	<u>#2011-01 - Debt Administration:</u> The District failed to make the scheduled bond principal payment during FY 2010-11. Although the District made certain bond payments during FY 2011-12 and FY 2012-13, the District failed to make the scheduled bond payment on 5/1/13. <i>(See PDF Page 35 of 36)</i>	N/A	No	Yes

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Special Districts

Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
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Shingle Creek Community Development District	Osceola	#IC2009-1 - Debt Administration: 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 of debt service, 2) maintaining adequate funds in debt service reserve accounts, and 3) making its semi-annual debt service principal and interest payments. <i>(See PDF Page 31 of 33)</i>	N/A	Yes - Letter: Describes brief history and current status of CDD; SPE (special purpose entity) was created to hold title to all developer-owned property within the District obtained through foreclosure. This property was sold by the SPE in 2014, and the proceeds transmitted to the bondholders in satisfaction of delinquent assessments. Thus, the District expects to have this finding fully remedied within the next one or two fiscal years.	Yes
Six Mile Creek Community Development District	St. Johns	#12-01 - Failure to Make Bond Debt Service Payments When Due: The debt service payments due in the current year on the Series 2007 Bonds have not been made. The Developer has not paid current or prior years debt service special assessments owed to the District. <i>(See PDF Page 34 of 37)</i>	N/A	No	Yes
Southern Hills Plantation I Community Development District	Hernando	#12-01 - Budget Amendment: The District did not amend the General Fund budget for expenditures that exceeded the original budget. <i>(See PDF Page 36 of 37)</i>	N/A	Yes - Letter: In a prior year, the District entered into an inter-local agreement which allocates cost between the District (Southern Hills I) and Southern Hills II and III. Southern Hills II and III have not been financially able to reimburse the District for their share of expenses in the current and prior years. Due to this situation, the costs relating to Southern Hills II and III have been included as expenses of the District and are the primary reason the District is over budget.	Yes

Special Districts

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Spring Ridge Community Development District	Hernando	#2009-02 - <u>Financial Condition</u> : The District's financial condition continues to deteriorate. Debt service payments due in the current and prior fiscal years were not paid. Further, the debt service fund and the Special Purpose Entity (SPE) fund reported a deficit fund balance for the fiscal year. (See PDF Page 30 of 32)	N/A	Yes - Letter: Describes brief history and current status of CDD. The District has taken steps to keep its operations expenses low in order to alleviate its financial condition and to replenish its reserves. The District has and will continue to levy annual operations and maintenance assessments in order to meet its financial obligations.	Yes
		#2009-03 - <u>Reserve Requirement</u> : The Debt Service Reserve requirements were not met as of fiscal year-end. (See PDF Page 30 of 32)	N/A	Yes - Letter: When the real estate market recovers in Hernando County, the District anticipates that it will collect more special assessments, and it will be able to replenish its financial reserves.	Yes
		#2010-02 - <u>Appraisal Not Performed and Land Held for Resale Not Recorded</u> : No appraisal was performed on the property owned by the SPE. Consequently, no amount was recorded on the financial statements related to this asset as the market value of the property as of fiscal year-end could not be determined. (See Page 30 of 32)	MW	Yes - Letter: Did not address this finding.	Yes
		#2010-06 - <u>Bondholder Consent</u> : The auditor was not provided Bondholder consent for the transfer of funds from the Trust Estate and the creation of the SPE. In addition, the auditor was also not provided Bondholder consent pages to the Tri-Party Agreement discussed in Note 8 of the financial statements. (See PDF Page 31 of 32)	N/A	Yes - Letter: Did not address this finding.	Yes
Sterling Hill Community Development District	Hernando	#2012-01 - <u>Failure to Include Component Unit Financial Statements in the Financial Report</u> : The District did not include the Special Purpose Entities as component units in the District's financial statements. (See PDF Page 39 of 43)	MW	Yes - Letter: Management does not agree that the Special Purpose Entities should be included as blended component units on the government-wide financial statements. (See Letter)	Yes
		#12-03 - <u>Failure to Meet Debt Service Reserve Account Requirement</u> : The Debt Service Reserve Accounts were deficient at fiscal year-end. (See PDF Page 40 of 43)	N/A	Yes - Letter: The District is taking all necessary and available actions in order to collect both O&M assessments and Debt assessments.	Yes

Special Districts

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Sterling Hill Community Development District (continued)	Hernando (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 these Bonds. (See PDF Page 40 of 43)	N/A	Yes - Letter: The District is taking all necessary and available actions in order to collect both O&M assessments and Debt assessments. Once the assessments have been collected the delinquent debt service payments will be made.	Yes
Stoneybrook Community Development District	Lee	<u>#2013-01 - Financial Condition Assessment</u> : As a result of performing financial condition assessment procedures, it was determined that a deteriorating financial condition exists with respect to the enterprise fund golf course operations. In addition, the District did not make prior years and the current year debt service payments. (See PDF Page 35 of 36)	N/A	Yes - Letter: Finding will not be repeated in FY 2013-14; bonds have been refunded.	Yes
Stoneybrook South Community Development District	Osceola	<u>#IC2010-1 - Debt Administration</u> : The District is not in compliance with certain provisions of its bond indenture including those related to: collecting assessments, maintaining adequate funds in debt service reserve accounts, and making its semi-annual principal and interest payments. (See PDF Page 32 of 34)	N/A	Yes - Letter: Subsequent to FY 2012-13, the bonds were cancelled, with interest paid current. As of July 2014, this finding has been corrected and no longer applies.	Yes
Sun'n Lake of Sebring Improvement District	Highlands	<u>#2013-01 - Golf Fund Operations</u> : The golf course and restaurant activities in the golf fund continued to report an operating loss before non-operating revenues and expenses during FY 2012-13. (See PDF Page 55 of 62)	N/A	Yes - Letter: The District has reported this fund as a Special Revenue Fund instead of an Enterprise Fund for FY 2014-15, which will resolve the finding, but not until FY 2014-15. The District will also continually monitor golf and recreation operations and provide the Board and community with monthly financial statements.	Yes

Special Districts

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Sun'n Lake of Sebring Improvement District (continued)	Highlands (continued)	<u>#2013-02 - Financial Condition Assessment</u> : The unassigned fund balance of the Debt Service Fund had a deficit balance at fiscal year-end. (See PDF Page 56 of 62)	N/A	Yes - Letter: The District continues to collect payments from landowners throughout the year and remits these collections, less a 1% collection fee, to the trustee on a monthly basis. The noted deteriorating condition is not a result of the District's lack of funds, but the landowners' failure to pay the amounts assessed by the District.	Yes
Suwannee River Water Management District	Alachua, Baker, Bradford, Columbia, Dixie, Gilchrist, Hamilton, Jefferson, Lafayette, Levy, Madison, Putnam, Suwannee, Taylor, Union	<u>#2011-01 - Significant Adjustments</u> : In the prior year, the prior auditor noted that material adjustments were required to prepare accurate financial statements and recommended that a more thorough year-end closing process be implemented to ensure that all balances are reasonable and accurate. Except for material adjustments required relating to certain current year findings (i.e., payroll liability accounts), this finding was substantially corrected. (See PDF Page 61 of 68)	N/A	No	Yes
Suwannee Water and Sewer District	Dixie	<u>#2013-002 - Fixed Assets</u> : The District does not have complete, detailed records of all its property and equipment. (See PDF Page 23 of 24)	MW	Yes - Letter: The District is a very small entity with only six full time employees. 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 were not cataloged or tracked. At this time many of the assets are being replaced the by the District as they become obsolete and/or become inoperable.	Yes

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Sweetwater Creek Community Development District	St. Johns	#IC2011-1 - Debt Administration: The District is not in compliance with certain provisions of its bond indenture including those relating to: (1) levying and collecting assessments, (2) maintaining adequate funds in the debt service reserve accounts, and (3) making its semi-annual debt service payments. (See PDF Page 33 of 35)	N/A	No	Yes
Taylor Coastal Water and Sewer District	Taylor	#2010-1- Financial Statement Preparation: The District is not capable of drafting the financial statements and all required footnote disclosures in accordance with GAAP. (See PDF Pages 26-27 of 30)	SD	No	Yes
Tern Bay Community Development District	Charlotte	#AG-01 - Financial Condition: A deteriorating financial condition exists with respect to the District. The Developer has abandoned the development and the District. The District did not receive any assessments from the Developer or any significant landowner during and subsequent to FY 2012-13 and has not made any principal and interest payments since November 2008 through the date of this report as a result of a lack of funds. (See PDF Page 32 of 32)	N/A	See response to finding #IC2009-01 below.	Yes

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Tern Bay Community Development District (continued)	Charlotte (continued)	#IC2009-01 - Debt Administration: The District is not in compliance with certain provisions of its Bond Indenture, including those relating to: collecting assessments to provide payment of debt service, maintaining adequate funds in debt service reserve accounts, and making its semi-annual debt service principal and interest payments. <i>(See PDF Page 30 of 32)</i>	N/A	Yes - Letter: 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. 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
Tindall Hammock Irrigation and Soil Conservation District	Broward	#2011-1 - Financial Reporting: While the District has developed a website, the required financial information has not been published on the website in accordance with the requirements of Florida Statutes. <i>(See PDF Page 52 of 53)</i>	N/A	No	Yes
Tolomato Community Development District	Duval, St. Johns	#IC2011-01 - Debt Administration: The District is not in compliance with certain provisions of its Bond Indenture including those relating to: (1) collecting assessments, (2) maintaining adequate funds in debt service reserve accounts, and (3) making its semi-annual debt service payments. <i>(See PDF Page 34 of 36)</i>	N/A	No	Yes

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Special Districts

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Trails Community Development District	Duval	#2009-03 - <u>Financial Condition Assessment</u> : The District's financial conditions are deteriorating. A former major landowner and the Developer failed to pay their share of assessments in the prior and current fiscal years and utilized amounts from the reserve account to pay a portion of interest payments in prior years. As a result, the District failed to make certain required debt service payments during the current and prior fiscal years. In addition, the general fund reported a deficit fund balance at the end of the fiscal year. (See PDF Pages 32-33 of 35)	N/A	Yes - Letter: Describes brief history and current status of CDD; SPEs (special purpose entities) were created and title to certain developer-owned land was transferred to it in lieu of foreclosure action. During FY 2012-13, an agreement was entered into and the SPE is being invoiced monthly for operational and maintenance assessments levied on the SPE's land. The District has taken every available measure to comply with the trust indenture. The findings will remain until the assessments are collected or the land is sold.	Yes
		#2009-04 - <u>Reserve Requirement</u> : The Debt Service Reserve requirement was not met at fiscal year-end. (See PDF Page 33 of 35)	N/A	Yes - Letter: It is uncertain if the reserves will be replenished. This depends on what happens to the land now owned by the SPE. Also see response for finding #2009-03 above.	Yes
Treeline Preserve Community Development District	Lee	#2013-01 - <u>Financial Condition Assessment</u> : The District's financial conditions continue to deteriorate. Due to the Developer's failure to pay the required assessments for prior, current and subsequent fiscal years, there have been insufficient amounts available to fund debt service payments from November 2010-May 2014. Additionally, during a prior fiscal year, the District filed a lawsuit seeking to foreclose on all of the land for which there are delinquent assessments. The District's activity is dependent upon the continued involvement of the Developer. (See PDF Page 29 of 30)	N/A	Yes - Letter: The District's foreclosure lawsuit is slowly progressing with completion date of the lawsuit unknown at this time. Unfortunately, the District will not be able to correct the findings until the lawsuit is completed.	Yes
		#2013-02 - <u>Reserve Requirement and Other Compliance</u> : The Debt Service Reserve Requirement was not met at fiscal year-end. The non-payment of certain scheduled debt service payments during the current fiscal year was not reported on MSRB, Municipal Securities Rulemaking Board, as required by SEC Rule. (See PDF Page 29 of 30)	N/A	See response for finding #2013-01 above.	Yes

Special Districts

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Special District	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2014 JLAC letter on FY 2011-12 Findings)	Recommend Requiring a Written Response This Year?
Upper Captiva Fire Protection and Rescue Service District	Lee	#2010-004 - <u>Disbursements Supporting Documentation</u> : Several transactions did not have proper supporting documentation and were paid based on the statements received. (See PDF Page 29 of 38)	MW	Yes - Letter: District is working on correcting finding; describes steps being taken to address issue.	Yes
		#2011-005 - <u>Deletion of Financial Records</u> : The District deleted financial records (journal entries and voided checks) from the accounting software. (See PDF Pages 29-30 of 38)	MW	No	Yes
Villa Vizcaya Community Development District	St. Lucie	#2013-01 - <u>Omission of a Major Fund</u> : The District did not include the SPE as a major fund as required by GAAP. (See PDF Page 32 of 35)	MW	No	Yes
		#2013-03 - <u>Reserve Requirement</u> : The Debt Service Reserve Requirements were not met at fiscal year-end. (See PDF Page 32 of 35)	N/A	Yes - Letter: Describes brief history and current status of CDD; 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 are reached. The District is unable to correct the finding(s) at this time. Also, due to the complications associated with this matter, the District is <u>unable to know when this matter will be resolved.</u>	Yes
		#2013-04 - <u>Financial Condition Assessment</u> : The District's financial conditions continue to deteriorate. 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 scheduled debt service payments during FY 2010-11 to FY 2013-14 were not made. (See PDF Page 33 of 35)	N/A	See response for finding #2013-03 above.	Yes

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

Special Districts

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Villages of Avignon Community Development District	Manatee	#11-01 - <u>Failure to Meet Debt Service Reserve Account Requirement</u> : The District did not keep minimum amounts in the Debt Service Reserve Account. The reserve accounts was deficient at fiscal year-end. (See PDF Page 34 of 36)	N/A	Yes - Letter: Describes history and current status of CDD; original developer defaulted on all agreements for payment to District; one of developer's primary creditors took over majority of District lands and has since provided operations and maintenance funding to keep District operational; anticipated that, in 2013, Board will decide to attempt sale of certain properties or to simply turn such properties over to bondholders as payment on outstanding bonds.	Yes
		#11-02- <u>Failure to Make Bond Debt Service Payments When Due</u> : In the current and prior fiscal years, the District did not pay principal and interest due on the Series 2007 Bonds. (See PDF Page 34 of 36)	N/A	See response for finding #11-01 above.	Yes
Villages of Bloomingdale Community Development District	Hillsborough	#2013-01 - <u>Reserve Requirement</u> : The Debt Service Reserve Requirements were not met as of fiscal year-end. (See PDF Page 31 of 32)	N/A	No	Yes
Waterford Estates Community Development District	Charlotte	#IC2009-01 - <u>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 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 30 of 32)	N/A	Yes - Letter: In a prior year, a SPE was created and deeded the property formerly owned by the developer and major landowner in lieu of foreclosure. The SPE continues to own, maintain, manage and market the property for resale. However, until the property owned by the SPE is sold, the findings will not be corrected.	Yes

Special Districts

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Waterlefe Community Development District	Manatee	#IC2010-01 - Debt Administration: The District is not in compliance with certain provisions of its Golf Course Revenue Bond indenture, including those relating to collecting assessments, maintaining adequate funds in debt service reserve accounts, and making semi-annual principal and interest payments. (See PDF Page 40 of 42)	N/A	Yes - Letter: 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, including the replenishment of the debt service fund and payment of the debt service principal and interest.	Yes
Waterstone Community Development District	St. Lucie	#2013-01 - Omission of a Major Fund: The District did not include the SPE as a major fund as required by GAAP. (See PDF Page 31 of 33)	MW	No	Yes
		#2013-03 - Financial Condition Assessment: The District's financial conditions continue to deteriorate. The debt service fund had a deficit fund balance at fiscal year-end. Furthermore, the District did not have sufficient funds to make certain scheduled debt service payments during FY 2009-2014, since the Developer stopped funding the District during FY 2008-09. (See PDF Pages 31-33 of 33)	N/A	Yes - Letter: The majority of the property within the District remains in the ownership of the SPE therefore no debt assessments are being collected. Until the property is sold by the SPE, the District will be unable to correct the findings. The timeframe for the sale is unknown.	Yes
West Villages Improvement District	Sarasota	#2013-01 - Debt Service Reserve Requirement: The debt service reserve requirements were not met as of fiscal year-end. In the prior fiscal year, funds from the debt service reserve accounts were used for partial debt obligations. (See PDF Page 33 of 34)	N/A	No	Yes
Westgate / Belvedere Homes Community Redevelopment Agency	Palm Beach	#2013-1 - Rental Activities: Since FY 2007-08, the Agency did not properly and timely record rental income and expenses in the financial statements. Rental income was occasionally reported net of expenses paid. Therefore, rental income and expenses may appear understated. (See PDF Page 52 of 60)	SD	Yes - Letter: New policies and procedures have been adopted for rental property activities.	Yes

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Westridge Community Development District	Polk	#2013-1 - <u>Reserve Account Requirement</u> : There is a deficiency in the Series 2005 Reserve Account at fiscal year-end. This deficiency is a result of the Reserve Account being used to pay debt service amounts in 2009 because the developer has not paid debt service assessments due to the District. (See PDF Page 33 of 37)	N/A	No	Yes
		#2013-2 - <u>Failure to Make Debt Service Payment When Due</u> : The District did not pay certain scheduled principal and interest payments due on the Series 2005 Bonds. (See PDF Page 33 of 37)	N/A	No	Yes
Westside Community Development District	Osceola	#2011-01 - <u>Debt Administration</u> : The District is not in compliance with certain provisions of the Trust Indentures in that the current year debt service payments were not made. (See PDF Page 33 of 35)	N/A	No	Yes
The Woodlands Community Development District	Sarasota	#2013-01 - <u>Financial Condition Assessment</u> : The District's financial conditions continue to deteriorate. Certain major landowners failed to pay their share of assessments. As a result, the District did not make part of its required debt service payments during FY 2012-13. In addition, the general and debt service funds reported deficit fund balances at the end of the fiscal year and the general fund has outstanding payables exceeding 90 days. (See PDF Page 30 of 31)	N/A	Yes - Letter: Describes brief history and current status of CDD. The Board of Supervisors is acutely aware of the financial condition of the District and desires to rectify the deficiencies identified at the earliest practical date. The condition of the general fund and the amount of outstanding payables recently improved due to collection of some of the delinquent operations and maintenance assessments. Foreclosure of the delinquent operations and maintenance assessments is not financially feasible.	Yes

Special Districts

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The Woodlands Community Development District (continued)	Sarasota (continued)	#2013-02 -Reserve Requirement: The Debt Service Reserve requirement was not met at fiscal year-end. (See PDF Page 30 of 31)	N/A	Yes - Letter: In November 2013, the Trustee and the landowners entered into a First Amendment to the Forbearance Agreement, which requires the District to forbear in enforcement and collection of the delinquent debt assessments, including foreclosure, until October 31, 2017. The District does not anticipate any change in the status of the debt service delinquency prior to that date.	Yes
Wyld Palms Community Development District	Citrus	#IC2009-1 - Debt Administration: The District is not in compliance with certain provisions of its Bond Indenture including those relating to: levying and collecting assessments to provide payment of debt service, maintaining adequate funds in debt service reserve accounts, and making its semi-annual debt service principal and interest payments. (See PDF Page 30 of 32)	N/A	Letter: Describes brief history and current status of CDD; SPE was created, and holds title to all developer-owned property within the District after a successful foreclosure. The District is cooperating with the Trustee and bondholders in negotiating a sale of this property. The District's balance sheet will improve dramatically upon the sale of the foreclosed property.	Yes

MW = Material Weakness (see 2. in Legend)
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Special Districts

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Zephyr Ridge Community Development District	Pasco	#09-01 - Failure to Make Bond Debt Service Payments When Due: In the current and prior year, the District did not pay required debt service on the Series 2006 Bonds. (See PDF Page 38 of 41)	N/A	No	Yes
		#09-02 - Failure to Meet Debt Service Reserve Requirements: The Series 2006 Debt Service Reserve Accounts were deficient at fiscal year-end. (See PDF Page 38 of 41)	N/A	No	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.

Special Districts--Addendum

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?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2013 JLAC letter re: FY 2010-11 Findings)	Recommend Requiring a Written Response This Year?
Campbellton-Graceville Hospital	Jackson	#12-1 - Separation of Duties: Auditors noted a general lack of separation of duties resulting from limited staffing. The Hospital needs to review and revise internal policies and procedures in order to separate custodial and record keeping responsibilities of current staff, where possible. (See PDF Pages 31 of 36)	N/A	Yes - Letter: Small rural hospital with limited staff; indicates that some responsibilities have been moved around to compensate.	No [Not Corrected - see FY 2012-13 CPA Report, finding #13-1 (PDF p. 33 of 37)]
Eastpoint Water and Sewer District	Franklin	#12-01 - Separation of Duties: The District should separate duties so that no one individual has control over all phases of a transaction. (See PDF Page 35 of 36)	MW	Yes - Letter: Due to the budget constraints that a small rural community utility faces, the District's staff size is small. The District did implement one action which was to remove the office manager from having the ability to sign District checks. In addition, the District hired a third full-time employee with an accounting and banking background. Also, the duties of the office manager have since been delegated among the office staff.	No

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 SD = Significant Deficiency (see 3. in Legend)

Special Districts--Addendum

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Special District	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to 2013 JLAC letter re: FY 2010-11 Findings)	Recommend Requiring a Written Response This Year?
Eastpoint Water and Sewer District (continued)	Franklin (continued)	<u>12-03 - Financial Reporting</u> : Inadequate design of internal control over the preparation of the financial statements. The auditors assist with the preparation of the financial statements. (See PDF Page 35 of 36)	MW	Yes - Letter: As we are a small rural utility, our budget is limited. The District relies on the auditors' assistance with the preparation of the financial statements.	No

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 function: 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	#2010-01 - Preparation of Financial Statements in Accordance with GAAP: Staff did not have sufficient knowledge of appropriate accounting principles to prepare the GAAP-based financial statements. (See PDF Page 22 of 26)	MW	Yes - Letter ^A : Cost prohibitive for district to hire additional firm to draft financial statements and related notes in accordance with generally accepted accounting principles in advance of year-end audit procedures.	No
Argyle Fire District	Walton	#2010-1 - Financial Statement Preparation Knowledge: District's Finance Officer lacks the knowledge, experience, and background of the Government and Financial Accounting Standards to prepare the financial statements, including all note disclosures in accordance with GAAP. (See PDF Page 41 of 42)	MW	Yes - Letter ^A : Small entity, volunteer fire dept.; cannot afford to hire a CPA to oversee financial business; bookkeeper has limited training, but it's sufficient for District's needs.	No
		#2010-2 - Accounts Payable: Timely accounting and recording of accounts payable is not maintained. (See PDF Page 41 of 42)	MW	Yes - Letter ^A : Small entity, volunteer fire dept.; cannot afford to hire a CPA to oversee financial business; bookkeeper has limited training, but it's sufficient for District's needs.	No
Baker County Development Commission	Baker	#2013-01 - Separation of Duties: Steps should be taken to separate employee duties so that no individual has access to both physical assets and related accounting records, or all phases of a transaction. (See PDF Page 26 of 27)	MW	Yes - Letter ^A : Due to small staff size; describes controls added to compensate.	No
Baker County Hospital District	Baker	#2013-01 - Separation of Duties: Steps should be taken to separate employee duties so that no one individual has access to both physical assets and related accounting records, or all phases of a transaction. (See PDF Page 24 of 25)	MW	Yes - Letter ^A : Due to small staff size; describes controls added to compensate.	No
Beach Mosquito Control District	Bay	#2013-1 - Separation of Duties: 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 separation of duties. The Board of Commissioners should continue to review the deposits and expenditures on a monthly basis and include their approval and comments in the minutes of the monthly Board meetings. (See PDF Page 30 of 32)	SD	Yes - Letter ^A : Limited staff and limited funds; Describes controls added to compensate.	No

