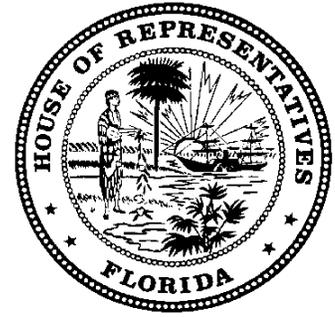


**BILL GALVANO**  
President of the Senate



**JOSE R. OLIVA**  
Speaker of the House



# **Joint Legislative Auditing Committee Meeting**

**Thursday, December 12, 2019  
306 House Office Building  
(Mashburn Hall)**

**The Florida Legislature**  
**COMMITTEE MEETING AGENDA**  
**JOINT LEGISLATIVE AUDITING COMMITTEE**

**Representative Jason Fischer, Chair**  
**Senator Jeff Brandes, Vice Chair**

**MEETING DATE:** Thursday, December 12, 2019

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

**PLACE:** Mashburn Hall (306 House Office Building)

**MEMBERS:**

**Senator Dennis Baxley**  
**Senator Tom Lee**  
**Senator Bill Montford**  
**Senator Kevin Rader**

**Representative Michael Caruso**  
**Representative Chip LaMarca**  
**Representative Sharon Pritchett**  
**Representative Bob Rommel**  
**Representative Jackie Toledo**  
**Representative Patricia Williams**

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Consideration of a request for an Auditor General operational audit of the City of Deerfield Beach submitted by Representative LaMarca

Consideration of a request for an Auditor General operational audit of the City of Port Richey submitted by the Pasco County Legislative Delegation

Consideration of a request for an Auditor General operational audit of the West Volusia Hospital District submitted by Representative Sabatini

Consideration of a request for an Auditor General operational audit of the City of Weeki Wachee submitted by Representative Ingoglia

Consideration of a request for an Auditor General operational audit of the Greater Orlando Aviation Authority submitted by Senator Brandes

Presentation of the Auditor General's operational audit of the City of Palm Bay and response from the City

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

Discussion and consideration of recommendations related to the Committee's role in government accountability

The Committee is expected to consider taking action against local governmental entities that have met a condition of a financial emergency and have failed to respond to the Governor's Office, pursuant to s. 218.503(3), F.S.

Lobbying firm compensation report audits:

Results of audits of lobbying firm compensation reports

Consideration of revisions to the *Guidelines for Attestation Services Relating to Quarterly Lobbying Firm Compensation Reports*

**1 Audit Request: City of  
Deerfield Beach**



# Representative Chip LaMarca

## Florida House of Representatives - District 93

**✓ District Office**  
1827 NE 24<sup>th</sup> Street  
Lighthouse Point, FL 33064  
Phone: 954.784.4531  
Fax: 954.784.4533

**☐ Capitol Office**  
1401 The Capitol  
402 South Monroe Street  
Tallahassee, FL 32399-1300  
Phone: 850.717.5093

Chip.LaMarca@MyFloridaHouse.gov

August 16, 2019

Honorable Jason Fischer  
Chair, Joint Legislative Auditing Committee  
Suite 240 St. James Building  
117 West Duval Street  
Jacksonville, FL 32202

Dear Chair Fischer,

We would like to respectfully and officially request an audit at your discretion to assess processes, efficiencies and effectiveness of the City of Deerfield Beach's operations and management. We suggest the following focus for an operational audit conducted by the Auditor General, but of course defer to you and the Committee for a final recommendation:

- Compliancy with the City's accounting policies and procedures manual
- Internal control audit on the City's payroll function and separation of duties
- Compliancy with investment policy
- Compliancy with employee benefits plan

The purpose would be to determine whether the City's network of risk management, control, and governance processes, as designed and represented by management, are adequate and functioning in a manner that ensures:

- Risks are appropriately identified and managed
- Significant financial, managerial, and operating information is accurate, reliable and timely

***Proudly Serving the People of Broward County***

Committees: Judiciary Committee ■ Joint Legislative Auditing Committee ■ Energy & Utilities Subcommittee ■ PreK-12 Education Quality Subcommittee ■ Oversight, Transparency & Public Management Subcommittee Government Operations & Technology Appropriations Subcommittee

- Compliance with applicable laws, regulations, policies and procedures
- Resources are acquired economically, used efficiently, and adequately protected
- Programs, plans, and objectives are received

I hope this information provides you with a framework to bring this forward as you and the Committee sees fit. I appreciate your consideration in this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Chip LaMarca', with a long horizontal flourish extending to the right.

**Chip LaMarca**

Florida State Representative District 93

CC: Senator Brandes, Alternating Chair  
David Santucci, Interim City Manager, City of Deerfield Beach  
Kathy DuBose, Coordinator, Joint Legislative Auditing Committee

## STAFF ANALYSIS

**Date:** October 31, 2019

**Subject:** Request for an Operational Audit of Issues Relating to the City of Deerfield Beach

Analyst            Coordinator

White <sup>DW</sup>            DuBose <sup>KD</sup>

### I. Summary:

The Joint Legislative Auditing Committee (Committee) has received a request from Representative Chip LaMarca to have the Committee direct the Auditor General to conduct a targeted operational audit of the City of Deerfield Beach focusing on: (1) compliance with the City's accounting policies and procedures manual, investment policy, and employee benefits plan, and (2) internal controls over the City's payroll function and separation of duties.

### II. Present Situation:

#### Current Law

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

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

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

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

#### Request for a Targeted Operational Audit of the City of Deerfield Beach

Representative LaMarca has requested the Committee to direct an operational audit of the City of Deerfield Beach (City) to assess processes, efficiencies, and effectiveness of City operations and

management and focusing on: (1) compliance with the City's accounting policies and procedures manual, investment policy, and employee benefits plan, and (2) internal controls over the City's payroll function and separation of duties. Based on additional discussion with Rep. LaMarca and his staff, the focus related to separation of duties should be between the finance department and the human resources department.

### **Background**

The City of Deerfield Beach, Florida, was originally incorporated in June 1925 as the Town of Deerfield under the provisions of Chapter 10462, *Special Acts of the 1925 Legislature*.<sup>1</sup> In June 1951, Chapter 27503, *Laws of Florida*, created a new charter abolishing the Town of Deerfield and establishing a new municipality, the City of Deerfield Beach.<sup>2</sup> The City is located in Broward County and has an estimated population of 79,497.<sup>3</sup>

The City operates under the commission/manager form of government, whereby the City Commission develops legislation and policies to direct the City and employs a professional City Manager to oversee day-to-day operations.<sup>4</sup> The City is governed by a Mayor, elected at-large, and four City Commissioners, each of whom serve a four-year term.<sup>5</sup> The City provides services to its residents, including general government, public safety, recreation, and public works, and operates water, sewer, stormwater, and solid waste enterprises.<sup>6</sup>

### **Concerns from Citizens and Other Information**

#### **Concerns from Citizens**

Citizens of the City have made allegations of collusion, misappropriation of taxpayer funds, fraud, misuse of a public position, and violation of the Sunshine Law against the current Mayor and former City Manager. Specific concerns include:

- The City paid health care claims relating to retirees over age 65 and dependents of employees no longer eligible for coverage, contrary to the City's personnel rules and regulations and collective bargaining agreement.<sup>7</sup>
- The City set up a "CNG [compressed natural gas] fueling station without the people's ok...under the disguise of a Siemens contract for energy savings." They believe this should be left to the private sector.<sup>8</sup>

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<sup>1</sup> Note 1 to the Financial Statements, *City of Deerfield Beach Comprehensive Annual Financial Report for the Year Ended September 30, 2018*, page 32.

<sup>2</sup> *Id.*

<sup>3</sup> University of Florida, College of Liberal Arts and Sciences, Bureau of Economic and Business Research, *Florida Estimates of Population by County and City 2019 (Table 1 only)*, page 2.

<sup>4</sup> *Letter of Transmittal, City of Deerfield Beach Comprehensive Annual Financial Report for the Year Ended September 30, 2018*, page ii.

<sup>5</sup> *Id.*

<sup>6</sup> Note 1 to the Financial Statements, *City of Deerfield Beach Comprehensive Annual Financial Report for the Year Ended September 30, 2018*, page 32.

<sup>7</sup> Email from Sarah Moran, Deerfield Beach Citizen, to Representative Chip LaMarca (8/9/2019) (on file in Committee Office).

<sup>8</sup> Email from John Grassi, Deerfield Beach Citizen, to Representative Chip LaMarca (8/11/2019) (on file in Committee Office).

- The former City Manager and former Finance Director “may have withheld financial information from Fitch Ratings in order to push the 40 million dollar bond.”<sup>9</sup>
- There is “constant meddling” in City operations by the Mayor.<sup>10</sup>

#### Other Information

- In early April 2019, the former City Manager, who had led the City since 2010, announced his resignation, effective June 1, 2019, and stated he would be on administrative leave until then.<sup>11</sup> It was reported that the Mayor had been concerned that he was getting “incomplete, misleading or downright not accurate” information from him on issues related to: (1) the use of athletic fields and requested background checks for coaches at the organizations that used the fields, and (2) the former City Manager “accidentally” being overpaid by about \$6,000, but ultimately the amount was closer to \$16,000, with repayment occurring months later after the Mayor followed up on it.<sup>12</sup> It was further reported that the Mayor was not surprised by the resignation because he had requested that the former City Manager submit his resignation and, if he chose not to do so, planned to take the next steps to discuss his termination.<sup>13</sup> It was also reported that the former City Manager “made it clear the resignation was not voluntary.”<sup>14</sup>
- At its February 21, 2019, meeting, the Committee adopted a motion to direct the chair of the governing body, or a designee, for three municipalities, including the City of Deerfield Beach (City), to appear before the Committee during a meeting in September or later to address long-term uncorrected audit findings reported in their respective audit report – if their 2017-18 fiscal year audit report continues to include many of the same findings and the Chairs approve the appearances. The City had eight audit findings that had been repeated for five or more consecutive years, specifically:
  - *Accounting Policies and Procedures Manual* had been reported for seven years
  - *Segregation of Duties* (related to the payroll department) had been reported for six years; and
  - Six findings had been reported for five years:
    1. *Compliance with Investment Policy*
    2. *New Hire Access Request Process and Terminated User Disablement and Removal Process*
    3. *Network Domain and Password Parameters*
    4. *Logging and Monitoring of Security and Auditable Events*
    5. *Change Management Policies and Procedures and Change Management Approval and Testing*
    6. *Disaster Recovery Plan and Data Restoration Testing*

As further discussed under the *Financial Audit* below, the auditors noted in the City’s 2017-18 fiscal year audit report that the City had adequately addressed the above-noted findings, except for *Segregation of Duties*, which had been partially addressed.

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<sup>9</sup> *Id.*

<sup>10</sup> Email from John Grassi, Citizen of Deerfield Beach, to Representative Chip LaMarca (8/21/2019) (on file in Committee Office).

<sup>11</sup> Lisa J. Huriash, *Deerfield Beach City Manager Burgess Hanson resigns amid scrutiny*, South Florida Sun Sentinel, April 11, 2019.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> Local News, *Deerfield Beach Names Permanent City Manager*, Point! Publishing, September 12, 2019.

## **Financial Audit**

The City has obtained annual financial audits of its accounts and records by an independent certified public accountant (CPA). The City has submitted the audit reports to the Auditor General's Office in accordance with Section 218.39(1), *Florida Statutes*.<sup>15</sup> The most recent financial audit report submitted to the Auditor General is for the 2017-18 fiscal year and included the audit findings listed below. (Note: The first four findings are considered by the auditors to be significant deficiencies as defined by *Government Auditing Standards*, issued by the Comptroller General of the United States):<sup>16</sup>

- *Bank Reconciliations*: While the City has formally approved the written policies and procedures manual which requires bank reconciliations to be completed and reviewed no later than 30 days following the end of each month, the auditors noted that: (1) bank reconciliations for three months were not timely prepared and reviewed, and (2) the bank reconciliation for one month was not timely reviewed and signed off by supervisory personnel. The auditors recommend that, in order to ensure that assets are safeguarded from loss or misuse and that City policy is being followed, all bank reconciliations document the date they are prepared and reviewed, and be prepared and reviewed within the City's policy. [Note: This finding was first reported in the FY 2014-15 audit report.]
- *Financial Close and Reporting*: The City is currently not performing its monthly and annual financial reporting closing process in a timely manner. The auditors believe that the year-end closing could proceed more quickly and smoothly by developing a logical order for closing procedures and assigning responsibility for completing the procedures to specific City personnel. In order to make the financial reports generated by the accounting system as meaningful as possible, the auditors recommend that the City reconcile the general ledger accounts on a monthly basis.
- *CSFA<sup>17</sup> #40.038 African American Memorial Park Grant - Reporting*: The grant agreement requires the City to submit a "Close-out Report" no later than 60 days after the grant agreement ends or is terminated. The City filed the required report subsequent to the grant deadline of June 30, 2018. The auditors recommend that management develop internal control policies and procedures to identify and monitor the reporting requirements for each grant to ensure compliance in a timely manner.
- *CSFA #40.038 African American Memorial Park Grant - Cash Management*: The City requested reimbursement for an expenditure before the funds were disbursed from the City's bank account, although the grant agreement requires the City to adhere to a cost-reimbursement funding structure whereby project costs must be paid with City funds before reimbursement is requested from the state agency. The auditors recommend that management develop internal control policies and procedures to identify and monitor the cash management requirements for each grant to ensure compliance.
- *Utility Billing - Utility Tax Rate*: The auditors noted that, although the authorized utility tax rate per City Ordinance was ten percent, the utility tax rate charged to one customer was one percent due to an error when creating the customer into the City billing system. The auditors recommend

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<sup>15</sup> 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.

<sup>16</sup> Schedule of Findings and Questioned Costs and Appendix A - Current Year and Prior Year Recommendations to Improve Financial Management, *City of Deerfield Beach Comprehensive Annual Financial Report for the Year Ended September 30, 2018*, pages 11-15 and pages 20-23, respectively.

<sup>17</sup> Catalog of State Financial Assistance.

that an internal control be developed to ensure that accurate data is input into the utility billing system. The auditors further recommend that authorized rates used by the Utility Billing Division be reviewed and compared against the corresponding ordinance(s).

- *Other Post-Employment Benefits [OPEB]:* The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; therefore, a total OPEB liability which had never been recorded and presented in its financial statements in the past was now presented. This implementation resulted in an increase of approximately \$39.3 million OPEB liability and an increase of the unrestricted deficit in the governmental activities column on the government-wide financial statements (approximately \$143 million at year-end). The auditors recommend that the City consider reviewing the OPEB plan provisions for potential amendments or create an OPEB trust fund so assets can be set aside, similar to a pension trust fund, for the payment of future benefits.
- *Segregation of Duties - Payroll:* There is a segregation of duties issue related to the payroll system in that 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 individual employees. The auditors recommend that the City review its current policies and procedures to provide for appropriate segregation of duties for payroll processing.

In addition, the audit report stated that corrective action was taken to fully address ten audit recommendations made in the 2016-17 fiscal year financial audit report, which related to health contributions; utility billing; financial accounting and reporting; compliance with investment policy; information technology controls related to user access, security, and change management; disaster recovery plan and data restoration testing; and accounting policies and procedures manual.

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

- “The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows [at September 30, 2018] by \$66.6 million (net position). Of this amount \$3.8 million was from governmental activities and \$62.9 million was from business-type activities.”<sup>18</sup>
- “As of [September 30, 2018], the City’s governmental funds reported combined ending fund balances of \$77.6 million, an increase of \$39.0 million, in comparison with the amount reported for the prior fiscal year. Of this amount, \$2.1 million was non-spendable, \$49.4 million was restricted, \$8.6 million was assigned, and \$17.5 million was unassigned and therefore available for spending at the government’s discretion.”<sup>19</sup>
- “At [September 30, 2018], unassigned fund balance in the General fund was \$17.7 million, or 17.2% of total General Fund expenditures and transfers. The City has a reserve policy of maintaining an amount in reserves that is at least 10% and 5%, respectively, of total General Fund expenditures and transfers for unassigned and committed fund balance.”<sup>20</sup>
- “The City provides a single employer defined benefit post-employment health insurance benefit to its general employees, firefighters and police officers who are members of the Deerfield Beach Municipal Police Officers’ Retirement Trust Fund. The City offers three fully-insured PPO plans to retirees [and]...pays the premiums for the retiree only until the age of 65. The retiree pays the premium for an optional Medicare Supplementary coverage offered to post-65 retirees. Spouses of retired participants are eligible to participate in the retiree health care plan. Coverage continues to surviving spouses of deceased retirees for firefighters only. Coverage is terminated for spouses of

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<sup>18</sup> *Management’s Discussion and Analysis; City of Deerfield Beach Comprehensive Annual Financial Report for the Year Ended September 30, 2018*, page 4.

<sup>19</sup> *Id.*

<sup>20</sup> *Id.*

all other retirees upon the death of the retiree...The City uses the Pay-As-You-Go-Approach of funding to provide benefits to participants of the plan.”<sup>21</sup>

- “The General Fund provides coverage of up to \$175,000 per participant for employee health claims.”<sup>22</sup>

### **Other Considerations**

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

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

### **III. Effect of Proposed Request and Committee Staff Recommendation**

If the Committee directs the Auditor General to perform a targeted operational audit of issues relating to the City of Deerfield Beach as addressed herein, the Auditor General, pursuant to the authority provided in Section 11.45(3), *Florida Statutes*, shall finalize the scope of the audit during the course of the audit, providing that the audit-related concerns of Representative LaMarca as included in his request letter are considered.

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<sup>21</sup> Note VI.A. to the Financial Statements, *City of Deerfield Beach Comprehensive Annual Financial Report for the Year Ended September 30, 2018*, page 79.

<sup>22</sup> Note IV.C. to the Financial Statements, *City of Deerfield Beach Comprehensive Annual Financial Report for the Year Ended September 30, 2018*, page 62.

**IV. Economic Impact and Fiscal Note:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

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

**V. Related Issues:**

None.

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



November 13, 2019

The Honorable Jason Fischer  
Joint Legislative Audit Committee  
317 House Office Building  
402 South Monroe Street  
Tallahassee, FL 32399

The Honorable Jeff Brandes  
Joint Legislative Audit Committee  
416 Senate Office Building  
404 South Monroe Street  
Tallahassee, FL 32399

Dear Chair Fischer and Alternating Chair Brandes:

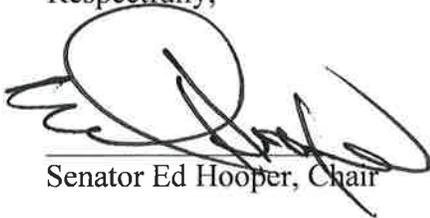
On October 11<sup>th</sup> 2019 at a meeting of the Pasco County Legislative Delegation, the Delegation voted unanimously to formally request that the Joint Legislative Audit Committee direct the Auditor General to conduct an audit of the City of Port Richey.

The Delegation believes that an operational audit by the Auditor General will provide clarity and in-depth analysis of the City of Port Richey's financial decisions and adequacy thereof. In addition, questions have been raised in the past regarding the finances of the City's Community Redevelopment Agency (CRA), the operations of its budget, and whether salaries paid with CRA funds are in compliance with state laws and the CRA plan. We believe that the scope of the audit should include the CRA, and the audit period, for at least the CRA portion of the audit, should begin with the 2016-2017 fiscal year and end with the current date.

Our Delegation believes that the residents of Port Richey deserve a full accounting of how their tax dollars are spent.

Thank you for your consideration of this matter before the Committee.

Respectfully,



Senator Ed Hooper, Chair



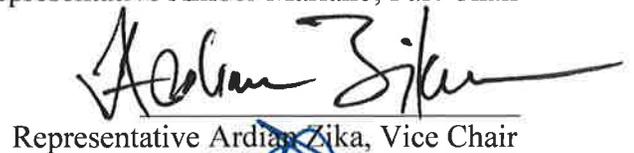
Senator Wilton Simpson



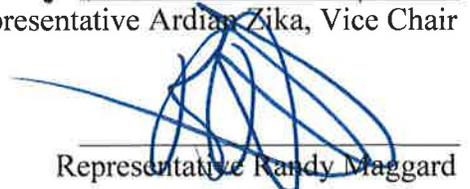
Senator Tom Lee



Representative Amber Mariano, Past Chair



Representative Ardian Zika, Vice Chair



Representative Randy Maggard

## STAFF ANALYSIS

**Date:** December 8, 2019

**Subject:** Request for an Operational Audit of the City of Port Richey

Analyst            Coordinator

White <sup>DW</sup>            DuBose <sup>KD</sup>

### I. Summary:

The Joint Legislative Auditing Committee (Committee) has received a request from the Pasco County Legislative Delegation to have the Committee direct the Auditor General to conduct an operational audit of the City of Port Richey, including the operations of the Port Richey Community Redevelopment Agency.