Special District
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Belmont Community Development District	Hillsborough	#2013-01 - Bondholder Consent: In current year, no Bondholder consent was provided for certain additional payments from the trust accounts in the debt service funds. (See PDF Page 32 of 33)	N/A	Yes - Letter ^B : The District does not have the ability to unilaterally resolve this finding. The District has requested that the Trustee obtain bondholder consent for such transfers; however, the Trustee's position is that the direction to use the funds in the Trust Account is given to the Trustee by the bondholders and does not need District consent or confirmation, nor does the Trustee need, or desire, to provide evidence of such consent to the District.	No
Big Bend Water Authority	Dixie, Taylor	#2013-001 - Separation of Duties: Steps should be taken to separate employee duties so that no individual has access to both physical assets and related accounting records, or all phases of a transaction. (See PDF Page 30 of 31)	MW	Yes - Letter ^A : 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."	No
Bolles Drainage District	Hendry	#2011-1 - Internal Control Over Financial Reporting: The District does not have the professional personnel needed to meet the requirements of Statement on Auditing Standards Number 115 (lack skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements). (See PDF Page 23 of 26)	MW	Yes - Letter ^A : Not a sound business decision to acquire the necessary expertise due to cost; simple operation that performs very limited activities.	No
Buckhead Ridge Mosquito Control District	Glades	#ML2009-1 - Improve Knowledge of Internal Control over Financial Reporting: 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 19 of 21)	SD	Yes - Letter ^A : Small district with limited resources; don't anticipate receiving any additional funding that would allow hiring additional staff.	No

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Cedar Key Special Water and Sewer District	Levy	#2013-001 - Separation of Duties: Due to 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. (See PDF Page 28 of 29)	MW	Yes - Letter ^A : Small district; one person handles all accounting responsibilities; "have adopted review and control oversight procedures by management and the Board of Directors, where possible."	No
Children's Services Council of Okeechobee County	Okeechobee	#2009-1 - Financial Reporting and Statement Preparation: 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. (See PDF Page 29 of 33)	MW	Yes - Letter ^A : Limited staff; believe majority of funds should be used for children's programs rather than adult staff.	No
		#2009-2 - Lack of Segregation of Duties: 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. (See PDF Pages 29-30 of 33)	SD	Yes - Letter ^A : Due to limited staff; describes controls added to compensate.	No
City-County Public Works Authority	Glades	#2010-01 - Segregation of Duties: 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 implement oversight procedures to ensure the internal control policies and procedures are being followed by staff. (See PDF Page 18 of 26)	MW	Yes - Letter ^A : Too cost prohibitive to hire additional personnel just to achieve proper separation of duties within accounting functions.	No
		#2010-02 - Audit Adjustments: It was necessary for the auditors to propose audit adjustments to revise the Authority's books at fiscal year-end. (See PDF Pages 18-19 of 26)	MW	Yes - Letter ^A : 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.	No

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City-County Public Works Authority (continued)	Glades (continued)	#2010-03 - Financial Reporting Process: Management requested the auditors to prepare a draft of the financial statements, including the related notes. (See PDF Page 19 of 26)	MW	Yes - Letter ^A : 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.	No
Disston Island Conservancy District	Glades, Hendry	#2011-1 - Internal Control Over Financial Reporting: The District does not currently have the professional personnel needed to meet the requirements of Statement of Auditing Standards Number 115 (lack skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements). (See PDF Page 23 of 26)	MW	Yes - Letter ^A : Governing board has determined that cost is not a sound business decision to acquire necessary expertise.	No
East Niceville Fire District	Okaloosa	#13-01 - General Accounting Records: It was necessary for the auditors to propose audit adjustments that dealt with cutoff issues for recording expenses in the proper accounting period. These adjustments involved year-end accrued liabilities. (See PDF Page 31 of 34)	MW	Yes - Letter ^A : Due to limited resources, District does not have financial capacity to hire any employees at this time.	No
		#13-02 - Financial Reporting: The District's accounting and financial reporting is handled by employees that don't have the training or knowledge to record transactions and prepare financial statements; the District must rely on the auditors to assist in preparing its annual financial statements in accordance with generally accepted accounting principles. (See PDF Page 32 of 34)	MW	Yes - Letter ^A : Due to limited resources, District does not have financial capacity to hire any employees at this time.	No
Escambia Health Facilities Authority	Escambia	#2013-1 - Segregation of Duties: In prior audits we noted a lack of separation of duties due to the small size of staff. The Authority made significant efforts to mitigate risks associated with the segregation of duties. Although the Authority has taken steps, the duties of signing checks and entering transactions in the accounting system have not been fully segregated. (See PDF Page 26 of 27; also see Addendum to Management Letter, PDF Page 1 of 1)	N/A	Yes - Letter ^A : One full-time employee; not financially feasible to hire another employee to eliminate this finding; describe procedures implemented to compensate.	No

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Escambia-Pensacola Human Relations Commission	Escambia	#2013-1 - Overall Segregation of Duties: 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 of 29)	SD	Yes - Letter ^B : 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.	No
Fellsmere Water Control District	Indian River	#2009-1 - Separation of Duties: The limited size of the District's staff does not allow for proper separation of duties in each phase of operations. (See PDF Page 28 of 31)	SD	Yes - Letter ^A : Due to limited budget; not possible to hire another employee to eliminate this finding; describe procedures implemented to compensate.	No
Flaghole Drainage District	Glades, Hendry	#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 23 of 26)	MW	Yes - Letter ^A : Governing board has determined that, due to cost, it is not a sound business decision to acquire necessary expertise.	No
Flagler Estates Road and Water Control District	St. Johns	#2013-001 - Separation of Duties: Steps should be taken to separate employee duties so that no one individual has access to both physical assets and related accounting records, or all phases of a transaction. (See PDF Page 31 of 32)	MW	Yes - Letter ^A : Due to limited staff, 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.	No
		#2013-002 - Financial Reporting: It was necessary for the auditors to propose material adjustments to the District's financial statements in order for them to be in compliance with generally accepted accounting principles. (See PDF Page 31 of 32)	MW	Yes - Letter ^A : Board, in conjunction with treasurer (accounting firm), have discussed ramifications of implementing procedures to correct condition and determined that continuing to utilize auditors for this task to be in the best interest of District.	No

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Fred R. Wilson Memorial Law Library	Seminole	<u>Item #1 - 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. The basis for this control issue is that the auditors cannot be considered part of the Library's internal control. (See PDF Page 20 of 21)	N/A	Yes - Letter ^A : 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 CPA firm employed by Library.	No
		<u>Item #2 - Internal Control:</u> 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 missing in the Library. (See PDF Page 20 of 21)	N/A	Yes - Letter ^A : Only two employees; library not large enough to make employment of additional people cost effective; describes involvement of Board members.	No
Gladeview Water Control District	Palm Beach	<u>#2011-1 - Internal Control Over Financial Reporting:</u> 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 24 of 29)	MW	Yes - Letter ^A : Governing board has determined that, due to cost, it is not a sound business decision to acquire necessary expertise.	No
Hendry Soil and Water Conservation District	Hendry	<u>#2011-1 - Internal Control Over Financial Reporting:</u> The District lacks the skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements. (See PDF Page 21 of 24)	MW	Yes - Letter ^A : Governing board has determined that, due to cost, it is not a sound business decision to acquire necessary expertise.	No
Hendry-Hilliard Water Control District	Hendry	<u>#2011-1 - Internal Control Over Financial Reporting:</u> The District lacks the skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements. (See PDF Page 24 of 27)	MW	Yes - Letter ^A : Governing board has determined that, due to cost, it is not a sound business decision to acquire necessary expertise.	No

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Special District	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to JLAC letter re: FY 2010-11 ^A or FY 2011-12 ^B Findings)	Recommend Requiring a Written Response This Year?
Highland Glades Water Control District	Palm Beach	<u>#2011-1 - Internal Control Over Financial Reporting</u> : The District lacks the skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements. (See PDF Page 22 of 26)	MW	Yes - Letter ^A : Governing board has determined that, due to cost, it is not a sound business decision to acquire necessary expertise.	No
Housing Finance Authority of Lee County	Lee	<u>#2010-01 - Financial Reporting Process</u> : Management requested the auditors to prepare a draft of the financial statements, including the related notes to the financial statement due to a limited number of personnel. (See PDF Page 20 of 25)	MW	Yes - Letter ^A : No paid staff; trying to control costs; determination made that cost of hiring and retaining professional staff qualified to prepare financial statements is not warranted.	No
		<u>#2010-02 - Audit Adjustments</u> : It was necessary for the auditors to propose audit adjustments to revise the Authority's books at year end; this was due to a limited number of personnel. (See PDF Pages 20-21 of 25)	MW	Yes - Letter ^A : Accounting firm hired to assist with books and records will also assist in reducing or minimalizing any necessary material adjustments.	No
Indian River Farms Water Control District	Indian River	<u>#2009-1 - Segregation of Duties</u> : There is an inadequate separation of duties in each phase of operations due to the limited size of the District's staff. (See PDF Page 26 of 28)	SD	Yes - Letter ^A : Not able to hire additional staff needed to resolve finding due to limited resources; Board involvement has been increased to compensate.	No
Jupiter Inlet District	Palm Beach	<u>#2009-01 - Segregation of Duties</u> : There is an inadequate separation of duties; no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. (See PDF Pages 30 and 33 of 35)	SD	Yes - Letter ^A : Due to small size of District; describes some procedures implemented to mitigate some of the inherent risk.	No
Lakeland Downtown Development Authority	Polk	<u>#2010-1 - Internal Control</u> : There is a lack of separation of duties in the Authority's accounting functions. (See PDF Pages 39-40 of 41)	SD	Yes - Letter ^A : Size of Authority precludes certain controls preferred for optimum separation of duties; Board continues to remain involved in financial affairs to provide oversight and independent review functions to compensate.	No

Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation
Included in the 2012-13 Fiscal Year Audit Report and the Two Preceding Audit Reports¹

Special District	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to JLAC letter re: FY 2010-11 ^A or FY 2011-12 ^B Findings)	Recommend Requiring a Written Response This Year?
Lealman Special Fire Control District	Pinellas	#2009-01 - <u>Audit Adjustments Necessary to Convert from the Modified Cash Basis to Accrual Basis of Accounting</u> : The District records activity on the modified cash basis of accounting and relies upon the auditors to record transactions necessary to report at year-end on the accrual basis of accounting. (See PDF Page 59 of 63)	MW	Yes - Letter ^A : Board considered cost-benefit and determined it would be too cost prohibitive to undertake such services in-house; decided to continue to outsource task to auditors.	No
Marion County Law Library	Marion	#2013-1 - <u>Separation of Duties</u> : There is an inadequate separation of duties. One employee, the librarian, handles all of the accounting and currently is not able to prepare the financial reports in accordance with GAAP. (See PDF Page 22 of 23)	MW	Yes - Letter ^A : Small entity; describes background of Library and compensating controls implemented.	No
Municipal Service District of Ponte Vedra Beach	St. Johns	#2013-001 - <u>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 26 of 26)	MW	Yes - Letter ^A : Due to limited number of financial staff, not always possible to separate duties; have done so to extent possible.	No
		#2013-002 - <u>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 26 of 26)	MW	Yes - Letter ^A : Evaluated cost-benefit and determined that it is in the best interest of District to outsource this task to auditors.	No
North Okaloosa County Fire District	Okaloosa	#2013-01 - <u>Lack of Segregation of Duties</u> : 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 36 of 36)	MW	Yes - Letter ^A : Due to small size of District; costs to correct deficiency outweighs benefit; describes some procedures implemented to compensate.	No

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?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to JLAC letter re: FY 2010-11 ^A or FY 2011-12 ^B Findings)	Recommend Requiring a Written Response This Year?
North Palm Beach Heights Water Control District	Palm Beach	#2009-01 - Segregation of Duties: There is insufficient separation of duties in the accounting department. Steps should be taken to separate employee duties so that no individual has access to both physical assets and related accounting records, or all phases of a transaction. (See PDF Pages 33-34 of 36)	N/A	Yes - Letter ^A : District has no employees; describes some procedures implemented to compensate, including outside CPA who prepares monthly bank reconciliations and records all transactions into general ledger.	No
North St. Lucie River Water Control District	St. Lucie	#ML2009-1 - Lack of Segregation of Duties: 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. (See PDF Page 25 of 27)	SD	Yes - Letter ^A : Small district with limited resources; no funding to hire additional staff; have implemented some controls to compensate.	No
		#ML2009-2 - Improve Knowledge of Internal Control Over Financial Reporting: 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 25 of 27)	SD	Yes - Letter ^A : Small district with limited resources; no funding to hire additional staff to resolve finding.	No
Ocean City / Wright Fire Control District	Okaloosa	#IC2007-01 - Preparation of Financial Statements in Accordance to GAAP: It is necessary for the auditors to propose significant adjustments and to prepare the financial statements as the District's staff lacks the knowledge. (See PDF Page 46 of 48)	MW	Yes - Letter ^A : Small district w/ limited financial resources; not possible to employ a CPA on staff to prepare financial statements, so function has been outsourced to external auditor.	No
Okeechobee Soil and Water Conservation District	Okeechobee	#2009-1 - Lack of Segregation of Duties: 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 Pages 37-38 of 40)	SD	Yes - Letter ^A : Only one employee handles accounting; Board remains active and reviews all transactions; describes some procedures implemented to compensate.	No

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?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to JLAC letter re: FY 2010-11 ^A or FY 2011-12 ^B Findings)	Recommend Requiring a Written Response This Year?
Okeechobee Soil and Water Conservation District (continued)	Okeechobee (continued)	#2009-2 - <u>Financial Statements</u> : The District does not have personnel with sufficient technical knowledge and training to prepare financial statements in accordance with GAAP. (See PDF Page 38 of 40)	MW	Yes - Letter ^A : 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.	No
Palatka Gas Authority	Putnam	#2013-001 - <u>Financial Reporting</u> : Assistance was needed in the preparation of financial statements in order to ensure that they were presented in conformity with GAAP. (See PDF Page 20 of 21)	MW	Yes - Letter ^B : 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.	No
Panhandle Public Library Cooperative System	Calhoun, Holmes, Jackson, Washington	#07-01 - <u>Financial Reporting</u> : The Cooperative System relies on the external auditor to assist with preparing and explaining financial statements in conformity with GAAP. (See PDF Page 34 of 40)	MW	Yes - Letter ^A : Due to small staff and no CPA on staff; resources limited so decision made to outsource task to auditors.	No
Port St. Joe Port Authority	Gulf	#2013-01 - <u>Significant Audit Adjustments</u> : The Authority does not have an individual on staff with accounting education and experience to properly record more complex accounting transactions and prepare financial statements in accordance with GAAP. (See PDF Page 19 of 22)	MW	Yes - Letter ^A : States that Authority no longer has a paid staff and is relying on volunteer workers. As a result, Authority Board oversees and approves all transactions as well as reviews all financial transactions on a periodic basis.	No

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Special District	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to JLAC letter re: FY 2010-11 ^A or FY 2011-12 ^B Findings)	Recommend Requiring a Written Response This Year?
Port St. Joe Port Authority (continued)	Gulf (continued)	#2013-02 - <u>Need for Segregation of Duties</u> : The limited number of employees within certain offices precludes ideal segregation of duties. (See PDF Page 19 of 22)	MW	Yes - Letter ^A : States that Authority no longer has a paid staff and is relying on volunteer workers. As a result, Authority Board oversees and approves all transactions as well as reviews all financial transactions on a periodic basis. Also, all expenditures require Authority approval and are paid by check with two signatures.	No
Quincy-Gadsden Airport Authority	Gadsden	#2008-1 - <u>Segregation of Duties</u> : There is a lack of separation of duties. The Authority does not currently have any full-time employees. Separation of all incompatible duties is not currently feasible. (See PDF Page 27 of 32)	SD	Yes - Letter ^A : 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.	No
Ritta Drainage District	Hendry, Palm Beach	#2011-1 - <u>Internal Control Over Financial Reporting</u> : The District does not currently have personnel with skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements. (See PDF Page 23 of 26)	MW	Yes - Letter ^A : Governing board has determined that, due to cost, it is not a sound business decision to acquire necessary expertise.	No
San Carlos Estates Water Control District	Lee	#2011-1 - <u>Internal Control Over Financial Reporting</u> : The District does not currently have personnel with skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements. (See PDF Page 27 of 30)	MW	Yes - Letter ^A : Governing board has determined that, due to cost, it is not a sound business decision to acquire necessary expertise.	No

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Special District	County	Audit Finding	MW or SD?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to JLAC letter re: FY 2010-11 ^A or FY 2011-12 ^B Findings)	Recommend Requiring a Written Response This Year?
Seminole County Port Authority	Seminole	<u>Item #1 - Internal Control</u> : There is an inadequate separation of duties. The Authority is not large enough to make the employment of additional people cost effective. (See PDF Page 25 of 26)	N/A	Yes - Letter ^A : 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.	No
		<u>Item #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 GAAP in recording the entity's financial transactions or preparing its financial statements. (See PDF Page 25 of 26)	N/A	Yes - Letter ^A : 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.	No
Shawano Water Control District	Palm Beach	<u>#2011-1 - Internal Control Over Financial Reporting</u> : The District does not currently have staff with skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements. (See PDF Page 25 of 29)	MW	Yes - Letter ^A : Governing board has determined that, due to cost, it is not a sound business decision to acquire necessary expertise.	No
South Seminole and North Orange County Wastewater Transmission Authority	Orange, Seminole	<u>#2013-01 - Lack of Segregation of Duties</u> : The size of the Authority's accounting and administrative staff precludes certain internal controls that would be preferred is the office staff were large enough to provide optimum segregation of duties. (See PDF Page 49 of 50)	MW	Yes - Letter ^A : Due to small staff (two people) and fiscal constraints, Authority cannot hire additional personnel to further separate duties; have implemented some procedures to compensate.	No

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?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to JLAC letter re: FY 2010-11 ^A or FY 2011-12 ^B Findings)	Recommend Requiring a Written Response This Year?
Spring Lake Improvement District	Highlands	#2008-1 - <u>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 separation of duties. (See PDF Page 40 of 44)	SD	Yes - Letter ^A : Due to limited staff; describes procedures implemented to compensate.	No
		#2009-2 - <u>Financial Statements</u> : In prior years, the District did not have staff with sufficient technical knowledge and training to prepare financial statements in accordance with GAAP. Staff has made significant improvements since this finding was initially reported, and in the current year staff prepared draft financial statements for audit. However, due to misclassification of the capital lease, a material adjustment was needed. (See PDF Page 40 of 44)	MW	Yes - Letter ^A : Due to limited staff; describes procedures implemented to address issue, including having staff attend the Florida Government Finance Officers Association's School of Government Finance annually for training and Governmental Accounting Standards Board updates.	No
St. Augustine Port, Waterway and Beach District	St. Johns	#2013-001 - <u>Separation of Duties</u> : 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 25 of 26)	MW	Yes - Letter ^A : Small district with no full-time administrative staff; have implemented some procedures to compensate.	No
Sugarland Drainage District	Glades, Hendry	#2011-1 - <u>Internal Control Over Financial Reporting</u> : The District does not currently have personnel with skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements. (See PDF Page 23 of 26)	MW	Yes - Letter ^A : Governing board has determined that, due to cost, it is not a sound business decision to acquire necessary expertise.	No

Special District
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?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to JLAC letter re: FY 2010-11 ^A or FY 2011-12 ^B Findings)	Recommend Requiring a Written Response This Year?
Suwannee Water and Sewer District	Dixie	#2013-001 - <u>Separation of Duties</u> : 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. (See PDF Page 23 of 24)	MW	Yes - Letter ^A : Very small entity with limited number of employees; Board members involved as another layer of accountability; describes some procedures implemented to compensate.	No
		#2013-003 - <u>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 23 of 24)	MW	Yes - Letter ^A : 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.	No
Trails Community Development District	Duval	#2010-05 - <u>Bondholder Consent</u> : The auditor was not provided Bondholder consent for certain expenditures paid using amounts on deposit in the Reserve trust account, or for not using funds collected for Bond prepayments to pay down principal on the Bonds. (See PDF Page 33 of 35)	N/A	Yes - Letter ^B : The District attempted, on numerous occasions, to obtain documentation from the Trustee of consent on all expenditures by the Bondholders. The Trustee stated that they were not able to provide copies of correspondence between the Bondholders and the Trustee. In addition, the Trustee stated that the direction to fund the items was given to them by the Bondholders and does not require confirmation by the District.	Yes

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

Special District
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?	Finding Reported in Most Recent AG Notification? Comments (Relating to Most Recent Response to JLAC letter re: FY 2010-11 ^A or FY 2011-12 ^B Findings)	Recommend Requiring a Written Response This Year?
Upper Captiva Fire Protection and Rescue Service District	Lee	#2010-001 - Financial Reporting Process: Due to the limited number of personnel, District management requested the auditors to prepare a draft of the financial statements, including related noted to the financial statements. (See PDF Page 28 of 38)	MW	Yes - Letter ^A : District has hired a professional bookkeeper to assist.	No
		#2010-002 - Audit Adjustments: The auditors proposed audit adjustments to revise the District'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. In addition, it was noted that entries were necessary to record prior year audit adjustments that were not made to the District's accounting records. (See PDF Pages 28-29 of 38)	MW	Yes - Letter ^A : District has hired a professional bookkeeper to assist.	No

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.

**8. Three-Part:
Auditor General Notification**

From: JIM STULTZ <JIMSTULTZ@AUD.STATE.FL.US>
Sent: Thursday, July 31, 2014 8:25 AM
To: Ray, Lake
Cc: Dubose, Kathy; White, Deborah
Subject: FY 2012-13 Notification pursuant to Section 11.45(7)(j), Florida Statutes
Attachments: FY 2012-13 State Colleges Universities Recurring Findings Notification.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 State college or university 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 email is to notify you that:

- For the State colleges and universities on the attached list, our 2012-13 fiscal year operational audits disclosed that the colleges and universities failed to take full corrective action in response to one or more recommendations included in our two preceding operational audit reports.
- For the State university on the attached list, our 2012-13 fiscal year financial audit disclosed that the university had failed to take full corrective action in response to one recommendation included in the two preceding financial audit reports.

James R. Stultz, CPA

Audit Manager

Auditor General, State of Florida

jimstultz@aud.state.fl.us

(850) 412-2869

STATE COLLEGES AND UNIVERSITIES THAT FAILED TO TAKE
 FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT
 WAS INCLUDED IN THE 2012-13 FISCAL YEAR FINANCIAL OR
 OPERATIONAL AUDIT REPORT AND THE TWO PRECEDING FINANCIAL OR
 OPERATIONAL AUDIT REPORTS

<u>COLLEGE / UNIVERSITY</u>	<u>REPORT NUMBERS</u>	<u>FINDING NUMBER(S)</u>
<u>OPERATIONAL AUDITS</u>		
Florida Keys Community College	2014-065	5
	2012-076	10
	2010-156	8
Florida State College at Jacksonville	2014-085	8
	2012-073	10
	2010-168	3
Hillsborough Community College	2014-034	4
	2012-069	3
	2010-047	5
Pasco-Hernando Community College	2014-061	1 (user authentication)
	2011-006	1
	2009-022	4
Pensacola State College	2014-036	6
	2012-068	6
	2010-023	2
Seminole State College of Florida	2014-022	3
	2012-074	1
	2010-046	1
Florida Atlantic University	2014-045	1,4
	2012-095	3,12
	2010-131	11,15(user authentication)
Florida International University	2014-060	4
	2012-092	4
	2010-096	9
University of Florida	2014-044	6
	2013-027	7
	2012-072	7

STATE COLLEGES AND UNIVERSITIES THAT FAILED TO TAKE
FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT
WAS INCLUDED IN THE 2012-13 FISCAL YEAR FINANCIAL OR
OPERATIONAL AUDIT REPORT AND THE TWO PRECEDING FINANCIAL OR
OPERATIONAL AUDIT REPORTS

FINANCIAL AUDIT

University of North Florida	2014-155	1
	2013-139	2
	2012-105	1

From: GREG CENTERS <GREGCENTERS@AUD.STATE.FL.US>
Sent: Tuesday, September 02, 2014 11:37 AM
To: Ray, Lake
Cc: Dubose, Kathy; White, Deborah
Subject: 2012-13 Fiscal Year Notification of Recurring DSB Findings
Attachments: 2013 DSB Recurring Findings For LAC Chair.pdf

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 email is to notify you of those district school boards for which the 2012-13 fiscal year audits disclosed that the district school board 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 containing the name of the district school board and a reference to the recurring findings.