### II. Present Situation:

#### Current Law

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

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

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

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

#### Request for an Operational Audit of the City of Port Richey

The Pasco County Legislative Delegation (Delegation) has requested the Committee to direct an operational audit of the City of Port Richey (City), which “[t]he Delegation believes... will provide clarity and in-depth analysis of the City’s financial decisions and adequacy thereof.” In addition, the

Delegation's letter states that "questions have been raised in the past regarding the finances of the City's Community Redevelopment Agency (CRA), the operations of its budget, and whether salaries paid with CRA funds are in compliance with state laws and the CRA plan" and they "believe that the scope of the audit should include the CRA, and the audit period, for at least the CRA portion of the audit, should begin with the 2016-17 fiscal year and end with the current date."

## **Background**

**City of Port Richey:** The City of Port Richey, Florida, was incorporated in 1925 under the provisions of Chapter 11034, *Special Acts of Florida, 1925*, with a Mayor-Council form of government.<sup>1</sup> On April 12, 1994, the electors of the City enacted a new Charter, which replaced the Mayor-Council form of government with the Council-Manager form of government.<sup>2</sup> The City is located in Pasco County and has an estimated population of 2,862.<sup>3</sup> The City is governed by a Mayor and four City Council members, each of whom are elected on a non-partisan basis for three-year staggered terms.<sup>4</sup> The City provides services to its residents, including public safety (police and fire), public works, parks and recreation, building and code enforcement, planning and zoning, and general administration services.<sup>5</sup> The City also provides water treatment and distribution and wastewater collection and stormwater management.<sup>6</sup>

**Port Richey Community Redevelopment Agency:** The Port Richey CRA was created as a dependent special district by the City of Port Richey on January 29, 2002, under the authority granted by Chapter 163, Part III, *Florida Statutes*, and by City Resolutions 02-01, 02-02, and 02-03, and City Ordinance 02-510, which determined that slum or blighted areas existed within the City, created the CRA and authorized the development of the CRA Plan, approved and adopted the CRA Plan, and established the CRA Trust Fund to account for CRA operations, respectively. The CRA Plan, dated January 29, 2002, stated that the City has "declared an area encompassing the entire community to be blighted"<sup>7</sup> and set the CRA boundaries to include all areas within the City.<sup>8</sup> On June 23, 2009, Resolution No. 09-07 was adopted, which amended the CRA Plan to provide for certain capital improvements to be paid for, in whole or in part, from money in the CRA Trust Fund, as follows (with each not to exceed an annual estimated cost of \$500,000):

- Dredging of canals and waterways;
- Purchase/lease of a fire truck, vehicles and equipment and personnel;
- Additional police officers, including community policing, and police equipment and vehicles;
- Installation of energy efficiency devices and materials in City-owned buildings and purchase of energy efficient equipment and vehicles as a demonstration of the savings that can be realized by City government and ultimately by the public;
- Water, sewer, and stormwater improvements and upgrades;

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<sup>1</sup> Note A.1. to the Financial Statements, *Comprehensive Annual Financial Report of the City of Port Richey for the Fiscal Year Ended September 30, 2018*, page 30.

<sup>2</sup> *Letter of Transmittal, Comprehensive Annual Financial Report of the City of Port Richey for the Fiscal Year Ended September 30, 2018*, page vi.

<sup>3</sup> University of Florida, College of Liberal Arts and Sciences, Bureau of Economic and Business Research, *Florida Estimates of Population by County and City 2019 (Table 1 only)*, page 12.

<sup>4</sup> *Letter of Transmittal, Comprehensive Annual Financial Report of the City of Port Richey for the Fiscal Year Ended September 30, 2018*, page vi.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> Community Redevelopment Plan Prepared for the City of Port Richey, dated January 29, 2002, page 1.1.

<sup>8</sup> *Id.*

- Street, sidewalks, drainage, and other transportation and staff time improvements;
- Purchase and improvements of real property, including studies and solicitation for proposals to redevelop such and staff time; and
- Administration costs of the CRA.

Per the City's website, the CRA's purpose is to "rehabilitate, conserve, and redevelop the defined redevelopment area (i.e., City limits)," and it "offers Public Safety, Public Works, Utilities, and Development Services" and "provides redevelopment grants to residents through its [CRA] Grant Program."<sup>9</sup> The Port Richey City Council serves as the CRA Board,<sup>10</sup> and the City manages its operations. The Port Richey CRA's primary revenue source is tax increment financing (TIF), and its activities are accounted for by the City as a Special Revenue Fund.<sup>11</sup>

### **Concerns and Other Information**

#### Concerns

- There is the belief that past corruption with the City's government and mounting fiscal debt have made it impossible for the City to govern effectively.<sup>12</sup> However, the City claims that it has \$16 million in assets, a \$12 million budget with only three percent debt, and a low millage rate which is one of the best in the state for its constituents.<sup>13</sup>
- Concerns that the City improperly refinanced its bonds and whether the City has the ability to repay its outstanding bonds in coming years have been reported.<sup>14</sup>
- Questions have also been raised regarding the finances of the CRA and whether salaries paid with CRA funds are in compliance with State laws and the CRA Plan.

#### Other Information

There have been recent scandals related to City officials in prior administrations which were not directly related to their service as City officials:

- On February 22, 2019, Governor DeSantis issued Executive Order Number 19-48, suspending Mayor Massad from office effective immediately, a day after he was arrested for allegedly practicing medicine without a license and shooting at deputies serving a search warrant.<sup>15</sup> It is reported that the arrest was the result of a four-month investigation which found that the now former Mayor, who lost his medical license in 1992, was allegedly practicing medicine out of his home without a license.<sup>16</sup>
- While being held at a detention center without bond after his arrest, the former Mayor allegedly conspired to obstruct justice during a jailhouse phone call to City Council member Rowe, who had stepped in as Acting Mayor when the former Mayor was arrested.<sup>17</sup> It was reported that they

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<sup>9</sup> City of Port Richey website, Community Redevelopment Agency webpage:

<https://cityofportrichey.com/community-redevelopment-agency/> (last visited November 22, 2019).

<sup>10</sup> See *supra* note 1.

<sup>11</sup> *Id.*

<sup>12</sup> D'Ann Lawrence White, *Legislators Want to Dissolve Port Richey; City Officials Balk*, New Port Richey Patch, October 7, 2019.

<sup>13</sup> Robert Napper, *Dissolving Port Richey? Residents say they'll fight to save it*, Tampa Bay Times, October 9, 2019.

<sup>14</sup> See *supra* note 12.

<sup>15</sup> Phil Helsel, *Florida mayor who shot at deputies is suspended from office by governor*, nbcnews.com, February 22, 2019.

<sup>16</sup> *Id.*

<sup>17</sup> D'Ann Lawrence White, *Former Port Richey Mayor Found Guilty of Obstruction*, New Port Richey Patch, June 27, 2019.

“discussed discrediting a Port Richey Police officer who participated in an undercover investigation into [the former Mayor].”<sup>18</sup>

- On March 19, 2019, Governor DeSantis issued Executive Order Number 19-81, suspending the City Council member Rowe, who was at the time also serving as Acting Mayor, from office effective immediately. He had been arrested on March 13, 2019, for felony charges of obstruction of justice, conspiracy to commit obstruction of justice, and unlawful use of a two-way communication device.<sup>19</sup> The former Mayor was also charged with conspiracy to commit obstruction of justice, and unlawful use of a two-way communication device.<sup>20</sup>
- In late June 2019, the former Mayor was found guilty of conspiracy to corrupt justice and misuse of a two-way communication device.<sup>21</sup> Earlier, he was also charged with attempted murder after being accused of firing on a Pasco County Sheriff’s SWAT Team that was attempting to serve him a warrant as noted above; the second trial date has not yet been set.<sup>22</sup> Subsequent to the former Mayor’s verdict and four months after he was arrested and suspended from office, City Council member Rowe resigned; he faces the same obstruction charges and had a pretrial conference scheduled for July 18, 2019.<sup>23</sup>

The City has recently elected a new mayor in June 2019<sup>24</sup> and two new City Council members in September 2019.<sup>25</sup>

In addition, in 1953, the [C]ity explored the pros and cons of merging with New Port Richey, but ultimately dismissed the idea.<sup>26</sup> The question was again put before the [City] voters in 1975 and rejected 201-84.<sup>27</sup> In 1978, a proposal to abolish the City was again voted down 514-162.<sup>28</sup> Since then, there have been two more votes: “In 1997, residents voted down a plan to merge with New Port Richey, 673-216. And, [i]n 2007, residents voted down a proposal to dissolve the [C]ity, 454-375.”<sup>29</sup>

### **Financial Audit**

The City has obtained annual financial audits of its accounts and records by an independent certified public accountant (CPA). The City has submitted the audit reports to the Auditor General’s Office in accordance with Section 218.39(1), *Florida Statutes*.<sup>30</sup> The most recent financial audit report submitted to the Auditor General is for the 2017-18 fiscal year and did not include any audit findings. In addition,

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<sup>18</sup> *Id.*

<sup>19</sup> WFTS Digital Staff, *Port Richey’s acting mayor arrested on obstruction charges*, abcActionNews - WFTS Tampa Bay, March 13, 2019/updated March 14, 2019.

<sup>20</sup> WFTS Digital Staff, *Dale Massad faces two more charges following arrest of Port Richey’s acting mayor*, abcActionNews - WFTS Tampa Bay, March 14, 2019/updated March 15, 2019.

<sup>21</sup> *See supra* note 17.

<sup>22</sup> *Id.*

<sup>23</sup> Paige Fry, *He’s out: The second mayor of Port Richey arrested, in March, has resigned*, Tampa Bay Times, June 28, 2019.

<sup>24</sup> *Id.*

<sup>25</sup> Eric Horchy, *SPECIAL ELECTION: Port Richey elects two to council*, The Suncoast News, September 11, 2019.

<sup>26</sup> *See supra* note 12.

<sup>27</sup> *Id.*

<sup>28</sup> *Id.*

<sup>29</sup> *Id.*

<sup>30</sup> 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 audit report stated that there were no audit findings or recommendations in the prior year that required corrective action.

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

- “The net cost of providing city services in the governmental activities was \$4,129,803 compared to \$3,228,714 in 2017. This increase in cost is attributable to the decrease in building permit revenues and increase in general government and police expenses [of \$242,540 and \$270,304, respectively].”<sup>31</sup>
- “For the business-type activities (water and sewer utility and stormwater utility operations) program revenues exceeded program expenses by \$86,098. In 2017, program expenses exceeded revenues by \$707. While program revenues decreased in 2018 by \$24,372 compared to 2017, program expenses also decreased in 2018 by \$111,177 compared to 2017, thereby more than offsetting the revenue decrease.”<sup>32</sup>
- “The City’s net position decreased by \$113,978 from fiscal year 2018 activities compared to an increase of \$1,225,352 for 2017. The governmental net position decreased \$254,989 or 3.6% and the business-type (Water and Sewer Fund Utility and Stormwater Utility Fund) net position increased by \$141,011 or 1.4%.”<sup>33</sup>
- “The net position of the City (overall equity) exceeded its liabilities at the close of fiscal [year] 2018 by \$16,451,101 (net position). The governmental activities unrestricted net position was a negative amount of \$3,217,407 as of September 30, 2018. Business-type activities unrestricted net position was \$1,492,265 as of September 30, 2018. The negative balance in the governmental activities unrestricted net position is directly as a result of recording the City’s proportionate interest in the net pension liability of the Florida Retirement System of \$4,100,988 and the Postemployment Benefits Other Than Pensions liability of \$1,182,052.”<sup>34</sup>
- The Special Revenue Community Redevelopment Fund reported \$550,176 in tax revenues,<sup>35</sup> \$415,924 in transfers in from the General Fund,<sup>36</sup> and \$1,013,440 in expenditures, resulting in a \$47,340 decrease in the fund balance.<sup>37</sup> The fund balance at fiscal year-end was \$424,417.<sup>38</sup>

### **Other Considerations**

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

<sup>31</sup> *Management’s Discussion and Analysis; Comprehensive Annual Financial Report of the City of Port Richey for the Fiscal Year Ended September 30, 2018*, page 3.

<sup>32</sup> *Id.*

<sup>33</sup> *Id.*

<sup>34</sup> *Id.*, page 4.

<sup>35</sup> *Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds; Comprehensive Annual Financial Report of the City of Port Richey for the Fiscal Year Ended September 30, 2018*, page 24.

<sup>36</sup> *Note M to the Financial Statements, Comprehensive Annual Financial Report of the City of Port Richey for the Fiscal Year Ended September 30, 2018*, page 51.

<sup>37</sup> *See supra* note 35.

<sup>38</sup> *Id.*

required to conduct an 18-month follow-up audit to determine the City's progress in addressing the findings and recommendations contained within the previous audit report.

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

### **III. Effect of Proposed Request and Committee Staff Recommendation**

If the Committee directs the Auditor General to perform an operational audit of the City of Port Richey as addressed herein, the Auditor General, pursuant to the authority provided in Section 11.45(3), *Florida Statutes*, shall finalize the scope of the audit during the course of the audit, providing that the audit-related concerns of the Pasco County Legislative Delegation as included in their request letter are considered.

### **IV. Economic Impact and Fiscal Note:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

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

### **V. Related Issues:**

None.

This staff analysis does not reflect the intent or official position of the requestor.
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**3 Audit Request: West  
Volusia Hospital  
Authority**



# Representative Anthony Sabatini

## Florida House of Representatives

### District 32

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Anthony.Sabatini@MyFloridaHouse.Gov

November 21, 2019

RE: Operational Audit Request - West Volusia Hospital Authority

Chairman Jason Fischer and Chairman Jeff Brandes  
Joint Legislative Auditing Committee  
876 Pepper Building  
111 W. Madison Street  
Tallahassee, FL 32399-1400

Dear Chairman Fischer and Chairman Brandes:

The purpose of this letter is to request an Operational Audit for the West Volusia Hospital Authority. The Hospital Authorities mailing address is P.O. Box 940, DeLand, FL 32721-0940. The Hospital Authority fails to respond to public records requests, fails to track money or keep receipts on money that is allocated for specific items, spends money outside of their healthcare responsibilities, and has removed a member from the citizen advisory panel for asking questions about where the money was going. These are just a few reasons, out of many, that I am wanting the audit done. I have spoken with Representative Renner as well as the other delegation members about my concerns and they are aware of my desire to move forward.

Thank you in advance for considering this request; please do not hesitate to contact me with questions or concerns, (352) 455-2928. I look forward to hearing from you.

Respectfully Yours,

A handwritten signature in black ink, appearing to read "Anthony Sabatini", with a long horizontal flourish extending to the right.

Representative Anthony Sabatini

*Proudly Serving Lake County*

**Commerce Committee ~ Criminal Justice Subcommittee ~ Gaming Control Subcommittee  
Government Operations & Technology Appropriations Subcommittee ~ Local Administration Subcommittee  
Workforce Development & Tourism Subcommittee**

## STAFF ANALYSIS

**Date:** December 9, 2019

**Subject:** Request for an Operational Audit of the West Volusia Hospital Authority

Analyst                      Coordinator

White <sup>DW</sup>                      DuBose <sup>KD</sup>

### I. Summary:

The Joint Legislative Auditing Committee (Committee) has received a request from Representative Anthony Sabatini to have the Committee direct the Auditor General to conduct an operational audit of the West Volusia Hospital Authority.

### II. Present Situation:

#### Current Law

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

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

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

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

#### Request for an Audit of the West Volusia Hospital Authority

Representative Sabatini has requested the Committee to direct an operational audit of the West Volusia Hospital Authority. He stated that "[t]he Hospital Authority fails to respond to public records requests, fails to track money or keep receipts on money that is allocated for specific items, spends money outside of their healthcare responsibilities, and has removed a member from the citizen advisory panel for asking

questions about where the money was going.”<sup>1</sup> In addition, he stated that he has spoken to members of the Volusia County Legislative Delegation, and they are aware of his audit request.<sup>2</sup>

## **Background**

### **West Volusia Hospital Authority**

The West Volusia Hospital Authority (Authority) is an independent special district in Volusia County, Florida, created in 1957 by Chapter 57-2085, *Laws of Florida*.<sup>3</sup> Chapter 2004-421, *Laws of Florida*, codified all prior special acts related to the Authority and recreated and reenacted the charter for the Authority. The Authority’s purpose is to provide access to health care for the qualified indigent residents within the Authority’s geographic boundaries, the western portion of Volusia County, Florida (West Volusia).<sup>4</sup> <sup>5</sup> The Authority is governed by a five-member Board of Commissioners (Board),<sup>6</sup> each elected for four-year terms and not compensated for their service.<sup>7</sup> The Authority is “enabled to acquire, construct, operate, and maintain hospitals, healthcare facilities, or contract with third parties for the care of medically indigent persons in the Authority’s district, and to levy taxes and issue bonds to finance healthcare facilities’ operations, and to participate in other activities to promote the general health of the district.”<sup>8</sup>

The Authority does not directly own or manage any hospital or clinic.<sup>9</sup> It is funded by ad valorem (property) taxes and provides funding to hospitals and contracted agencies to support health care for eligible low-income residents of the taxing district as follows:<sup>10</sup>

#### **Hospitals and Clinics:**

- Grants funding to AdventHealth DeLand and Florida Hospital-Fish Memorial<sup>11</sup> through a 20-year contract signed in September 2000
- Contracts with the Florida Agency for Health Care Administration (AHCA) to obtain matching funds for its grants to the hospitals and some other funded agencies
- Provides funding to Northeast Florida Health Services, Inc. (d/b/a Family Health Source), a Federally Qualified Health Center, to provide primary care and pre-natal OB/GYN services to low-income residents of West Volusia

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<sup>1</sup> Letter from State Representative Anthony Sabatini to Chairman Jason Fischer and Chairman Jeff Brandes, Joint Legislative Auditing Committee (November 21, 2019) (on file in Committee Office).

<sup>2</sup> *Id.*

<sup>3</sup> *Note (1)(a) to the Financial Statements; West Volusia Hospital Authority Financial Statements, September 30, 2018*, page 11.

<sup>4</sup> West Volusia Hospital Authority’s website: <https://westvolusiahospitalauthority.org/> (last visited December 9, 2019).

<sup>5</sup> The geographic boundaries are set forth in Section 3 of Chapter 2004-421, *Laws of Florida* [Section 1 of the Authority’s Charter.]

<sup>6</sup> Chapter 2004-421, Section 2, *Laws of Florida*.

<sup>7</sup> West Volusia Hospital Authority’s website: <https://westvolusiahospitalauthority.org/economic-impact/> (last visited December 9, 2019).

<sup>8</sup> *See supra* note 4.

<sup>9</sup> West Volusia Hospital Authority’s website: <https://westvolusiahospitalauthority.org/about-us/> (last visited December 9, 2019).

<sup>10</sup> *Id.*

<sup>11</sup> This is the former name; it is now AdventHealth Fish Memorial.

Medicaid and Health Care Responsibility Act:

- Fulfills the obligation of Volusia County to fund Medicaid claims and Health Care Responsibility Act claims for residents of West Volusia

Other Funded Agencies:

- In the 2018-19 fiscal year, the Authority funded the following local agencies that serve the health care needs of the community:
  - Community Legal Services of Mid-Florida
  - The Florida Department of Health - Dental Care
  - The House Next Door - community-based mental health services
  - The Neighborhood Center - provide outreach services for access to health care
  - Stewart Marchman-Act - behavioral health care services
  - Healthy Communities - facilitating access to health care for children of low-income families and providing health education
  - Healthy Start Coalition of Flagler and Volusia - Family services, prenatal care, postnatal care, outreach services
  - Hispanic Health Initiative - Health Risk Assessment, case management, educational services
  - Rising Against All Odds - HIV/Aids Outreach Program

The Authority has established a Citizens Advisory Committee (CAC), which is composed of ten members appointed by the Board and who serve at the pleasure of the Board.<sup>12</sup> The Board may expand, reduce or abolish the CAC or replace any member without stating a cause.<sup>13</sup> Each Board member nominates two prospective members for the CAC for the Board's consideration, members of the CAC serve during the term of office of the Board member who nominated them, and there is no limit to the number of terms a person may serve on the Committee.<sup>14</sup> The CAC makes recommendations to the Board on which local agencies receive funding from the Authority.<sup>15</sup>

The Authority utilizes a "Health Card" Program to serve the qualified residents of West Volusia. In order to qualify for a "Health Card," individuals must have lived in West Volusia for at least three months, or one month if homeless, and be below, equal, or up to 150% of the Federal Poverty Level Guidelines for the respective family size.<sup>16</sup> The benefits of using the "Health Card" are: (1) \$4 clinic visits; (2) \$1 prescription medicines; (3) \$10 emergency room visits; and (4) \$6 specialist visits.<sup>17</sup> The Authority gives additional funds<sup>18</sup> to two of the organizations, The House Next Door and Rising Against All Odds, to help screen potential "Health Card" recipients.<sup>19</sup>

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<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> Nikki Ross, *West Volusia Hospital Authority ousts 'disrespectful' committee member*, The Daytona Beach News-Journal, June 19, 2019.

<sup>16</sup> West Volusia Hospital Authority's website: <https://westvolusiahospitalauthority.org/wvha-health-card-application/> (last visited December 9, 2019).

<sup>17</sup> *Id.*

<sup>18</sup> \$18 for each person screened; the Authority's current budget allocates more than \$350,000 for screening.

<sup>19</sup> *See supra* note 15.

## **Recent Concerns, Events, and Other Information**

### Concerns

As mentioned previously, Representative Sabatini has expressed concerns relating to the following areas:

- Failure to respond to public records requests;
- Failure to track money or keep receipts on money that is allocated for specific items;
- Expenditures on areas outside of its healthcare responsibilities, and
- Removal of a member from the citizen advisory panel for asking questions about where the money was going.

The local news organizations covered the removal of the member from the Authority's CAC and, in part, reported the following:

- At a CAC meeting in May 2019, the CAC member asked numerous questions of various organizations that receive and/or have requested funding from the Authority, including: (1) how many individuals being served through the Authority's "Health Card" program are: (a) indigent and (b) undocumented immigrants; (2) did the organization receive funds from any entity other than the Authority; and (3) why the countywide organizations were not receiving funding from the other two health-related taxing districts in Volusia County (Halifax Health Taxing District<sup>20</sup> and Southeast Volusia Hospital District).<sup>21</sup> <sup>22</sup> He reportedly had previously stated that he wanted to bring transparency and accountability to the Authority, and that the Authority has the highest tax rate of all three health-related special taxing districts in Volusia County.<sup>23</sup>
- Subsequently, at its May 16, 2019, meeting the Board voted 3-1,<sup>24</sup> with one Board member absent,<sup>25</sup> to remove the CAC member from the CAC for allegedly violating Florida's Sunshine Law when he sent back a reply to an email from one Board member regarding the CAC meeting to the entire Board at once.<sup>26</sup> The Sunshine Law prohibits two or more members of the same board from discussing in private any matter the body could take action on in the future, including via email.<sup>27</sup> The President of the First Amendment Foundation stated that "only a court can decide if someone has broken the Sunshine Law, not a committee or board... in this case, it's kind of questionable"... "I can't say whether it's a violation because they ([the CAC member] and [Board member who sent email]) didn't solicit a response in their email. It's not a clear cut and dry case."<sup>28</sup>
- The Board Chair stated that the CAC member "disrespected the agencies that work in the community and help the people of West Volusia... He has an agenda to destroy the [Authority]."<sup>29</sup> She also stated that, "We don't need shows on the [CAC]. We need a team that works together to help the commissioners make the right decision on who they are going to fund and what they are going to

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<sup>20</sup> Official name is Halifax Hospital Medical Center per the Official List of Special Districts Online maintained by the Special District Accountability Program, Department of Economic Opportunity.

<sup>21</sup> See *supra* note 15.

<sup>22</sup> Nikki Ross, *WVHA to discuss dissolving during Thursday's meeting*, The Daytona Beach News-Journal, November 13, 2019.

<sup>23</sup> See *supra* note 15.

<sup>24</sup> *Id.*

<sup>25</sup> See *supra* note 22.

<sup>26</sup> See *supra* note 15.

<sup>27</sup> Anthony DeFeo, *Citizen kicked off hospital district advisory board*, The West Volusia Beacon, June 26, 2019.

<sup>28</sup> See *supra* note 15.

<sup>29</sup> *Id.*

fund.”<sup>30</sup> Another Board member stated that the CAC member “has a history of being a rabble-rouser.”<sup>31</sup>

- Another CAC member recalled the “uncivil tone” of the CAC meeting and stated that she felt “there were a lot of insults being hurled around.”<sup>32</sup>
- At the Authority’s June 20, 2019, meeting, several citizens spoke in support of the then former CAC member, stating that: (1) he and the Board member who appointed him are “the only ones asking penetrating questions of organizations requesting funding from the [A]uthority;” (2) “[i]n the middle of [his] questioning, he was summarily shut down” and the Authority needed to “join him in providing oversight;” and (3) the former CAC member, who the citizen had known for more than 10 years, “does checks and balances for everything he does, and he does it well” and he is “not a rabble-rouser.”<sup>33</sup>
- The Authority Board member who appointed the now former CAC member stated that “My perspective is if you are an organization receiving tax dollars you have to be open to answering questions about accountability.”<sup>34</sup>

In addition, there have been various news articles over the past two years regarding the Authority’s increase in the ad valorem tax rate and expenditures:<sup>35 36 37</sup>

- “The number of residents using the [A]uthority’s services decreased after the Affordable Care Act [(ACA)] went into effect. But the [A]uthority offered more services, believing the community’s health needs were still unmet.”
- “[E]nrollment declined significantly in 2013 after the [Authority] began asking clients to apply for ACA insurance before they could get [A]uthority benefits. As the uninsured rate fell, so did participation in the Authority’s [H]ealth [C]ard program.”
- “Flushed with cash and a shrinking list of clients, the [A]uthority was in a unique position at the end of [FY 2014-15]. Board members modestly lowered taxes two out of the last three years.”
- “The [Authority’s] auditors noted [the Authority had] stockpiled nearly \$12.3 million in a reserve fund because [it] routinely spent less than budgeted. The auditor[s] said it was five times more than the suggested minimum. [The Board] concluded it wouldn’t hurt to spend some of it down.”
- “Community ‘outreach’ became a more prominent goal of the [A]uthority, too. All except one [B]oard member... agreed to hire the marketing firm... in late 2016 to increase [the Authority’s] visibility in the local area. The marketing campaign, which cost... close to \$100,000, included two 30-second commercials, bus bench and billboard advertisements.” “Enrollment rose “[s]eemingly overnight, and before the effort could get fully off the ground.”
- The Board approved a “49 percent tax increase” in September 2017 to support a “\$20 million budget.”
- A number of taxpayers were quoted as calling the large tax increase: (1) “absolutely ludicrous,” (2) “not justifiable,” (3) “a burden to taxpayers,” and (4) a hike arising “out of corporate greed.”

<sup>30</sup> *Id.*

<sup>31</sup> *Id.*

<sup>32</sup> *See supra* note 27.

<sup>33</sup> *Id.*

<sup>34</sup> *See supra* note 15.

<sup>35</sup> Mike Finch II, *West Volusia Hospital Authority faces \$20M problem*, The Daytona Beach News-Journal, September 3, 2017/Updated September 4, 2017.

<sup>36</sup> Nikki Ross, *Future of West Volusia Hospital Authority at stake in elections*, The Daytona Beach News-Journal, October 14, 2018.

<sup>37</sup> Nikki Ross, *Distracted West Volusia Hospital Authority board lowers tax rate but residents want board dissolved*, The Daytona Beach News-Journal, September 27, 2019/Updated October 1, 2019.

- In late September 2019, the Board passed “a tax rate of 1.91, a 5.56% decrease from the rolled-back rate of 2.02” which will bring in just below \$19.5 million to serve around 1,600 residents enrolled in the [Authority’s ‘Health Card’] program.
- The Board Chair stated that “the rate approved is the lowest [the Board was] able to go” and she “wish[ed they] could lower the amount more...but unfortunately at this time [she didn’t] see how [they] can do that...There’s so much mental health issues in this county and addiction opioid issues, I hate to just not fund that.”
- The decrease was not enough to for some residents who are still fired up over the 49% increase the Board approved in 2017 and the removal of the CAC member in May, with some even calling for the Authority to be dissolved. One taxpayer, referencing the removal of the CAC member in May after he questioned how the Board held its applicants responsible for the use of taxpayer funds, stated “For that effort, he was shut down and [was told] this is not the place to ask those questions...If that’s not the place, and if that’s not the time to ask those questions and to do due diligence on the money that [the Authority is] spending, which is all of our money, then this [B]oard should not even exist.”

Other Information<sup>38</sup>

Fiscal Year	Final Millage Rate	Budgeted Ad Valorem Tax Revenue	Actual Ad Valorem Tax Revenue	General Fund - Fund Balance at Fiscal Year-End
2019-20	1.9080 <sup>39</sup>	\$19,350,000 <sup>40</sup>	not yet available	not yet available
2018-19	2.1751 <sup>41</sup>	\$20,194,000 <sup>42</sup>	not yet available	not yet available
2017-18	2.3660 <sup>43</sup>	\$19,910,000	\$20,092,455	\$10,041,488
2016-17	1.5900 <sup>44</sup>	\$12,500,000	\$12,510,790	\$ 6,578,929
2015-16	1.6679 <sup>45</sup>	\$12,225,000	\$12,435,674	\$10,499,331
2014-15	1.9237 <sup>46</sup>	\$13,500,000	\$13,638,830	\$12,297,627

The *Management’s Discussion and Analysis* in the Authority’s FY 2016-17 audit report stated that “[f]or the September 30, 2018 fiscal year, the Board set its final millage rate at 2.366 mills which was 48.8% greater than the 2017 millage rate.”<sup>47</sup>

<sup>38</sup> Source of dollar amounts for each fiscal year is page 10 of the *Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual* in the respective fiscal year audit report, unless otherwise noted.

<sup>39</sup> West Volusia Hospital Authority Final Budget 2019-2020, available on the West Volusia Hospital Authority’s website: <https://westvolusiahospitalauthority.org/budget/> (last visited December 9, 2019).

<sup>40</sup> *Id.*

<sup>41</sup> *Management’s Discussion and Analysis; West Volusia Hospital Authority Financial Statements, September 30, 2018*, page 7.

<sup>42</sup> West Volusia Hospital Authority Final Budget 2018-19, available on the West Volusia Hospital Authority’s website: <https://westvolusiahospitalauthority.org/budget/> (last visited December 9, 2019)

<sup>43</sup> *Management’s Discussion and Analysis; West Volusia Hospital Authority Financial Statements, September 30, 2017*, page 7.

<sup>44</sup> *Management’s Discussion and Analysis; West Volusia Hospital Authority Financial Statements, September 30, 2016*, page 7.

<sup>45</sup> *Management’s Discussion and Analysis; West Volusia Hospital Authority Financial Statements, September 30, 2015*, page 7.

<sup>46</sup> *Management’s Discussion and Analysis; West Volusia Hospital Authority Financial Statements, September 30, 2014*, page 7.

<sup>47</sup> See *supra* note 43.

## **Financial Audit**

The Authority has obtained annual financial audits of its accounts and records by an independent certified public accountant (CPA) and has submitted the audit reports to the Auditor General's Office in accordance with Section 218.39(1), *Florida Statutes*.<sup>48</sup> The most recent financial audit report submitted to the Auditor General is for the 2017-18 fiscal year and included the audit finding listed below:<sup>49</sup>

- *Funding Agreements*: During audit testing of funding agreements entered into by the Authority, the auditors noted that the reimbursements paid to two of the grantees were in excess of the amount allowable per the funding agreements. The auditors recommend that, while all expenses are reviewed and approved by the Board, formal amendments to funding agreements be obtained to document any changes to the original funding amounts and terms. [Note: This finding was first reported in the prior year's audit report.]

### *Summary of Certain Financial Information Included in the Authority's Audit Report:*

- "Net position, the excess of assets over liabilities, [was] \$10,515,219 at the close of the fiscal year."<sup>50</sup>
- As a result of the current year's operations, the Authority's net position increased \$3,462,188 from the last fiscal year. The Authority's cash and cash equivalents increased \$3,464,789 from the previous year. Accounts payable at [fiscal] year end increased by \$580,251 due to the fact that there were some unexpected hospital claims that had not been paid.<sup>51</sup>
- Investment income is extremely low due to historically low interest rates. The Authority is keeping most of its funds in a money market account in an effort to maximize earnings, while protecting the Authority's assets.<sup>52</sup>
- Healthcare expenditures were consistent with the prior year. The Authority continues to require health card applicants to apply for coverage under the Affordable Care Act. This requirement became effective starting January 1, 2014."<sup>53</sup>
- "For the [2018-19] fiscal year, the Board set its final millage rate at 2.1751 mills which was the rollback rate with a 0% increase."<sup>54</sup>

## **Other Considerations**

The Auditor General, if directed by the Committee, will conduct an operational audit as defined in Section 11.45(1)(i), *Florida Statutes*, and take steps to avoid duplicating the work efforts of other audits being performed of the Authority's operations, such as the annual financial audit. The primary focus of a financial audit is to examine the financial statements in order to provide reasonable assurance about whether they are fairly presented in all material respects. The focus of an operational audit is to evaluate

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<sup>48</sup> 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.

<sup>49</sup> Independent Auditors' Management Letter Required by Chapter 10.550, Rules of the State of Florida Office of the Auditor General, *West Volusia Hospital Authority Financial Statements, September 30, 2018*, page 20.

<sup>50</sup> See *supra* note 41.

<sup>51</sup> *Id.*

<sup>52</sup> *Id.*

<sup>53</sup> *Id.*

<sup>54</sup> *Id.*, page 7.

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 Authority's progress in addressing the findings and recommendations contained within the previous audit report.

The Auditor General has no enforcement authority. If fraud is suspected, the Auditor General may be required by professional standards to report it to those charged with the Authority'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 Authority's governing board and management, as well as the citizens living within the boundaries of the Authority. 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 Authority 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 Authority's Board 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 to declare the Authority inactive or to proceed with legal enforcement.

### **III. Effect of Proposed Request and Committee Staff Recommendation**

If the Committee directs the Auditor General to perform an operational audit of the West Volusia Hospital Authority, the Auditor General, pursuant to the authority provided in Section 11.45(3), *Florida Statutes*, shall finalize the scope of the audit during the course of the audit, providing that the audit-related concerns of Representative Sabatini are addressed.

### **IV. Economic Impact and Fiscal Note:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

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

### **V. Related Issues:**

None.

This staff analysis does not reflect the intent or official position of the requestor.
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**4 Audit Request: City of  
Weeki Wachee**



**Florida House of Representatives**  
*Representative Blaise Ingoglia*  
*District 35*

November 26, 2019

The Honorable Jason Fischer  
Chair, Joint Legislative Auditing Committee  
117 W. Duval Street  
Suite 240, James Building  
Jacksonville, Florida 32202

Dear Chair Fischer,

I respectfully and officially request an audit of the City of Weeki Wachee. As the elected State Representative for District 35, which encompasses the City of Weeki Wachee, I have become aware of potential issues relating to transparency, financial problems, election irregularities (not following election law as well as general law) and the possible taxation and amendments to their city charter without proper authority.

There are a multitude of problems that have come to question, but the most problematic are the following: there is an outstanding legal bill for a city of 10 residents, in excess of \$1,000,000, for services provided by the attorney representing the city. Payments are still being made. And, since 2004, the City of Weeki Wachee may have been operating without proper authority to do so because no elections have been verified by the Hernando County Supervisor of Elections. If this is truly the case, the city may not have proper authority to tax, enter into contracts, and/or amend their city charter.

The purpose of this operational audit would be to shed light on the city's financial and administrative problems. It is my duty as an elected official to take action when I believe taxpayer dollars are not being spent wisely and efficiently.

Please do not hesitate to reach out to me should you need additional details.

Respectfully,

A handwritten signature in blue ink, appearing to read "Blaise Ingoglia". The signature is stylized with long, sweeping lines.

State Representative Blaise Ingoglia  
District 35

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**District Office:**  
2943 Landover Boulevard  
Spring Hill, Florida 34608  
(352) 688-5004 • Phone  
(352) 688-5006 • Fax

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**Tallahassee Office:**  
222 Capitol Building  
402 South Monroe Street  
Tallahassee, Florida 32399  
(850) 717-5035 • Phone

## STAFF ANALYSIS

**Date:** December 9, 2019

**Subject:** Request for an Operational Audit of the City of Weeki Wachee

Analyst            Coordinator

DuBose KD        DuBose KD

### I. Summary:

The Joint Legislative Auditing Committee (Committee) has received a request from Representative Blaise Ingoglia to have the Committee direct the Auditor General to conduct an operational audit of the City of Weeki Wachee (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(2)(j), *Florida Statutes*, provides, in part, that the Auditor General shall conduct a follow-up to his or her audit report on a local governmental entity no later than 18 months after the release of the audit report to determine the local governmental entity's progress in addressing the findings and recommendations contained in the previous audit report.

#### Request for an Operational Audit of the City

Representative Ingoglia has requested the Committee to direct the Auditor General to conduct an operational audit of the City. He stated that he has "become aware of potential issues relating to

transparency, financial problems, election irregularities (not following election law as well as general law) and the possible taxation and amendments to their city charter without proper authority.”<sup>1</sup>

Specific concerns listed in the request letter include:<sup>2</sup>

- The City, which has 10 residents, has an outstanding legal bill in excess of \$1 million for services provided by the attorney representing the City. Payments continue to be made.
- Since 2004, the Hernando County Supervisor of Elections has not verified any elections. As a result, the City may have been operating without proper authority. If so, the City may not have authority to tax, enter into contracts, and/or amend the City’s charter.

Representative Ingoglia stated that “[t]he purpose of this operational audit would be to shed light on the city’s financial and administrative problems.”<sup>3</sup>

### **Background**

The City of Weeki Wachee was established in 1965<sup>4</sup> and is located in Hernando County. It operates under a city commission form of government.<sup>5</sup> All powers of the City are vested in a three-member City Commission.<sup>6</sup> The Commissioners serve a four-year term, are to be paid \$120 per year, and elect one of its members to serve as the Mayor.<sup>7</sup> The Mayor presides at the Commission meetings, is recognized as the head of the City government for all ceremonial purposes, and, when directed to do so by the City Commission, executes all instruments to which the City is party unless otherwise provided by the City charter or by ordinance.<sup>8</sup>

The City’s original charter required Commissioners to: (1) have been Florida residents for one year, (2) have been City residents for three months immediately preceding the date they would begin serving in office,<sup>9</sup> (3) be electors in the City, and (4) be taxpayers on real property in the City.<sup>10</sup>

The City, reportedly, is a one square mile area, consisting of the Park (Weeki Wachee Springs), a single strip mall, and an empty lot.<sup>11</sup> Those who do live in the City are mostly Park employees who live in the

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<sup>1</sup> Letter from State Representative Blaise Ingoglia to The Honorable Jason Fischer, Chair, Joint Legislative Auditing Committee (November 26, 2019) (on file in Committee Office).

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> Chapter 65-2378, *Laws of Florida*.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> Reportedly, the City has passed ordinance(s) to amend this requirement; however, there has not been a local bill passed and approved by the Governor to implement any revisions to the City’s charter. Recently, Hernando County made a public records request to the City regarding any changes to the City’s charter. However, after approximately two weeks the County has not been provided with any response. (Source: Phone call from the Deputy County Attorney on December 9, 2019).

<sup>10</sup> *See supra* note 4.

<sup>11</sup> Barbara Behrendt, *Is it time to take the ‘city’ out of Weeki Wachee’s City of Live Mermaids?*, Tampa Bay Times, November 14, 2019.

Park.<sup>12 13</sup> There are no residential addresses.<sup>14</sup> The property owners, who are the local businesses, receive no City services.<sup>15</sup>

### **Weeki Wachee Springs Attraction**

The attraction (Park), now known as the Weeki Wachee Springs State Park, was opened by an individual owner in 1947.<sup>16</sup> Over the years, it has been owned by private individual(s), investors, the City, and now the Florida Department of Environmental Protection.<sup>17</sup> Reportedly, the purpose of the City's incorporation was so that its name would be placed on official state maps and road signs and, ultimately, increase attendance at the park.<sup>18</sup> The land that the park sits on was originally owned by the City of St. Petersburg; however, in 2001 the Southwest Florida Water Management District (District) purchased the land for \$16.5 million.<sup>19</sup> Since then, the District has leased the land to the park's owners.<sup>20</sup>

In 2003, the owners of the park, a group of investors, entered an agreement with the City to transfer Weeki Wachee Springs, L.L.C. (LLC) to the City.<sup>21</sup> The purpose of the LLC was to own and operate the Weeki Wachee Springs tourist attraction and recreational park, including all fee and leasehold interests in the real estate, buildings, structures and equipment.<sup>22</sup> Legal battles between the City and the District dominated much of the five years the City owned the Park.<sup>23 24</sup> The District filed multiple grievances in court against the City after becoming "fed up with the park's Management and its attorney."<sup>25</sup> The District accused the City of illegally owning and operating the Park and accused it of illegal dredging.<sup>26</sup>

### **Prior Auditor General Audit and Related Activities in 2004-2007**

In April 2004, the Committee directed the Auditor General to perform an audit of the City, as requested by the Hernando County Legislative Delegation (Delegation). Earlier in 2004, the Delegation held a meeting to consider a request from the Hernando County (County) Board of County Commissioners to revoke or amend the City's Charter.<sup>27</sup> The County complained that the City blocked the County's attempted purchase of Florida Water Services, a utility system located in the County but outside the

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<sup>12</sup> *Id.*

<sup>13</sup> As Representative Ingoglia stated, the City has 10 residents. The City has one registered voter, according to a representative of Hernando County (Source: Phone call from the Deputy County Attorney on December 9, 2019).

<sup>14</sup> *See supra* note 11.

<sup>15</sup> Tony Marrero, *Weeki Wachee will stay a city, for now*, St. Petersburg Times, January 6, 2010.

<sup>16</sup> Lisa MacNeil, *'City of Mermaids' may not be a city in the future*, Hernando Sun, November 22, 2019.