Sincerely,

Greg

Gregory L. Centers, CPA

Audit Director

Auditor General, State of Florida

gregcenters@aud.state.fl.us

(850) 412-2863

DISTRICT SCHOOL BOARDS THAT FAILED TO TAKE
FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT
WAS INCLUDED IN THE 2012-13 FISCAL YEAR AUDIT REPORT
AND THE TWO PRECEDING AUDIT REPORTS

<u>DISTRICT SCHOOL BOARDS</u>	<u>REPORT NUMBERS</u>	<u>FINDING NUMBER(S)</u>
Bay	CPA Firm FY 2012-13, pg.82	Financial: 13-01, 13-02, 13-03, 13-04
	CPA Firm FY 2011-12	Financial: 12-01, 12-04, 12-06, 12-07
	2012-157	Fin/Op: 1, 2, 9, 10
Bradford	2014-117, pg. 57	Fin/Op 1, 4, 5, 6, 7, 8, 9, 10
	2013-084	Fin/Op 1, 4, 5, 6, 7, 8, 9, 10
	2012-137	Fin/Op 1, 3, 5, 2, 8, 4,6, 7
Brevard	2014-089, pg. 4	Operational 1, 2, 7
	2013-135	Operational 5, 6, 7
	2011-060	Operational 4, 5, 7
Broward	CPA Firm FY 2012-13, pg. 235	Financial: ML 2012-01, ML 2012-02, ML 2010-01
	2013-160	Fin/Op 4 (Repeated CPA Firm FY 2010-11 2010-2), 8 (Repeated 2010-183 No.10), 10 (Repeated CPA Firm FY 2010-11 No.2010-1)
	CPA Firm FY 2010-11	Financial: 2010-2, 2010-1
	2010-183	Fin/Op 10
	2007-164R	Fin/Op 2
Calhoun	2014-111, pg. 60	Fin/Op 2
	2013-077	Fin/Op 1
	2012-034	Fin/Op 2
Charlotte	2014-161, pg. 78	Fin/Op 12
	2011-152	Fin/Op 6
	2010-136	Fin/Op 5

DISTRICT SCHOOL BOARDS THAT FAILED TO TAKE
FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT
WAS INCLUDED IN THE 2012-13 FISCAL YEAR AUDIT REPORT
AND THE TWO PRECEDING AUDIT REPORTS

Clay	CPA Firm 2012-13, pg. 76	Financial: 2013-6, 2013-7
	2013-156	Fin/Op 4, 2
	CPA 2010-11	Financial: Management Letter Findings – Investments, Bank Reconciliations
Columbia	2014-101, pg. 69	Fin/Op 6, 7
	2013-136	Fin/Op 5, 4
	2012-051	Fin/Op 7, 6
Dixie	2014-116, pg. 59	Fin/Op 4, 5, 6
	2013-115	Fin/Op 2, 4, 3
	2012-128	Fin/Op 5, 3, 4
Duval	2014-076, pg. 11	Operational 9, 11, 12, 15, 16, 17, 18
	2011-042	Operational 8, 9, 10, 11, 12, 13, 14 (Nos. 11 and 12 – Repeated 2008-084 No. 7)
	2008-084	Operational 11, 12, 18, 7, 19, 20
Flagler	2014-130, pg. 68	Fin/Op 1
	2013-142	Fin/Op 1
	2012-165	Fin/Op 2
Franklin	2014-142, pg. 59	Fin/Op 1, 5, 9, 12
	2013-159	Fin/Op 1, 6, 9, 11
	2012-134	Fin/Op 1, 5, 6, 8
Gadsden	2014-171, pg. 62	Fin/Op 3, 4, 5
	2013-167	Fin/Op 3, 4, 6
	2012-149	Fin/Op 3, 6, 8

DISTRICT SCHOOL BOARDS THAT FAILED TO TAKE
 FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT
 WAS INCLUDED IN THE 2012-13 FISCAL YEAR AUDIT REPORT
 AND THE TWO PRECEDING AUDIT REPORTS

Glades	2014-153, pg. 59	Fin/Op 4, 5, 6, 7
	2013-127	Fin/Op 4
	2012-093	Fin/Op 3
Gulf	2014-055, pg. 57	Fin/Op 1, 8
	2013-048	Fin/Op 1, 4
	2012-039	Fin/Op 2, 3
Hamilton	2014-135, pg. 57	Fin/Op 3, 7
	2013-147	Fin/Op 2, 4
	2012-108	Fin/Op 6, 8
Hardee	2014-154, pg. 63	Fin/Op 1, 4
	2013-165	Fin/Op 2, 4
	2012-089	Fin/Op 2, 5
Holmes	2014-141, pg. 62	Fin/Op 2
	2013-132	Fin/Op 1
	2012-141	Fin/Op 2
Indian River	2014-067, pg. 3	Operational 1, 3
	2013-050	Operational 1, 4
	2012-036	Operational 2, 9
Jackson	2014-081, pg. 66	Fin/Op 1, 6
	2013-130	Fin/Op 3, 1
	2012-080	Fin/Op 4, 1
Jefferson	2014-177, pg. 56	Fin/Op 1, 2, 9, 12, 14, 15, 16, Federal 1
	2013-154	Fin/Op 1, 2, 7, 8, 10, 11, 12, Federal 1
	2012-168	Fin/Op 1, 2, 4, 6, 9, 8, 11, Federal 6

DISTRICT SCHOOL BOARDS THAT FAILED TO TAKE
FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT
WAS INCLUDED IN THE 2012-13 FISCAL YEAR AUDIT REPORT
AND THE TWO PRECEDING AUDIT REPORTS

Leon	CPA Firm FY 2012-13, pg. 90	Financial: 13-01
	CPA Firm FY 2011-12 2012-136	Financial: 12-06
		Fin/Op 1
Liberty	2014 - 125, pg. 58	Fin/Op 5, 11, 16
	2013-146	Fin/Op 2, 3, 7
	2012-079	Fin/Op 1, 3, 4
Madison	2014-112, pg. 60	Fin/Op 1, 2, 7, Federal 1
	2013-140	Fin/Op 1, 2, 3, Federal 1
	2012-094	Fin/Op 1, 6, 8, Federal 1
Manatee	Financial: 2014-098, pg. 87 Operational: 2014-079, pg. 9	Financial: Federal 1 (Repeated CPA Firm FY 2011-12 No. 12-10) Operational: 14 (Repeated 2011-050 No. 4), 23 (Repeated CPA Firm FY 2011-12 No. 12-01) ¹
	CPA Firm FY 2011-12	Financial: 12-10 (Repeated CPA Firm FY 2010-11 No.11-03), 12-01 (Repeated CPA Firm FY 2010-11 No.11-01) ¹
	CPA Firm FY 2010-11	Financial: 11-03, 11-01 ¹
	2011-050	Operational 4 (Repeated 2008-100 No.4)
	2008-100	Operational 4

¹ This finding was not included in the two preceding Auditor General financial or operational audit reports prepared pursuant to Section 11.45, Florida Statutes, or in the two preceding financial audit reports prepared pursuant to Section 218.39, Florida Statutes. However, it is included on this schedule for information purposes as it was included in the Auditor General 2012-13 fiscal year operational audit report and a CPA firm's financial audit report for the 2011-12 and 2010-11 fiscal years.

DISTRICT SCHOOL BOARDS THAT FAILED TO TAKE
 FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT
 WAS INCLUDED IN THE 2012-13 FISCAL YEAR AUDIT REPORT
 AND THE TWO PRECEDING AUDIT REPORTS

Marion	CPA 2012-13, pg. 140	Financial: 2013-1
	CPA 2011-12 2012-057	Financial: 2012-1 Fin/Op Federal 1
Martin	2014-062, pg. 6	Operational 3
	2013-040	Operational 1
	2012-029	Operational 2
Monroe	2014-151, pg.81	Fin/Op 2, 4
	2013-170	Fin/Op 6, 10
	2012-170	Fin/Op 13, 11
Nassau	2014-133, pg. 63	Fin/Op 5
	2013-150	Fin/Op 2
	2012-113	Fin/Op 4
Orange	2014-147, pg. 101	Fin/Op 10, 11, 12
	2011-165	Fin/Op 8
	2008-014	Fin/Op 1
Palm Beach	2014-163, pg. 92	Fin/Op 1 (Repeated 2011-168 No. 6), 5 (Repeated CPA Firm FY 2011-12 No. 2012-02), 6 (Repeated CPA Firm FY 2011-12 No. 2012-01)
	CPA Firm FY 2011-12	Financial: 2012-02 (Repeated CPA Firm FY 2010-11 No.2010-04), 2012-01 (Repeated 2011-168 No.12)
	CPA Firm FY 2010-11	Financial: 2010-04
	2011-168	Fin/Op 6 (Repeated 2008-156 No. 6), 12
	2008-156	Fin/Op 3, 6

DISTRICT SCHOOL BOARDS THAT FAILED TO TAKE
FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT
WAS INCLUDED IN THE 2012-13 FISCAL YEAR AUDIT REPORT
AND THE TWO PRECEDING AUDIT REPORTS

Pasco	2014-073 pg. 9	Operational 6
	2011-072	Operational 7
	2008-074	Fin/Op 1
Pinellas	CPA Firm FY 2012-13, pg.74	Financial: 2013-001, 2013-002, Repeat 17, 2013-004 (Repeated CPA Firm FY 2011-12 No. Repeat 22)
	CPA Firm FY 2011-12	Financial: Repeat 1, IC2010-1, Repeat 17, Repeat 22
	2012-150	Fin/Op 1, 2, 17, 22
Putnam	2014-170, pg. 70	Fin/Op 2, 4, 9, 14
	2013-166	Fin/Op 1, 2, 6, 12
	2012-167	Fin/Op 2, 4, 6, 11
Santa Rosa	2014-131, pg. 72	Fin/Op 15, 16
	2011-133	Fin/Op 10, 11
	2010-128	Fin/Op 4, 5
Sarasota	CPA Firm 2012-13, pg.190	Financial: Management Letter IT Access Control Finding
	2013-068	Operational 10
	2010-044	Operational 8
	2007-030	Operational 7
St. John	CPA Firm 2012-13, pg.93	Financial: PY Finding No.4
	CPA Firm 2011-12	Financial: PY Finding No.4
	2012-171	Fin/Op 4
Suwannee	2014-087, pg. 57	Fin/Op 3, Federal 1
	2013-119	Fin/Op 1, Federal 1
	2012-107	Fin/Op 2, Federal 1

DISTRICT SCHOOL BOARDS THAT FAILED TO TAKE
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Taylor	2014-124, pg. 61	Fin/Op 1, 2
	2013-129	Fin/Op 1, 2
	2012-163	Fin/Op 6, 8

Union	2014-144, pg. 61	Fin/Op 6
	2013-162	Fin/Op 6
	2012-097	Fin/Op 5

Wakulla	2014-134, pg. 61	Fin/Op 1, 2, 3, 4
	2013-169	Fin/Op 3, 5, 6, 7
	2012-148	Fin/Op 6, 7, 8, 9

Walton	2014-138, pg. 60	Fin/Op 1, 7, 8
	2013-137	Fin/Op 1, 5, 6
	2012-127	Fin/Op 2, 5, 6

Washington	2014-114, pg. 70	Fin/Op 6, 7
	2013-120	Fin/Op 8, 9
	2012-154	Fin/Op 6, 7

From: DEREK NOONAN <DEREKNOONAN@AUD.STATE.FL.US>
Sent: Tuesday, June 17, 2014 3:41 PM
To: Ray, Lake
Cc: Dubose, Kathy; White, Deborah
Subject: 2012-13 FY notification pursuant to Section 218.39(8), Florida Statutes
Attachments: JLAC Letter - Findings Repeated.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 sent to notify you of those charter schools for which the 2012-13 fiscal year audit report disclosed that the charter school failed to take full corrective action in response to one or more recommendations included in the two preceding financial audit reports. Please see the attached document containing the name of the charter school and a reference to the recurring finding(s).

Derek Noonan, CPA
Audit Supervisor
Local Government Reviews & Special Audits
State of Florida Auditor General
Telephone: (850) 412-2864
Fax: (850) 487-4403

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 THAT WAS INCLUDED IN THE 2012-13 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING AUDIT REPORTS

Charter School	Finding Category	Finding Number	Page Number (1)	Revision or Addendum (2)
AA Dixon Charter School of Excellence	Miscellaneous	2013-1	31	Yes
Academie Da Vinci Charter School	Records Management	2011-1	35	No
Academy of Environmental Science	Separation of Duties	2013-001	30	No
Archimedean Academy	Cash Controls	2008-1	36	No
Bay Haven Charter Academy Elementary School	Records Management Policies and Procedures	13-1 13-2	28 29	No
Bay Haven Charter Academy Middle School	Records Management Policies and Procedures	13-1 13-2	28 29	No
Beulah Academy of Science	Separation of Duties Budget Administration	08-1 09-2	7 8	No
Byrneville Elementary School	Separation of Duties	10-01	28	No
Central Charter School	Cash Controls	2011-1	38	No
Crossroad Academy Charter School	Miscellaneous	2013-01	14	No
Escambia Charter School	Separation of Duties Budget Administration	2009-1 2009-5	6 7	No
Hoggetowne Middle School	Cash Controls Other Expenditures Charter School Board Meetings	13-04 13-03 13-02	21 21 21	No
International School of Broward	Fixed Assets	2013-01 (3)	34	No
Micanopy Area Cooperative School	Records Management	13-01	24	No
New Dimensions High School	Cash Controls Budget Administration	11-1 10-1	41 41	No
North Bay Haven Career Academy (9-12)	Records Management Policies and Procedures	13-1 13-2	28 29	No
North Bay Haven Charter Academy Elementary School	Records Management Policies and Procedures	13-1 13-2	29 29	No
North Bay Haven Charter Academy Middle School	Records Management Policies and Procedures	13-1 13-2	28 29	No
Oakland Avenue Charter School	Charter Contract Compliance Payroll and Personnel	11-1 09-2	40 39	No
Rise Academy School of Science and Technology	Fixed Assets	2013-01	32	Yes
Rise Academy School of Science and Technology II	Fixed Assets	2013-01	31	Yes
S.O.C.K. Outstanding Students (S.O.S.) Academy	Financial Condition	1	31	No
Sebastian Charter Junior High	Separation of Duties	2009-1	27	No

CHARTER SCHOOLS THAT FAILED TO TAKE FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT WAS INCLUDED IN THE 2012-13 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING AUDIT REPORTS

Charter School	Finding Category	Finding Number	Page Number (1)	Revision or Addendum (2)
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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 2012-13 fiscal year audit report that should also be viewed.
- (3) 2013-01 The auditor did not indicate whether or not the finding was also included in the two preceding audit reports, and we could not determine with certainty whether or not this was the case. Although we requested confirmation from the auditor, the auditor has not responded as of June 16, 2014.

From: DEREK NOONAN <DEREKNOONAN@AUD.STATE.FL.US>
Sent: Tuesday, December 16, 2014 2:53 PM
To: Abruzzo.Jospeh@flsenate.gov
Cc: White, Deborah; Dubose, Kathy
Subject: 2011-12 FY Notification Pursuant to Section 218.39(8), Florida Statutes
Attachments: 2012 PPY Findings Notification.xlsb; 2011-12 FY Notification Pursuant to Section 218.39(8), Florida Statutes

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 additional local governmental entities for which the 2011-12 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 (see attached our previous e-mail notification dated December 3, 2013). The attached document (Tab A) contains the names of the local governmental entities and references to the recurring finding(s).

This notification (Tab B) also identifies those local governmental entities that may have failed to take full corrective action in response to one or more recommendations included in the two preceding financial audit reports. The finding numbers and/or description indicate potential repeat findings; however, the auditors have not responded to our request for clarification.

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) 488-4403

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 THAT WAS INCLUDED IN THE 2011-12 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING FINANCIAL AUDIT REPORTS

Entity	Constitutional Officer (for Counties)	Finding Category	Finding Number	Page Number (1)	Revision or Addendum (2)
SPECIAL DISTRICTS					
Bay Medical Center		Information Technology	2012-2	60	No
Blackman Fire District		Revenues/Collections	2010-ML-01	37	Yes
		Financial Reporting	2011-ML-01	37	
Campbellton-Graceville Hospital		Separation of Duties	12-1	31	Yes
		General Accounting Records	12-2	31	
		Financial Condition	12-3	32	
City Center Community Development District		Debt Administration	2012-01	34	No
		Financial Condition	2012-02	34	
		Debt Administration	2012-03	34	
Eastpoint Water and Sewer District		Separation of Duties	12-01	35	No
		General Accounting Records	12-02	35	
		Financial Reporting	12-03	35	
Fiddlers Creek Community Development District		Debt Administration	2012-01	32	No
Fiddler's Creek Community Development District #2		Debt Administration	2010-01	36	No
Hamilton County Development Authority		Financial Reporting	2010-002	43	No
		Cash	2010-001	43	
Hendry-LaBelle Recreation Board		Financial Reporting	2011-1	26	No
Heritage Plantation Community Development District		Debt Administration	11-01	35	No
		Debt Administration	11-02	35	
Highlands Community Development District		Financial Condition	2012-01	31	No
		Debt Administration	2012-02	31	
Panhandle Public Library Cooperative System		Financial Reporting	07-01	33	No
Port St. Joe Port Authority		Separation of Duties	2012-02	21	No
		General Accounting Records	2012-01	21	
		Financial Reporting	2012-03	22	
Portofino Cove Community Development District		Financial Condition	2012-02	29	No
		Debt Administration	2012-01	29	
Portofino Springs Community Development District		Financial Condition	2012-02	28	No
		Debt Administration	2012-01	28	
River Bend Community Development District		Financial Condition	2012-02	33	No
		Debt Administration	2012-01	33	
Six Mile Creek Community Development District		Debt Administration	12-01	33	No
South Bay Community Development District (Hillsborough County)		Financial Condition	2012-03	29	No
		Debt Administration	2012-02	29	
		Expenditures/Expenses	2012-01	29	
South Fork East Community Development District		Financial Condition	2011-02	32	No
		Debt Administration	2011-01	32	
Suwannee Valley Transit Authority		Separation of Duties	10-02	50	No
		Financial Reporting	10-01	50	
Westridge Community Development District		Debt Administration	2012-1	32	Yes
		Debt Administration	2012-2	32	
Zephyr Ridge Community Development District		Debt Administration	10-02	35	No
		Debt Administration	10-01	35	

NOTE from JLAC Staff: Certain FY 2011-12 three-peat findings noted above were also included on the FY 2012-13 Auditor General's Notification List of Audit Findings Not Corrected (three-peat) reported to JLAC on the same day. Those findings are only included on the FY 2012-13 three-peat finding schedule prepared by JLAC staff.

LOCAL GOVERNMENTAL ENTITIES THAT FAILED TO TAKE FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT WAS INCLUDED IN THE 2011-12 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING FINANCIAL AUDIT REPORTS

Entity	Constitutional Officer (for Counties)	Finding Category	Finding Number	Page Number (1)	Revision or Addendum (2)
MUNICIPALITIES					
Alford, Town of		Separation of Duties	2007-02	33	No
		General Accounting Records	2005-03	33	
		Financial Reporting	2007-03	33	
		Payroll and Personnel Administration	2010-01	34	
Arcadia, City of		Financial Condition	12-1	95	Yes
		Budget Administration	12-5	97	
		General Accounting Records	12-6	97	
Astatula, Town of		Financial Reporting	2010-003	31	No
		Payroll and Personnel Administration	2010-005	31	
Avon Park, City of		Financial Reporting	2011-1	76	No
		Cash	2011-3	78	
		Expenditures/Expenses	2011-10	81	
Biscayne Park, Village of		Policies and Procedures	2010-5	92	No
		Budget Administration	2009-1	93	
		General Accounting Records	2010-2	91	
Boynton Beach, City of		Budget Administration	2010-04	256	No
Chattahoochee, City of		Separation of Duties	08-2	58	No
		General Accounting Records	09-1	59	
		General Accounting Records	08-4	58	
		Financial Reporting	08-1	57	
		Revenues/Collections	08-3	58	
Cottondale, City of		Policies and Procedures	09-3	46	No
		Separation of Duties	03-1	43	
		General Accounting Records	09-1	45	
		General Accounting Records	09-2	46	
		General Accounting Records	09-4	47	
		Distribution of Funds	2004-3	52	
		Financial Reporting	07-1	44	
		Fixed Assets	2004-2	52	
		Purchasing/Contract Management	04-1	43	
Golden Beach, Town of		Expenditures/Expenses	2009-03	77	No
Gretna, Town of		Revenues/Collections	2006-02	63	No
Jacob City, City of		Separation of Duties	12-01	31	No
		General Accounting Records	12-02	31	
Midway, City of		Separation of Duties	09-02	31	No
		Financial Reporting	09-01	31	
		Expenditures/Expenses	09-03	31	
Opa-locka, City of		Revenues/Collections	2012-01	78	No

NOTE from JLAC Staff: Certain FY 2011-12 three-peat findings noted above were also included on the FY 2012-13 Auditor General's Notification List of Audit Findings Not Corrected (three-peat) reported to JLAC on the same day. Those findings are only included on the FY 2012-13 three-peat finding schedule prepared by JLAC staff.

LOCAL GOVERNMENTAL ENTITIES THAT FAILED TO TAKE FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT WAS INCLUDED IN THE 2011-12 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING FINANCIAL AUDIT REPORTS

Entity	Constitutional Officer (for Counties)	Finding Category	Finding Number	Page Number (1)	Revision or Addendum (2)
Quincy, City of		Separation of Duties	2010-IC-IM-10-05	150	No
		General Accounting Records	2009-IC-IM-09-01	150	
		Financial Reporting	2010-IC-IM-10-01	148	
		Information Technology	2005-IC-M-05-03	153	
		Cash	2005-IC-M-04-05	153	
		Fixed Assets	2001-C/IC-M-01-3	155	
		Debt Administration	2005-C-M-1	152	
		Debt Administration	2005-C-M-2	152	
		Revenues/Collections	2010-IC-IM-10-02	149	
		Revenues/Collections	2005-IC-M-05-04	153	
Springfield, City of		Separation of Duties	12-11	54	No
		Budget Administration	12-05	52	
		General Accounting Records	12-04	52	
		General Accounting Records	12-06	52	
		General Accounting Records	12-13	55	
		General Accounting Records	12-15	56	
		General Accounting Records	12-07	53	
		General Accounting Records	12-09	54	
		General Accounting Records	12-12	55	
		General Accounting Records	12-01	51	
		Financial Reporting	12-02	51	
		Cash	12-03	51	
		Fixed Assets	12-08	53	
		Revenues/Collections	12-16	56	
		Purchasing/Contract Management	12-10	54	
Sweetwater, City of		Budget Administration	2004-01	78	No
		Financial Reporting	2007-02	74	
		Fixed Assets	2007-04	76	
		Purchasing/Contract Management	2007-06	76	
		Purchasing/Contract Management	2009-01	72	
		Expenditures/Expenses	2007-03	75	
		Federal Awards	2008-01	73	
Vernon, City of		Separation of Duties	2003-02	44	No
		General Accounting Records	1.	52	
		Financial Reporting	2007-01	45	
		Cash	2.	52	
		Fixed Assets	2003-01	44	

LOCAL GOVERNMENTAL ENTITIES THAT FAILED TO TAKE FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT WAS INCLUDED IN THE 2011-12 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING FINANCIAL AUDIT REPORTS

Entity	Constitutional Officer (for Counties)	Finding Category	Finding Number	Page Number (1)	Revision or Addendum (2)
Webster, City of		Separation of Duties	12-1	45	No
		Financial Reporting	12-2	45	
		Debt Administration	12-3	45	

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LOCAL GOVERNMENTAL ENTITIES THAT MAY HAVE FAILED TO TAKE FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT WAS INCLUDED IN THE 2011-12 FISCAL YEAR FINANCIAL AUDIT REPORT AND THE TWO PRECEDING AUDIT REPORTS

The auditors did not indicate whether or not the finding was also included in the two preceding financial audit reports. The finding numbers and/or description indicate potential repeat findings; however, the auditors have not responded to our request for clarification.

Entity	Constitutional Officer (for Counties)	Finding Category	Finding Number	Page Number (1)	Revision or Addendum (2)
COUNTIES					
Miami-Dade County	Board of County Commissioners	Risk Management	2012-02	314	No
	Board of County Commissioners	Information Technology	2012-01	342	
SPECIAL DISTRICT					
Dorcas Fire District		Separation of Duties	2011-1	1 of Revised ML	Yes
MUNICIPALITIES					
Century, Town of		Policies and Procedures	No finding number given.	51	No
		Separation of Duties	11-2	53	
		Fixed Assets	11-1	53	
		Revenues/Collections	11-4	53	
		Revenues/Collections	11-3	53	
Gretna, Town of		Financial Reporting	2011-02	60	No
Miami Beach, City of		Revenues/Collections	2012-1	172	No

Notes:

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NOTE from JLAC Staff: Certain FY 2011-12 three-peat findings noted above were also included on the FY 2012-13 Auditor General's Notification List of Audit Findings Not Corrected (three-peat) reported to JLAC on the same day. Those findings are only included on the FY 2012-13 three-peat finding schedule prepared by JLAC staff.

From: DEREK NOONAN <DEREKNOONAN@AUD.STATE.FL.US>
Sent: Tuesday, December 16, 2014 3:02 PM
To: Abruzzo.Jospeh@flsenate.gov
Cc: White, Deborah; Dubose, Kathy
Subject: 2012-13 FY Notification Pursuant to Section 218.39(8), Florida Statutes
Attachments: 2013 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 2012-13 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. The attached document (Tab A) contains the names of the local governmental entities and references to the recurring finding(s).

This notification (Tab B) also identifies those local governmental entities that may have failed to take full corrective action in response to one or more recommendations included in the two preceding financial audit reports. The finding numbers and/or descriptions indicate potential repeat findings; however, the auditors have not responded to our request for clarification.

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) 488-4403

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 THAT WAS INCLUDED IN THE 2012-13 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING FINANCIAL AUDIT REPORTS

Entity	Constitutional Officer (For Counties)	Finding Category	Finding Number	Page Number (1)	Revision or Addendum (2)
COUNTIES					
Baker County	Board of County Commissioners	Separation of Duties	2013-001	62	No
	Board of County Commissioners	Financial Reporting	2013-002	62	
	Clerk of the Circuit Court	Separation of Duties	2013-001	85	
	Property Appraiser	Separation of Duties	2013-001	155	
	Sheriff	Separation of Duties	2013-001	112	
	Sheriff	Fixed Assets	2013-002	112	
	Sheriff	Financial Reporting	2013-003	112	
	Supervisor of Elections	Separation of Duties	2013-001	174	
	Tax Collector	Separation of Duties	2013-001	136	
Bradford County	Clerk of the Circuit Court	Separation of Duties	2009-1	102	No
	Property Appraiser	Separation of Duties	2009-1	177	
	Sheriff	Separation of Duties	2009-1	133	
	Sheriff	Cash	ML 2010-1	134	
	Tax Collector	Separation of Duties	2009-1	156	
Brevard County	Clerk of the Circuit Court	Revenues/Collections	08-02	81 (Part 2)	No
	Clerk of the Circuit Court	Other Control Deficiencies and Noncompliance	08-05	84 (Part 2)	
	Clerk of the Circuit Court	Financial Reporting	10-03	79 (Part 2)	
	Clerk of the Circuit Court	Other Control Deficiencies and Noncompliance	11-02	79 (Part 2)	
Broward County	Sheriff	Information Technology	2011-1	42 (Part 2)	No
Calhoun County	Property Appraiser	Separation of Duties	04-01	67	No
	Sheriff	Separation of Duties	04-02	68	
	Supervisor of Elections	Separation of Duties	04-01	67	
	Tax Collector	Separation of Duties	04-02	68	
Charlotte County	Board of County Commissioners	Information Technology	13-01	128	
Citrus County	Board of County Commissioners	Fund Equity	MLO 2013-01	197	
	Clerk of the Circuit Court	Revenues/Collections	11-1	225	No
Collier County	Clerk of the Circuit Court	Revenues/Collections	11-2	226	
	Board of County Commissioners	Federal Awards	2012-02	203	No
	Board of County Commissioners	State Financial Assistance	2012-02	203	
	Board of County Commissioners	Federal Awards	2012-03	204	
Board of County Commissioners	Federal Awards	2012-03	204		
Dixie County	Board of County Commissioners	Financial Reporting	2013-001	67	No
	Board of County Commissioners	Payroll and Personnel Administration	2013-002	67	
	Board of County Commissioners	Fixed Assets	2013-003	67	
	Clerk of the Circuit Court	Separation of Duties	2013-001	97	
	Clerk of the Circuit Court	Cash	2013-002	97	
	Clerk of the Circuit Court	Policies and Procedures	2013-004	97	
	Clerk of the Circuit Court	Financial Reporting	2013-005	98	
	Clerk of the Circuit Court	Other Control Deficiencies and Noncompliance	2013-006	98	
	Sheriff	Revenues/Collections	2013-001	123	
	Sheriff	General Accounting Records	2013-002	123	
	Sheriff	Financial Reporting	2013-003	123	
	Supervisor of Elections	Separation of Duties	2013-001	176	
	Supervisor of Elections	Financial Reporting	2013-002	176	

LOCAL GOVERNMENTAL ENTITIES THAT FAILED TO TAKE FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT WAS INCLUDED IN THE 2012-13 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING FINANCIAL AUDIT REPORTS

Entity	Constitutional Officer (For Counties)	Finding Category	Finding Number	Page Number (1)	Revision or Addendum (2)
Escambia County	Board of County Commissioners	Expenditures/Expenses	2013-1	217	No
Franklin County	Board of County Commissioners	General Accounting Records	13-01	78	No
	Board of County Commissioners	Financial Reporting	13-02	78	
	Clerk of the Circuit Court	Separation of Duties	13-01	107	
	Clerk of the Circuit Court	Financial Reporting	13-02	107	
	Property Appraiser	Financial Reporting	13-01	181	
	Sheriff	Separation of Duties	13-01	135	
	Sheriff	General Accounting Records	13-02	135	
	Sheriff	Financial Reporting	13-03	135	
	Sheriff	Budget Administration	13-04	135	
	Supervisor of Elections	Separation of Duties	13-01	202	
	Supervisor of Elections	Financial Reporting	13-02	202	
	Tax Collector	Separation of Duties	13-01	160	
	Tax Collector	Financial Reporting	13-02	160	
Gadsden County	Sheriff	Information Technology	2010-2	143	No
Gilchrist County	Board of County Commissioners	Financial Reporting	2013-001	61	No
	Clerk of the Circuit Court	Other Control Deficiencies and Noncompliance	2013-001	89	
	Sheriff	Separation of Duties	2013-001	113	
	Sheriff	Fixed Assets	2013-002	113	
	Supervisor of Elections	Financial Reporting	2013-001	168	
Glades County	Board of County Commissioners	General Accounting Records	2010-001	68	No
	Clerk of the Circuit Court	Distribution of Funds	2010-001	103	
Gulf County	Sheriff	Separation of Duties	13-01	151	No
	Tax Collector	Separation of Duties	13-01	177	
Hardee County	Sheriff	Separation of Duties	2013-01	151	No
	Sheriff	General Accounting Records	2013-02	151	
	Supervisor of Elections	Payroll and Personnel Administration	2013-02	191	
	Tax Collector	Separation of Duties	2009-01	123	
	Tax Collector	Financial Reporting	2010-01	79	
Holmes County	Board of County Commissioners	Financial Reporting	2010-01	79	No
	Board of County Commissioners	Fixed Assets	2011-04	80	
	Clerk of the Circuit Court	Financial Reporting	2010-01	112	
	Property Appraiser	Financial Reporting	2010-01	130	
	Sheriff	Separation of Duties	2010-01	177	
	Sheriff	Financial Reporting	2010-02	178	
	Supervisor of Elections	Financial Reporting	2010-01	151	
	Tax Collector	Financial Reporting	2010-01	200	
Jackson County	Board of County Commissioners	Revenues/Collections	ML 06-01	149	No
	Board of County Commissioners	Payroll and Personnel Administration	ML 06-02	149	
	Board of County Commissioners	Travel	ML 06-03	149	
	Board of County Commissioners	Policies and Procedures	ML 06-04	150	
	Board of County Commissioners	Debt Administration	ML 10-01	150	
	Property Appraiser	Separation of Duties	PA 06-01	195	
	Sheriff	Separation of Duties	SH 06-01	220	
	Tax Collector	Separation of Duties	TC 06-01	265	

LOCAL GOVERNMENTAL ENTITIES THAT FAILED TO TAKE FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT WAS INCLUDED IN THE 2012-13 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING FINANCIAL AUDIT REPORTS

Entity	Constitutional Officer (For Counties)	Finding Category	Finding Number	Page Number (1)	Revision or Addendum (2)
Jefferson County	Board of County Commissioners	Separation of Duties	2008-1	62	No
	Board of County Commissioners	Financial Reporting	2008-2	63	
	Clerk of the Circuit Court	Separation of Duties	2008-1	62	
	Clerk of the Circuit Court	Financial Reporting	2008-2	62	
	Property Appraiser	Separation of Duties	2008-1	62	
	Property Appraiser	Financial Reporting	2008-2	62	
	Sheriff	Separation of Duties	2008-1	62	
	Sheriff	Financial Reporting	2008-2	62	
	Supervisor of Elections	Separation of Duties	2008-1	62	
	Supervisor of Elections	Financial Reporting	2008-2	63	
	Tax Collector	Separation of Duties	2008-1	62	
	Tax Collector	Financial Reporting	2008-2	63	
	Tax Collector	Distribution of Funds	TC2009-1	62	
	Leon County	Clerk of the Circuit Court	Other Control Deficiencies and Noncompliance	13-01	
Levy County	Board of County Commissioners	Financial Reporting	2013-001	75	No
	Board of County Commissioners	State Financial Assistance	2013-002	75	
	Clerk of the Circuit Court	Financial Reporting	2013-001	103	
	Sheriff	Separation of Duties	2013-001	128	
	Supervisor of Elections	Separation of Duties	2013-001	186	
Liberty County	Clerk of the Circuit Court	Other Control Deficiencies and Noncompliance	10-1	136	Yes
	Sheriff	Policies and Procedures	10-1	104	
	Sheriff	Fixed Assets	11-1	104	
Madison County	Tax Collector	Separation of Duties	2013-01	173	Yes
	Tax Collector	Cash	2013-02	173	
Martin County	Board of County Commissioners	Information Technology	2011-1	401	No
	Board of County Commissioners	Information Technology	2011-2	402	
Miami-Dade County	BCC - All Depts	Purchasing/Contract Management	11-2	26 (Part 2)	No
	BCC - All Depts	Information Technology	2013-01	34 (Part 2)	
	BCC - All Depts	Fund Equity	2013-01	9 (Part 2)	
	BCC - All Depts	Risk Management	2013-02	10 (Part 2)	
Osceola County	Board of County Commissioners	Information Technology	MI. 2011-01	268 (Part 1)	No
	Clerk of the Circuit Court	Information Technology	10-01	303 (Part 1)	
	Clerk of the Circuit Court	Other Control Deficiencies and Noncompliance	10-02	303 (Part 1)	
Pasco County	Board of County Commissioners	Fixed Assets	2012-1	258/259	No
Putnam County	Clerk of the Circuit Court	Other Control Deficiencies and Noncompliance	2013-001	181	No
	Sheriff	Financial Reporting	2013-001	207	
	Supervisor of Elections	Financial Reporting	2013-001	266	
Union County	Supervisor of Elections	Separation of Duties	2013-01	191	No
	Supervisor of Elections	Payroll and Personnel Administration	2013-02	191	
Volusia County	Clerk of the Circuit Court	Other Control Deficiencies and Noncompliance	2011-1	298	No
Walton County	Board of County Commissioners	Policies and Procedures	11-01	207	No

LOCAL GOVERNMENTAL ENTITIES THAT FAILED TO TAKE FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT WAS INCLUDED IN THE 2012-13 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING FINANCIAL AUDIT REPORTS

Entity	Constitutional Officer (For Counties)	Finding Category	Finding Number	Page Number (1)	Revision or Addendum (2)
Washington County	Board of County Commissioners	Fixed Assets	BCC 03-01	70	No
	Board of County Commissioners	Separation of Duties	BCC 05-01	71	
	Board of County Commissioners	Financial Reporting	BCC 07-01	71	
	Board of County Commissioners	General Accounting Records	BCC 09-03	72	
	Board of County Commissioners	Revenues/Collections	BCC 09-04	72	
	Board of County Commissioners	Federal Awards	BCC 10-01	80	
	Board of County Commissioners	State Financial Assistance	BCC 11-02	79	
	Board of County Commissioners	Payroll and Personnel Administration	BCC 11-05	70	
	Board of County Commissioners	Fixed Assets	BCC 97-01	70	
	Board of County Commissioners	General Accounting Records	BCCML05-01	82	
	Board of County Commissioners	Expenditures/Expenses	BCCML05-02	82	
	Board of County Commissioners	Purchasing/Contract Management	BCCML05-03	83	
	Clerk of the Circuit Court	Separation of Duties	CC 03-03	73, 180	
	Clerk of the Circuit Court	Financial Reporting	CC 07-09	73, 180	
	Property Appraiser	Separation of Duties	PA 03-03	74, 201	
	Property Appraiser	Financial Reporting	PA 07-11	74, 201	
	Sheriff	Separation of Duties	SH 03-01	74, 225	
	Sheriff	Financial Reporting	SH 07-10	75, 225	
	Supervisor of Elections	Separation of Duties	SE 03-03	75, 247	
	Supervisor of Elections	Financial Reporting	SE 07-12	76, 247	
Tax Collector	Separation of Duties	TC 03-03	76, 271		
Tax Collector	Financial Reporting	TC 07-13	76, 271		
Tax Collector	Revenues/Collections	TCML 05-01	83, 274		

LOCAL GOVERNMENTAL ENTITIES THAT FAILED TO TAKE FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT WAS INCLUDED IN THE 2012-13 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING FINANCIAL AUDIT REPORTS

Entity	Constitutional Officer (For Counties)	Finding Category	Finding Number	Page Number (1)	Revision or Addendum (2)
MUNICIPALITIES					
Alford Town of		Separation of Duties	2007-02	33	No
		Financial Reporting	2007-03	33	
		Payroll and Personnel Administration	2010-01	34	
		Revenues/Collections	2011-01	34	
Alpha Town of		General Accounting Records	2013-01	40	No
		Separation of Duties	2013-02	40	
		Cash	2013-03	41	
		General Accounting Records	2013-04	41	
		Financial Reporting	2013-05	41	
		Revenues/Collections	2013-06	42	
		Cash	2013-07	42	
		Information Technology	2013-08	42	
		Fixed Assets	2013-10	43	
		Financial Reporting	2013-13	48	
		Budget Administration	2013-14	48	
		Budget Administration	2013-15	49	
Apalachicola City of		Financial Condition	2013-16	49	No
		Budget Administration	13-01	61	
		Separation of Duties	13-02	61	
Avon Park City of		General Accounting Records	13-03	61	No
		General Accounting Records	2013-001	81	
		Payroll and Personnel Administration	2013-002	82	
Bell Town of		Expenditures/Expenses	2013-004	88	No
		Financial Reporting	2009-1	35	
Belle Glade City of		Purchasing/Contract Management	2008-05	145	No
Belle Isle City of		Financial Reporting	MI 12-3	104	Yes
Biscayne Park Village of		General Accounting Records	2011-01	93	No
Blountstown City of		Separation of Duties	06-01	65	No
		Financial Reporting	07-01	65	
Bonifay City of		Financial Reporting	2010-01	54	No
		Financial Condition	2010-03	57	
		Revenues/Collections	2010-04	58	
Bowling Green City of		General Accounting Records	13-01	49	No
Bradenton Beach City of		Separation of Duties	2010-1	38	No
		General Accounting Records	13-01	36	
Branford Town of		Financial Reporting	2010-1	50	No
Bristol City of		Financial Reporting	2011-01	40	No
Bronson City of		Separation of Duties	2009-1	31	No
		Fund Equity	MI 2009-4	32	
Brooker Town of		Separation of Duties	2013-1	42	No
		Financial Reporting	2013-2	42	
Bunnell City of		Purchasing/Contract Management	2013-1	60	No
Bushnell City of		Separation of Duties	2008-2	108	No
		Financial Condition	2011-1	111	
Callahan Town of		Separation of Duties	2013-001	38	No
		Financial Reporting	2013-002	38	
Campbellton Town of		Separation of Duties	04-01	46	No
		Financial Reporting	07-01	46	
		Revenues/Collections	09-1	50	
Carrabelle City of		Financial Reporting	13-01	47	No
		Separation of Duties	13-02	47	
		Fixed Assets	13-03	48	
		Policies and Procedures	13-04	51	
		Information Technology	13-05	51	
		Budget Administration	13-06	52	
		Budget Administration	13-07	52	
		Cash	13-08	48	

LOCAL GOVERNMENTAL ENTITIES THAT FAILED TO TAKE FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT WAS INCLUDED IN THE 2012-13 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING FINANCIAL AUDIT REPORTS

Entity	Constitutional Officer (For Counties)	Finding Category	Finding Number	Page Number (1)	Revision or Addendum (2)
Cedar Key City of		Separation of Duties	2009-1	37	No
		Budget Administration	2011-1	38	
Century Town of		Fixed Assets	12-1	48	Yes
		Separation of Duties	12-2	48	
		Revenues/Collections	12-3	48	
		Separation of Duties	2013-001	40	
Chiefland City of		Financial Reporting	2009-1	83	No
Coleman City of		Financial Reporting	2013-1	32 (Part 2)	No
		Fixed Assets	2013-2	32 (Part 2)	
		Separation of Duties	2013-3	32 (Part 2)	
Cottondale City of		Separation of Duties	03-1	46	No
		Fixed Assets	2004-2	57	
		Financial Reporting	07-1	46	
		General Accounting Records	09-1	47	
		General Accounting Records	09-2	48	
		Policies and Procedures	09-3	48	
		General Accounting Records	2013-1	57	
Cross City Town of		Separation of Duties	2013-001	43	No
Dania Beach City of		Policies and Procedures	2013-01	165	No
Davenport City of		Cash	2013-001	49	No
Deerfield Beach City of		State Financial Assistance	IC 10-09		
		State Financial Assistance	IC 10-10		
		Risk Management	ML 07-1		
		General Accounting Records	ML 08-2		
		Information Technology	ML 09-2		
		Payroll and Personnel Administration	ML 10-2		
		Investments	ML 11-1		
		Information Technology	ML 11-4		
		Information Technology	ML 11-5		
		Information Technology	ML 11-6		
		Information Technology	ML 11-7		
		Information Technology	ML 11-8		
Dundee Town of		Revenues/Collections	11-01	52	No
Eatonville Town of		General Accounting Records	2006-01	61	No
		Financial Condition	2006-A	67	
		Revenues/Collections	2008-02	61	
		Revenues/Collections	2010-B	67	
		Fund Equity	2012-C	68	
Edgewood City of		Fund Equity	2012-2	40	No
		General Accounting Records	2012-3	40	
		General Accounting Records	2012-4	41	
		Other Control Deficiencies and Noncompliance	2012-6	41	
		General Accounting Records	2013-2	40	
Fellsmere City of		Separation of Duties	2013-FS-1	71	No
Fort Lauderdale City of		Information Technology	2012-4	181	No
Fort Myers Beach Town of		General Accounting Records	2013-01	58	No
		Expenditures/Expenses	2013-02	58	
Fort White Town of		Revenues/Collections	2009-2	44	No
		Financial Reporting	2011-1	42	
Glen Saint Mary Town of		Separation of Duties	2013-01	37	No
		Financial Reporting	2013-02	37	
Graceville City of		Separation of Duties	2006-01	57	No
		Financial Reporting	2007-01	57	
		Revenues/Collections	2010-1	64	
		Purchasing/Contract Management	2011-1	64	
Grand Ridge Town of		Financial Reporting	11-01	45	No
Green Cove Springs City of		Separation of Duties	2013-01	67	No

LOCAL GOVERNMENTAL ENTITIES THAT FAILED TO TAKE FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT WAS INCLUDED IN THE 2012-13 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING FINANCIAL AUDIT REPORTS

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Greensboro Town of		Financial Reporting	10-01	38	No
		Separation of Duties	10-02	38	
Greenville Town of		Financial Reporting	2013-01	42	No
		Separation of Duties	2013-02	42	
		Debt Administration	2013-09	45	
Greenwood Town of		Separation of Duties	05-01	33	No
		Financial Reporting	07-01	33	
Gulf Breeze City of		Fixed Assets	2008-1	138	No
		General Accounting Records	2008-3	140	
Haines City City of		Information Technology	2013-03	119	No
		Information Technology	2013-04	120	
Hastings Town of		Separation of Duties	2013-001	38	No
		General Accounting Records	2013-002	38	
Hialeah City of		Fund Equity	2007-7	171	No
High Springs City of		Policies and Procedures	2011-1	54	No
Hilliard Town of		Financial Reporting	2009-01	52	No
Hollywood City of		State Financial Assistance	IC 2013-01	187	No
Holmes Beach City of		Separation of Duties	2010-1	50	No
Horseshoe Beach Town of		Financial Reporting	2011-1	46	No
Howey-in-the-Hills Town of		Financial Reporting	2013-001	54	No
Inglis Town of		Separation of Duties	2013-001	41	No
Interlachen Town of		Financial Reporting	2007-01	36	No
Jacob City City of		Separation of Duties	13-01	30	No
		General Accounting Records	13-02	30	
Jay Town of		Separation of Duties	07-1	37	No
Jennings Town of		Separation of Duties	13-01	67	No
		Financial Reporting	13-02	68	
Jupiter Inlet Colony Town of		Budget Administration	2011-2	40	No
Jupiter Town of		Purchasing/Contract Management	2010-3	136	No
LaBelle City of		Financial Reporting	2009-1	77	No
		Debt Administration	2009-2	78	
La Crosse Town of		Separation of Duties	2013-1	28	No
Lake Butler City of		Financial Reporting	2009-1	55	No
Lake Hamilton Town of		Separation of Duties	2009-1	42	No
		General Accounting Records	2009-2	42	
		General Accounting Records	2009-3	43	
		General Accounting Records	2009-8	43	
		Policies and Procedures	2009-10	44	
		General Accounting Records	2009-11	44	
Lake Helen City of		General Accounting Records	2008-MW01	82	No
		Expenditures/Expenses	2008-MW02	82	
		Fixed Assets	2008-MW03	83	
		Payroll and Personnel Administration	2008-MW04	85	
		General Accounting Records	2008-SD01	90	
		Revenues/Collections	2009-MW01	85	
		General Accounting Records	2009-SD01	90	
		Revenues/Collections	2010-COM01	94	
		Revenues/Collections	2010-COM02	94	
		General Accounting Records	2010-MW01	86	
		Purchasing/Contract Management	2010-SD02	91	
		General Accounting Records	2011-MW01	86	
		General Accounting Records	ML 2008-02	99	
Lake Park Town of		Financial Condition	2011-2	139	No
		Policies and Procedures	2013-1	136	
Lake Worth City of		Fixed Assets	2008-SD-05	176	No
Lakeland City of		Information Technology	2013-2	223	No
Lauderdale Lakes City of		General Accounting Records	2010-02	134	No
		Cash	2011-05	135	

LOCAL GOVERNMENTAL ENTITIES THAT FAILED TO TAKE FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT WAS INCLUDED IN THE 2012-13 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING FINANCIAL AUDIT REPORTS