<sup>17</sup> Chandra Broadwater, *Mermaids swim into state parks system*, St. Petersburg Times, February 19, 2008.

<sup>18</sup> *See supra* note 11.

<sup>19</sup> *See supra* note 17.

<sup>20</sup> *Id.*

<sup>21</sup> Donation Agreement between the City of Weeki Wachee and WWS Management Corporation, Inc., effective July 31, 2003 (on file in Committee Office).

<sup>22</sup> Florida Auditor General, *City of Weeki Wachee, Florida – Operational Audit*, Report No. 2005-178 (May 2005), Page 1 (on file in Committee Office).

<sup>23</sup> Morgan C. Moeller, *Mermaid park faces off with Swiftmud*, Hernando Today, March 28, 2006.

<sup>24</sup> *See supra* note 17.

<sup>25</sup> Robert King, *Tired of wrangling with the park's managers, the agency decides to go to court*, St. Petersburg Times, March 31, 2004.

<sup>26</sup> *See supra* note 17.

<sup>27</sup> Letter from David Russell, Representative and Chairman of the Hernando County Delegation, and Mike Fasano, Senator, to The Honorable Ray Sansom, Chairman, Joint Legislative Auditing Committee (February 24, 2004) (on file in Committee Office).

City's boundary.<sup>28</sup> The County had been in negotiations to purchase the assets of the utility system for an extended period of time when the City filed an action of eminent domain against the utility system.<sup>29</sup> The County prevailed and eventually purchased the assets; however, the City incurred significant legal fees related to these proceedings.<sup>30 31</sup>

Delegation members did proceed with legislation that year to amend the City's Charter to limit its authority.<sup>32</sup> The bill, which passed and was approved by the Governor: (1) prohibited the City from exercising the right of eminent domain, (2) prohibited the City from annexing land, (3) limited the City to a maximum ad valorem tax rate of 3 percent per annum, and (4) required the Hernando County Supervisor of Elections to conduct and supervise all City elections under rules governing general elections in the County.<sup>33</sup>

An earlier draft of the bill included a provision to assign the County Clerk of Court (Clerk) with oversight of the City to ensure that its accounting practices were in compliance with law.<sup>34</sup> However, the Clerk's Office raised concerns regarding the constitutionality of this provision, and it was removed.<sup>35</sup> The Delegation then requested the Auditor General audit "in order to ensure full accountability to the public."<sup>36</sup>

The Auditor General performed an operational audit of the City, releasing the initial audit report in 2005 and the 18-month follow up report<sup>37</sup> in 2007. During a portion of original audit period and all of the review period, the City owned the park and many of the findings were related to the LLC.<sup>38</sup> Of the initial 20 audit findings, the City had adequately addressed two findings, had partially addressed seven findings, and had taken no action to address the remaining 11 findings at the time of the follow-up audit.<sup>39</sup> Because the City has not owned the park since 2008, many of the audit findings are obsolete. Some of the uncorrected findings, as of 2007,<sup>40</sup> that do not clearly relate to the park include:

- The City had not adopted policies and procedures for its accounting and other business-related functions;
- The City failed to document the public purpose of certain expenditures; and

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<sup>28</sup> Fred Hiers, *Tiny city faces tough state audit*, Hernando Today, February 23, 2004.

<sup>29</sup> See *supra* note 22, page 4.

<sup>30</sup> *Id.*

<sup>31</sup> Robert King, *Weeki Wachee racks up bills*, St. Petersburg Times, January 17, 2004.

<sup>32</sup> Chapter 2004-432, *Laws of Florida*.

<sup>33</sup> *Id.*

<sup>34</sup> See *supra* note 27.

<sup>35</sup> *Id.*

<sup>36</sup> *Id.*

<sup>37</sup> Pursuant to Section 11.45(2)(j), *Florida Statutes*, when the Auditor General conducts audits of local governmental entities, no later than 18 months after the release of the audit report the Auditor General shall perform such appropriate follow-up procedures as she deems necessary to determine the audited entity's progress in addressing the findings and recommendations in the previous report.

<sup>38</sup> The initial audit report, No. 2005-178, was for the period October 1, 2002 – April 30, 2004 and selected actions taken prior and subsequent thereto. The follow-up audit report, No. 2007-187, included the period included selected actions and transactions taken subsequent to June 2006; the follow-up procedures were completed in February 2007.

<sup>39</sup> Florida Auditor General, *City of Weeki Wachee, Florida - Follow-up on Operational Audit Report No. 2005-178*, Report No. 2007-187 (May 2007).

<sup>40</sup> Only one audit has been conducted of the City since 2007. The City hired a CPA firm to perform a financial audit for the 2013-14 fiscal year. Florida law does not require CPA firms, performing a financial audit, to follow-up on operational audit findings reported by the Auditor General. Therefore, it is not known if these issues continue to exist.

- The City did not enact an ordinance providing for regular meetings of the City Commission,<sup>41</sup> and City records did not indicate the reason for the cancellation of 9 of the 10 cancelled meetings during the review period.

### **Financial Reporting**

The City has not had sufficient revenues or the total of expenditures and expenses to meet the threshold to require a financial audit, pursuant to Section 218.39, *Florida Statutes*, since the 2008-09 fiscal year.<sup>42</sup>

<sup>43</sup> Prior to that time, the City met the audit threshold for an annual financial audit since the 2002-03 fiscal year.<sup>44</sup> <sup>45</sup> During the early 2000s and again in 2009, the Committee took action against the City, pursuant to Section 11.40(2), *Florida Statutes*, for its failure to file the required financial reports and, as a result, the City lost some State revenues that it would otherwise been entitled to receive. The City had a history, prior to 2014, of failing to respond to any communication from the Committee regarding the outstanding financial reports. In 2014, the Committee, in an effort to assist the City in becoming compliant, agreed to accept a financial audit report for either the 2012-13 or 2013-14 fiscal year in lieu of the required audits from earlier years. Although the City did not meet the audit threshold for either year, it agreed to proceed with an audit for the 2013-14 fiscal year. The City had submitted the required annual financial report (AFR) for the prior fiscal years, with the exception of the 1997-98 fiscal year AFR.<sup>46</sup>

The audit for the 2013-14 fiscal year is the most recent financial audit report submitted to the Auditor General. The auditors reported one finding relating to a condition of financial emergency and included indications of financial difficulties as noted below:

- For the fiscal year, the City's revenues exceeded expenses by \$80,504.<sup>47</sup>
- The City reported an unrestricted deficit balance of \$1,102,746 at fiscal year-end.<sup>48</sup>
- The City met a condition of a financial emergency described in Section 218.503(1)(b), *Florida Statutes*.<sup>49</sup> <sup>50</sup> The audit finding stated that:<sup>51</sup>
  - The City failed to pay uncontested claims from creditors within 90 days after the claim was presented, due to lack of funds.

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<sup>41</sup> The auditors stated that the City Charter requires monthly meetings; however, the Mayor stated that the City cancels meetings when there is no business to be conducted.

<sup>42</sup> Municipalities with revenues or the total of expenditures and expenses in excess of \$250,000 must have an annual financial audit prepared by an independent certified public accountant. If these amounts are between \$100,000 and \$250,000, a municipality must have a financial audit if it has not had a financial audit during the preceding two fiscal years.

<sup>43</sup> Letter from Committee staff to the City dated August 12, 2014 (on file in Committee Office).

<sup>44</sup> The City met the threshold for an annual financial audit for the 2002-03 through the 2007-08 fiscal years. The City did not submit the required Annual Financial Report (AFR) to the Department of Financial Services (DFS) for the 1997-98 fiscal year at all and did not timely submit the AFRs for the 1998-99 through 2001-02 fiscal years; therefore, the Committee was unable to determine whether an annual financial audit was required during these years. Based on the amounts in the late-filed AFRs, no audits were required. (Email from Justin Young, DFS, to Committee Staff (March 13, 2009) (on file in Committee Office).)

<sup>45</sup> The Committee's file on Weeki Wachee (on file in Committee Office).

<sup>46</sup> See *supra* note 43.

<sup>47</sup> *Management's Discussion and Analysis; The City of Weeki Wachee, Florida, Independent Auditor's Report for the fiscal year ended SEPTEMBER 30, 2014*, page 3.

<sup>48</sup> *Id.*

<sup>49</sup> *Independent Auditor's Management Letter; The City of Weeki Wachee, Florida, Independent Auditor's Report for the fiscal year ended SEPTEMBER 30, 2014*, page 24.

<sup>50</sup> *Schedule of Findings and Recommendations - Other Matters; The City of Weeki Wachee, Florida, Independent Auditor's Report for the fiscal year ended SEPTEMBER 30, 2014*, page 26.

<sup>51</sup> *Id.*

- The City had accrued unpaid legal fees totaling \$1,239,360 incurred in several prior fiscal years.
- Although the City had made payments against the accrued payable, the balance at fiscal-year end was \$1,164,360, and the City did not have a formal repayment plan with the creditor.<sup>52</sup>
- The accrual of these unpaid fees led to the deficit fund balance, as noted above.
- The auditors recommended that the City negotiate with the creditor in order to come to an agreement on a long-term payment plan.

The City Mayor’s response to the auditors stated that “the City will negotiate with the creditor in order to establish an agreeable long-term payment plan for the amount owed to the creditor.”<sup>53</sup>

Pursuant to Section 218.32(1)(a), *Florida Statutes*, the City is required to annually submit an AFR to the Department of Financial Services (DFS). These are unaudited numbers presented in a format specified by the DFS. The City has timely filed this report since the 2007-08 fiscal year.<sup>54</sup> The amounts reported in the most recently filed AFR, for the 2017-18 fiscal year, are as follows:<sup>55</sup>

<b>Revenues</b>	
Ad valorem taxes <i>(figure also includes a small amount of State revenue)</i>	\$50,039
Building permits	\$21,430
Contributions and donations	\$3
<b>Total Revenues</b>	<b><u>\$71,472</u></b>

<b>Debt</b>	
<b>Total Debt</b> <sup>56</sup>	<b><u>\$1,039,360</u></b>

<b>Expenditures</b>	
Legal services	\$25,000 <sup>57</sup>
Salaries and benefits	\$19,576
Financial and administrative operating expenses	\$10,566
Other physical environment operating expenses	\$5,383
Electric utility services operating expenses	\$834
Special events	\$370
<b>Total Expenditures</b>	<b><u>\$61,729</u></b>

<sup>52</sup> The creditor is an attorney who provided legal services for the City.

<sup>53</sup> *Management’s Response to Findings and Recommendations; The City of Weeki Wachee, Florida, Independent Auditor’s Report for the fiscal year ended SEPTEMBER 30, 2014*, page 27.

<sup>54</sup> Committee Database screenshots are available by contacting the Committee Office.

<sup>55</sup> The City’s AFR is on file in the Committee Office. Pursuant to Section 218.32(1), *Florida Statutes*, the 2018-19 fiscal year AFR must be filed with DFS by June 30, 2020.

<sup>56</sup> This is the amount owed to the attorney who provided legal services for the City. At the rate the City appears to be paying off this debt (\$25,000 per year), the debt will not be paid in full for over 40 years. A representative of the County stated that the attorney presented the City with an unitemized bill for \$1.2 million; however, when the bill was presented some of the amounts were for work performed more than four years earlier (statute of limitations) (Source: Phone call from the Deputy County Attorney on December 9, 2019).

<sup>57</sup> This is an installment payment towards the City’s debt.

### **Possible Dissolution of the City**

In at least the past 15 years, there have been multiple requests and attempts to revoke the City's charter. Past attempts have not been successful because, pursuant to Section 165.071(3), *Florida Statutes*, the County must assume all of the City's debt unless otherwise provided in the dissolution plan.<sup>58</sup> A summary of dissolution efforts, known to Committee staff, follows:

As mentioned earlier, in 2004 the County asked the Delegation to revoke or amend the City's Charter after the City disrupted the County's attempt to purchase a utility system located in the County.<sup>59</sup> However, if the Legislature revoked the City's Charter, the County would have been responsible for the City's debt, and the Delegation was not willing to do that to the County.<sup>60</sup> At the time, the City owed approximately \$196,000 in total to two law firms for their effort in the City's fight to purchase the utility system, plus an unknown amount to the City Attorney.<sup>61 62 63</sup> The City Attorney told the Delegation that a conservative estimate of his legal bills would top \$100,000.<sup>64</sup> However, in later years, the City would owe the City Attorney significantly more, when the City was involved in legal battles with the District. Rather than dissolving the City, the Legislature passed a bill to curb the City's power as discussed earlier.<sup>65</sup>

In 2005, during the period the City owned the Park/LLC, the Auditor General completed an operational audit of the City.<sup>66</sup> As part of a recommendation in the audit report related to a finding regarding financial management, the auditors stated, "absent the ability to generate sufficient revenues or reduce expenditures, the City Commission should evaluate whether or not the City should continue as an incorporated municipality and, if determined to be appropriate, consider dissolution under the provisions of Section 165.051, *Florida Statutes*."<sup>67</sup> While the City has not owned the LLC since 2008, it did incur significant debt due to legal expenses when it did own the Park, and it is unable to pay off this debt in a reasonable period using current resources. Furthermore, it is unable to increase its revenues significantly due to the small number of property owners. This recommendation continues to appear relevant.

During the years the City owned the Park, from 2003 until 2008, Committee staff had ongoing conversations with staff of the District, the owner of the land and the springs. The District wanted the City dissolved. Although the District was actively involved with an effort to dissolve to City for several years, an attorney with the District made the following statement when the City was months away from donating the Park to the DEP: "There really is no need for a City once the [State] park becomes a reality

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<sup>58</sup> The full text of Section 165.071(3), *Florida Statutes*, reads: The dissolution of a municipal government shall transfer the title to all property owned by the preexisting municipal government to the county, which shall also assume all indebtedness of the preexisting municipality, unless otherwise provided in the dissolution plan. The county is specifically authorized to levy and collect ad valorem taxes in the same manner as other county taxes from the area of the preexisting municipality for repayment of any assumed indebtedness through a special district created for such purpose in accordance with chapter 189.

<sup>59</sup> See *supra* notes 22 and 27.

<sup>60</sup> Robert King, *Clean up your mess, Weeki Wachee told*, St. Petersburg Times, January 29, 2004.

<sup>61</sup> See *supra* note 31.

<sup>62</sup> The article noted above reported that the City Attorney was paid \$260 an hour. His work "included representing the city in its acquisition of the Weeki Wachee Springs tourist attraction as well as its effort to keep private the park's financial records in a lawsuit brought by the St. Petersburg Times."

<sup>63</sup> To pay for the legal fees, the City Commission voted to double property taxes. (Source: Robert King, *6 voters have to choose a residence*, St. Petersburg Times, January 28, 2004.)

<sup>64</sup> See *supra* note 60.

<sup>65</sup> See *supra* note 11.

<sup>66</sup> See *supra* note 22.

<sup>67</sup> *Id.*, page 3.

on November 1, 2008... the [C]ity has been levying ad valorem taxes for years without offering any services that too should end once the attraction is transferred to the [S]tate.”<sup>68</sup>

In 2009, the DEP, the owner of the Park, asked a member of the County Legislative Delegation to file a bill to abolish the City.<sup>69</sup> The member said that, since the attraction has park status, there is no need to maintain the [C]ity.<sup>70</sup> Late that year, the Delegation members voted unanimously to file bills in the 2010 Legislative Session to dissolve the City's charter.<sup>71</sup> Once again, the Delegation backed away from dissolving the charter, when the members learned that the County would be required to pay the City's debt.<sup>72</sup> The City Attorney said the City still owed him \$1.2 million.<sup>73</sup>

In 2014, a columnist for the Tampa Bay Times recommended that the Legislature dissolve the City.<sup>74</sup> Some of his statements to support his recommendation included:<sup>75</sup>

- The City, which is one of the smallest municipalities in Florida, also has to be one of the least democratic.
- The City includes several commercial properties. “The owners of these parcels pay almost all of the taxes but, because they are not residents, have no vote in City [Commission] elections, no say in how money is spent.
- A long-ago exception in its charter says [City Commission] members don't have to live in the [C]ity, and two of the three current ones do not.”
- “Some of the [public] records are locked up in a storage facility; the rest are being kept temporarily at the home of [the] City Clerk..., who isn't a resident either.”
- “The [C]ity's existence has been continued mostly for the benefit of one person, who... doesn't live there... [a] Brooksville lawyer..., to whom the [C]ity owes about \$1 million in past legal bills” ... this debt was racked up mostly in unnecessary legal fights with little apparent benefit to commercial taxpayers.”
- The law clearly states that if the [S]tate dissolved the [C]ity..., [Hernando] [C]ounty would be stuck with [the attorney's] legal bill. That's why local lawmakers backed off five years ago, when they were set to do away with [the City].”
- To address the debt if the Legislature dissolves the City's Charter, “[t]he [C]ounty could assume this debt and pay it off by forming the same kind of taxing district that parts of the [C]ounty use to put in street lighting or pave roads.”
- “The [C]ity taxpayers would no doubt agree if it lowered their bills, which it almost certainly would... maintaining a city is an inefficient way to pay a bill. To raise \$20,000 for [the attorney] this year, the [C]ity has a total budget of \$50,000.”
- The City “provides almost no traditional public services, and most of the money that doesn't go to... [the attorney] is consumed by the task of keeping a city going: paying... [the Clerk's] part-time salary, keeping the lights on.”

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<sup>68</sup> Email from Bill Bilenky, the District's General Counsel, to Committee Staff (January 29, 2008) (on file in Committee Office).

<sup>69</sup> Tony Marrero, *Lawmakers to push to dissolve city of Weeki Wachee*, St. Petersburg Times, December 2, 2009.

<sup>70</sup> The Associated Press, *Lawmakers push to dissolve Weeki Wachee Springs*, December 2, 2009.

<sup>71</sup> See *supra* note 69.

<sup>72</sup> Michael D. Bates, *Weeki Wachee bill to lower millage is dead*, Hernando Today, April 9, 2010.

<sup>73</sup> *Id.*

<sup>74</sup> Dan DeWitt, *DeWitt: Time has come to dissolve city of Weeki Wachee*, Tampa Bay Times, December 11, 2014.

<sup>75</sup> *Id.*

In November 2019, the County Legislative Delegation voted unanimously to file a local bill to remove the City's charter.<sup>76</sup> An advocate for the Weeki Wachee Springs and River urged the delegation members to take this action based on the following concerns:<sup>77</sup>

- The elected City Commissioners are also key employees of the Park. The advocate views this as a conflict of interest as the “same [C]ity leaders motivated to market the attraction are also entrusted with protecting the river and springs from overuse.”
- The advocate cited “several examples of how park activities have negatively impacted the Weeki Wachee springs and river, including key violations of the park's own management plan designed to protect them.”<sup>78</sup>
- He also acknowledged the “\$1 million debt the [C]ity has been carrying for more than a dozen years.”

The DEP has been investigating the advocate's concerns related to Park operations.<sup>79</sup>

### **Other Considerations**

The Auditor General, if directed by the Committee, will conduct an operational audit as defined in Section 11.45(1)(i), *Florida Statutes*. As stated earlier, the City has not met the threshold for a statutorily required financial audit in over 10 years. The primary focus of a financial audit is to examine the financial statements in order to provide reasonable assurance about whether they are fairly presented in all material respects. The focus of an operational audit is to evaluate management's performance in establishing and maintaining internal controls and administering assigned responsibilities in accordance with laws, rules, regulations, contracts, grant agreements, and other guidelines. Also, in accordance with Section 11.45(2)(j), *Florida Statutes*, the Auditor General will be required to conduct an 18-month follow-up audit to determine the City's progress in addressing the findings and recommendations contained within the previous audit report.

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

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<sup>76</sup> Lisa MacNeil, 'City of Mermaids' may not be a city in the future, *Hernando Sun*, November 22, 2019.

<sup>77</sup> See *supra* note 11.

<sup>78</sup> *Id.* Per the article, as an example, the Park's management plan limits kayak launches to 280 people per day; however, the advocate learned that a park vendor was renting as many as 900 kayaks per day. The number of Park visitors and annual revenues have also skyrocketed since the attraction became a State park. In 2008, the Park had 78,116 visitors with \$4.8 million in direct economic impact. In 2017, it had increased to 388,512 visitors with \$33.8 million in economic impact.

<sup>79</sup> See *supra* note 11.

**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 Weeki Wachee, the Auditor General, pursuant to the authority provided in Section 11.45(3), *Florida Statutes*, shall finalize the scope of the audit during the course of the audit, providing that the audit-related concerns of Representative Ingoglia as included in his request letter are considered.

**IV. Economic Impact and Fiscal Note:**

## A. Tax/Fee Issues:

None.

## B. Private Sector Impact:

None.

## C. Government Sector Impact:

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

**V. Related Issues:**

None.