Entity	Constitutional Officer (For Counties)	Finding Category	Finding Number	Page Number (1)	Revision or Addendum (2)
Lawley City of		Separation of Duties	2013-1	35	No
		Financial Reporting	2013-2	35	
Lee Town of		Payroll and Personnel Administration	2011-001	56	No
Macclenny City of		Separation of Duties	2013-1	60	No
		Financial Reporting	2013-2	61	
Malone Town of		Separation of Duties	04-01	51	No
		Financial Reporting	07-1	51	
Mangonia Park Town of		Fixed Assets	2009-02	45	No
		Budget Administration	2011-03	49	
Marianna City of		Separation of Duties	03-01	71	No
Mayo Town of		Revenues/Collections	2007-1	46	No
		Financial Reporting	2011-1	44	
Medley Town of		Separation of Duties	2013-01	67	No
		Fixed Assets	2013-02	67	
		Revenues/Collections	2013-03	68	
		Travel	IC2010-002	75	
Melbourne Beach Town of		General Accounting Records	001	47	No
Melbourne Village Town of		Purchasing/Contract Management	002	56	No
		General Accounting Records	2013-0001	158 (Part 2)	
Miami City of		Fixed Assets	2013-0002	162 (Part 2)	No
		Information Technology	2013-05	197 (Part 2)	
Miami Beach City of		Revenues/Collections	2013-1	169	No
		Federal Awards	IC 2013-01	158	
Micanopy Town of		Financial Reporting	2011-1	45	No
Milton City of		Financial Reporting	2008-1	94	No
		Cash	2010-01	92	
Miramar City of		Information Technology	MI 2011-03	230	No
		Information Technology	MI 2013-02	226	
Monticello City of		Financial Reporting	13-01	55	No
Moore Haven City of		Financial Reporting	2010-001	75	No
		General Accounting Records	2010-002	75	
		Revenues/Collections	2011-005	76	
Mulberry City of		General Accounting Records	13-01	54	No
North Bay Village City of		Fixed Assets	2006-1	65	No
		Cash	2009-1	65	
		Policies and Procedures	2010-03	66	
		Policies and Procedures	2010-7	67	
		General Accounting Records	2013-01	59 (Part 2)	
North Miami City of		General Accounting Records	09-3	162	No
		Revenues/Collections	11-1	161	
Oak Hill City of		Fixed Assets	2009 SD01	67	No
		Separation of Duties	2009 SD02	68	
		Expenditures/Expenses	2011 SD01	68	
		General Accounting Records	ML 2009-1	73	
		Payroll and Personnel Administration	ML 2009-2	74	
		Information Technology	ML 2009-3	74	
		Distribution of Funds	ML 2011-04	75	
		Financial Reporting	ML 2011-05	75	
	Payroll and Personnel Administration	ML 2011-06	75		

LOCAL GOVERNMENTAL ENTITIES THAT FAILED TO TAKE FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT WAS INCLUDED IN THE 2012-13 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING FINANCIAL AUDIT REPORTS

Entity	Constitutional Officer (For Counties)	Finding Category	Finding Number	Page Number (1)	Revision or Addendum (2)
Oakland Town of		Revenues/Collections	10-01	46	No
		Expenditures/Expenses	10-02	46	
		Revenues/Collections	10-03	46	
		Payroll and Personnel Administration	10-04	47	
		General Accounting Records	10-05	47	
		Revenues/Collections	10-06	47	
		Purchasing/Contract Management	11-3	48	
		General Accounting Records	11-4	48	
		General Accounting Records	11-5	48	
Oakland Park City of		Information Technology	2011-ML-02	144	No
		Revenues/Collections	2011-ML-04	145	
Orchid Town of		Separation of Duties	2009-02	35	No
Otter Creek Town of		Financial Reporting	2011-1	38	No
		Financial Reporting	2009-3	40	
Pahokee City of		Fixed Assets	2010-1	69	No
		Financial Condition	2011-8	73	
Palm Beach Shores Town of		Separation of Duties	2009-01	50	No
Palm Coast City of		Separation of Duties	2011-001	174	No
Panama City City of		Separation of Duties	2007-1	181	No
Panama City Beach City of		Policies and Procedures	13-02	93	No
		Separation of Duties	13-01	97	
Paxton City of		Financial Reporting	2013-01	48	No
		Separation of Duties	2013-02	48	
Penney Farms Town of		Financial Reporting	2011-1	46	No
Pierson Town of		General Accounting Records	2008-01	39	No
		Debt Administration	2008-02	39	
		Other Control Deficiencies and Noncompliance	2008-03	39	
		Financial Reporting	2009-01	35	
		Separation of Duties	2009-02	36	
		Cash	2009-03	36	
		Cash	2010-02	39	
		Expenditures/Expenses	2010-03	39	
		Other Control Deficiencies and Noncompliance	2011-01	36	
		Payroll and Personnel Administration	2011-02	40	
		Information Technology	2011-03	40	
Pomona Park Town of		Separation of Duties	2009-IC-1	54	No
Ponce de Leon Town of		Separation of Duties	05-02	67	No
		Debt Administration	05-04	67	
		Financial Reporting	07-04	67	
		General Accounting Records	08-05	68	
Reddick Town of		Financial Reporting	IC2009-1	27	No
		Financial Reporting	ML2009-1	30	
Rockledge City of		Purchasing/Contract Management	2010-A	55 (Part 2)	No
Sanibel City of		Information Technology	2010-03	177	No
Sewall's Point Town of		Separation of Duties	2011-1	36	No

LOCAL GOVERNMENTAL ENTITIES THAT FAILED TO TAKE FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT WAS INCLUDED IN THE 2012-13 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING FINANCIAL AUDIT REPORTS

Entity	Constitutional Officer (For Counties)	Finding Category	Finding Number	Page Number (1)	Revision or Addendum (2)
Sneads Town of		Fixed Assets	00-1	50	No
		Financial Reporting	07-1	51	
		Purchasing/Contract Management	2009-1	55	
Sopchoppy City of		Financial Reporting	13-01	45	No
South Bay City of		Fixed Assets	2013-01	45	No
St. Augustine City of		Expenditures/Expenses	11-02	191	No
St. Cloud City of		Information Technology	2013-02	169	No
St. Marks City of		Separation of Duties	2010-01	40	No
Trenton City of		Financial Reporting	2007-1	49	No
Valparaiso City of		Financial Reporting	2011-9	68	No
Waldo City of		Financial Reporting	2011-1	49	No
Wausau Town of		Separation of Duties	2010-1	59	No
		Financial Reporting	2010-2	60	
West Miami City of		Fund Equity	2010-1	65	No
Wewahatchka City of		Financial Reporting	2011-2	54	No
White Springs Town of		Financial Reporting	2011-01	57	No
Wildwood City of		Financial Reporting	2013-001	49	No
Williston City of		Fixed Assets	2008-1	80	No
		Fund Equity	2010-5	80	
Windermere Town of		Financial Reporting	13-01	48	No
Winter Haven City of		Revenues/Collections	2013-003	180	No
Yankeetown Town of		Separation of Duties	2013-001	37	No

LOCAL GOVERNMENTAL ENTITIES THAT FAILED TO TAKE FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT WAS INCLUDED IN THE 2012-13 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING FINANCIAL AUDIT REPORTS

Entity	Constitutional Officer (For Counties)	Finding Category	Finding Number	Page Number (1)	Revision or Addendum (2)
SPECIAL DISTRICTS					
Aberdeen Community Development District		Debt Administration	AG 1	35	
		Debt Administration	AG 2	36	No
Alligator Point Water Resources District		Financial Reporting	2010-01	22	
		Separation of Duties	2011-02	22	No
Amelia Concourse Community Development District		Debt Administration	AG 1	34	
		Financial Condition	AG 2	35	No
Argyle Fire District		Financial Reporting	2010-1	41	
		Expenditures/Expenses	2010-2	41	No
Arlington Ridge Community Development District		Debt Administration	IC2010-01	32	
		Financial Condition	IC2010-02	32	No
Baker County Development Commission		Separation of Duties	2013-01	26	No
Baker County Hospital District		Separation of Duties	2013-01	24	No
Barefoot Bay Recreation District		Information Technology	ML 2011-01	38	
		Revenues/Collections	2012-002	35	No
Beach Mosquito Control District		Separation of Duties	2013-1	30	No
Belmont Community Development District		Debt Administration	2013-01	32	No
Big Bend Water Authority		Separation of Duties	2013-001	30	No
Bolles Drainage District		Financial Reporting	2011-1	23	No
Buckeye Park Community Development District		Debt Administration	2013-02	36	No
Buckhead Ridge Mosquito Control District		Financial Reporting	ML 2009-1	19	No
CFM Community Development District		Debt Administration	IC2010-1	30	No
Canaveral Port Authority		Information Technology	2011-01	85	No
Cedar Key Special Water and Sewer District		Separation of Duties	2013-001	28	No
Central Community Redevelopment Agency		General Accounting Records	2013-1	30	
		Separation of Duties	2013-4	31	Yes
		Expenditures/Expenses	2013-5	31	
Chapel Creek Community Development District		Debt Administration	12-01	37	
		Financial Reporting	12-03	36	No
		Fixed Assets	12-04	36	
Children's Services Council of Okeechobee County		Financial Reporting	2009-1	29	
		Separation of Duties	2009-2	29	No
City-County Public Works Authority		Separation of Duties	2010-01	18	
		General Accounting Records	2010-02	18	No
		Financial Reporting	2010-03	19	
		Policies and Procedures	ML 2010-02	23	
Clearwater Cay Community Development District		Debt Administration	IC 2009-1	30	No
Concorde Estates Community Development District		Financial Reporting	12-01	38	
Connerton West Community Development District		Debt Administration	13-01	37	
		Debt Administration	13-02	37	No
Cordoba Ranch Community Development District		Debt Administration	12-02	34	No
Creeside Community Development District		Debt Administration	2013-01	30	
		Financial Condition	2013-02	30	No
Daytona Beach Racing and Recreational Facilities District		Revenues/Collections	2011-001	27	No
Deer Run Community Development District		Debt Administration	2013-01	36	
		Financial Condition	2013-02	36	Yes
Disston Island Conservancy District		Financial Reporting	2011-1	23	No
Durbin Crossing Community Development District		Debt Administration	IC 2011-01	32	No
East Naples Fire Control and Rescue District		General Accounting Records	2013-01	45	No
East Niceville Fire District		General Accounting Records	13-01	31	
		Financial Reporting	13-02	32	No
Emerald Coast Utilities Authority		Information Technology	2013-1	113	No
Escambia Health Facilities Authority		Separation of Duties	2013-1	26	Yes
Escambia-Pensacola Human Relations Commission		Separation of Duties	2013-1	23	No
Estates at Cherry Lake Community Development District		Debt Administration	2013-01	35	
		Debt Administration	2013-02	35	No
Fellsmere Water Control District		Separation of Duties	2009-1	30	No
Fiddler's Creek Community Development District		Debt Administration	2013-01	33	No
Fiddler's Creek Community Development District Number 2		Debt Administration	2010-01	36	No
Flahole Drainage District		Financial Reporting	2011-1	23	No

LOCAL GOVERNMENTAL ENTITIES THAT FAILED TO TAKE FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT WAS INCLUDED IN THE 2012-13 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING FINANCIAL AUDIT REPORTS

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Flagler Estates Road and Water Control District		Separation of Duties	2013-001	31	No
		Financial Reporting	2013-002	31	
Fred R. Wilson Memorial Law Library		Financial Reporting	Item 1	20	No
		Separation of Duties	Item 2	20	
Gladeview Water Control District		Financial Reporting	2011-1	24	No
Gramercy Farms Community Development District		Financial Reporting	12-01	38	No
		Debt Administration	12-03	40	
		Financial Condition	12-04	41	
Grand Bay at Doral Community Development District		Debt Administration	2010-01	33	No
		Debt Administration	2010-01	34	
Health Care District of Palm Beach County		Fixed Assets	2011-2	132	No
Hendry Soil and Water Conservation District		Financial Reporting	2011-1	21	No
Hendry-Hilliard Water Control District		Financial Reporting	2011-1	24	No
Heritage Isles Community Development District		Financial Condition	2009-01	45	No
Heritage Plantation Community Development District		Debt Administration	11-01	36	No
		Debt Administration	11-02	36	
Highland Glades Water Control District		Financial Reporting	2011-1	22	No
Highland Meadows Community Development District		Debt Administration	2013-1	36	No
Highlands Community Development District		Financial Condition	2013-01	33	No
		Debt Administration	2013-02	33	
Highlands Soil and Water Conservation District		Financial Reporting	2010-1	36	No
Hillsborough Transit Authority		Cash	2011-008	115	No
Holmes Creek Soil and Water Conservation District		Separation of Duties	03-2	28	No
		Financial Reporting	07-1	28	
Homestead 50 Community Development District		Debt Administration	2013-01	30	No
Housing Finance Authority of Lee County		Financial Reporting	2010-01	20	No
		General Accounting Records	2010-02	20	
Indian River Farms Water Control District		Separation of Duties	2009-1	26	No
Indigo Community Development District		Financial Condition	2013-01	31	No
		Debt Administration	2013-02	31	
Jacksonville Transportation Authority		Fixed Assets	ML 2010-01	70	No
Jupiter Inlet District		Separation of Duties	2009-01	33	No
Lake Ashton Community Development District		Financial Condition	ML12-01	36	No
		Debt Administration	ML-13-01	37	
		Debt Administration	ML-13-02	37	
Lakeland Downtown Development Authority		Separation of Duties	2010-1	39	No
Lakeside Plantation Community Development District		Debt Administration	07-01	34	No
Lealman Special Fire Control District		General Accounting Records	2009-01	59	No
Leon County Educational Facilities Authority		Debt Administration	2009-01	34	No
		General Accounting Records	2010-01	33	
		Debt Administration	2010-02	33	
Madeira Community Development District		Expenditures/Expenses	2012-04	32	No
		Debt Administration	2013-01	31	
		Financial Condition	2013-02	31	
		Debt Administration	2013-03	31	
Magnolia Creek Community Development District		Debt Administration	13-01	38	No
		Debt Administration	13-02	38	
Magnolia West Community Development District		Debt Administration	12-01	38	No
		Debt Administration	12-02	38	
Marion County Law Library		Separation of Duties	2013-1	22	No
Matlacha / Pine Island Fire Control District		General Accounting Records	2010-02	38	No
		Payroll and Personnel Administration	ML 2010-01	43	
Meadow Pointe IV Community Development District		Debt Administration	13-01	41	No
		Debt Administration	13-02	41	
		Financial Reporting	13-03	40	
		Debt Administration	IC2010-01	30	
Mediterranea Community Development District		Policies and Procedures	ML-2010-01	103	No
Montecito Community Development District		Debt Administration	2013-03	34	No
		Financial Condition	2013-04	35	
Municipal Service District of Ponte Vedra Beach		Separation of Duties	2013-001	26	No
		Financial Reporting	2013-002	26	

LOCAL GOVERNMENTAL ENTITIES THAT FAILED TO TAKE FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT WAS INCLUDED IN THE 2012-13 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING FINANCIAL AUDIT REPORTS

Entity	Constitutional Officer (For Counties)	Finding Category	Finding Number	Page Number (1)	Revision or Addendum (2)
Naturewalk Community Development District		Debt Administration	12-01	37	No
		Debt Administration	12-02	37	
New Port Tampa Bay Community Development District		Debt Administration	IC2009-1	30	No
North Okaloosa County Fire District		Separation of Duties	2013-01	36	No
		Financial Reporting	2013-02	36	
North Palm Beach Heights Water Control District		Separation of Duties	2009-01	33	No
		Budget Administration	2012-01	34	
North St. Lucie River Water Control District		Separation of Duties	ML 2009-1	25	No
		Financial Reporting	ML 2009-2	25	
Ocean City - Wright Fire Control District		Financial Reporting	IC2007-01	46	No
Okeechobee Soil and Water Conservation District		Separation of Duties	2009-1	37	No
		Financial Reporting	2009-2	38	
Palatka Gas Authority		Financial Reporting	2013-001	20	No
Palm River Community Development District		Debt Administration	2013-01	37	No
		Debt Administration	2013-02	37	
		Debt Administration	2013-03	38	
Panhandle Public Library Cooperative System		Financial Reporting	07-01	34	No
Pine Island Community Development District		Debt Administration	2011-01	40	No
		Debt Administration	2011-02	41	
		Financial Condition	2013-01	41	
Polk Transit Authority		Policies and Procedures	2009-1	23	No
Port St. Joe Port Authority		General Accounting Records	2013-01	19	No
		Separation of Duties	2013-02	19	
		Financial Reporting	2013-03	20	
Portofino Cove Community Development District		Debt Administration	2013-01	30	No
		Financial Condition	2013-02	30	
Portofino Isles Community Development District		Financial Condition	2013-02	34	No
		Debt Administration	2013-03	35	
Portofino Landings Community Development District		Debt Administration	2013-01	31	No
		Financial Condition	2013-02	31	
Portofino Vista Community Development District		Debt Administration	2013-01	30	No
		Financial Condition	2013-02	30	
Quincy-Gadsden Airport Authority		Separation of Duties	2008-1	27	No
Reunion East Community Development District		Debt Administration	13-01	39	No
		Debt Administration	13-02	39	
Ridgeswood Trails Community Development District		Debt Administration	2011-01	33	No
Ritra Drainage District		Financial Reporting	2011-1	23	No
River Bend Community Development District		Debt Administration	12-01	37	No
		Debt Administration	12-02	37	
		Budget Administration	12-04	38	
River Glen Community Development District		Fixed Assets	2013-01	35	Yes
		Debt Administration	2013-03	35	
		Debt Administration	2013-04	36	
River Place on the St. Lucie Community Development District		Debt Administration	ML 13-01	36	No
		Debt Administration	ML 13-02	36	
Riverwood Estates Community Development District		Debt Administration	13-01	37	No
		Debt Administration	13-02	37	
		Expenditures/Expenses	13-04	38	
Rolling Hills Community Development District		Debt Administration	2011-01	35	No
San Carlos Estates Water Control District		Financial Reporting	2011-1	27	No
Seminole County Port Authority		Separation of Duties	Item 1	25	No
		Financial Reporting	Item 2	25	
Shawano Water Control District		Financial Reporting	2011-1	25	No
Shingle Creek Community Development District		Debt Administration	IC2009-1	31	No
Six Mile Creek Community Development District		Debt Administration	12-01	34	No
South Seminole and North Orange County Wastewater Transmission Authority		Separation of Duties	2013-01	49	No
Southern Hills Plantation I Community Development District		Budget Administration	12-01	36	No
Spring Lake Improvement District		Separation of Duties	2008-1	40	No
		Financial Reporting	2009-2	40	

LOCAL GOVERNMENTAL ENTITIES THAT FAILED TO TAKE FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT WAS INCLUDED IN THE 2012-13 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING FINANCIAL AUDIT REPORTS

Entity	Constitutional Officer (For Counties)	Finding Category	Finding Number	Page Number (1)	Revision or Addendum (2)
Spring Ridge Community Development District		Financial Condition	2009-02	30	No
		Debt Administration	2009-03	30	
		Fixed Assets	2010-02	30	
		Debt Administration	2010-06	31	
St. Augustine Port, Waterway and Beach District		Separation of Duties	2013-001	25	No
Sterling Hill Community Development District		Financial Reporting	12-01	39	No
		Debt Administration	12-03	40	
		Debt Administration	12-04	40	
Stoneybrook Community Development District		Financial Condition	2013-01	35	No
Stoneybrook South Community Development District		Debt Administration	IC2010-1	32	No
Sugarland Drainage District		Financial Reporting	2011-1	23	No
Sun'n Lake of Sebring Improvement District		Fund Equity	2013-01	55	No
		Financial Condition	2013-02	56	
Suwannee River Water Management District		General Accounting Records	2011-01	61	No
Suwannee Water and Sewer District		Separation of Duties	2013-001	23	No
		Fixed Assets	2013-002	23	
		General Accounting Records	2013-003	23	
		Debt Administration	IC2011-1	33	
Sweetwater Creek Community Development District		Financial Reporting	2010-1	26	No
Taylor Coastal Water and Sewer District		Financial Condition	AG-01	32	No
Tern Bay Community Development District		Debt Administration	IC2009-01	30	
Tindall Hammock Irrigation and Soil Conservation District		Financial Reporting	2011-1	52	No
Tolomato Community Development District		Debt Administration	IC2011-1	34	No
Trails Community Development District		Financial Condition	2009-03	32	No
		Debt Administration	2009-04	33	
		Debt Administration	2010-05	33	
Treceline Preserve Community Development District		Financial Condition	2013-01	29	No
		Debt Administration	2013-02	29	
Upper Captiva Fire Protection and Rescue Service District		Financial Reporting	2010-001	28	No
		General Accounting Records	2010-002	28	
		Expenditures/Expenses	2010-004	29	
		General Accounting Records	2011-005	29	
Villa Vizcaya Community Development District		General Accounting Records	2013-01	32	No
		Debt Administration	2013-03	32	
		Financial Condition	2013-04	33	
Villages of Avignon Community Development District		Debt Administration	11-01	34	No
		Debt Administration	11-02	34	
Waterford Estates Community Development District		Debt Administration	IC2009-01	30	No
Waterlefe Community Development District (Manatee County)		Debt Administration	IC2010-01	40	No
Waterstone Community Development District		Financial Reporting	2013-01	31	No
		Financial Condition	2013-03	31	
West Villages Improvement District		Debt Administration	2013-01	33	Yes
Westgate / Belvedere Homes Community Redevelopment Agency		Revenues/Collections	2013-1	52	No
Westridge Community Development District		Debt Administration	2013-1	33	Yes
		Debt Administration	2013-2	33	
Westside Community Development District		Debt Administration	2011-01	33	No
Woodlands Community Development District, The		Financial Condition	2013-01	30	No
		Debt Administration	2013-02	30	
Wvld Palms Community Development District		Debt Administration	IC 2009-1	30	No
Zephyr Ridge Community Development District		Debt Administration	09-01	38	No
		Debt Administration	09-02	38	

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 2012-13 fiscal year audit report that should also be viewed.

LOCAL GOVERNMENTAL ENTITIES THAT MAY HAVE FAILED TO TAKE FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION THAT WAS INCLUDED IN THE 2012-13 FISCAL YEAR AUDIT REPORT AND THE TWO PRECEDING FINANCIAL AUDIT REPORTS

The auditors did not indicate whether or not the finding was also included in the two preceding financial audit reports. The finding numbers and/or description indicate potential repeat findings; however, the auditor's have not responded to our request for clarification.

Entity	Constitutional Officer (For Counties)	Finding Category	Finding Number	Page Number (1)	Revision or Addendum (2)
MUNICIPALITIES					
Coral Gables, City of		Revenues/Collections	ML 2013-01	147	No
Fanning Springs, City of		Separation of Duties	2012-1	56	No
SPECIAL DISTRICTS					
Crossings At Fleming Island Community Development District, The		Financial Condition	2012-01	43	No
		Debt Administration	No Number	42	
Riverwood Estates Community Development District		Financial Reporting	13-03	36	No
Villages of Bloomingdale Community Development District		Debt Administration	2013-01	31	No

Notes:

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Local Government Financial Reporting System
Audit - Legislative Recommendations
Joint Legislative Auditing Committee
February 16, 2015 Meeting

Local Government Financial Reporting System



LGFRS means any statutory provisions related to local government financial reporting, which should provide for the accumulation of financial and other information to be used by the Legislature and other officials to:

- Enhance citizen participation in local government;
- Improve the financial condition of local governments;
- Provide essential government services in an efficient and effective manner; and
- Improve decision-making on the part of the Legislature, State agencies, and local government officials on matters relating to local governments.