This staff analysis does not reflect the intent or official position of the requestor.
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**5 Audit Request: Greater  
Orlando Aviation  
Authority (GOAA)**



# THE FLORIDA SENATE

Tallahassee, Florida 32399-1100

**SENATOR JEFF BRANDES**  
24th District

**COMMITTEES:**  
Appropriations Subcommittee on Criminal and Civil Justice, *Chair*  
Criminal Justice, *Vice Chair*  
Appropriations  
Appropriations Subcommittee on Transportation, Tourism, and Economic Development  
Banking and Insurance  
Innovation, Industry, and Technology Rules

**JOINT COMMITTEES:**  
Joint Legislative Auditing Committee, *Alternating Chair*  
Joint Legislative Budget Commission

November 22, 2019

Dear Chairman Fischer,

I respectfully request that the Joint Legislative Auditing Committee conduct a targeted operational audit of the Greater Orlando Aviation Authority (GOAA), focusing on its procurement practices.

I have concerns regarding recent reports relating to the GOAA's procurement practices. Specifically, as an example, recent reports indicate possible violations of Florida's open meeting laws with respect to procurement of legal services, which ultimately led to a request by the First Amendment Foundation for an investigation by the Florida Department of Law Enforcement (FDLE). That request was declined, reportedly on the grounds that the request for investigation was based solely on a circumstantial newspaper article alleging a misdemeanor violation. The draft meeting minutes for the GOAA Board meeting on September 18, 2019, reflect that board's failure to comply with Florida's open meeting law. The revised agenda for the September 18 meeting reflects as new business, "Recommendation to Approve Engagement for Interim Co-General Counsel and to Modify Committee Previously Approved to Recommend Future General Counsel Services Delivery Method." The meeting minutes reflect that following announcement by the board's chairman that he would entertain a motion to establish a transition committee to provide a report with recommendations on the structure of the general counsel for the GOAA, the following objections were raised:

- Mayor Dyer noted "...this is an agenda item that is supposed to be discussing whether we have the position of Chief Legal Officer and talking about hiring people but we do not have that on the agenda."
- Further, "Mayor Dyer stated that it is apparent that this has been talked about for some time because the candidates, Perry and Tedrow are in the audience, but we ought to have an agenda item that tells the public that we are about to hire some counsel to do this and paying them money over the next six months. We do call this a walk on item. Does it normally have to be an emergency do [sic] have a walk on item? He does not want to get in the habit of voting on sole sourcing items without it being agendaed."

Following procedural discussion regarding the pending motion and whether to amend it, the following is noted in the meeting minutes:

**REPLY TO:**

- ☐ 9800 4th Street North, Suite 200, St. Petersburg, Florida 33702 (727) 563-2100
- ☐ 416 Senate Building, 404 South Monroe Street, Tallahassee, Florida 32399-1100 (850) 487-5024

Senate's Website: [www.flsenate.gov](http://www.flsenate.gov)

**BILL GALVANO**  
President of the Senate

**DAVID SIMMONS**  
President Pro Tempore

- “Mayor Demings stated that he has significant concerns about the process being used today in terms of how we are moving forward. He mentioned that he has no significant information about either firm prior to this meeting, Mr. Marchena’s law firm [then General Counsel] being sustained until the end of the year. Somehow that is changing, the legal services contract will be substantial, we have not had adequate deliberation here (at the board meeting) about the clause, scope of contract, it sounds like we are making it up on the fly. He thinks that for a contract this size, to him it is less than the caliber of work that the Board should be engaged in. It almost suggests that there are other conversations that have occurred that may be inappropriate to have because it is not the way he makes decisions. He likes full information and he does not have that today, so he is not comfortable voting for either one of the motions. He is hearing sprinkled into this concern about the award of previous contracts but yet we are suggesting here, without out [sic] any process, we will take the word of an individual board member that this company is good or that company is good and he does not think that is the appropriate process to be used. A more definitive process should be used to move forward. Again, he is not comfortable voting for either motion.”

Following discussion and the chairman’s statement that “His intent is to take time, have this committee in place, let them come back with recommendations of which the Board could deny or approve,” “Mayor Dyer responded that he would like these items to come back as agenda items on the agenda that he can review.”

Mr. Martinez likewise “stated that he would like to postpone this until next month. ... He suggested tabling all these motions, wait a month, add any items that the Board members may have about replacing Mr. Marchena, and then come back. ... Mr. Martinez stated the Sunshine Law and that these things have come up fast. He would love a month to think about it. Give them (Board) a chance to think about it before moving forward. He would move to table these motions until next month in the event there are other items the Board would like to add.”

A roll call vote was taken on the motion to table the discussion, and the minutes reflect that the motion failed four to three. On the amended motion “to establish a transition committee to provide a report with recommendations on the structure of General Counsel for the Aviation Authority,” which was seconded, “Mayor Demings asked about at what point do you talk about the cost. It is almost as if we are writing a blank check. What are the parameters if this passes? Chairman Sanchez responded that it would be handled by Mr. Brown as far as executing an agreement with the firms and the airport. He would have the authority to fully negotiate the agreement with the law firms.” ... “Mayor Demings asked if anything was going to be brought back to the Board. Chairman Sanchez responded that the Board would be giving the CEO and Chairman authorization to negotiate with the law firms. The contract will be returned to the

Page 3

Board for ratification. Mayor Dyer stated that this recommendation is setting a lot of precedence. We do not hire people without giving notice to the public of the hiring.”

The meeting minutes of the GOAA Board clearly reflect that objections based on the Sunshine law were raised by members who had concerns about the process used to establish the identified transition committee and enter into a contract. These objections suggest a that there was a failure on the part of the GOAA Board to comply with the Sunshine Law, and I am concerned that this disregard extends beyond the subject board meeting and generally into the GOAA’s overall procurement processes. For that reason, I am requesting this targeted audit of the GOAA.

I believe that it is in the interest of the state to conduct an audit of the GOAA to determine if such information is accurate and evaluate GOAA’s performance in establishing and maintaining internal controls over the procurement process and complying with applicable laws, rules, regulations, as well as its policies and procedures relating to procurement. Such action is in the best interest of the residents of the City of Orlando, all visitors and users of the international airport, and the public at large.

Please do not hesitate to contact me should you have any questions. Thank you for your consideration.

Kind Regards,

Jeff Brandes

A handwritten signature in black ink, appearing to read 'Jeff Brandes', with a long horizontal flourish extending to the right.

State Senator, District 24

## STAFF ANALYSIS

**Date:** December 10, 2019

**Subject:** Request for an Operational Audit of the Greater Orlando Aviation Authority

Analyst                      Coordinator

DuBose<sup>KD</sup>                      DuBose<sup>KD</sup>

### I. Summary:

The Joint Legislative Auditing Committee (Committee) has received a request from Senator Jeff Brandes to have the Committee direct the Auditor General to conduct a targeted operational audit of the Greater Orlando Aviation Authority (GOAA), focusing on its procurement practices.

### II. Present Situation:

#### Current Law

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

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

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

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

#### Request for an Operational Audit of the GOAA

Senator Brandes has requested that the Committee direct the Auditor General to conduct a targeted operational audit of the GOAA's procurement practices. He stated that he has concerns "regarding recent

reports related to the GOAA's procurement practices."<sup>1</sup> As an example, he provided information related to possible violations of Florida's open meeting laws with respect to the procurement of legal services. He requests that the Auditor General verify the information related to this procurement and "evaluate GOAA's performance in establishing and maintaining internal controls over the procurement process and complying with applicable laws, rules, regulations, as well as its policies and procedures relating to procurement."<sup>2</sup> He further stated that "[s]uch action is in the best interest of the residents of the City of Orlando, all visitors and users of the international airport, and the public at large."<sup>3</sup>

## **Background**

The GOAA is an agency of the City of Orlando (City), established by the Legislature pursuant to the Greater Orlando Aviation Authority Act, Chapter 57-1658, *Special Laws of Florida, 1957*, as replaced by Chapter 98-492, *Laws of Florida*, as amended.<sup>4</sup> The City owns the Orlando International Airport and the Orlando Executive Airport.<sup>5</sup> In 1976, pursuant to an agreement, the City transferred to the GOAA the custody, control, and management of the two airports for a period of 50 years subject to certain conditions.<sup>6</sup> In 2015, the GOAA negotiated a new agreement, which extended the term until 2065.<sup>7</sup>

Each airport functions as a self-supporting enterprise; however, for reporting purposes they are combined into a single enterprise fund.<sup>8</sup> During the 2017-18 fiscal year, Orlando International Airport was the busiest airport in Florida.<sup>9</sup> According to the 2019 Fact Sheet for the Orlando International Airport:<sup>10</sup>

- It has a \$31+ billion regional economic impact; a \$566,910,000 budget for the 2018-19 fiscal year; 21,000+ airport employees; 138 food, beverage and retail operations; and a \$4.27 billion capital improvement plan.
- In 2018, it set records for the total number of passengers (47,696,627) and the number of international passengers (6,600,640).
- It receives no local tax dollars and operates on airline and airport user fees.<sup>11</sup>

The GOAA is governed by a seven-member board (Board) comprised of the City's Mayor, the Chairman of the Board of County Commissioners of Orange County (Mayor),<sup>12</sup> and five members who are appointed by the Governor and subject to confirmation by the Senate.<sup>13</sup> The Governor's appointees must

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<sup>1</sup> Letter from Jeff Brandes, State Senator, to Chairman Fischer, Joint Legislative Auditing Committee (November 22, 2019) (on file in Committee Office).

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> *Letter of Transmittal; Greater Orlando Aviation Authority Comprehensive Annual Financial Report for the years ended September 30, 2018 and 2017*, page 2.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> *2019 Fact Sheet Orlando International Airport - The Orlando Experience* available at <https://orlandoairports.net/about-us/#traffic-statistics> (last visited December 1, 2019).

<sup>11</sup> *Id.* Per the fact sheet, 70% of revenue is from parking, car rentals, concessions, and commercial enterprises; the remaining 30% of revenue is from the airlines.

<sup>12</sup> Per the Orange County website, since 1990 the County has operated as a "strong mayor" form of charter government. The Mayor is the CEO and Chair of the Board of County Commissioners and is responsible for all County operations. Website available at <https://www.orangecountyfl.net/?tabid=120#.XePrluhKiUk> (last visited December 1, 2019).

<sup>13</sup> Chapter 2004-366, Section 21, *Laws of Florida*.

be residents and electors of Orange, Osceola, or Seminole County.<sup>14</sup> All members are entitled to an equal voice and vote on all matters relating to the GOAA and its business.<sup>15</sup> Staff of the GOAA includes a Chief Executive Officer who has the following direct reports:<sup>16</sup>

Chief Financial Officer	Public Affairs and Community Relations
Board Services	Small Business Development
Customer Experience	Human Resources and Risk Management
Internal Audit	Chief Operating Officer (COO)
Marketing and Air Service Development	

The COO has the following direct reports:

Concessions and Commercial Properties	Airport Operations
Airline Affairs	Chief Information Officer
Planning, Engineering and Construction	Maintenance
Airport Affairs	Security
Business Applications	

### **Concerns**

Senator Brandes' concerns relate to the GOAA's procurement practices. The specific example he provided involves the Board's decision in August 2019 to contract with two law firms, on an interim basis, for legal services. A summary of the events and discussion follows:<sup>17</sup>

- In early August, the GOAA's long-term General Counsel announced that he would leave his post by the end of 2019.<sup>18</sup>
- At its August 28, 2019 meeting, the Board Chairman proposed two attorneys/law firms for the role of Interim Co-General Counsel on an interim basis.<sup>19</sup> He stated that his intent was for the positions to be effective that day; however, this discussion was not included on the meeting agenda.<sup>20</sup>
- Some of the Board members objected to the discussion on this matter because it had not been publicly noticed and made comments, including:
  - "[I]t is apparent that this has been talked about for some time because the candidates, Perry and Tedrow, are in the audience, but we ought to have an agenda item that tells the public

<sup>14</sup> *Id.* Three appointees must be residents and electors of Orange County, one appointee must be a resident and elector of Osceola County, and one appointee must be a resident and elector of either Orange or Seminole Counties.

<sup>15</sup> *Id.*

<sup>16</sup> Greater Orlando Aviation Authority website available at [https://orlandoairports.net/site/uploads/Org\\_Chart.pdf](https://orlandoairports.net/site/uploads/Org_Chart.pdf) (last visited December 1, 2019).

<sup>17</sup> Letter from Jeff Brandes, State Senator to Chairman Fischer, Joint Legislative Auditing Committee (November 22, 2019) (on file in Committee Office).

<sup>18</sup> Kevin Spear, *Orlando airport lawyer Marcos Marchena submits resignation - will leave at end of year*, Capital Gazette, August 12, 2019.

<sup>19</sup> Greater Orlando Aviation Authority Board August 28, 2019 - Minutes, page 6506, available at <https://orlandoairports.net/airport-business/> (select "Meeting Documents" at bottom of webpage, then select from dropdown list under "Aviation Authority Board") (last visited on December 10, 2019).

<sup>20</sup> Greater Orlando Aviation Authority Board August 28, 2019 - Agenda, available at <https://orlandoairports.net/airport-business/> (select "Meeting Documents" at bottom of webpage, then select from dropdown list under "Aviation Authority Board") (last visited on December 10, 2019).

that we are about to hire counsel to do this and paying them money for the next six months.”<sup>21</sup>

- I have “significant concerns about the process being used today in terms of how we are moving forward...[I have] no significant information about either [law] firm prior to the meeting...It almost suggests that there are other conversations that have occurred that may be inappropriate to have...”<sup>22</sup>
- Although some members stated that they would prefer to defer the discussion until another meeting,<sup>23</sup> the Board proceeded. The original motion was amended and approved to revise the law firms that were to be selected.<sup>24</sup> Furthermore, the Board authorized the Chairman and the CEO to negotiate contracts with the law firms and return for the Board’s consideration at the next meeting.<sup>25</sup>
- The President of the First Amendment Foundation asked the State Attorney for the 9<sup>th</sup> Judicial Circuit (Orange and Osceola Counties) to investigate possible Sunshine Law violations to determine if Board members had discussed the hiring of interim legal counsel.<sup>26</sup>
  - The State Attorney had a conflict of interest;<sup>27</sup> therefore, she referred the inquiry to FDLE.<sup>28</sup>
  - FDLE declined to investigate because the allegations were only from newspaper reporting and, as a result, are “at best, circumstantial,” and such a violation would only be a misdemeanor.<sup>29</sup>
  - In September, the State Attorney requested that the Governor appoint a special prosecutor to investigate the GOAA to determine if it violated State law on open meetings.<sup>30</sup>
- The agenda for the September 18, 2019 Board meeting listed the following as New Business:<sup>31</sup>
  - Recommendation to Approve Engagement for Interim Co-General Counsel and to Modify Committee<sup>32</sup> Previously Approved to Recommend Future General Counsel Services Delivery Method.

<sup>21</sup> See *supra* note 19, page 6507.

<sup>22</sup> *Id.*, page 6508.

<sup>23</sup> *Id.*

<sup>24</sup> *Id.*, pages 6507 and 6509.

<sup>25</sup> *Id.*, page 6510.

<sup>26</sup> Scott Powers, *FDLE refuses to probe allegations of Sunshine Law violations by Orlando airport board*, Florida Politics, September 18, 2019.

<sup>27</sup> Per the article noted above, one of the State Attorney’s employees is the daughter of one of the attorneys who was recommended by the Chairman to serve as an interim co-general counsel at the Board’s August meeting.

<sup>28</sup> See *supra* note 26.

<sup>29</sup> *Id.*

<sup>30</sup> The Associated Press, *Special prosecutor requested for Orlando airport authority*, WCTV, September 21, 2019.

<sup>31</sup> Aviation Authority Board September 18, 2019 - Agenda, page 5 available at <https://orlandoairports.net/airport-business/> (select on dropdown list under Aviation Authority Board) (last visited on December 10, 2019).

<sup>32</sup> During both the August and September Board meetings, the members discussed a Transition Committee. Its purpose would be to advise the Board regarding the structure of the permanent General Counsel (in-house or contracted) and other related matters. The motion approved by the Board to appoint the Interim Co-General Counsel in August included the appointment of members to the Transition Committee. The Chairman replaced some of the members of the Committee between the August and September meetings, as authorized in the Board’s bylaws. In September, the Board approved the membership and a revised scope of the Transition Committee. Per the CEO, “[t]he Committee’s scope is to review and evaluate the best practices of organizations comparable to the Aviation Authority with regard as to how general counsel services will be provided including the organizational structure. Essentially looking at an in-house counsel, an external counsel, a combination, and what is the reporting structure, whether it reports to the Board or CEO. The original motion [in August] also included a review and evaluation [of] best practices in the areas of procurement and concessions. As noted in the memorandum (copy on file), any attorney or law firm who participates in the Committee will be prohibited from being eligible to be selected as permanent general counsel following the interim period in order to ensure an objective and thoroughly transparent recommendation.” Source: Greater Orlando Aviation Authority Board September 18, 2019 - Minutes, page 6519, available at <https://orlandoairports.net/airport-business/> (select “Meeting Documents” at bottom of webpage, then select from dropdown list under Aviation Authority Board) (last visited on December 10, 2019).

- During the September meeting, the Board rescinded a portion of the August vote.<sup>33</sup> Rather than proceed with the August decision to have the two law firms serve as Interim Co-General Counsel, the Board voted to: (1) issue a RFP for Interim General Counsel for a period of up to six months, (2) authorize the CEO, working with the current General Counsel, the latitude to establish the RFP, and (3) allow the law firms to propose their own rates in the response to the RFP.<sup>34</sup>
- A presentation for the Board's November 13, 2019 meeting included the schedule for the selection process.<sup>35</sup> In part, the RFP was released on September 30 with responses due October 31, a Board Workshop to review the responses was held on November 7, and the Board was scheduled to select the Interim General Counsel at that day's meeting.<sup>36</sup>
- On November 13, 2019, the Board selected a new Interim General Counsel on a 4-3 vote.<sup>37</sup>

In addition to the issues related to the Interim General Counsel position at the Board's August 2019 meeting, another procurement-related item was discussed without appearing on the meeting agenda.<sup>38 39</sup> The Board had previously gone through a RFP process and selected McKinsey & Company, a consulting firm, to perform services.<sup>40</sup> However, during the August meeting, a Board member made a motion to amend the consulting firm's contract to expand the scope of work to add a best practice study on procurement, concessions, and contracts. Another Board member objected because the issue was not on the agenda.<sup>41</sup> However, the Board approved a motion to negotiate with the consulting firm and return to the Board with an agreement for consideration.<sup>42</sup>

### **Financial Audit**

The GOAA has obtained annual financial audits of its accounts and records by an independent certified public accountant (CPA). The GOAA has submitted the audit reports to the Auditor General's Office in accordance with Section 218.39(1), *Florida Statutes*.<sup>43</sup> The most recent financial audit report submitted to the Auditor General is for the 2017-18 fiscal year. It did not include any findings.<sup>44</sup>

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<sup>33</sup> Greater Orlando Aviation Authority Board September 18, 2019 - Minutes, page 6524, available at <https://orlandoairports.net/airport-business/> (select "Meeting Documents" at bottom of webpage, then select from dropdown list under "Aviation Authority Board") (last visited on December 10, 2019).

<sup>34</sup> *Id.*

<sup>35</sup> Greater Orlando Aviation Authority Board November 13, 2019 - Presentation, available at <https://orlandoairports.net/airport-business/> (select "Meeting Documents" at bottom of webpage, then select from dropdown list under Aviation Authority Board) (last visited December 10, 2019).

<sup>36</sup> *Id.*, page 3.

<sup>37</sup> Beth Kassab, *Orlando airport board selects interim attorney*, Orlando Sentinel, November 13, 2019.

<sup>38</sup> See *supra* note 19.

<sup>39</sup> See *supra* note 20.

<sup>40</sup> See *supra* note 19, page 6510.

<sup>41</sup> *Id.*

<sup>42</sup> *Id.*, page 6511.

<sup>43</sup> 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.

<sup>44</sup> *Greater Orlando Aviation Authority Comprehensive Annual Financial Report for the years ended September 30, 2018 and 2017*.

*Summary of Certain Financial and Other Information Included in the GOAA's Audit Report.*<sup>45</sup>

	2018	2017	2016
Total Passengers	46.9 Million	43.6 Million	41.6 Million
Total Revenues	\$743,147,000	\$629,386,000	\$581,876,000
Total Expenses	\$564,540,000	\$497,557,000	\$496,547,000
Capital Contributions <sup>46</sup>	\$59.4 Million	\$98.6 Million <sup>47</sup>	\$101.1 Million <sup>48</sup>
Ending Net Position	\$2,528,297,000	\$2,290,253,000	\$2,059,843,000
Projects Under Construction	\$509 Million	\$556.6 Million <sup>49</sup>	\$407.5 Million <sup>50</sup>
Projects Completed	\$933.2 Million	\$155.4 Million <sup>51</sup>	\$140.6 Million <sup>52</sup>

The GOAA has adopted a \$4.27 billion Capital Improvement Program for the Orlando International Airport that includes the following:<sup>53</sup>

- Projects to increase the existing capacity of the North Terminal Complex facilities, including improvements to the Airfield;
- Renovation of the North Terminal Complex ticket lobbies;
- Improvements to the North Terminal Complex Baggage Handling System;
- Expansion of the Airside 4 Federal Inspection Services;
- Construction of the South Airport Automated People Mover Complex;
- Design and construction of the South Terminal "C" Phase 1 Complex; and
- Expansion of the South Terminal Complex Phase 1.

As of December 2018, the GOAA had an \$18 million Capital Improvement Plan for the Orlando Executive Airport.<sup>54</sup> Projects include:

- Rehabilitation of non-aviation revenue-generating properties, and
- Rehabilitation of runways and taxiways.

### **Other Considerations**

The Auditor General, if directed by the Committee, will conduct an operational audit as defined in Section 11.45(1)(i), *Florida Statutes*, and take steps to avoid duplicating the work efforts of other audits being performed of the GOAA's operations, such as the annual financial audit. The primary focus of a financial audit is to examine the financial statements in order to provide reasonable assurance about whether they are fairly presented in all material respects. The focus of an operational audit is to evaluate management's performance in establishing and maintaining internal controls and administering assigned

<sup>45</sup> *Management's Discussion and Analysis; Greater Orlando Aviation Authority Comprehensive Annual Financial Report for the years ended September 30, 2018 and 2017*, pages 14-24.

<sup>46</sup> These are contributions received from the federal and state governments and others.

<sup>47</sup> *Management's Discussion and Analysis; Greater Orlando Aviation Authority Comprehensive Annual Financial Report for the years ended September 30, 2017 and 2016*, page 20.

<sup>48</sup> *Management's Discussion and Analysis; Greater Orlando Aviation Authority Comprehensive Annual Financial Report for the years ended September 30, 2016 and 2015*, page 20.

<sup>49</sup> See *supra* note 47, page 23.

<sup>50</sup> See *supra* note 48, page 22.

<sup>51</sup> See *supra* note 47, page 24.

<sup>52</sup> See *supra* note 48, page 23.

<sup>53</sup> See *supra* note 4, page 4.

<sup>54</sup> *Id.*, page 5.

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 GOAA's progress in addressing the findings and recommendations contained within the previous audit report.

The Auditor General has no enforcement authority. If fraud is suspected, the Auditor General may be required by professional standards to report it to those charged with the GOAA'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 GOAA's governing board and management. 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 GOAA 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 Board's Chairman, or his designee, 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 to proceed with legal action against the GOAA to compel compliance.

### **III. Effect of Proposed Request and Committee Staff Recommendation**

If the Committee directs the Auditor General to perform a targeted operational audit of the GOAA, as addressed herein, the Auditor General, pursuant to the authority provided in Section 11.45(3), *Florida Statutes*, shall finalize the scope of the audit during the course of the audit, providing that the audit-related concerns of Senator Brandes as included in his request letter and herein are considered.

### **IV. Economic Impact and Fiscal Note:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

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

### **V. Related Issues:**

None.

This staff analysis does not reflect the intent or official position of the requestor.
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**6 AG Audit Report**  
**City of Palm Bay**

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# CITY OF PALM BAY

## OPERATIONAL AUDIT

LEGISLATIVE AUDITING COMMITTEE  
DECEMBER 12, 2019



# BACKGROUND

- ❖ This Committee directed us in November 2017 to conduct an operational audit of the City of Palm Bay.
- ❖ We examined records and transactions for the period October 2016 through February 2018.
- ❖ In December 2019, we issued our operational audit report No. 2020-069 with 31 audit findings.

# AUDIT FINDINGS

## Construction Administration

1. Highway Interchange and Connector Road Funding.
2. Design-Build Firm Selection Process.
3. Subcontractor Monitoring.

# AUDIT FINDINGS

## Procurement

4. Purchasing Authority.
5. Procurement of Services.
6. Insurance Procurement.
7. Selection of Debt Professionals.
8. Purchasing Cards.
9. Wireless Communication Devices and Services.

# AUDIT FINDINGS

## Payroll & Personnel Administration

- 10. Extra Compensation.
- 11. Severance Pay.
- 12. Employee Time Records.
- 13. Employee Evaluations.
- 14. Pay Increases.
- 15. Salary Cost Allocations.

# AUDIT FINDINGS

## Accountability For Resources

16. Special Events.

17. Accountability for Donations to Organizations.

# AUDIT FINDINGS

## Capital Assets

18. Land Disposition.

19. Tangible Personal Property.

# AUDIT FINDINGS

## Motor Vehicles

- 20. Mayor's Assigned Vehicle and Incidental Expense Allowance.
- 21. Automobile Allowances.
- 22. Take-home Vehicle Assignment and Use.
- 23. Vehicle Taxable Fringe Benefits.

# AUDIT FINDINGS

## Public Records

- 24. Public Records Retention.
- 25. City Council Meeting Minutes.

# AUDIT FINDINGS

## Administration and Management

- 26. Anti-Fraud Policies and Procedures.
- 27. Budget Controls.
- 28. Budget and Financial Condition Monitoring.
- 29. Council Members Communications with City Personnel.

# AUDIT FINDINGS

## Information Technology

30. Information Technology User Access Privileges.

31. Information Technology Disaster Recovery Plan.

# Contact Information



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[FLAuditor.gov](http://FLAuditor.gov)

# STATE OF FLORIDA AUDITOR GENERAL

## Operational Audit

Report No. 2020-069  
December 2019

### CITY OF PALM BAY



Sherrill F. Norman, CPA  
Auditor General

## **Mayor, Council Members, and City Manager**

During the period October 2016 through February 2018, the following individuals served as City of Palm Bay Mayor, Deputy Mayor, Council Member, or City Manager:

William Capote, Mayor

Calvin Holton, Deputy Mayor from 11-16-17

Harry Santiago, Jr. Deputy Mayor from 11-21-16 through 11-15-17

Jeff Bailey, Deputy Mayor through 11-20-16

Brian Anderson, Council member from 11-21-16

Michele Paccione, Council member through 11-20-16

Gregg Lynk, City Manager

The team leader was Daria Ermakova, CPA, and the audit was supervised by Derek H. Noonan, CPA.

Please address inquiries regarding this report to Michael J. Gomez, CPA, Audit Manager, by e-mail at [mikegomez@aud.state.fl.us](mailto:mikegomez@aud.state.fl.us) or by telephone at (850) 412-2881.

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**State of Florida Auditor General**

**Claude Pepper Building, Suite G74 · 111 West Madison Street · Tallahassee, FL 32399-1450 · (850) 412-2722**

# CITY OF PALM BAY

## **SUMMARY**

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This operational audit of the City of Palm Bay focused on selected processes and administrative activities. Our audit disclosed the following:

### **Construction Administration**

**Finding 1:** The City did not document efforts to secure contributions from other governmental entities and from developers for highway interchange and connector road projects. In addition, City personnel did not provide complete and accurate information to the City Council regarding anticipated funding needs for the projects.

**Finding 2:** City controls over the competitive selection of design criteria and design-build professional services need enhancement to ensure compliance with State law and the City *Procurement Manual*, and to improve transparency.

**Finding 3:** City personnel did not verify that the design-build firm for the St. Johns Heritage Parkway Interchange to Babcock Street Project used a competitive selection process to select subcontractors; document comparisons of the subcontractor bid awards, contract amounts, and invoices with related design-build firm payment requests; or verify that subcontractors were appropriately licensed before they commenced work on the project.

### **Procurement**

**Finding 4:** The City Council's purchasing threshold of \$100,000 appeared excessive when compared to the purchasing thresholds at comparably sized municipalities, and the change in the purchasing threshold from \$25,000 to \$100,000 was not openly discussed at City Council workshops or other public meetings prior to the City Council's approval of the \$100,000 threshold.

**Finding 5:** The City needs to enhance policies and procedures to ensure that records are maintained to justify procurement decisions that deviate from evaluation committee recommendations and that continuing professional services contracts are periodically subjected to competitive procurement.

**Finding 6:** The City needs to periodically negotiate group health insurance administration services with multiple potential administrators to ensure that such services are obtained at the lowest cost consistent with desired quality. In addition, the City needs to ensure that all significant decisions impacting City operations, such as decisions to exclude insurance-related services from competitive procurement, are openly discussed at City Council workshops or public meetings, and the factors considered by decision makers documented.

**Finding 7:** Contrary to Government Finance Officers Association best practices, the City had not competitively selected the City financial advisor and bond counsel since April 2010 and September 2012, respectively.

**Finding 8:** Controls over City-assigned purchasing cards (P-cards) need improvement to ensure that P-card assignments are properly approved, credit limits are periodically evaluated and appropriately

adjusted, and P-cards and related accounts are promptly canceled upon a cardholder's separation from City employment.

**Finding 9:** The City needs to enhance controls over the acquisition, assignment, and use of wireless communication devices.

### **Payroll and Personnel Administration**

**Finding 10:** The City paid extra compensation of \$18,000 to the Deputy City Attorney contrary to State law.

**Finding 11:** The City had not established policies and procedures to ensure that severance pay amounts do not exceed the limits specified in State law and are supported by documentation evidencing the public purpose for such pay. In addition, the City needs to take appropriate action to amend the City Attorney Emeritus employment agreement severance pay provisions to comply with State law. The City also needs to document the legal authority and public purpose for the severance payment to the Deputy City Manager or pursue recovery of the payment.

**Finding 12:** Supervisory approval of City employee time worked was not always appropriately documented.

**Finding 13:** The City did not always timely conduct employee performance evaluations required by City administrative codes.

**Finding 14:** City policies and procedures need enhancement to ensure that all pay increases are appropriately supported.

**Finding 15:** Transfers from the City Stormwater Utility Fund to reimburse salary costs in other funds were not based upon documented employee time and effort expended on stormwater management activities for the applicable period.

### **Accountability for Resources**

**Finding 16:** The City had not established controls to provide adequate accountability for special events and did not document the public purpose for such events.

**Finding 17:** The City had not established appropriate policies and procedures for making donations to external organizations and confirming the organizations' use of such donations for a public purpose.

### **Capital Assets**

**Finding 18:** City surplus land disposal procedures need enhancement to evidence compliance with City administrative codes and demonstrate City Council approval of any offers below the land parcel listing price.

**Finding 19:** The City needs to amend the City ordinances to assign responsibility for overall oversight of tangible personal property (TPP) records to a City employee and update the City *Accounting Manual* to ensure that appropriate accountability for TPP is achieved consistent with City ordinances.

## Motor Vehicles

**Finding 20:** The City provided a motor vehicle for the Mayor's use without documenting the specific authority for providing the Mayor a take-home vehicle, reducing the Mayor's monthly incidental expense allowance amount by an amount proportional to the mileage-related expenses, or requiring the Mayor to document the official purpose for all trips made in the City-owned vehicle. In addition, the City needs to enhance budgetary controls to ensure that authorizations for new vehicle acquisitions are accomplished through the annual budget process in accordance with City procedures.

**Finding 21:** The City provided automobile allowances to employees without determining the cost-effectiveness of providing such allowances or the reasonableness of the allowance amounts.

**Finding 22:** Take-home vehicle assignments were not always supported by a properly completed *Take Home Vehicle Program Agreement* signed by the employee, applicable department head, and the City Manager or designee as required by City administrative codes.

**Finding 23:** The City did not always include the value of personal use of City vehicles in the gross income reported to the Internal Revenue Service for applicable City officials and employees.

## Public Records

**Finding 24:** The City had not established procedures that required the retention of electronic communications, such as e-mails and text messages. In addition, the City did not always comply with State records retention requirements and did not archive text messages sent or received using wireless communication devices.

**Finding 25:** Contrary to State law, City Council meeting minutes were not always promptly prepared, reviewed, approved, and made available to the public.

## Administration and Management

**Finding 26:** The City needs to establish policies and procedures for communicating, investigating, and reporting known or suspected fraud.

**Finding 27:** City controls over the budgetary process need enhancement to ensure that expenditures are limited to approved budgeted amounts.

**Finding 28:** The City did not always prepare and submit to the City Council sufficiently detailed monthly reports of receipts and disbursements as required by City ordinances.

**Finding 29:** The Mayor and another City Council member interacted with City employees without following City Charter provisions and giving reasonable notice to the City Manager.

## Information Technology

**Finding 30:** To ensure that user information technology (IT) user access privileges are limited to those necessary for the users' assigned job responsibilities and enforce an appropriate separation of duties, the City needs to implement an effective process for documented, periodic evaluations of user access privileges and promptly remove any inappropriate or unnecessary access privileges detected.

**Finding 31:** The City had not established an IT disaster recovery plan detailing the procedures to be followed to recover and restore financial records and other critical City applications in the event of a major hardware or software failure.

## **BACKGROUND**

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In 1960, the City of Palm Bay (City) was incorporated as a municipality. The City is located in Brevard County and has a population of 115,322, making it the most populous city in Brevard County.<sup>1</sup> The City is governed by the City Council composed of four elected Council members and an elected Mayor. The City Council is responsible for enacting ordinances, resolutions, and policies governing the City, as well as appointing the City Manager. The City Manager serves as the Chief Executive Officer and is responsible for the administration and implementation of policies adopted by the Council.

The City provides citizens with a full range of services, including police and fire, public works, planning and zoning, permitting, parks and recreation, water and sewer, and general administrative services.

## **FINDINGS AND RECOMMENDATIONS**

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### CONSTRUCTION ADMINISTRATION

During the period October 2016 through February 2018, the City expended \$10.6 million for 73 construction projects, including 41 construction projects each with expenditures totaling more than \$50,000 and collective expenditures totaling \$10.1 million.

As part of our audit, we requested for examination City records for the 3 construction projects with the highest expenditures during the period October 2016 through February 2018. In addition, we examined records for the St. Johns Heritage Parkway Interchange to Babcock Street Project for which there were allegations of certain contractual improprieties. Contract and contractor payment amounts for these projects were as follows:

- *St. Johns Heritage Parkway Interchange to Babcock Street project.* The original contract amount was \$9.3 million, and the final amended contract amount was \$9.6 million. As of November 2018, the project was still in progress and payments to the contractor totaled \$2 million.
- *North Regional Lime Softening WTP Treatment Unit #2 Rehabilitation project.* The original contract amount was \$1.2 million, and the final amended contract amount was \$1.2 million. The project was completed and payments to the contractor totaled \$1.2 million.
- *North Regional Deep Injection Well Pump Replacement Installation project.* The amounts of the original contracts totaled \$696,960 (\$227,460 for purchase of three new vertical turbine pumps and \$469,500 for installation of the pumps), and the amounts of the final amended contracts totaled \$719,852 (\$233,877 for the turbine pumps purchase and \$485,975 for the pumps' installation). The project was completed and payments to the contractors totaled \$717,652.
- *Road Reconstruction of Three Locations (Malabar at Jupiter Intersection, San Filippo at Waco Intersection, and Community College Parkway) project.* The original contract amount was

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<sup>1</sup> Florida Population Estimates for Counties and Municipalities, April 2019; Florida Office of Economic and Demographic Research.

\$711,145 and the final amended contract amount was \$732,306. The project was completed and payments to the contractor totaled \$732,056.

We examined records supporting the City's administration of these projects (including records of the contractor selection and monitoring of subcontractor selection and licensing) and contractor payments totaling \$4.7 million. Our examination disclosed that City records demonstrated the proper administration of these projects except as discussed in Findings 1 through 3.

### **Finding 1: Highway Interchange and Connector Road Funding**

Each local government in Florida must prepare and adopt a comprehensive plan that guides future development and growth in accordance with State law.<sup>2</sup> The City's Comprehensive Plan (Plan) establishes general policies and objectives for development in the City. State law requires<sup>3</sup> the City to enact land development regulations that are consistent with and implement the Plan. Such regulations must provide that, for a proposed development, public facilities and services meet or exceed the standards established in the capital improvements element of the Plan and are available when needed for the development, or that development orders and permits are conditioned on the availability of these public facilities and services necessary to serve the proposed development.<sup>4</sup>

City ordinances<sup>5</sup> establish land development regulations and the specific requirements for development necessary to implement the Plan. The Plan and City ordinances contain transportation provisions that address future land uses, levels of service, availability of facilities and services, correction of existing road deficiencies, and methods for meeting identified transportation needs. To mitigate the transportation-related costs incurred by the City as the result of a development project, homebuilders or developers are responsible for paying transportation impact fees<sup>6</sup> or proportionate share contributions (PSC),<sup>7</sup> the amounts of which are calculated considering the impacts and related costs of the proposed development on City roadways. According to City personnel, a transportation impact fee is assessed for each new development and is paid (by the homebuilder) prior to issuance of the building permit, while developers pay a PSC if the developer's proposed subdivision would cause the level of service (LOS) for the road segment adjacent or in close proximity to the subdivision to fall below the adopted LOS standard.

Several years ago, the City expressed interest in the construction of a new Interstate 95 (I-95) interchange as it was believed that the new interchange would, among other things, provide opportunities for economic growth and enhance emergency response times. Additionally, City records indicated the new interchange was needed to remedy transportation capacity deficiencies caused by increased traffic

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<sup>2</sup> Chapter 163, Part II, Florida Statutes.

<sup>3</sup> Sections 163.3194(1)(b) and 163.3202(1), Florida Statutes.

<sup>4</sup> Section 163.3202(2)(g), Florida Statutes.

<sup>5</sup> Chapters 169, 171, and 183, City of Palm Bay Code of Ordinances.

<sup>6</sup> Section 171.29(A)(1), City of Palm Bay Code of Ordinances, provides that any person who commences any land development activity generating traffic that creates an increased demand on the major road network system shall be obligated to pay a transportation impact fee upon the commencement of such land development activity.

<sup>7</sup> Section 183.34, City of Palm Bay Code of Ordinances, provides that a developer may choose to satisfy transportation concurrency requirements by making a proportionate share contribution in certain specified circumstances where the developer is partially responsible for the failure of a road segment adjacent or in close proximity to the developer's proposed subdivision to meet the level of service (LOS), in which case the developer is not required to pay the full cost of road improvements necessary to maintain the adopted LOS standard.

congestion resulting from new development. Accordingly, the City contacted the Florida Department of Transportation (FDOT) about the possibility of the FDOT constructing a new interchange.

At its April 18, 2013, meeting, the City Council adopted a resolution<sup>8</sup> authorizing the Mayor to execute a Memorandum of Agreement (MOA) with the FDOT and, in May 2013, the Mayor executed the MOA with the FDOT. The MOA provided that the FDOT would construct a new interchange on I-95 (Interchange) in Brevard County referred to as the Palm Bay Parkway Southern Interchange (Interchange Project) and the City would contribute to that construction by:

- Acquiring the right of way (ROW) necessary for the Interchange Project, including real estate property necessary for flood plain compensation, wildlife mitigation, water retention areas, and all other needs for the Interchange Project. The MOA provided that if the City failed to convey to the FDOT all of the real estate property interests necessary for the Interchange Project, the FDOT could unilaterally terminate the agreement.
- Ensuring that local roadways on each side of the Interchange are complete. This included a roadway, referred to as the St. Johns Heritage Parkway Interchange to Babcock Street project (SJHP Project) connecting Babcock Street to the Interchange.
- Acquiring all real estate property necessary to undertake and complete the local road projects. The MOA provided that if the City failed to acquire all of the real estate property interests necessary to undertake and complete the local road projects, Federal funding for the Interchange Project could be withheld.

To facilitate and obtain necessary ROW for the projects as provided by the MOA, the City, in January 2016, entered into two transportation impact fee (TIF) credit agreements with certain developers. The TIF credit agreements provided that the City would grant the developers TIF credits for specified developer contributions to the City that would benefit the building of the Interchange Project, including necessary connector roads (e.g., the SJHP Project). The TIF credit agreements provided the developers could use or assign the credits in the future for the payment of TIFs assessed on new developments (i.e., “Land Development Activity Generating Traffic,” as defined by City ordinances)<sup>9</sup> within certain specified areas. Our examination of those two agreements disclosed that:

- The TIF credit agreement dated January 15, 2016, provided the City would grant a developer TIF credits totaling \$1.34 million for developer contributions consisting of ROW property donation (\$988,850); provision or payment of services for surveying, engineering, design, and permitting (\$100,548); funds for development agreement review costs (\$50,000); and an off-site stormwater retention easement (\$197,765).
- The other TIF credit agreement dated January 28, 2016, provided the City would grant a developer TIF credits totaling \$1.74 million for developer contributions consisting of ROW property donation (\$1.2 million); provision or payment of services for engineering, design, and permitting (\$291,051); and a donation to the City to offset the City’s environmental mitigation costs (\$250,000).

In summary, the TIF credit agreements provide to the applicable developers TIF credits totaling \$3.1 million in exchange for their contributions to the Interchange and SJHP projects, including

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<sup>8</sup> City of Palm Bay Resolution No. 2013-17.

<sup>9</sup> Section 171.27, City of Palm Bay Code of Ordinances.

\$2.4 million for donated ROW and stormwater retention easement property<sup>10</sup> and \$0.7 million for services or related costs incurred by the City or the developers for the benefit of the projects.

Other significant project financing for the City's share of the projects' costs occurred in February 2018, when the City issued Local Option Gas Tax Revenue Note Series 2018 for \$9 million for completion of the SJHP Project. Also, previously, in May 2015, the City issued Franchise Fee Revenue Notes Series 2015 for \$4.7 million to finance certain costs incurred in connection with the Interchange Project and a related connector road.