(Section 11.45(2)(g), FS)

Legislative Recommendations



Finding 1: Expenditures of a community redevelopment agency (CRA)

- As special districts, CRAs are limited to the express powers provided by law
- Section 163.387(6), FS, provides that CRAs may expend CRA trust fund moneys as provided in the CRA plan for enumerated purposes but is preceded by the phrase “including but not limited to”
- Our audits of CRAs have disclosed that many CRAs use CRA trust fund moneys for promotional activities or for purposes that may not be consistent with the intent of the Redevelopment Act
- **Recommend revising Section 163.387(6), FS, to limit CRA trust fund expenditures to specified purposes (expanded to include all authorized purposes)**

Legislative Recommendations



Finding 2: CRA Governance

- The CRA governing board was the same as the governing body of the entity that created the CRA for 67 percent of active CRAs as of 9/30/14.
- Taxing authorities, other than the entity that created the CRA, must remit tax increment revenues to the CRA but likely have no say in how those moneys are expended
- Our audits of municipal CRAs disclosed instances in which the CRAs appeared to have paid moneys to the municipality that created the CRA for general operating expenses, contrary to Section 163.370(3)
- **Recommend revising Chapter 163, FS, to require county approval for the adoption and amendment of all municipal CRA plans**

Legislative Recommendations



Finding 3: CRA Exemptions

- 31 CRAs that adopted a CRA plan or were authorized to issue debt prior to 10/1/84 are not subject to provisions in law governing the contents of a CRA's plan
- One of the CRAs we audited was created in 1981 and its CRA plan was very general, making it difficult to identify authorized CRA activities
- **Recommend repealing Section 163.362(11), FS, to impose the same requirements as to the contents of CRA plans on all CRAs**

Legislative Recommendations



Finding 4: CRA Trust Fund Unexpended Balances

- Section 163.387(7), FS, governs the disposition of unexpended balances in the CRA trust fund at fiscal year-end
- No mechanism is provided for CRAs to establish reserves to mitigate current or future risks (e.g., revenue shortfalls)
- **Recommend revising Section 163.387(7), FS, to allow CRAs to establish reserves**

Legislative Recommendations



Finding 5: CRA audits

- Section 163.387(8), FS, requires the CRA to provide for an annual financial audit of the CRA trust fund
- Use of moneys in the CRA trust fund are restricted to those purposes specified in law and in the CRA plan, and disposition of CRA trust fund moneys is specified in law
- Our audits of CRAs have disclosed noncompliance with Section 163.387(6) and (7), FS
- **Recommend revising Section 163.387(8), FS, to require financial auditors to determine CRAs' compliance with Section 163.387(6) and (7), FS**

Legislative Recommendations



Finding 6: General Fund Unrestricted Fund Balance/Minimum Fund Balance Policy

- Best practices suggest establishing a policy to maintain a General Fund unrestricted fund balance of no less than 2 months (17 percent) of regular operating revenues or expenditures
- Our audit disclosed that a majority of the local governments surveyed had not adopted a minimum fund balance policy
- Our audit disclosed that several of the local governments' financial statements we reviewed reported unrestricted fund balance of less than 17 percent of operating revenues and expenditures
- **Recommend enacting a law requiring local governments to adopt a minimum General Fund unrestricted fund balance policy or requiring local governments to maintain a specified level**

Legislative Recommendations



Finding 7: Transparency Requirements

- Section 11.45(7)(i), FS, requires us to notify the Senate President, House Speaker, and Department of Financial Services, of certain entities' failure to comply with transparency requirements
- The only local governments included in the current requirement are water management districts
- Our audit disclosed a high rate of noncompliance with budget transparency requirements by the local governments tested
- **Recommend requiring notification for all local governments (Section 11.45(7)(i), FS)**

Legislative Recommendations



Finding 7: Transparency Requirements (cont)

- Budget laws for local governments require posting tentative and final budgets, as well as certain budget amendments on the local governments' Web sites
- No timeframe is included in law addressing the length of time such budget-related documents must remain on local governments' Web sites, which may have contributed to noncompliance noted by the Auditor General
- **Recommend establishing timeframes for publishing budget-related information on local government Web sites (Sections 129.03(3)(c), 129.06(2)(f), 166.241(3) and (5), and 189.016(4) and (7), FS)**

Legislative Recommendations



Finding 9: Audit Committee Composition

- Current law provides for audit committee composition for noncharter counties but not other local governments
- Government Finance Officers Association recommends that audit committee should not include members who exercise financial management responsibilities
- Our audit disclosed that audit committees for 37 percent of the local governments we reviewed included at least one member with financial management responsibilities
- **Recommend amendment of Section 218.391(2), FS, to specify the composition of the audit committee for local governments other than noncharter counties**

Legislative Recommendations



Finding 11: Auditor Section Procedures

- Auditor selection procedures are prescribed in Section 218.391, FS
- Our audit disclosed that 30 percent of local governments we reviewed did not follow auditor selection procedures provided in law
- **Recommend revising Section 218.391, FS, to require local governments to perform auditor selection procedures at specified intervals and establish provisions in law to encourage local governments to comply with the auditor selection procedures in Section 218.391, FS**

Legislative Recommendations



Finding 12: Tangible Personal Property

- Chapter 274, FS, governs local government-owned tangible personal property and directs the State's Chief Financial Officer to promulgate rules establishing requirements for the recording of property and for the periodic review of property for inventory purposes
- Law and rules are applicable only to counties and special districts with taxing authority
- Our audit disclosed many instances in which municipalities or non-taxing special districts did not have adequate procedures over tangible personal property
- **Recommend revising the definition of "government unit" in Section 274.01, FS, to include all local governmental entities**

Legislative Recommendations



Finding 13: Method of Sale for Bond Issues

- Best practices recommend use of a financial advisor to determine most appropriate method of sale if local government does not have in-house expertise; however, financial advisor should be independent of underwriter
- Our audit disclosed that for 20 percent of bond issues reviewed, the local government did not use a financial advisor; and 10 percent of those that used a financial advisor used a financial advisor that was not independent of the underwriter
- **Recommend requiring use of a financial advisor that is independent of the underwriter or demonstrate in-house expertise**

Legislative Recommendations



Finding 13: Method of Sale for Bond Issues (cont.)

- Law requires sale by competitive bid unless governing body determines negotiated sale is in the local government's best interest but does not require explanation in documents submitted to Division of Bond Finance
- Our audit disclosed that for 22 percent of bond issues sold by negotiated sale we reviewed, no evidence of governing body's determination
- **Recommend requiring documentation to justify use of a method of sale other than competitive bids with documentation provided to Division of Bond Finance**

Legislative Recommendations



Finding 14: Selection of Bond Professionals

- Best practices recommend selection of bond professionals using a competitive process
- While various laws provide for competitive procurement of some professional services, no such law is provided for procurement of bond professionals
- Our audit disclosed that for the bond issues we reviewed, a high percentage of bond professionals were selected without using a competitive process
- **Recommend revising Section 218.385, FS, to require selection of bond professionals using a competitive selection process**

Legislative Recommendations



Finding 15: Division of Bond Finance Newsletter

- Section 218.37(1)(f), FS, requires Division to issue a regular newsletter
- Division no longer issues the newsletter as such information is available for no cost on the Internet
- **Recommend repealing Section 218.37(1)(f), FS**

Legislative Recommendations



Finding 16: Determination of Special Districts

- Special districts must comply with Chapter 189, FS, creation, dissolution, and reporting requirements
- Department of Economic Opportunity (DEO) determines special district status but cannot determine whether an entity is a special district
- Some entities appear to be special districts but have not filed as such with DEO
- **Recommend revising Chapter 189, FS, to provide DEO authority to determine whether an entity is a special district**



Questions?



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LOCAL GOVERNMENT FINANCIAL REPORTING SYSTEM

Performance Audit



The audit team leader was Edward A. Waller, and the audit was supervised by Derek H. Noonan, CPA. Please address inquiries regarding this report to Marilyn D. Rosetti, CPA, Audit Manager, by e-mail at marilynrosetti@aud.state.fl.us or by telephone at (850) 412-2881.

This report and other reports prepared by the Auditor General can be obtained on our Web site (www.myflorida.com/audgen); by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

LOCAL GOVERNMENT FINANCIAL REPORTING SYSTEM

EXECUTIVE SUMMARY

Our performance audit disclosed the following:

COMMUNITY REDEVELOPMENT AGENCIES

Finding No. 1: Current law could be enhanced to be more specific as to the types of expenditures that qualify for undertakings of a community redevelopment agency (CRA).

Finding No. 2: Current law could be enhanced to provide county taxing authorities more control over expenditures of CRAs created by municipalities to help ensure that CRA trust fund moneys are used appropriately.

Finding No. 3: Current law could be enhanced to require that all CRAs, including those created before October 1, 1984, are subject to statutory provisions that specify authorized uses of CRA trust fund moneys.

Finding No. 4: Current law could be enhanced to allow CRAs to provide for reserves of unexpended CRA trust fund balances to be used during financial downturns.

Finding No. 5: Current law could be enhanced to promote compliance with the audit requirement in Section 163.387(8), Florida Statutes, and to require such audits to include a determination of compliance with laws pertaining to expenditure of, and disposition of unused, CRA trust fund moneys.

UNRESTRICTED FUND BALANCE IN THE GENERAL FUND

Finding No. 6: Current law could be enhanced to require local governments to establish a minimum fund balance policy or maintain a certain amount of unrestricted fund balance in the General Fund, which would reduce the risk of local governments not having available resources to mitigate revenue shortfalls or unanticipated expenditures.

BUDGET TRANSPARENCY

Finding No. 7: Current law could be enhanced to require the reporting of all local governments that fail to comply with the budget transparency requirements and to specify time periods for the tentative budget, final budget, and budget amendments to remain on a local government's Web site, which would promote more uniform budget transparency.

FLORIDA DEPARTMENT OF MANAGEMENT SERVICES, DIVISION OF RETIREMENT

Finding No. 8: The Florida Department of Management Services needed to enhance its procedures to ensure timely contact of newly created local governmental entities, to timely obtain data on retirement systems or plans, and timely contact of entities that change to the Florida Retirement System from a local plan.

AUDITOR SELECTION PROCESS

Finding No. 9: Current law could be enhanced to specify the composition of the audit committee for local governments other than noncharter counties to help ensure that audit committees function in a prudent manner.

Finding No. 10: Local governments did not always ensure that contracts for audit services include the provisions required by law.

Finding No. 11: Local governments we reviewed did not always perform auditor selection procedures pursuant to Section 218.391, Florida Statutes, and some local governments we reviewed had gone many years without entering into new contracts for audit services. Current law could be enhanced to require that auditor selection procedures be performed at specific intervals and to encourage local governments to comply with Section 218.391, Florida Statutes.

TANGIBLE PERSONAL PROPERTY

Finding No. 12: Based on the results of our audit, which disclosed numerous municipalities and non-taxing special districts that had not implemented adequate controls over tangible personal property, it was not apparent why such entities are not subject to the accountability requirements established by Chapter 274, Florida Statutes.

LOCAL GOVERNMENT BOND ISSUES

Finding No. 13: Local governments we reviewed did not always document the conditions favoring the method of sale selected for bond issues or use an independent financial advisor, which increased the risk of unfavorable issue terms or excessive bond issue costs.

Finding No. 14: Local governments did not always use a competitive selection process when selecting financial advisors, underwriters, and bond counsel for bond issues, potentially increasing costs associated with bond issues.

Finding No. 15: Current law requires the Florida State Board of Administration, Division of Bond Finance (Division) to publish a regular newsletter to the bond community and the general public; however, the Division is no longer publishing a regular newsletter as the type of information formerly included in the newsletter is published by other entities and available on the Internet.

SPECIAL DISTRICT DETERMINATIONS

Finding No. 16: While the Department of Economic Opportunity has the authority to determine whether a special district should be classified as dependent or independent, it does not have the authority to determine whether an entity should be treated as a special district. As a result, some entities that appear to be special districts are not subject to the accountability and oversight provisions in Chapter 189, Florida Statutes.

BACKGROUND

Section 11.45(2)(g), Florida Statutes, requires the Auditor General to conduct a performance audit of the local government¹ financial reporting system (System) at least every three years and to make recommendations to local governments, the Governor, and the Legislature as to how the reporting system can be improved and how program costs can be reduced. The “System” means any statutory provisions related to local government financial reporting and is intended to provide for the timely, accurate, uniform, and cost-effective accumulation of financial and other information that can be used by the members of the Legislature and other appropriate officials to accomplish the following goals:

- Enhance citizen participation in local government;
- Improve the financial condition of local governments;
- Provide essential government services in an efficient and effective manner; and
- Improve decision making on the part of the Legislature, State agencies, and local government officials on matters relating to local government.

FINDINGS AND RECOMMENDATIONS

Community Redevelopment Agencies

Chapter 163, Part III, Florida Statutes, also known as the “Community Redevelopment Act of 1969” (Act) authorizes the creation of redevelopment agencies by counties and municipalities for the purposes of redevelopment of slums

¹ The term “local government” refers to local governmental entities as defined in Section 218.31(1), Florida Statutes (i.e., counties, municipalities, and special districts).

and blighted areas that are injurious to the public health, safety, morals, and welfare of residents and for which there is a shortage of housing affordable to residents of low or moderate income, including the elderly. This Part provides requirements that address the manner in which such an agency may be established, the powers of the agency, the funding of the agency, expenditure restrictions, and reporting and audit requirements.

A community redevelopment agency (CRA) is funded through tax increment financing whereby the CRA generally receives annually 95 percent of the difference between the amount of ad valorem taxes levied by each taxing authority² (exclusive of amounts derived from debt service millages) on taxable properties within the designated community redevelopment area, and the amount of taxes that would have been produced by the millage rates levied by the taxing authorities prior to the effective date of the ordinance providing for the funding.

Finding No. 1: Use of CRA Trust Fund Moneys

Community redevelopment or redevelopment means undertakings, activities, or projects of a CRA in a community redevelopment area for the elimination and prevention of the development or spread of slums and blight, reduction or prevention of crime, provision of affordable housing, slum clearance and redevelopment, or rehabilitation and revitalization of coastal resort and tourist areas that are deteriorating and economically distressed.³

Section 163.387(1), Florida Statutes, establishes a redevelopment trust fund (CRA trust fund) for each CRA created and provides for its annual funding through tax increment revenues. Among the powers granted by the Act to carry out community redevelopment are: to make contracts; to disseminate slum clearance and community redevelopment information; to undertake community redevelopment and related activities; to furnish or repair streets, public utilities, playgrounds, and other public improvements; to hold or dispose of property for redevelopment. Section 163.387(6), Florida Statutes, provides that “Moneys in the redevelopment trust fund may be expended from time to time for undertakings of a community redevelopment agency as described in the community redevelopment plan for the following purposes, including, but not limited to:”

- Administrative and overhead expenses necessary or incidental to the implementation of a CRA plan.
- Expenses of redevelopment planning, surveys, and financial analysis, including the reimbursement of the governing body or the CRA for such expenses incurred before the redevelopment plan was approved and adopted.
- Acquisition of real property in the redevelopment area.
- Clearance and preparation of any redevelopment area for redevelopment and relocation of site occupants within or outside the community redevelopment area as provided in Section 163.370, Florida Statutes.
- Repayment of principal and interest or any redemption premium for any other form of indebtedness.
- Expenses incidental to or connected with the issuance, sale, redemption, retirement, or purchase of any form of indebtedness, including funding of any reserve, redemption, or other fund or account provided for in the ordinance or resolution authorizing such form of indebtedness.
- Development of affordable housing within the community redevelopment area.
- Development of community policing innovations.

A CRA is a special district that may only exercise those powers that have been expressly granted by statute or that are necessarily exercised in order to carry out an express power. The Attorney General has noted in numerous opinions

² Certain taxing authorities are exempted from contributing tax increment revenues pursuant to Section 163.387(2)(c), Florida Statutes.

³ Section 163.340(9), Florida Statutes.

regarding a special district's authority that any reasonable doubt as to the lawful existence of a particular power sought to be exercised must be resolved against the exercise thereof. In our operational audits of CRAs in recent years, we have noted that CRA trust fund moneys have often been used for purposes not specifically delineated in Section 163.387(6), Florida Statutes, and were not directly related to "redevelopment" as it is defined in law. For example, one CRA we audited expended \$2.1 million during the period October 2011 through March 2013 to fund various nonprofit organizations' operating expenses, promotional activities, or for socially beneficial programs and \$1.1 million to sponsor tennis tournaments for the municipality that created the CRA.⁴ Similar findings relating to promotional activities were noted in other CRA audits we conducted.⁵

In considering the allowability of the types of expenditures discussed above, we found limited guidance to CRAs as to what constitutes authorized expenditures other than the language of the Act. In Opinion No. 2010-40, the Attorney General responded to an inquiry regarding whether a CRA may expend funds for festivals or street parties designed to promote tourism and economic development, make grants to entities that promote tourism and economic development, or make grants to nonprofit entities providing socially beneficial programs. The Attorney General stated in part that "[t]he enumerated uses of community redevelopment trust fund moneys are likewise couched in terms of redevelopment activities involving 'bricks and mortar' in a manner of speaking, rather than promotional campaigns to encourage people to populate the area once the redevelopment has been accomplished. However, to read the statute as precluding the promotion of a redeveloped area once the infrastructure has been completed would be narrowly viewing community redevelopment as a static process. Accordingly, I cannot say that the use of community redevelopment funds would be so limited that the expenditure of funds for the promotion of a redeveloped area would be prohibited. However, grants to entities which promote tourism and economic development, as well as to nonprofits providing socially beneficial programs would appear outside the scope of the community redevelopment act." The Attorney General further stated that "Use of community redevelopment funds to pay entities promoting tourism or providing socially beneficial programs, however, does not have an apparent nexus to carrying out the purposes of the community redevelopment act."

Because some CRA boards have broadly interpreted the phrase in Section 163.387(6), Florida Statutes, "including, but not limited to" to authorize expenditure of moneys for anything perceived as a CRA undertaking, CRA trust fund moneys may be expended in a manner inconsistent with legislative intent of the Act. Providing clear direction to CRAs as to the express authority for expending CRA trust fund moneys, particularly with respect to promotional activities, would ensure that legislative intent is accomplished.

Recommendation: The Legislature should consider amending Section 163.387(6), Florida Statutes, to be more specific as to the types of expenditures that qualify as undertakings of a CRA, particularly with respect to promotional activities.

Finding No. 2: CRA Governance

Pursuant to law⁶, a county or municipality may not create a CRA unless they establish (1) the existence of one or more slum or blighted areas, or the existence of one or more areas in which there is a shortage of housing affordable to residents of low or moderate income, including the elderly, and (2) the rehabilitation, conservation, or redevelopment,

⁴ Report No. 2014-013, finding No. 1.

⁵ Report No. 2013-093, finding No. 11, and report No. 2008-036, finding No. 1.

⁶ Section 163.355, Florida Statutes.

or a combination thereof, of such area or areas, including, if appropriate, the development of housing that residents of low or moderate income, including the elderly, can afford, and is necessary in the interest of the public health, safety, morals, or welfare of the residents of such county or municipality. The clear legislative purpose of establishing a CRA is to eliminate slum or blighted conditions or establish affordable housing within a specified area. All CRA activity is to be accomplished pursuant to a CRA plan approved by the CRA's governing body.⁷ Further, the CRA plan may be amended, including expansion of the boundaries of the CRA.⁸

The governing body of a county or municipality may declare itself to be a CRA.⁹ Although one or more members of the CRA's governing body may be representatives of a taxing authority,¹⁰ the governing bodies of the majority of the CRAs as of September 30, 2014, were the same as the governing body of the entity that created the CRA. For 144 (67 percent) of the 214 active CRAs as of September 30, 2014, the members of the CRA's governing body were the same as the members of the governing body of the entity that created the CRA.¹¹

When the governing body of the entity that created the CRA is functioning as the CRA board, there is an increased risk that CRA trust fund moneys may be used to supplant those used for general operating expenses of the entity that created the CRA. CRAs are prohibited from paying for general government operating expenses unrelated to carrying out the CRA plan.¹² In some of our audits of CRAs, we noted instances in which the CRA paid moneys to the municipality that created the CRA for services purportedly provided to the CRA, but for which there was no evidence to document the services provided and, as a result, it appeared these moneys were used to pay for general operating costs of the municipality. For example, we noted that two CRAs we audited paid moneys to the municipalities that created the CRAs for all or a portion of municipal employees' salary expenses with no documentation to evidence the time the applicable individuals expended on CRA activities.¹³ Additionally, another CRA we audited appeared to have subsidized the operations of the municipality that created the CRA through property rental arrangements between the CRA and the municipality.¹⁴

A total of 186 (87 percent) of the 214 active CRAs as of September 30, 2014, were created by municipalities.¹⁵ For a CRA created by a municipality, there are at least two potential taxing authorities contributing to the CRA, the county and the municipality.¹⁶ Some CRAs have multiple taxing authorities that contribute to the CRA. For example, for the 2012-13 fiscal year, the Daytona Beach CRA received tax increment revenues totaling \$4.4 million, of which \$2 million (45 percent) was contributed by the City of Daytona Beach, \$1.8 million (41 percent) was contributed by Volusia County, and \$0.6 million (14 percent) was contributed by six other taxing authorities.

Taxing authorities, other than the entities that created the CRAs, are required to remit tax increment revenues to the CRAs but likely have no say in how their contributions are spent. As noted above, CRA activity is to be accomplished pursuant to a CRA plan approved by the CRA's governing body and such plan may be subsequently amended. Although charter counties may retain much of the control over municipal CRAs by not delegating authority to the municipal governing authority when the CRA is created, noncharter counties and charter counties that were chartered

⁷ Sections 163.360 and 163.387(6), Florida Statutes.

⁸ Section 163.361, Florida Statutes.

⁹ Section 163.357(1)(a), Florida Statutes.

¹⁰ Section 163.356(2), Florida Statutes.

¹¹ Florida Department of Economic Opportunity Special District Accountability Program's Official List of Special Districts.

¹² Section 163.370(3), Florida Statutes.

¹³ Report No. 2008-036, finding No. 11, and report No. 2013-093, finding No. 12.

¹⁴ Report No. 2014-013, finding No. 2.

¹⁵ Florida Department of Economic Opportunity, Special District Accountability Program's Official List of Special Districts. Excludes the City of Jacksonville.

¹⁶ Likewise, some county CRAs' boundaries include property within municipalities.

after creation of the CRA do not have this option.¹⁷ Of the 186 active municipal CRAs at September 30, 2014, 104 (56 percent) were located in charter counties and 82 (44 percent) were located in noncharter counties; however, 23 of the 104 municipal CRAs located in charter counties were created prior to the chartering of the county. Thus, at a minimum, 105 (82 + 23, or 56 percent) of the municipal CRAs are not required by law to obtain county approval for adoption of, or amendment to, their CRA plans.¹⁸

Most CRA governing bodies are the same as the entity that created the CRA, the vast majority of CRAs are created by municipalities,¹⁹ and the taxing authorities other than the entities that created the CRAs may be required to remit tax increment revenues for up to 60 years.²⁰ Requiring county approval of municipal CRA plans and amendments thereto would strengthen oversight of CRA activities and help ensure that CRA funds are expended only for authorized CRA activities.

Recommendation: The Legislature should consider revising Chapter 163, Florida Statutes, to require county approval for the adoption and amendment of all municipal CRA plans.

Finding No. 3: CRA Exemptions

Pursuant to Section 163.362(11), Florida Statutes, some CRAs are exempted from certain requirements based on when the CRA approved and adopted a CRA plan or authorized the issuance of debt. Section 163.362, Florida Statutes, establishes the requirements for the contents of the CRA plan and the following elements are not required to be included in the CRA plan for the 31 CRAs that adopted a CRA plan or were authorized to issue debt prior to October 1, 1984:

- A legal description of the boundaries of the community redevelopment area and the reasons for establishing such boundaries.
- If the redevelopment area contains low or moderate income housing, a neighborhood impact element that describes in detail the impact of the redevelopment upon the residents of the redevelopment area and the surrounding areas in terms of relocation, traffic circulation, environmental quality, availability of community facilities and services, effect on school population, and other matters affecting the physical and social quality of the neighborhood.
- Identification specifically of any publicly funded capital projects to be undertaken within the community redevelopment area.
- Provision of an element of residential use in the redevelopment area if such use exists in the area prior to the adoption of the plan or if the plan is intended to remedy a shortage of housing affordable to residents of low or moderate income, including the elderly, or if the plan is not intended to remedy such shortage, the reasons therefor.
- A detailed statement of the projected costs of the redevelopment, including the amount to be expended on publicly funded capital projects in the community redevelopment area and any indebtedness of the CRA, the county, or the municipality proposed to be incurred for such redevelopment if such indebtedness is to be repaid with increment revenues.