In March 2018, the City entered into a contract with a design-build firm to design and construct the connector road and construction began soon thereafter (as further discussed in Finding 2). According to City personnel, as of October 1, 2019, the Interchange Project had been completed by the FDOT while the SJHP Project was still in progress but was expected to be complete in another 4 to 6 weeks.

As shown in Table 1, according to City records, total estimated costs of \$30.7 million were expected to be incurred related to the Interchange and SJHP Projects, \$13 million of which the City had already incurred as of September 30, 2019.

**Table 1**  
**City Costs – Interchange and SJHP Projects**  
**Estimated as of October 22, 2019**

	Interchange Project	SJHP Project	Total <sup>a</sup>
Land Acquisition Costs	\$ 458,293	\$ -	\$ 458,293
Road Construction Costs	4,682,156	9,117,694	13,799,850
Revenue Notes Debt Service Payments	5,345,555	11,050,034	16,395,589
Other Miscellaneous Costs	41,747	3,296	45,043
<b>Totals</b>	<b><u>\$10,527,751</u></b>	<b><u>\$20,171,024</u></b>	<b><u>\$30,698,775</u></b>

<sup>a</sup> Amounts exclude project costs funded through TIF credits.

Source: City records.

As shown in Table 2, according to City records, total revenues and other financing sources of \$14.3 million were expected to be received related to the Interchange and SJHP Projects.

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<sup>10</sup> The ROW property donation values represent the average of two appraisals, one by a City appraiser and one by a developer appraiser. Both appraisers were members of the Appraisal Institute (a trade organization which monitors appraisers and holds them to a higher standard than appraisers who are merely licensed and do not belong to this organization) and the appraised fair market values were determined using Uniform Standards of Professional Appraisal Practice techniques.

**Table 2**  
**City Revenues and Other Financing Sources – Interchange and SJHP Projects**  
**Estimated as of October 22, 2019**

	Interchange Project	SJHP Project	Total <sup>a</sup>
Revenue Notes Proceeds	\$4,744,000	\$8,977,500	\$13,721,500
Recoveries and Refunds <sup>b</sup>	259,923	-	259,923
Investment Earnings	41,750	252,860	294,610
Other Miscellaneous Revenues	27,504	-	27,504
<b>Totals</b>	<b><u>\$5,073,177</u></b>	<b><u>\$9,230,360</u></b>	<b><u>\$14,303,537</u></b>

<sup>a</sup> Amounts exclude revenue and other financing sources received in exchange for TIF credits.

<sup>b</sup> Represents a \$250,000 contribution from the FDOT toward construction of the Interchange and \$9,923 for a partial refund of a permit application fee paid by the City.

Source: City records.

Once both projects are complete, the City is expected to have incurred costs in excess of related revenues and other financing sources in the amount of \$16.4 million for these projects. The City may receive TIFs from current and future developments to eventually address part, if not all, of this deficit. However, although requested, City personnel did not provide us records evidencing the expected amount or periods of collection of such TIFs. Accordingly, to the extent that PSCs or other contributions from developers or other governmental entities are not obtained, the City may have to fund a significant portion of the \$16.4 million deficit from other available City resources.

**Consideration of Developer Contributions.** According to City records, there was an initial expectation that primarily private resources, and not City resources, would be used to construct the connector road and pay the City’s assigned share of costs (ROW acquisition) for the Interchange Project. For example, according to an Interchange Modification Report (IMR)<sup>11</sup> submitted by a developer to the FDOT in August 2008, the developer intended to fund all required phases of the Interchange and SJHP Projects because, absent the new interchange, the existing I-95 segment would be unable to support increased traffic demand caused by a major new development for which the developer was associated, as well as other planned developments. Additionally, in a letter to the FDOT dated December 23, 2009, the then City Manager stated that “we expect the property owners to construct the access roadway” and “the property owners are willing to work with the Department [FDOT] to commit private sector resources to ensure that the interchange project can remain on schedule.”

Also, at the April 18, 2013, City Council meeting at which the Council voted to enter into the MOA with the FDOT, the then City Manager advised the City Council that the City was working with private sector partners and generally had commitments for most of the right of way dedication as well as the construction of the access roads. The former City Manager further indicated that the City was working towards the goal of a public/private partnership for the Interchange.

Further, at the City Council’s May 15, 2014, meeting, the then City Manager presented the City Council with a legislative memorandum indicating that the City’s fiscal responsibility will be generally limited to

<sup>11</sup> According to the IMR, the purpose of the IMR is to provide the required technical documentation for obtaining the Federal Highway Administration’s approval for constructing the Interchange at the proposed location.

extensive staff involvement in coordinating the project, some outside counsel expenses, and transportation impact fee credits for the development of the properties in and around the Interchange to the extent property owners have contributed resources to the project. As shown in Table 1, the City incurred significant expenses beyond the types of expenses indicated in the legislative memorandum.

To determine the extent to which the City attempted to obtain developer contributions to cover costs of the SJHP Project or the City's share of costs (ROW acquisition) for the Interchange Project, we examined City records and made inquiries of City personnel, and found that:

- Despite the assurances by the former City Managers, the City has not received any contributions from developers through a PSC or other means to cover the estimated \$16.4 million deficit the City may incur for the Interchange and SJHP Projects. As previously discussed, developers did contribute property valued at \$2.4 million and \$0.7 million for expenses incurred in connection with these projects; however, those developers will eventually be reimbursed by the City for those contributions totaling \$3.1 million through the use or assignment of TIF credits.
- Several developments, by virtue of their size and proximity, heightened the need for the Interchange. However, in response to our inquiry, City personnel indicated that they were not aware of any City efforts to negotiate with the associated developers to pay any of the costs incurred in connection with the Interchange or SJHP Projects. Regarding contributions through TIFs or PSCs associated with these developments, City personnel indicated that:
  - For one of the developments, the City entered into a TIF credit agreement with the developer because the developer constructed a 4-lane road although the traffic study only required a 2-lane road. City personnel indicated that the development was approved approximately 10 years prior to the effective date of the City ordinance<sup>12</sup> that established PSCs and, as such, the developer would not have been required to pay a PSC in connection with the development; however, homebuilders associated with that development would have paid applicable TIFs.
  - For one development, 303 single-family homes have been built and another 1,800 dwelling units were approved for construction on August 26, 2004. According to City personnel, because the approval occurred prior to the effective date of the City ordinance that established PSCs, the developer would not have been required to pay a PSC in connection with the development, although homebuilders within that development would have paid applicable TIFs.
  - On October 18, 2018, one of the developments was approved for a maximum of 3,760 residential dwelling units and up to 2.8 million square feet of non-residential uses. According to City personnel, homebuilders within that development will pay TIFs. However, in response to our inquiries, City personnel indicated that they were unable to find any records evidencing that the City had determined whether the developer should pay a PSC in connection with the development or whether the developer had actually paid a PSC.
  - Construction activity for three developments had not yet begun; consequently, the City could potentially, in the future, receive contributions through PSCs from the associated developers. In addition, homebuilders associated with those developments may ultimately pay TIFs.
- In January 2010, the then Growth Management Department Director informed the then Deputy City Manager that, in anticipation of the Interchange and SJHP Projects, the City Council had approved several large Comprehensive Plan Future Land Use Map amendments requested by developers to allow for building specified numbers of residential units. In response to our inquiry, City personnel indicated that they were unaware whether the City Council or City management ever considered withholding such approvals in an effort to get developers to contribute towards

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<sup>12</sup> City of Palm Bay Ordinance No. 2006-128.

costs related to the Interchange or SJHP Projects. City personnel and City records did not indicate why City Council or City management would not have made such efforts.

Although the Interchange will likely provide benefits to the City and its residents, through an increased tax base, opportunities for economic growth, and enhanced emergency response times, the Interchange clearly also directly benefited developers who stood to profit from various new developments, which heightened the need for the Interchange. As such, it was not apparent, of record, why the City did not make a more concerted effort to compel developers benefiting from the Interchange to contribute towards costs related to the Interchange or SJHP Projects. Additionally, developers not paying their share of costs for projects needed to remedy transportation capacity deficiencies is not consistent with the Plan and Plan Regulations' provisions intended to mitigate transportation-related costs incurred by the City resulting from development.

**Consideration of Other Funding Sources.** To determine the extent to which the City attempted to obtain resources, other than developer contributions, to cover costs of the Interchange or SJHP Projects, we examined City records and made inquiries of City personnel, and found that:

- Although we requested, City personnel did not provide records evidencing their estimates of funding sources for the Interchange or SJHP Projects for consideration by the City Council prior to the City entering into the MOA with the FDOT in May 2013. We also noted that:
  - City personnel prepared a worksheet in June 2013 showing estimated “private contributions” of \$11.6 million. However, we were not provided records indicating what specific funding sources comprised the “private contributions” or supporting how the estimated amount was determined.
  - The City Council adopted a City ordinance<sup>13</sup> at its January 20, 2015, meeting, amending the capital improvements element of the Plan, which includes a 5-year capital improvements schedule (CIS). According to the revised 5-year CIS, anticipated funding sources for the SJHP Project included impact fees, grants, and developer contributions. However, we were not provided records evidencing the amounts or availability of these anticipated funding sources.

City personnel did not indicate why supportable estimates of available funding sources were not provided for the City Council's consideration prior to the City entering into the MOA with the FDOT. Notwithstanding the potential benefits to the City from the Interchange, providing supportable estimates of available funding sources for City Council consideration was essential to the Council's ability to make an informed decision about whether the City should enter into the MOA with the FDOT, assume the responsibilities enumerated therein, and assume the related costs to fulfill those responsibilities.

- Other governmental entities stood to benefit from the Interchange, and developments located in Brevard and Indian River Counties contributed to the need for the Interchange. An Indian River County Metropolitan Planning Organization (MPO) Resolution<sup>14</sup> adopted June 8, 2005, indicated that areas in Brevard and Indian River Counties had experienced 33 percent growth in intercounty commuter activity between 1990 and 2000, and both counties were forecasting residential and commuter growth to accelerate in coming decades, placing increased demand on the existing interchanges, regional roadways, and local streets. The resolution further indicated that a new interchange would provide traffic congestion relief, emergency evacuation, economic development, and mobility benefits to citizens throughout the region. In addition to Brevard and

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<sup>13</sup> City of Palm Bay Ordinance No. 2015-02.

<sup>14</sup> MPO Resolution No. 2005-001 adopted June 8, 2005.

Indian River Counties, municipalities within Brevard County, such as the Cities of Melbourne, West Melbourne, and Melbourne Village, stood to benefit from the Interchange because of their proximity.

In response to our inquiry, City personnel provided us a copy of an agreement dated December 2, 2008, that was signed by representatives of the City, Brevard County, and the Cities of Melbourne and West Melbourne, and which indicated that there was a desire by these entities to enter into an interlocal agreement outlining responsibilities regarding the design, construction, operation, and financing of the SJHP Project. However, City personnel did not provide us records evidencing the interlocal agreement was ever prepared and executed, and City personnel indicated that they were not aware of any other City attempts to negotiate with other governments about contributing towards costs related to the Interchange or SJHP Projects.

City personnel did not indicate why the City did not, subsequent to signing the December 2, 2008, memorandum of agreement, make further attempts to negotiate with other governments about contributing towards costs related to the Interchange or SJHP projects. It was not apparent, of record, why the City did not make such attempts since these governments stood to benefit from the Interchange and SJHP Projects.

**Recommendation:** The City should, for future transportation-related projects, ensure that:

- Every effort is made to compel developers and benefiting governments to contribute to the cost of highway or road infrastructure improvements necessitated by developmental growth, including assessing TIFs or PSCs, as appropriate.
- The City Council is provided complete and accurate information regarding the financing of the projects.

**Additionally, the City should ensure that developers associated with the currently undeveloped developments that contributed to the need for the Interchange and SJHP Projects are required to pay PSCs to the extent allowable under City ordinances.**

## **Finding 2: Design-Build Firm Selection Process**

The City is required to procure design-build services in accordance with State law<sup>15</sup> and the City *Procurement Manual*.<sup>16</sup> On January 16, 2017, the City issued a request for proposal (RFP) for design-build services for the SJHP Project. The SJHP Project RFP provided that the City would be utilizing a two-phase process whereby an evaluation team (e-team) would evaluate respondents who submitted proposals in response to the RFP.

- Phase 1 was to include the evaluation and ranking of interested design-build firm proposals using four specified non-price factor criteria (project team, project team location, project management, and project approach), each of which was to be assigned a score that did not exceed a maximum total score ranging from 10 to 40 points. Only those firms deemed most qualified were to be “short-listed” and advanced to Phase 2 of the RFP process.
- Phase 2 was to include an evaluation of each respondent firm’s response to e-team member questions during an oral presentation, with a maximum total score of 40 points, and a calculated score for each firm’s proposed guaranteed maximum price (GMP) based on an RFP-specified formula, with a maximum total score of 60 points.

<sup>15</sup> Section 287.055(9), Florida Statutes.

<sup>16</sup> *City of Palm Bay Procurement Manual (Procurement Manual)*.

City records indicated that two firms submitted proposals. E-team members assigned a score for each of the Phase 1 criteria and a score for each respondent firm’s oral presentation. The average of the e-team member assigned scores was multiplied by an RFP-specified weighted value to arrive at the total proposal score. The GMP score was calculated using the RFP-specified formula, which was designed to result in the lowest GMP receiving the highest score, and then multiplied by the RFP-specified weighted value. One respondent (Respondent A) proposed a GMP of \$9.5 million, while the other respondent (Respondent B) proposed a GMP of \$8.4 million. As shown in Table 3, Respondent A was the highest-ranked respondent with a total score of 176.56, and Respondent B received a total score of 174.34.

**Table 3**  
**SJHP Project Design-Build Services Proposals**  
**E-Team Evaluation Scores**

	Project Team	Project Team Location	Project Management	Project Approach	Oral Presentation	GMP	Total Score
<b>Maximum Weighted Score</b>	<b>40.00</b>	<b>10.00</b>	<b>25.00</b>	<b>25.00</b>	<b>40.00</b>	<b>60.00</b>	<b>200.00</b>
Respondent A Score	34.13	9.53	19.83	22.50	37.07	53.50	<b>176.56</b>
Respondent B Score	33.87	8.00	19.17	18.50	34.80	60.00	<b>174.34</b>

Source: City records.

An agenda item providing for City Council consideration of the respondents’ proposals and ranking thereof was originally scheduled for the July 6, 2017, City Council meeting; however, the item was pulled from that meeting’s agenda because attorneys representing Respondent B filed a *Formal Protest and Request for Hearing*. The protest alleged that “the City failed to follow its own guidelines and criteria in evaluating proposals.” Subsequent to the City Chief Procurement Officer (CPO) responding to the attorneys’ specific concerns in a letter dated July 27, 2017, Respondent B’s attorneys sent a memorandum addressed to the City Council reiterating concerns with the project’s design-build services procurement process.

At the October 17, 2017, special meeting, the City Council listened to comments by Respondent B and Respondent B’s attorneys; however, the City Council opted to deny the protest and to commence contract negotiations with Respondent A. On March 2, 2018, the City executed a contract with Respondent A.

Our examination of City records and discussions with City personnel regarding the selection of the design-build firm for the SJHP Project disclosed areas in which the City’s administration of the Project could have been enhanced. These areas included, for example, the use of a design criteria professional, procurement of design-build services, appointment of e-team members, RFP response scoring instructions, RFP scoring transparency, and RFP scoring methodology.

**Use of a Design Criteria Professional.** Pursuant to State law<sup>17</sup> and the *Procurement Manual*,<sup>18</sup> the City must employ or retain a design criteria professional<sup>19</sup> to prepare a design criteria package<sup>20</sup> and provide sufficient information to permit design-build firms to prepare a bid or a response to the City's RFP. If the City elects to enter into a professional services contract for the preparation of the design criteria package, the design criteria professional must be selected in the manner specified by State law.<sup>21</sup>

City personnel and City records indicated that the City initially intended for developers to construct the SJHP Project and a developer had engaged a firm to perform work in connection with the Project. However, the City later decided to assume responsibility for the SJHP Project design and construction and, according to City personnel, the City contracted with the firm previously engaged by the developer and reimbursed the developer (via an impact fee credit) for amounts the developer had already paid the firm. City personnel provided us documentation evidencing that the firm prepared the design criteria package used in connection with the City's procurement of a design-build firm for the project.

In a legislative memorandum dated June 2, 2016, the then City Manager recommended to the City Council that the City engage the firm as the design criteria professional for the SJHP Project and forgo using a competitive selection process. The memorandum indicated the City Manager considered the engagement of the design criteria professional to constitute an emergency purchase and provided the City Manager's reasons for waiving the competitive selection process, and the City Council approved his recommendation at the June 2, 2016, meeting. However, City records did not evidence that, prior to approval, the City Council was provided complete and accurate information for consideration. Specifically:

- Although the memorandum indicated that at the time the City assumed responsibility for contracting with and paying the firm a deadline had already been established for permit completion, City records did not evidence that the City Council was provided documentation evidencing the permit completion deadline.
- The memorandum indicated a concern about legal liabilities and associated costs that could result from switching to another firm; however, City records did not evidence that the City Attorney had been consulted regarding potential litigation or the basis for such litigation given that the developer, not the City, engaged the firm.
- City records did not evidence that the City Council was made aware of the State law requirement that the design criteria professional be competitively selected.
- City records did not evidence that the developer used a competitive selection process to select the firm or that the City Council was informed of the process used.

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<sup>17</sup> Section 287.055(9)(b), Florida Statutes.

<sup>18</sup> Section U1, *Procurement Manual*, Design-Build Services – Design-Build Firm Selection Process.

<sup>19</sup> According to Section 287.055(2)(k), Florida Statutes, a design criteria professional means a firm who is employed by or under contract to provide professional architect services, landscape architect services, or engineering services in connection with the preparation of the design criteria package.

<sup>20</sup> According to Section 287.055(2)(j), Florida Statutes, a design criteria package means concise, performance-oriented drawings or specifications of the public construction project.

<sup>21</sup> Section 287.055(4) and (9)(b), Florida Statutes.

The provision of complete and accurate information for City Council consideration was essential to the Council's ability to make an informed decision regarding the City's use of the firm engaged by the developer.

The memorandum also referenced a City ordinance<sup>22</sup> in effect at the time that permitted the City Manager to make emergency purchases without benefit of a competitive selection process with written justification of the reasons the emergency affected the life, health, or convenience of citizens. The City did not issue an RFP for design-build services until January 16, 2017, more than 7 months after the City Council waived the competitive selection process at the June 2, 2016, meeting. The period from June 2016 through January 2017 should have provided ample time for the City to issue an RFP, receive and evaluate the resulting proposals, and select another design criteria professional. As such, it is questionable whether the circumstances described in the memorandum constituted an emergency purchase as contemplated by City ordinances.

Competitively selecting a design criteria professional in accordance with State law provides the City additional assurance that such services are procured in a fair and equitable manner and at the best price consistent with acceptable quality.

**Procurement of Design-Build Services.** One section of the *Procurement Manual*<sup>23</sup> prescribes general procedures to be used when the City uses a competitive sealed proposal process, while another section<sup>24</sup> prescribes additional procedures to be used when the City decides to use a competitive sealed proposal selection process for design-build services. In response to our inquiries, City personnel asserted that only the latter *Procurement Manual* section is applicable for a competitive sealed proposal process for design-build services. However, the *Procurement Manual* does not explicitly state that design-build services are exempt from the section that prescribes general competitive sealed proposal procedures and, although we requested, we were not provided records supporting City personnel's assertion. As such, it is not clear as to whether City Council intent was for procurement of design-build services to be made using a competitive sealed proposal selection process in accordance with applicable provisions within both of these sections of the *Procurement Manual* or just the latter section.

While the latter section<sup>25</sup> includes certain requirements that are unique to procurement of design-build services, the earlier section<sup>26</sup> includes numerous key provisions that should apply to the procurement of any services. Examples of such key provisions include:

- Instructions on establishing evaluation criteria, including several example criteria. Although the latter section refers to criteria established in State law,<sup>27</sup> that law does not establish criteria for design-build services. Rather, the law provides that the City must award design-build contracts in accordance with procurement laws, rules, and ordinances applicable to the City.

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<sup>22</sup> City of Palm Bay Ordinance No. 2007-12, Sections 8A.2 and 9, adopted March 1, 2007, and superseded by City of Palm Bay Ordinance No. 2016-59, adopted August 16, 2016, which defines an emergency purchase as "A purchase made due to an unexpected and urgent request where health and safety or the conservation of public resources is at risk."

<sup>23</sup> Section O, *Procurement Manual*, Competitive Sealed Proposal Process.

<sup>24</sup> Section U3, *Procurement Manual*, Design-Build Services – Design-Build Firm Selection Process.

<sup>25</sup> Section U3, *Procurement Manual*, Design-Build Services – Design-Build Firm Selection Process.

<sup>26</sup> Section O, *Procurement Manual*, Competitive Sealed Proposal Process.

<sup>27</sup> Section 287.055, Florida Statutes.