¹⁷ Sections 163.410 and 163.415, Florida Statutes.

¹⁸ It was not practicable for us to determine the extent to which charter counties had delegated authority under the Act to municipalities.

¹⁹ Of the 214 CRAs, 186 were created by municipalities, 26 were created by counties, 1 was created by the consolidated city/county government of Jacksonville, and 1 was created by a municipality and county.

²⁰ Section 163.387(2)(a), Florida Statutes.

A CRA is authorized to expend moneys only as described in its CRA plan. One CRA we audited, which was created in 1981, disclosed that the CRA plan contained some general objectives that were vague regarding the method of accomplishment and very few specific projects with long range accomplishment dates (e.g., within 10 years).²¹ As a result, we found it difficult to link its expenditures to the CRA plan. In response to our requests for the reference in the CRA plan to support expenditures, the CRA indicated that it was not required to be specific in its CRA plans as to the projects it will undertake or how CRA moneys will be spent.

Since CRAs are not authorized to expend moneys except as described in their CRA plans, it is not apparent why some CRAs would be exempt from requirements that provide specificity. Providing the elements described in Section 163.362, Florida Statutes, affords transparency in planned CRA projects and a means to hold CRAs accountable.

Recommendation: The Legislature should consider repealing Section 163.362(11), Florida Statutes, to impose the same requirements as to the contents of CRA plans on all CRAs.

Finding No. 4: CRA Trust Fund Unexpended Balances

Section 163.387(7), Florida Statutes, provides that on the last day of a CRA's fiscal year, any money remaining in the CRA trust fund after the payment of allowable expenses for such fiscal year must be:

- Returned to each taxing authority that paid the increment in the proportion that the amount of the payment of such taxing authority bears to the total amount paid into the trust fund by all taxing authorities for that year; or
- Used to reduce the amount of any indebtedness to which increment revenues are pledged; or
- Deposited into an escrow account for the purpose of later reducing any indebtedness to which increment revenues are pledged; or
- Appropriated to a specific redevelopment project pursuant to an approved CRA plan, which project will be completed within three years from the date of such appropriation.

While the law provides various options for CRAs to dispose of ending balances in the CRA trust fund, it does not provide a mechanism for CRAs to establish reserves to mitigate current and future risks, such as revenue shortfalls and unanticipated expenditures. For example, in the economic downturn in recent years, CRAs experienced significant reductions in tax increment revenues due to the decline in property values and limitations placed on the ad valorem revenue-raising capability of counties and municipalities. As discussed further under the heading, **Unrestricted Fund Balance in the General Fund**, the Government Finance Officers Association (GFOA) recommends that all local governments, regardless of size, maintain unrestricted fund balance in the General Fund of no less than two months of regular General Fund operating revenues or regular General Fund operating expenditures. Allowing for the establishment of reserves would provide additional assurance that CRA operations, including debt repayments, may continue without interruption.

Recommendation: The Legislature should consider amending Section 163.387(7), Florida Statutes, to provide CRAs with the ability to establish reserves for mitigating current and future risks and to exempt the reserves from the ending balance disposition requirements.

²¹ Report No. 2008-036, finding No. 2.

Finding No. 5: CRA Audits

Section 163.387(8), Florida Statutes, requires CRAs to provide for an audit of the CRA trust fund each fiscal year and a report of such audit to be prepared by an independent certified public accountant or firm. Such report must describe the amount and source of deposits into, and the amount and purpose of withdrawals from, the trust fund during the fiscal year; the amount of principal and interest paid during the fiscal year on any indebtedness to which increment revenues are pledged; and the remaining amount of such indebtedness.

We selected 60 CRA's to determine how they met this requirement. We noted that all 60 CRA's were included within the local governing authority's financial statements in the local governing authority's 2012-13 fiscal year audit report prepared pursuant to Section 218.39, Florida Statutes. Of the 60 audit reports, 8 (13 percent) did not provide for an auditor's opinion on the CRA trust fund, and 4 (7 percent) did not provide the amount and sources of deposits into, and the amount and purpose of withdrawals from, the redevelopment trust fund during the fiscal year. These instances of noncompliance with Section 163.387(8), Florida Statutes, may have occurred because the CRAs and their auditors were not aware of these requirements or may have misunderstood the requirements.

If CRAs wish to satisfy the audit requirement in Section 163.387(8), Florida Statutes, through inclusion in the local governing authority's audit, the CRA trust fund must be reported as a major fund,²² or the auditor must separately provide an opinion on the CRA trust fund and the information required by the law. Because the CRA trust fund may not meet the major fund reporting criteria established by the Governmental Accounting Standards Board (GASB), it is often aggregated and displayed in a single column along with the local government's other nonmajor funds; consequently, the financial statement presentation would not be at the level of detail required to demonstrate compliance with Section 163.387(8), Florida Statutes. GASB provides that governmental funds that do not meet the major fund reporting criteria, but for which the government's officials believe is particularly important to financial statement users, may be reported as major funds. However, some CRAs may not be aware of this reporting option for demonstrating compliance with Section 163.387(8), Florida Statutes.

In addition to the questionable or unsupported uses of CRA trust funds moneys disclosed by our audits of three CRAs referred to in finding No. 2, our audits of two of those CRAs disclosed uses of CRA trust fund moneys that did not appear to be in accordance with the approved CRA plans contrary to Section 163.387(6), Florida Statutes.²³ In addition, our audits of two CRAs disclosed that the CRAs did not document compliance with Section 163.387(7), Florida Statutes, regarding the disposition of unexpended CRA trust fund moneys.²⁴

Although Section 163.387(8), Florida Statutes, provides for a separate audit of the each CRA trust fund, this requirement is normally accomplished through the annual financial audit pursuant to Section 218.39, Florida Statutes, the scope of which typically would not disclose questionable uses of CRA trust fund moneys or failure to document the lawful disposition of unexpended CRA trust fund moneys disclosed by our audits. Requiring that the audit pursuant to Section 163.387(8), Florida Statutes, include a determination of compliance with Sections 163.387(6) and 163.387(7), Florida Statutes, would improve accountability for CRA resources and provide additional transparency for those taxing authorities required to remit tax increment revenues to a CRA.

²² The GASB established criteria for a fund to be reported as a major fund in an entity's governmental financial statements and provides that nonmajor funds should be aggregated and displayed in a single column. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's officials believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund. See GASB Statement No. 34, paragraph 76, as amended by GASB Statement No. 65, paragraph 33, and GASB Statement No. 37, paragraph 15, as amended by GASB Statement No. 65, paragraph 33.

²³ Report No. 2008-036, finding No. 1, and report No. 2013-093, finding No. 11.

²⁴ Report No. 2013-093, finding No. 13, and report No. 2014-013, finding No. 4.

Recommendation: CRAs should ensure that annual audits are obtained of the CRA trust fund, and the audit reports include all information required by Section 163.387(8), Florida Statutes. The Legislature should consider amending Section 163.387(8), Florida Statutes, to require that the audit of the CRA trust fund include a determination of compliance with Sections 163.387(6) and 163.387(7), Florida Statutes.

Unrestricted Fund Balance in the General Fund

Finding No. 6: General Fund Unrestricted Fund Balance and Minimum Fund Balance Policy

The General Fund serves as a local government’s chief operating fund and accounts for all financial resources of the general government, except those required to be accounted for in another fund. General government administration, such as the general counsel’s office, budget and procurement services, financial services, human resources, and growth management, as well as public safety (police and fire), community development, and public works, are typically funded from the General Fund. Revenues supporting general government operations may include property, utilities service, and franchise taxes; licenses and permits; and various service charges.

Fund balance in a governmental fund represents the net financial resources available in the fund. The GASB, through issuance of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established classifications of fund balance based on the extent to which the funds are bound by external and internal constraints. Fund balance classified as nonspendable and restricted represent funds that cannot be spent or must be spent for specific purposes based on external or legal constraints. Fund balance classified as committed is restricted for specified purposes based on formal action of the governing body using its highest level of decision-making authority (i.e., by ordinance for counties and municipalities and by resolution for special districts), and fund balance classified as assigned or unassigned is essentially available to the local government for any lawful governmental purpose.

According to the GFOA Best Practice, *Appropriate Level of Unrestricted Fund Balance in the General Fund* (October 2009) (*Best Practice*), it is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. The *Best Practice* recommends, at a minimum, that a local government, regardless of size, maintain unrestricted²⁵ fund balance in the General Fund of no less than two months (17 percent) of regular General Fund operating revenues or regular General Fund operating expenditures. The choice of revenues or expenditures as a basis of comparison may be dictated by what is more predictable in a government’s particular circumstances.

In its *Best Practice*, the GFOA also recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the General Fund. The formal policy should include specific plans for replenishing the unrestricted fund balance, should it fall below the target level.

Minimum Fund Balance Policy. We surveyed 35 local governments (5 counties, 15 municipalities, and 15 special districts) to determine if the entities’ governing bodies had adopted a minimum unrestricted fund balance policy for the General Fund. Of the 33 responses we received, 24 (73 percent) of the entities (3 counties, 7 municipalities, and 14 special districts) had not adopted a minimum fund balance policy. Of the 9 entities that had adopted a minimum unrestricted fund balance policy for the General Fund, 2 municipalities’ policies did not address a method for replenishing unrestricted fund balance, should it fall below the target level.

²⁵ In the *Best Practice*, the term “unrestricted” refers to those amounts classified as committed, assigned, and unassigned.

Levels of General Fund Unrestricted Fund Balance Reported. We reviewed General Fund unrestricted fund balance reported in 266 local governments’ 2012-13 fiscal year audited financial statements and noted that 45 (17 percent) local governments reported General Fund unrestricted fund balance that was less than the GFOA-recommended amount of 17 percent of operating revenues or expenditures, as follows:

- For the 66 counties we reviewed, 6 (9 percent) reported General Fund unrestricted fund balance of less than 17 percent of operating revenues and operating expenditures.
- For the 100 municipalities of varying sizes we reviewed, 13 (13 percent) reported General Fund unrestricted fund balance of less than 17 percent of operating revenues and operating expenditures.
- For the 100 special districts of varying sizes and functions we reviewed, 26 (26 percent) reported General Fund unrestricted fund balance of less than 17 percent of operating revenues and operating expenditures.

Although there are Florida laws that govern the level of unrestricted funds maintained by district schools boards, colleges, and universities,²⁶ there are no similar requirements for local governments. For example, Section 1011.051, Florida Statutes, requires each district school board to maintain a General Fund ending fund balance that is sufficient to address normal contingencies. The law provides that if at any time the portion of the district school board’s General Fund’s ending fund balance not classified as restricted, committed, or nonspendable in the approved operating budget is projected to fall below three percent of projected General Fund revenues during the current fiscal year, the superintendent must provide written notification to the district school board and the Commissioner of Education. If the level is projected to fall below two percent, and the district school board does not have a plan that is reasonably anticipated to avoid a financial emergency, the Commissioner of Education must appoint a financial emergency board.

Without an adequate General Fund unrestricted fund balance there is an increased risk that a local government will not have the available resources to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures).

Recommendation: The Legislature should consider enacting a law that requires local governments to adopt a minimum General Fund unrestricted fund balance policy or to maintain a certain level of General Fund unrestricted fund balance.

Budget Transparency

Finding No. 7: Budget Transparency

Pursuant to Florida budget transparency laws,²⁷ local governments must adopt budgets at the level of detail required for the annual financial report under Section 218.32, Florida Statutes, and post on their Web sites tentative budgets, final budgets, and certain budget amendments. If a municipality or special district does not have an official Web site, it may post on the county or counties in which the municipality is located, or the local general purpose government or governments in which the special district is located.

In August 2014, we reviewed compliance with the budget transparency requirements for 35 local governments (15 municipalities, 15 special districts, and 5 counties). In doing so, we determined whether the local governments posted tentative and final budgets for the 2013-14 fiscal year, and whether budget amendments for the 2012-13 fiscal

²⁶ Sections 1011.051, 1011.40(2), and 1011.84(3)(e), Florida Statutes.

²⁷ Sections 129.03(3)(c), 129.06(2)(f)(2), 166.241(3), 166.241(5), 189.016(4), 189.016(7), 373.536(5)(d), and 373.536(6)(d), Florida Statutes (2014).

year were posted when required. We noted that as of the date of our review, 26 (74 percent) of the 35 local governments had not complied with the budget transparency requirements, as follows:

- Two special districts did not post the 2013-14 fiscal year tentative or final budgets on their Web sites.
- Twenty local governments (1 county, 8 municipalities, and 11 special districts) had the 2013-14 fiscal year final budgets posted on their Web site but not the 2013-14 fiscal year tentative budgets.
- One county had posted its 2013-14 fiscal year tentative budget but not its 2013-14 fiscal year final budget on its Web site.
- Fifteen local governments (2 counties, 11 municipalities, and 2 special districts) did not post required amendments for their 2012-13 fiscal year budgets on their Web sites, although their 2012-13 fiscal year audit reports indicated that such amendments were adopted.
- For one municipality without a Web site, no budgetary information was posted on the Web site of the county where the municipality is located.

Providing the required budgetary information enhances citizen involvement and the ability to analyze, monitor, and evaluate budget outcomes. However, we noted that the budget transparency laws do not specify how many years or months that the tentative budget, final budget, and budget amendments must be posted on a local government’s Web site. Additionally, while Section 11.45(7)(i), Florida Statutes, requires us to annually transmit by July 15, to the President of the Senate, the Speaker of the House of Representatives, and the Department of Financial Services, a list of all school districts, charter schools, charter technical career centers, Florida College System institutions, State universities, and water management districts that have failed to comply with transparency requirements, no such notification is required regarding noncompliant counties, municipalities, and special districts other than water management districts. Establishing uniform time periods for local governments to post these items on their Web sites and requiring notification of all noncompliant local governments would promote more uniform budget transparency.

Recommendation: Local governments should ensure that tentative and final budgets, as well as certain budget amendments, are posted to their Web sites as required by law. The Legislature should consider revising the budget transparency laws to specify time periods for the tentative budget, final budget, and budget amendments to remain on a local government’s Web site. The Legislature should also consider revising Section 11.45(7)(i), Florida Statutes, to require notification of all local governments that fail to comply with transparency requirements.

Florida Department of Management Services, Division of Retirement
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Finding No. 8: Database of Municipalities and Special Districts
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Part VII of Chapter 112, Florida Statutes, provides for the operation and funding of public employee retirement systems and plans, and requires each system and plan to have regularly scheduled actuarial reports prepared and certified by an enrolled actuary (Section 112.63(1), Florida Statutes). The frequency of the actuarial reports is to be at least every three years commencing from the last actuarial report of the plan or system, and the actuarial report is to be furnished to the Florida Department of Management Services, Division of Retirement (DMS), within 60 days after receipt from the actuary (Section 112.63(2), Florida Statutes). Additionally, actuarial impact statements of proposed changes to local retirement systems are to be furnished to the DMS (Section 112.63(3), Florida Statutes). Upon receipt of the actuarial report or actuarial impact statement, the DMS is to acknowledge such receipt, but must review and comment on each retirement system’s or plan’s actuarial valuations at least on a triennial basis (Section 112.63(4), Florida Statutes). The DMS maintains a database to track local retirement systems plans and its review activities related to those plans.

Section 112.665(1)(a), Florida Statutes, requires the DMS to gather, catalog, and maintain complete, computerized data information on all public employee retirement systems or plans in the State. The DMS e-mailed surveys, requesting information regarding employee retirement systems or plans, to all municipalities listed in the Florida League of Cities' directory and to all special districts listed on the Department of Economic Opportunity (DEO) Web site, for which an email address was known, on August 8, 2014. According to DMS staff, this was the first time the DMS surveyed local governments requesting information regarding employee retirement systems or plans since 2010.

According to DMS and DEO records, there were 47 entities that were newly created and 6 that had switched from an existing local pension plan to the Florida Retirement System (FRS) during the period July 1, 2011, through August 12, 2014. Our review disclosed that 49 of the 53 entities were contacted from 94 days to 1,123 days after their creation or their change from a local pension plan to the FRS, with an average of 612 days. The DMS was unable to send e-mails to the remaining 4 entities because the entities did not have e-mail addresses on file with the DMS; however, the DMS indicated that it would send hard copies of the survey to these entities after completing its e-mail surveys. Without timely information, the DMS cannot effectively monitor local governments' compliance with the actuarial report and impact statement submission requirements.

Recommendation: The DMS should enhance its procedures to ensure that it timely contacts entities that change to the FRS to determine if local plans are still in effect and any newly created entity to obtain data on all public employee retirement systems or plans as soon as possible after the creation of the entity.

Auditor Selection Process

Local government audits provide independent assessments as to the accuracy and completeness of the financial statements and are usually considered to be vital to the development of local government bond ratings by the bond rating services, which can significantly impact the entity's bond issuance costs. In addition, audits provide a means for evaluating the effectiveness of a local government's internal controls and determining the extent to which the entity has complied with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.

Recognizing the importance of audits, the Legislature has established general provisions for audits of local governments. Section 218.39(1), Florida Statutes, requires each county, and each municipality and special district with certain revenue or expenditure totals, that have not been notified as of July 1 in any fiscal year that a financial audit will be performed by the Auditor General, to obtain an annual financial audit of its accounts and records. The audit is to be performed by an independent certified public accountant retained by the local government and paid from public funds.

Section 218.391, Florida Statutes, establishes required procedures for the selection of auditors to perform the annual financial audits required by Section 218.39, Florida Statutes. We reviewed the auditor selection process at 30 local governments, consisting of 15 municipalities and 15 special districts, to determine whether local governments were complying with the requirements of Section 218.391, Florida Statutes, and the extent to which they followed guidance published by the GFOA. Finding Nos. 9 through 11 below described the results of our review for the 30 local governments.

Finding No. 9: Audit Committee Membership

Section 218.391(2), Florida Statutes, requires the local government's governing body to establish an audit committee. The composition of the audit committee is not specified in law, except that the composition of a noncharter county, at a minimum, must include each of the county officers elected pursuant to Article VIII, Section 1(d) of the State

Constitution, or a designee, and one member of the board of county commissioners or its designee. The primary purpose of the audit committee is to assist the governing body in selecting an auditor to conduct the annual financial audit; however, the audit committee may serve other audit oversight purposes, as determined by the entity's governing body.

Legal Compliance. Of the 30 entities we reviewed, 2 (6 percent) entities (1 municipality and 1 special district) did not establish an audit committee, contrary to law.

Non-mandatory Guidance. According to the GFOA's publication, *An Elected Official's Guide to Audit Committees (Guide)*, no member of the governing body or delegate who exercises financial management responsibilities should serve as a member of the audit committee. Of the 30 entities reviewed, the audit committees for 11 (37 percent) of the entities (6 municipalities and 5 special districts) included at least one member who exercised financial management responsibilities.

The GFOA's *Guide* also recommends that the audit committee membership be composed of the governing body or a subset of the governing body. We noted that the audit committees for 4 entities (3 municipalities and 1 special district) did not include any member of the governing body.

As indicated in the *Guide*, an audit committee helps to preserve and enhance the objectivity and independence of the financial statement audit by furnishing a forum in which the independent auditors can candidly discuss audit-related matters with members of the governing board apart from management. Based upon the membership deficiencies noted above, some local government audit committees may not be functioning in a prudent manner.

Recommendation: **The Legislature should consider revising Section 218.391(2), Florida Statutes, to specify the composition of the audit committee for local governments other than noncharter counties. Local governments should ensure that an audit committee is established as required by law.**

Finding No. 10: Audit Services Contracts

Section 218.391(7), Florida Statutes, requires that every procurement of audit services be evidenced by a written contract embodying all provisions and conditions of the procurement of such services. An engagement letter signed and executed by both parties shall constitute a written contract. The written contract must, at a minimum, include the following:

- A provision specifying the services to be provided and fees or other compensation to be paid for such services;
- A provision requiring that invoices for fees or other compensation be submitted in sufficient detail to demonstrate compliance with the terms of the contract; and
- A provision specifying the contract period, including renewals, and conditions under which the contract may be terminated or renewed.

Legal Compliance. Our review of the 30 contracts for audit services disclosed that the contracts specified the services to be provided and the fees or other compensation for such services. However, we noted the following:

- Six (20 percent) did not include a provision requiring that invoices for fees or other compensation (e.g., travel reimbursements, copy charges, telephone calls, etc.) be submitted in sufficient detail to demonstrate compliance with the terms of the contract.
- Four (13 percent) did not specify a finite contract period.
- Four (13 percent) did not specify the conditions under which the contract may be terminated or renewed.

Our review of the invoices submitted for the 30 contracts discussed above disclosed the following:

- Invoices submitted for 15 (50 percent) of the 30 contracts did not provide sufficient detail to determine whether the fees charged were consistent with the fees specified in the contract. In addition, 14 of these contracts were on a “not to exceed” basis, but the invoices were only for progress billing with no detail as to the staff level and hours. The other contract stated that payment would be based on the pay rates of audit firm staff positions working on the audit; however, the local government was only billed the maximum fee.
- Invoices submitted for 2 (7 percent) of the 30 contracts did not include documentation supporting the actual cost incurred for reimbursable costs.

Absent comprehensive written contracts for auditing services and detailed billings, local governments cannot be assured that invoices for services are in accordance with the contract. Additionally, failure to monitor contract invoices and payments increases the risk of over payments.

Recommendation: Local governments should ensure that contracts for audit services include the provisions required by law and that invoices comply with terms of the contract prior to payment.

Finding No. 11: Auditor Selection Procedures

Local governments, prior to entering into a written contract for audit services, must use the auditor selection procedures prescribed in Section 218.391, Florida Statutes, when selecting an auditor to conduct the annual financial audit. The law requires local governments to select an audit committee, assigns certain responsibilities to the audit committee in evaluating and recommending an auditor for the annual financial audit, and specifies certain provisions that must be included in the written contract for audit services.

Of the 30 local governments reviewed, 9 (30 percent) of the entities (4 municipalities and 5 special districts) did not use the auditor selection procedures prescribed in Section 218.391, Florida Statutes, to select an auditor for the 2012-13 fiscal year annual financial audit, as follows:

- As noted in finding No. 10, contracts for 4 (13 percent) entities did not specify a finite contract period. For these 4 entities, an auditor selection process had not been conducted since 1998, 2003, 2006, and 2010, respectively.
- Five (17 percent) of the entities (3 municipalities and 2 special districts) improperly extended the original contract as the original contract did not contain renewal provisions.

Properly performed audits play a vital role in the public sector by helping to preserve the integrity of the public finance functions and, thereby, maintaining citizens’ confidence in their elected leaders. The use of an objective auditor selection process ensures selection of a qualified auditor and satisfactory audit effort.

Recommendation: The Legislature should consider amending Section 218.391, Florida Statutes, to require local governments to perform auditor selection procedures at specified intervals. The Legislature should also consider establishing provisions in law to encourage local governments to comply with the auditor selection procedures in Section 218.391, Florida Statutes.

Tangible Personal Property

Finding No. 12: Tangible Personal Property

Recognizing the importance of accountability over tangible personal property, the Legislature has established general provisions for tangible personal property owned by local governments in Section 274, Florida Statutes. Although “local governmental entity” is generally defined in Section 218.31, Florida Statutes, as a county agency, a municipality,

or a special district for purposes of many financial reporting requirements, Section 274.01(1), Florida Statutes, defines “governmental unit” as the governing board, commission, or authority of a county or taxing district of the State or the sheriff of the county.

Section 274.02(2), Florida Statutes, gives the State of Florida’s Chief Financial Officer (CFO) the authority to establish requirements for the recording of tangible personal property and for the periodic review of property for inventory purposes. The CFO established these requirements in Department of Financial Services (DFS) Rules, Chapter 69I-73, Florida Administrative Code (FAC), which provides:

- All property with a value or cost of \$1,000 or more and a projected useful life of one year or more must be recorded in the local government’s financial system as property for inventory purposes.
- Each property item must be permanently marked with the identification number assigned to that item to establish its identity and ownership by the local governmental unit holding title to the item. The property records must contain sufficient descriptive data to permit positive identification of the property items including an identification number; date acquired; cost or value; physical location of the item; and year, model, and manufacturer, if applicable.
- The authority for disposition of capital assets must be recorded on the individual property record (resolution of the governing body properly recorded in the minutes as required by Section 274.07, Florida Statutes).
- There must be a complete physical inventory of all property annually and whenever there is a change of custodian or change of custodian’s delegate.

Although not subject to the requirements of Chapter 274, Florida Statutes, or the DFS Rules stated above, we reviewed the tangible personal property procedures at 30 local governments, consisting of 15 municipalities and 15 special districts (all non-taxing districts), to determine the extent to which these local governments’ procedures provided for accountability and safeguarding of tangible personal property. Our review, disclosed the following:

- Ten (33 percent) entities (6 municipalities and 4 special districts), did not have any written policies and procedures covering tangible personal property. To ensure proper accountability over tangible personal property, each local government should develop written policies and procedures providing for accountability over tangible personal property.
- We selected 464 property items recorded in the property records of the 30 entities. Of the 464 items, 41 (9 percent) were not sufficiently described in the property records to permit positive identification of the property items. For example, for 13 property items, the property records did not indicate an identification number or serial number. Also, 127 (31 percent) of the 464 items were not appropriately marked as local government property with an assigned identification number. Providing sufficient detail in the property records and appropriately marking property with an identification number provides additional assurance that all property items have been recorded and accounted for, and helps in reconciling the physical inventory with the property records.
- Twenty-eight entities (15 municipalities and 13 special districts) had procedures that required approval prior to the disposition of property. However, 11 (39 percent) of those entities (8 municipalities and 3 special districts) had procedures that allowed someone other than the governing board or commission the authority to authorize the disposal of property. For proper control and accountability over property, the governing body should have the final approval of any property disposals.
- Fifteen (50 percent) entities (8 municipalities and 7 special districts) did not perform a complete physical inventory of all property during the 2012-13 fiscal year, including one entity that had not performed a complete physical inventory since 2005. For 2 of the 15 entities, the physical inventory counts were not reconciled to the local governments’ property records. We also noted that of the 20 entities that had written policies and procedures for tangible personal property, the policies and procedures for 4 (25 percent) entities (1 municipality and 3 special districts) did not require an annual inventory. Effective controls over property

include comparisons of detailed property records with existing assets at reasonable intervals, and appropriate action with respect to any differences.

Chapter 274, Florida Statutes, and DFS Rules, Chapter 69I-73, FAC, provide requirements for good stewardship for tangible personal property owned by counties and taxing districts. It is not apparent why these requirements are not also applicable to municipalities and special districts that do not levy taxes. Given the above-noted issues disclosed by our audit, making these requirements applicable to all local governments may ensure better accountability for tangible personal property owned by municipalities and non-taxing districts.

Recommendation: Local governments should establish written policies and procedures providing for accountability over tangible personal property and addressing the above-noted control deficiencies. The Legislature should consider revising the definition of “governmental unit” in Section 274.01, Florida Statutes, to include all “local governmental entities” as that term is defined in Section 218.31, Florida Statutes.

Local Government Bond Issues

Section 218.38, Florida Statutes, requires local governments to furnish the Florida State Board of Administration’s Division of Bond Finance (Division) a complete description of new general obligation and revenue bonds, including advance notice of the impending sale of any new issues, and a copy of the final official statement, if any. The law also provides that certain information be provided to the Division within 120 days after delivery of the bonds.

Based on information obtained from the Division, we identified bonds issued during the 2012-13 fiscal year and selected 25 of these bond issues for our review of the bond issue process. The 25 bond issues totaled approximately \$1.3 billion, as shown in the following tabulation:

Entity Type	Number of Bond Issues Selected	Amount of Bonds Selected
Municipalities	11	\$257,762,807
Special Districts	<u>14</u>	<u>1,018,535,000</u>
Total	<u>25</u>	<u>\$1,276,297,807</u>

Source: Division of Bond Finance

Finding No. 13: Method of Sale for Local Government Bond Issues
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There are essentially three methods by which bonds are sold: competitive bids, negotiated sale, and private placement. In a competitive bid sale, the issuer solicits bids from underwriting firms and sells the bonds to the firm offering the lowest true interest cost bid. In a negotiated sale, an underwriting firm is selected early in the process and the underwriter assists the issuer in all steps. At the time the bonds are sold, the issuer negotiates a purchase price for the bonds with the underwriter. In a private placement (a type of negotiated sale), the issuer sells the bonds directly to investors without a public offering, although underwriting firms may be actively involved in placing the bonds on behalf of the issuer.

The GFOA recommends that state and local government bond issuers sell their debt using the method of sale that is most likely to achieve the lowest cost of borrowing while taking into account both short-range and long-range implications for taxpayers and ratepayers. Issuers should select a method of sale based on a thorough analysis of the relevant rating, security, structure, and other factors pertaining to the proposed bond issue. If the entity has in-house

expertise, defined as dedicated debt management staff whose responsibilities include daily management of a debt portfolio, this analysis and selection could be made by the entity’s staff. However, in the more common situation where an entity does not have sufficient in-house expertise, this analysis and selection should be undertaken in partnership with a financial advisor. Due to the inherent conflict of interest, the GFOA recommends that issuers not use a broker/dealer or potential underwriter to assist in the method of sale selection unless that firm has agreed not to underwrite that transaction.²⁸ Failure to use an independent financial advisor can reduce public confidence in the bond sale process, and may result in the governing body making decisions with respect to the debt issuance that are not in the best interest of the local government.²⁹

The following tabulation provides a breakdown of the total amount issued by method of sale for the 25 bonds issues reviewed:

Method of Sale	Number of Issues	Amount Issued	Percentage
Negotiated (Including Private Placements)	23	\$1,186,647,807	92
Competitive	<u>2</u>	<u>89,650,000</u>	<u>8</u>
Totals	<u>25</u>	<u>\$1,276,297,807</u>	<u>100</u>

Source: Local Government Records

Our review of the 25 bond issuances disclosed the following:

- For 5 (22 percent) of the 23 issues sold by negotiated sale, the local government’s records did not evidence the conditions favoring a negotiated sale.
- For 5 (20 percent) of the 25 issues, the local government did not use the services of an outside financial advisor. For 2 of the 20 issues for which the local government employed the services of an outside financial advisor, the financial advisor was not independent of the underwriter (i.e., the financial advisor was involved in underwriting the bond issue).

Section 218.38, Florida Statutes, requires local governments to furnish a complete description of all of its new general obligation bonds and revenue bonds to the Division, and Section 218.385(1), Florida Statutes, requires all local government general obligation bonds and revenue bonds to be sold at public sale by competitive bids unless the governing body determines that a negotiated sale of such bonds is in the best interest of the issuer. However, these laws do not require the local government governing body to document the conditions favoring the selected method of sale and to provide this information to the Division. Further, despite the importance of using an independent financial advisor as discussed above, current law does not require local governments to use a financial advisor, nor does it prohibit the use of the underwriter of a bond issue in determining the method of sale for that bond issue. Failure to use the most appropriate sale method, or an independent financial advisor, may result in unfavorable issue terms or excessive bond issue costs.

Section 218.385(7), Florida Statutes, provides that the failure of a local government to comply with one or more provisions of Sections 218.385 or 218.38, Florida Statutes, shall subject the local government to the sanctions provided in Section 218.38(3), Florida Statutes. Section 218.38(3), Florida Statutes, requires the Division to report to the Legislative Auditing Committee (LAC) local governments that fail to provide information, and the LAC can take action pursuant to Section 11.40, Florida Statutes, to compel the local government to provide such information.

²⁸ GFOA Best Practice: *Selecting and Managing the Method of Sale of Bonds* (2014)

²⁹ GFOA Best Practice: *Selecting and Managing Municipal Advisors* (2014)

Recommendation: To promote public confidence in the bond sale process, and to ensure that an independent and adequate determination is made as to the best bond sale method, the Legislature should consider amending Section 218.385(1), Florida Statutes, to require local governments to use a financial advisor that is independent of the underwriter, or to otherwise demonstrate that the local governments have staff with sufficient expertise to act in a financial advisor capacity. In addition, to ensure that local governments adequately document and justify that a negotiated or private placement sale is the most appropriate type of sale, the Legislature should consider amending Sections 218.38 and 218.385, Florida Statutes, to require local governments to document the conditions favoring this type of sale and provide such documentation to the Division.

Finding No. 14: Selection of Bond Professionals

Various Florida laws establish provisions that local governments are required to follow in the procurement of professional services. For example, Section 218.391, Florida Statutes, provides for the selection of financial auditors, while Section 287.055, Florida Statutes, addresses the acquisition of professional architectural, engineering, landscape architectural, surveying and mapping services. However, Florida law generally does not provide similar guidance regarding the procurement of financial and professional services for local government general obligation and revenue bond issues.

Governments typically employ a number of professionals to assist them in the bond process, primarily a financial advisor, an underwriter, and bond counsel. As discussed above, financial advisors can be used in determining the bond sale method and may have various other roles depending on which sale method is selected.³⁰ The primary role of the underwriter in a negotiated sale is to market the issuer's bonds to investors. Assuming that the issuer and underwriter reach agreement on the pricing of the bonds at the time of sale, the underwriter purchases the entire bond issue from the issuer and resells the bonds to investors.³¹ Bond counsel renders an opinion on the validity of the bond offering, the security for the offering, and whether and to what extent interest on the bonds is exempt from income and other taxation. The opinion of bond counsel provides assurance both to issuers and to investors who purchase the bonds that all legal and tax requirements relevant to the matters covered by the opinion are met.³²

GFOA recommends that issuers select financial advisors, underwriters, and bond counsel using a competitive process using a Request for Proposal (RFP) or Request for Qualifications (RFQ). Using a competitive process allows the issuer to compare the qualifications of proposers and to select the most qualified firm based on the scope of services and evaluation criteria outlined in the RFP or RFQ. A competitive process also provides objective assurance that the best services and interest rates are obtained at the lowest cost possible and demonstrates that marketing and procurement decisions are free of self-interest and personal or political influences. Furthermore, a competitive process reduces the opportunity for fraud and abuse and is fair to competing finance professionals.³³

Our review of the 25 bond issues disclosed the following:

- For 13 (65 percent) of the 20 issues for which local governments employed the services of an outside financial advisor, the local government did not use a formal RFP or RFQ to select the financial advisor. The 20 financial advisors were paid up to \$91,000 for their services.

³⁰ GFOA Best Practice: *Selecting and Managing Municipal Advisors* (2014)

³¹ GFOA Best Practice: *Selecting and Managing Underwriters for Negotiated Bond Sales* (2014)

³² GFOA Best Practice: *Selecting Bond Counsel* (1998 and 2008)

³³ GFOA Best Practice: *Selecting and Managing Municipal Advisors* (2014); GFOA Best Practice: *Selecting and Managing Underwriters for Negotiated Bond Sales* (2014); GFOA Best Practice: *Selecting Bond Counsel* (1998 and 2008)

- For 12 (55 percent) of the 22 issues sold by negotiated sale or private placement and involving the use of an underwriter, the local government did not use a formal RFP or RFQ to select the underwriter. The 22 underwriters were paid up to \$2,267,000 for their services. Of the remaining 10 issues for which an underwriter was selected by RFP or RFQ, 6 contracts lacked provisions prohibiting the underwriting firm from engaging in activities on behalf of the issuer that would produce a direct or indirect financial gain for the firm, other than agreed-upon compensation, without the issuer’s informed consent.
- For 18 (72 percent) of the 25 issues, the local government did not use a formal RFP or RFQ to select the bond-related counsel. The 25 bond counsels were paid up to \$220,000 for their services. Of the remaining 7 issues for which bond-related counsel was selected by RFP or RFQ, 2 contracts did not require disclosure of relationships or activities that might present a conflict of interest.

The majority of local governments that did not use a formal RFP or RFQ to select bond counsel, financial advisors, or underwriters stated that they selected the same professionals as used in the past based on their qualifications or familiarity with the entity or entity staff, or the bond professionals were selected by the entity’s governing body or legal staff.

Recommendation: Local governments employing the services of underwriters should include contract provisions that prohibit the firm from engaging in activities on their behalf that produces financial gain for the firm other than agreed-upon compensation. Local governments employing the services of bond-related counsel should include contract provisions that require the firm to disclose relationships or activities that might present a conflict of interest. To ensure that qualified financial and professional services are acquired at the lowest possible cost consistent with the size, nature, and complexity of the bond issue, the Legislature should consider amending Section 218.385, Florida Statutes, to require local governments to select financial advisors and bond counsels using a competitive selection process whereby RFPs or RFQs are solicited from a reasonable number of professionals and, for negotiated bond issues, to use RFPs to solicit qualified underwriting firms to serve as the underwriter.

Finding No. 15: Florida State Board of Administration’s Division of Bond Finance Newsletter

Section 218.37(1)(f), Florida Statutes, requires the Florida State Board of Administration’s Division of Bond Finance (Division) to issue a regular newsletter to issuers, underwriters, attorneys, investors, and other parties within the bond community and the general public containing information of interest relating to local and State bonds and authorizes the Division to charge fees for subscriptions to the newsletter. Through inquiry with Division management, we determined that the Division is no longer publishing the newsletter due to a lack of resources and availability of the same information at no cost on the Internet. For example, the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access Web site provides extensive information relating to bond issues, including an educational section and an extensive glossary of terms relating to bonds.

Recommendation: The Legislature should consider repealing Section 218.37(1)(f), Florida Statutes, to no longer require the Division to issue a newsletter.

Special District Determinations

Finding No. 16: Determination of Special Districts

Pursuant to Section 189.012(6), Florida Statutes, the term “special district” means “a unit of local government created for a special purpose, as opposed to a general purpose, which has jurisdiction to operate within a limited geographic boundary and is created by general law, special act, local ordinance, or rule of the Governor and Cabinet. The term

does not include a school district, a community college district, a special improvement district created pursuant to Section 285.17, Florida Statutes, a municipal service taxing or benefit unit as specified in Section 125.01, Florida Statutes, or a board which provides electrical service and which is a political subdivision of a municipality or is part of a municipality.”

Entities determined to be special districts must comply with the creation, dissolution, and reporting requirements set forth in Chapter 189, Florida Statutes. For example, special districts are required to:

- Provide information to the DEO such as creation documents, maps and boundaries, and a written statement that includes a reference to the status as dependent or independent and the basis for such classification.
- Designate a registered office and a registered agent and file such information with the local governing authority and the DEO.
- Adopt a budget for each fiscal year by resolution in a prescribed format.
- Post the tentative and final budgets and budget amendments to the special district’s Web site or the Web site of the local governing authority.
- Comply with various financial reporting requirements, such as requirements to submit an annual financial report to DFS and, if required, a financial audit report to the Auditor General. Additionally, special districts are subject to consequences if they fail to comply with the financial reporting requirements.

While Section 189.016, Florida Statutes, provides the DEO the authority to determine whether a special district’s status should be classified as dependent or independent, the DEO has not been granted the authority to determine whether an entity is a special district. The DEO has occasionally requested information from entities that appear to meet the definition of a special district and has been advised by the creators of the entities that they are not special districts. In these cases, the DEO has no authority to require these entities to file required information or add them to the list of special districts.³⁴ For example, the Pinellas County Construction Licensing Board and the Palm Beach County Construction Industry Licensing Board both appear to be special purpose entities that operate within a limited geographical boundary and were created by special act. Although the Pinellas County Construction Licensing Board is considered a special district, the Palm Beach County Construction Industry Licensing Board is not. The determinations as to whether they were special districts were made by the entities rather than the DEO.

Providing the DEO with the authority to determine whether an entity is a special district will ensure that entities that should be so classified comply with the accountability and oversight provisions in Chapter 189, Florida Statutes.

Recommendation: The Legislature should consider revising Chapter 189, Florida Statutes, to provide the DEO authority to determine whether an entity is a special district.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida’s citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this performance audit from March through September 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

³⁴ Pursuant to Section 189.064(2), Florida Statutes, the Special District Accountability Program within the DEO is required to maintain an official list of special districts. This list is used by other State agencies to which special districts are required to report.

We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This performance audit's overall objective was to determine the accuracy, efficiency, and effectiveness of the System in achieving its goals. This included:

- Documenting our understanding of managements controls relevant to the operations of selected local government financial reporting system administrative responsibilities. Our purpose in obtaining an understanding of management controls and making judgments with regard thereto was to determine the nature, timing, and extent of substantive audit tests and procedures to be performed.
- Evaluating selected managements' performance in administering assigned local government financial reporting system responsibilities in accordance with applicable laws, rules, and other guidelines.
- Determining the extent to which selected management controls promoted and encouraged the achievement of management's control objectives in the categories of compliance with applicable laws, rules, and other guidelines; the economic and efficient administration of the assigned functions; and the safeguarding of assets.
- Evaluating the adequacy and appropriateness of local government financial reporting system laws related to the scope of this audit.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls, instances of noncompliance with applicable laws, rules, policies, and other guidelines, and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

For those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

This scope of this audit focused on certain activities performed by the Florida Department of Management Services and local governments, and a review and evaluation of certain laws relating to local governments.

Specific scope and audit procedures applied relative to this audit were:

Community Redevelopment Agencies

Determined whether laws pertaining to CRAs adequately provided guidance regarding the operation of, and accountability for, CRAs. In conducting the audit, we:

- Reviewed results of special audits of CRAs for possible recommended law changes.
- Interviewed appropriate stakeholders for input on recommended law changes governing CRAs.
- Tested 60 CRAs' compliance with Section 163.387(8), Florida Statutes.

Unrestricted Fund Balance in the General Fund

Determined whether local governments were maintaining adequate levels of unrestricted fund balance for the General Fund. In conducting the audit, we:

- Determined whether local governments had established policies that are consistent with the GFOA's best practice recommendations regarding minimum level of unrestricted fund balance in the General Fund.
- Calculated the percentage of reported General Fund unrestricted fund balance to total revenues and total expenditures to determine whether local governments reported the minimum level (unassigned and assigned) recommended by GFOA as of September 30, 2013.

Budgetary Compliance

Determined whether local governments complied with the budgetary requirements in law. In conducting the audit, we determined whether local governments adopted their 2012-13 fiscal year budgets at the required level of detail and whether they posted certain 2012-13 and 2013-14 fiscal year budget-related documents on their Web sites.

Florida Department of Management Services, Division of Retirement

Determined whether the DMS took adequate corrective actions for finding Nos. 11 and 12 in report No. 2011-196. In conducting the audit, we:

- Reviewed the responsibilities of the Division as they relate to contacting newly created entities or entities that changed to the Florida Retirement System from a local plan.
- Determined whether DMS properly withheld insurance premium tax money from police and firefighter retirement plans when the actuarial reports had not been State accepted.

Financial Disclosure Forms

Determined whether local governments notify the Commission on Ethics of individuals required to file statements of financial interests. In conducting the audit, we selected 35 local governments (5 counties, 15 municipalities, and 15 special districts) and determined whether the names of individuals required to file statements of financial interests were communicated to the Commission on Ethics.

Auditor Selection Process

Determined whether local governments had adequate controls and procedures regarding the selection of auditors to conduct financial audits pursuant to Section 218.39, Florida Statutes. In conducting the audit, we selected 30 local governments (15 municipalities and 15 special districts) and:

- Reviewed the local governments' auditor selection process.
- Determined whether the local governments complied with Section 218.391, Florida Statutes, and GFOA best practices in selecting their financial auditors.

Tangible Personal Property

Determined whether municipalities and special districts had adequate controls and procedures over tangible personal property. In conducting the audit, we selected 30 local governments (15 municipalities and 15 special districts) and:

- Reviewed the local governments' controls over tangible personal property and compared their policies and procedures to Department of Financial Services' Rules Chapter 69I-73, Florida Administrative Code, requirements for counties and taxing districts.

- Determined whether tangible personal property was recorded in the property records and inventoried, results of the inventory compared to the property records, and differences appropriately investigated and resolved.

Local Government Bond Issues

Determined whether local governments had adequate controls and procedures over issuance of bonds. In conducting the audit, we selected 25 local governments (11 municipalities and 14 special districts) that issued long-term debt during the 2012-13 fiscal year and:

- Obtained bond issuance information from the Division of Bond Finance to quantify debt issued and related costs.
- Determined whether the local governments followed GFOA best practices when issuing long-term debt.

Travel Policies

Determined whether local government travel policies were reasonable. In conducting the audit, we selected 30 local governments (15 municipalities and 15 special districts) and reviewed the local government’s travel policies for reasonableness.

Special District Governing Body and Management Benefits

Determined whether benefits paid to special district governing body members and management were reasonable. In conducting the audit, we selected 50 special districts and evaluated the benefits paid to both governing body members and management staff for reasonableness.

Determination of Special Districts

Evaluated the determination of special districts. In conducting the audit, we:

- Reviewed laws applicable to special districts.
- Obtained listings of non-districts and special districts and analyzed.
- Discussed special district determinations with Department of Economic Opportunity staff.

Unless otherwise indicated in this report, records and transactions were not selected with the intent of projecting the results, although we have presented for perspective, where practicable, information concerning the relevant population value or size and quantifications relative to the items selected for examination.

AUTHORITY

Pursuant to the provisions of Section 11.45(2)(g), Florida Statutes, I have directed that this report be prepared to present the results of our performance audit of the local government financial reporting system.



David W. Martin, CPA
Auditor General

MANAGEMENT’S RESPONSE

The Florida Department of Management Services’ response to finding No. 8 is included as Exhibit A.

EXHIBIT A
MANAGEMENT'S RESPONSE



4050 Esplanade Way
Tallahassee, FL 32399-0950
Tel: 850-488-2786 | Fax: 850-922-6149

Rick Scott, Governor

Craig J. Nichols, Agency Secretary

October 27, 2014

Mr. David W. Martin, CPA
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Pursuant to subsection 11.45(4)(d), Florida Statutes, this is our response to your report, ***Audit of Local Government Financial Reporting Systems***. Our response corresponds with the finding and recommendation related to the Department of Management Services contained in the draft report.

If further information is needed concerning our response, please contact Walter Sachs, Inspector General, at 488-5285.

Sincerely,



Craig J. Nichols
Agency Secretary

Attachment

cc: Darren Brooks, Deputy Secretary, Workforce Operations
Dan Drake, Director of State Retirement Division
Elizabeth Stevens, Assistant Director of Statement Retirement Division
Walter Sachs, Inspector General
Yolanda Lockett, Audit Director

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE



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Rick Scott, Governor

Craig J. Nichols, Agency Secretary

Department of Management Services' Response
To the Auditor General's Local Government Financial Reporting Systems Audit

Finding No. 8: Database of Municipalities and Special Districts

The Florida Department of Management Services needed to enhance its procedures to ensure timely contact of newly created local government entities, to timely obtain data on retirement systems or plans, and timely contact of entities that change to the Florida Retirement System from a local plan.

Recommendation:

The DMS should enhance its procedures to ensure that it timely contacts entities that change to the FRS to determine if local plans are still in effect and any newly created entity to obtain data on all public employee retirement systems or plans as soon as possible after the creation of the entity.

Response:

Concur

Non-Concur

While DMS agrees that more frequent surveys would further mitigate the risk of missing pension plans in the database, based on the 2014 survey responses, none of the identified new districts had created a pension plan for their employees, and currently only 47 out of more than 1,600 total special districts sponsor such a plan (less than 3%). In recent years, the definite trend has been away from establishing new pension plans. Although the risk of missing a new pension plan is low, DMS will establish a procedure to perform local government surveys at least on a triennial basis going forward. Also, DMS will implement a procedure to contact new local government entities within one year of creation.

It should also be noted that when a city or special district initiates participation in the Florida Retirement System (FRS), all future hires are mandatory FRS members. Existing local plan members are given an option to remain in the local plan or join FRS for future service. Depending on individual ballots, the local plan may be terminated, closed or transferred to a substituted trust fund. The Bureau of Enrollment and Contributions in DMS regularly communicates with the Bureau of Local Retirement Systems during the FRS enrollment process. Depending on the disposition of the local plan, which is communicated to DMS during the enrollment process, the Bureau of Local Retirement Systems amends the database to reflect the plan's current status. Consequently, there is low risk that a local plan will be improperly identified in the database following a switch to FRS.