- A requirement that each e-team member complete a *Conflict of Interest Statement* and that any member with a conflict of interest be removed from the e-team.
- Provisions indicating that a primary objective in selecting e-team members is the selection of individuals who are knowledgeable of the subject matter of the solicitation, which may necessitate including a specialist who is not a City employee.
- Provisions indicating that all records of e-team meetings, including recordings, notes, and score sheets, are public records in accordance with State law;<sup>28</sup> the e-team chair is responsible for ensuring that such records are maintained; and direct discussion between e-team members and respondents is not permitted.
- A provision indicating that it is important for e-team members to enter comments on their scoring sheets to support the rationale for scores.

In addition, we noted that the *Procurement Manual* section that City personnel indicated did apply to a competitive sealed proposal process for design-build services states that an RFP will be advertised in accordance with the *Procurement Manual*. However, the *Procurement Manual* only specifies advertising requirements for an RFP selection process in the section that prescribes general competitive sealed proposal procedures, which requires that advertisements be completed in accordance with State law.<sup>29</sup> If, as City personnel asserted, that section does not apply to a competitive sealed proposal process for design-build services, then the *Procurement Manual* is not clear as how the City is to advertise RFPs for design-build services.

City personnel did not indicate why the *Procurement Manual* section prescribing general requirements for a competitive sealed proposal process should not be applied for RFP procurements of design-build services. Procuring design-build services using key provisions that should apply to the procurement of any services would provide additional assurance that design-build services are procured in an efficient, effective, and legally compliant manner consistent with City Council intent.

**Appointment of E-Team Members.** According to the *Procurement Manual* section that City personnel indicated applies to RFPs for design-build services,<sup>30</sup> the e-team was to consist of, at a minimum, the CPO or designee (usually the Procurement Contract Administrator assigned to the RFP) as chair, and a non-voting member, a design criteria professional,<sup>31</sup> a client department director or designee, and other persons as deemed appropriate.

The e-team (excluding the chair, who was the CPO's designated Procurement Department employee and did not evaluate the proposals) consisted of a Public Works Department employee, a Growth Management Department employee, and a Utilities Department employee. Regarding appointment of the e-team members, we noted that:

- The *Procurement Manual*<sup>32</sup> provides that City personnel “must avoid actual or perceived (regardless of its validity) misconduct or compromising behavior during the procurement process.”

<sup>28</sup> Chapter 119, Florida Statutes.

<sup>29</sup> Section 255.0525, Florida Statutes.

<sup>30</sup> Section U3.c, *Procurement Manual*, Design-Build Services – Design-Build Firm Selection Process.

<sup>31</sup> According to Section 287.055(2)(k), Florida Statutes, a design criteria professional means a firm who holds a current certificate of registration under Chapter 481, Florida Statutes, to practice architecture or landscape architecture or a firm who holds a current certificate as a registered engineer under chapter 471, Florida Statutes, to practice engineering and who is employed by or under contract to prepare the design criteria package.

<sup>32</sup> Section F1 and F11, *Procurement Manual*, Ethics and Vendor Relations.

The *Procurement Manual* also provides that Procurement Department personnel must adhere to NIGP<sup>33</sup> ethical procurement standards, which state that public procurement professionals must avoid any private or professional activity that would create a conflict of interest or the appearance of impropriety.

One e-team member had a long-time previous employment relationship with one of the two engineering firms that comprised Respondent A's project team. The City hired this individual in May 2016, and he was appointed to the e-team in December 2016. In response to our request for a completed employment application for the individual, City personnel indicated that they did not have a completed employment application for him because the City did not advertise the position for which he was hired, and he was appointed to the position. However, City personnel provided us a copy of his resume, which showed that he worked for the engineering firm for over 18 years before starting work for the City and was a Vice President with the engineering firm when he applied for the City position. City personnel further stated that they did not have any records indicating whether he terminated employment with the engineering firm prior to or after being employed by the City.

This e-team member scored Respondent A higher for three of the four Phase 1 non-price criteria and scored Respondent A and Respondent B the same for the Phase 2 oral presentations. Because of this individual's recent long-time employment with a firm on Respondent A's project team, including this individual as a member of the e-team created a situation that could result in a perceived conflict of interest.

Upon inquiry, City personnel indicated that they were aware of the e-team member's prior relationship with the engineering firm, but when we inquired as to why this employee was appointed to the e-team given this prior relationship, City personnel stated they could not answer that question. To reduce the opportunity for favoritism and appearance of impropriety, it would be prudent to avoid perceived conflicts of interest consistent with the *Procurement Manual* and NIGP ethical procurement standards.

- All e-team members signed a *Conflict of Interest Statement* form. However, the form only required the e-team members to state they were free of conflict of interests regarding the respondent's companies and did not explicitly require e-team members to make a similar statement regarding the firms that comprised the respondent firms' project teams. Explicitly requiring each potential e-team member to disclose any relationships that could create a conflict of interest or the appearance of impropriety would help ensure that the affected individual disclosed the relevant facts concerning the situation for City Council consideration.
- Contrary to the *Procurement Manual*,<sup>34</sup> the e-team did not include a design criteria professional as defined by law,<sup>35</sup> which would have been the firm that the City engaged to prepare the design criteria package. In response to our inquiries, City personnel indicated that the then City Manager selected the e-team members and did not provide an explanation as to why the City Manager chose not to include the design criteria professional. Including a design criteria professional on an e-team would help ensure proper evaluation of respondent qualifications regarding the desired design-build services.

**Scoring Instructions.** Regarding the use of predetermined and established proposal evaluation criteria, the NIGP, in its *Global Best Practices*, recommends:

- Use of clearly defined criteria for procurement decisions.

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<sup>33</sup> The NIGP: Institute for Public Procurement is a membership-based, nonprofit organization composed of members representing Federal, state, provincial and local government levels throughout the United States and Canada and provides support to professionals in the public sector procurement profession.

<sup>34</sup> Section U3.c, *Procurement Manual*, Design-Build Services – Design-Build Firm Selection Process.

<sup>35</sup> Section 287.055(2)(k), Florida Statutes.

- A clear understanding by evaluation committee members of how criteria and scoring should be applied.
- Use of a consistent approach when scoring against preannounced criteria.
- Transparency of the selection criteria and evaluation process.

Consistent with the NIGP's recommended best practices, providing e-team members with written instructions that explain how criteria and scoring should be applied would provide additional assurance that members use a consistent approach to identify the most favorable proposal. However, for the SJHP Project, e-team members were not, of record, provided such instructions. Specifically:

- Although the RFP provided detailed instructions for information to be included by the responding firms in their proposals for consideration by e-team members in scoring proposals for the four Phase I criteria (project team, project team location, project management, and project approach), the RFP did not describe how the criteria and scoring would be applied to the information provided by the respondents. For example, although the RFP required respondents to provide "an organizational chart for the project team and identify any utilization of any firms that are minority business enterprises," the RFP did not instruct e-team members on how to apply this information for scoring purposes and, thus, it was not clear as to whether a respondent should have received a higher score for utilizing minority business enterprises.

Although, in response to our inquiries, City personnel cited several ways in which e-team members were instructed regarding the proposal evaluation process, we were not provided records evidencing that e-team members were provided guidance on how the Phase 1 criteria and scoring should be applied to the information provided by the respondents.

- For Phase 2, each respondent was sent a letter listing questions to be answered during an oral presentation. We inquired with City personnel as to what instructions e-team members were provided regarding how to apply the scoring to the respondents' answers and presentations. In response, City personnel described several documents provided to e-team members and stated that e-team members "were clear on the process when developing the questions, how the questions would be sent, how the responses would be received, and the format of the oral discussions." However, we were not provided records evidencing that e-team members were provided instructions on how to apply scoring to the respondents' answers provided during oral presentations.

Providing e-team members with written instructions that explain how criteria and scoring should be applied when considering information provided by respondents would provide additional assurance that e-team members use a consistent approach to identify the most favorable proposal.

**Scoring Transparency.** Consistent with the NIGP's recommended best practices, the City should ensure full transparency regarding the proposal evaluation process. Although the City made some efforts to be transparent as to how each e-team member scored proposals during Phase 1 and Phase 2, such efforts could be enhanced. Specifically:

- Each e-team member prepared a scoresheet showing the member's assigned scores based on the RFP-specified Phase 1 criteria. While the scoresheets indicated the total score assigned to each criterion, the scoresheets did not indicate how each e-team member arrived at the assigned score. We listened to a recording of the e-team's March 22, 2017, meeting, at which Phase 1 scoring of the proposals was discussed and noted that the e-team members made some comments regarding their evaluation of the criteria. However, it was not always readily apparent as to which of the RFP-specified criteria the comments pertained.

- For Phase 2, each e-team member prepared a scoresheet showing the member's assigned score based on their evaluation of the respondents' oral presentations. The scoresheets for two e-team members did not indicate how they arrived at the assigned scores considering the information provided by the respondents during the oral presentations. The scoresheet for the other e-team member included some comments regarding the content of the presentations; however, it was not clear to which presentation questions the comments pertained. We listened to a recording of the e-team's June 6, 2017, meeting at which scoring of the oral presentations was discussed and noted that the e-team members made some comments regarding their evaluation of the oral presentations. However, it was not always readily apparent as to which of the presentation questions or respondents the comments pertained.

Although guidelines provided to e-team members required each member to "review in-depth and rate the written proposals as outlined in the RFP," the members were not specifically required to make notes as to how they applied the criteria and scoring to the information provided by respondents to arrive at the assigned scores. Maintaining documented and sufficiently detailed e-team explanations on how criteria and scoring are applied would provide more transparency in the competitive selection process and additional assurance that e-team members considered all relevant RFP-specified factors.

**Scoring Methodology.** The RFP required that responses be scored using one of six possible scores ranging from 0 (when no information was provided for a criterion) to 5 (when a proposal exceeded the minimum requirements in most aspects for a criterion). Contrary to the RFP provisions, e-team members did not always limit their scores to 0, 1, 2, 3, 4, or 5, as in several instances they used fractional scores. Specifically, one e-team member used fractions to score all four Phase 1 criteria, and all three e-team members used fractions to score the oral presentations. In response to our inquiry, City personnel indicated that fractional scores had been allowed in many past evaluations for other RFP procurements over the years.

Scoring proposals consistently in accordance with the RFP-specified methodology helps avoid the appearance of improprieties in the procurement process.

**Recommendation: The City should:**

- **Enhance procurement procedures to ensure competitive selection of design criteria professionals in accordance with State law.**
- **Maintain adequate records to justify the necessity of emergency purchases of services.**
- **Clarify in the *Procurement Manual* that all RFP procurements for services, including those for design-build services, should be made in accordance with the aforementioned key provisions prescribed in the *Procurement Manual*.**
- **Enhance proposal evaluation procedures to ensure:**
  - **Proper disclosure and consideration of potential conflicts of interest for e-team members and inclusion of a design criteria professional on the e-team in accordance with the *Procurement Manual*.**
  - **E-team members are provided written instructions on how criteria and scoring should be applied to proposals.**
  - **E-team members prepare sufficiently detailed explanations regarding how they applied the criteria and scoring to the information provided by respondents to arrive at the assigned scores.**
  - **E-team members score proposals in accordance with the RFP-specified methodology.**

### **Finding 3: Subcontractor Monitoring**

As discussed in Finding 2, the City, in March 2018, entered into a contract with a design-build firm for the SJHP Project. Pursuant to the contract, the design-build firm was to be responsible for both the design and construction phases and generally responsible for the successful, timely, and economical completion of the Project. The contract included a GMP of \$9.3 million, including \$7.4 million for roadway construction costs, \$753,000 for design services costs, \$277,000 for preconstruction and construction mobilization costs, and \$860,000 for profit and overhead (including general conditions costs). The GMP allows for any difference between the actual cost of the Project and the GMP amount, or net cost savings, to be returned to the City. To help ensure potential savings are realized and prevent cost overruns or other impediments to successful completion of the design-build firm contract, it is important that City personnel verify that design-build firm pay requests are consistent with the terms of the contract and agree with supporting documentation such as subcontractor bid awards, contracts, and invoices.

To evaluate City monitoring controls over design-build firm pay requests through November 2018, we inquired of City personnel and examined City records supporting the \$2 million paid to the design-build firm through November 2018. The amount paid included \$855,000 for roadway construction costs (for services provided by five subcontractors), \$574,000 for design services costs, and \$593,000 for general conditions, mobilization, and other costs.

According to City personnel, the design-build firm pay requests undergo several levels of review to ensure the propriety of the pay requests. However, because the City had not established policies and procedures to reconcile the design-build firm pay requests to subcontractor bid awards, contract terms, and invoices, City personnel did not, of record, obtain documentation supporting the subcontractor costs to ensure the amounts billed by the design-build firm for subcontractor services were valid and correct.

In addition, in response to our February 2019 inquiries, City personnel indicated that they did not attend subcontractor bid openings or maintain records evidencing that the five SJHP Project subcontractors were competitively selected because City policies and procedures did not require such. In March 2019, City personnel requested from the design-build firm records related to the selection of the subcontractors used on the Project, including bid awards, bid tabulations, and subcontractor contracts. However, as of September 2019, the design-build firm had not provided such records. Absent City policies and procedures requiring verification that (1) the design-build firm used a competitive process for selecting subcontractors and (2) subcontractor costs included in design-build firm pay request amounts agree with subcontractor bid awards, contract amounts, and related invoices before payment, there is an increased risk that the design-build firm may pay more for those services and the City may not fully realize all potential cost savings associated with the design-build firm contract.

Our discussions with City personnel also disclosed that City personnel did not verify that the five subcontractors were licensed. State law<sup>36</sup> establishes licensing requirements for persons engaged in construction contracting, such as electrical, air conditioning, plumbing, and roofing contractors. The design-build contract provides that, before entering any agreement with a subcontractor, the design-build firm will confirm that the subcontractor is properly licensed for the portion of the work to be performed on

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<sup>36</sup> Chapter 489, Florida Statutes.

the SJHP Project and will supply such information or proof of licensing in writing to the City.<sup>37</sup> However, the design-build firm did not provide proof of licensing to the City and City personnel indicated that they did not know why the licenses were not obtained from the design-build firm. Subsequent to our request, City personnel obtained from the design-build firm and provided to us in March and May 2019 evidence confirming that all five subcontractors were appropriately licensed.

Although the design-build firm contract requires the use of properly licensed subcontractors, the City is ultimately responsible for ensuring that subcontractors working on City projects are properly licensed. Timely confirmation that subcontractors are appropriately licensed provides the City assurance that the subcontractors who will be working on City construction projects meet the qualifications to perform the work for which they are engaged.

**Recommendation: The City should establish policies and procedures for monitoring contractor selection and use of subcontractors to include verification that:**

- **The design-build firm selects subcontractors using a competitive selection process and subcontractor bid awards, contract amounts, and related payments agree. Such policies and procedures should require City personnel to attend subcontractor bid openings and to document comparisons of subcontractor bid awards, contract amounts, and invoices with the related design-build firm payment requests.**
- **Subcontractors are appropriately licensed before they commence work and require that documentation of such verification be maintained in City records.**

## PROCUREMENT

Included in the City Council's stewardship and fiduciary responsibilities associated with managing public resources is the responsibility to ensure that City controls provide for the effective and efficient use of resources in accordance with applicable laws, contracts, grant agreements, and City policies and procedures. To promote responsible spending, improved accountability, and transparency, it is important that City records demonstrate that public funds are properly utilized in fulfilling the City's legally established responsibilities.

### **Finding 4: Purchasing Authority**

The City is responsible for establishing controls that provide assurance that the process of acquiring goods or services is effectively and consistently administered and goods and services are procured in a fair, competitive, and reasonable manner. City ordinances<sup>38</sup> and the *Procurement Manual*<sup>39</sup> indicate that the CPO, or designee, has purchasing authority up to \$100,000 and purchases over that amount must be approved by the City Council.

To evaluate the reasonableness of the purchasing authority delegated to the CPO, or designee, during the period October 2016 through February 2018, in September 2018 we compared that authority to the delegated purchasing authority at 14 municipalities with similar populations and taxable property values.

<sup>37</sup> Section 5.4 of the City's March 2, 2018, contract with the design-build firm.

<sup>38</sup> Chapter 38, City of Palm Bay Code of Ordinances, *Procurement Department*.

<sup>39</sup> Section H, *Procurement Manual*, Competition/Thresholds.

Our comparison disclosed that the City's \$100,000 purchasing authority threshold was the same as 1 of the 14 municipalities and exceeded the thresholds of the other 13 municipalities. The thresholds for 8 of the 13 municipalities were up to \$25,000, and the average thresholds for all 14 similar municipalities were up to \$40,000.

Before the City adopted the \$100,000 purchasing threshold in July 2016,<sup>40</sup> the threshold was \$25,000. Our examination of City Council meeting minutes and inquiries with City personnel disclosed that there was no discussion regarding the need for a threshold change at any City Council workshops or public meetings prior to establishment of the \$100,000 threshold. Discussion at a City Council workshop or public meeting would have enhanced transparency, promoted public dialog, and helped establish the basis for the decision to significantly increase the purchasing threshold.

According to City personnel, the purchasing threshold was increased to \$100,000 for consistency with the Brevard County Board of County Commissioners threshold and to reduce the disparity between City ordinances and the Federal Small Dollar Purchase threshold of \$150,000 established by Federal Uniform Guidance (UG).<sup>41</sup> However, as the UG specifies that non-Federal entities should follow their own procurement policies if the policies are more restrictive, and considering the City's significantly higher purchasing threshold compared to similar Florida municipalities, City records did not evidence the basis for the decision to significantly increase the purchasing threshold.

Elevated purchasing thresholds increase the risk for City resources to be used contrary to City Council intent.

**Recommendation:** The City should document the reasonableness of the delegated purchasing authority threshold based on an analysis that primarily considers the volume of the City's high-dollar purchases, along with consideration of the thresholds of similar Florida municipalities, and adjust the threshold as appropriate. In addition, significant topics impacting City operations, such as changes to the purchasing threshold, should be openly discussed at City Council workshops or public meetings.

## **Finding 5: Procurement of Services**

The Legislature has recognized in State law<sup>42</sup> 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 equitable and economically. City ordinances<sup>43</sup> provide that the City wishes to provide for the purchase of the highest quality and best value for goods and services at the most reasonable cost, and to ensure fair and equitable treatment of persons doing

<sup>40</sup> Ordinance No. 2016-41, adopted July 7, 2016, increased the City Manager's purchasing authority threshold to \$100,000. Ordinance No. 2016-59 and Resolution No. 2016-32, both adopted August 16, 2016, created Chapter 38, City of Palm Bay Code Ordinances, *Procurement Department*, and the *Procurement Manual, Competition/Thresholds*, which maintained the \$100,000 authority threshold but specified that such purchasing authority would be vested in the Chief Procurement Officer rather than the City Manager.

<sup>41</sup> Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Section 200.88, *Simplified Acquisition Threshold*. The threshold relates to the non-Federal entities' acquisition of property or services using funds from Federal grants or agreements.

<sup>42</sup> Section 287.001, Florida Statutes.

<sup>43</sup> Section 38.03, City of Palm Bay Code of Ordinances.

business with the City. The ordinances further provide that the City's procurement function shall operate under a centralized system which will enable the City to:

- Encourage and promote fair and equal opportunity for all persons doing business with the City.
- Obtain goods and services of good quality and appropriate quantity at reasonable cost for the City.
- Foster effective broad-based competition within the free enterprise system.
- Provide safeguards for the maintenance of a purchasing system of quality and integrity.

Also, pursuant to the ordinances, the Procurement Department developed the *City Procurement Manual*<sup>44</sup> establishing the administrative regulations and internal processes of the Department.

State law<sup>45</sup> prescribes the competitive selection process to be followed for each occasion when professional services, including engineering services, must be purchased for a project in which the basic construction costs exceed \$325,000. Additionally, State law<sup>46</sup> provides that the City may enter into a continuing contract for professional services in which the estimated construction costs of each individual project under contract does not exceed \$2 million. City ordinances<sup>47</sup> provide that continuing contracts may be solicited and entered into, in accordance with State law, and as further delineated in the *Procurement Manual*. Notwithstanding, by periodically subjecting professional services procurements to a competitive selection process, the City could gain assurance that the contracts are awarded at the lowest price consistent with desired quality.

During our tests of contractual services procurements, we noted that, at the August 4, 2016, and June 15, 2017, meetings, the City Council approved annual contract renewals with a utility engineering firm. The City entered into a continuing contract with the firm in August 2005 pursuant to a request for qualifications. The contract provides that it remains in effect indefinitely until terminated and also provides that, annually, the City and the engineering firm must both agree in writing to annual engineering firm rate adjustments and that failure to reach agreement constitutes a termination of contract.<sup>48</sup> For the period August 2005 through February 2019, the City paid approximately \$8.5 million for projects individually not exceeding \$2 million to the engineering firm for utility project engineering services pursuant to the continuing contract.

In March 2019, we requested City records supporting and associated with the utility engineering firm's proposal for the August 2005 contract. However, City personnel indicated that, after maintaining the records for 5 years from inception of the contract, the records were destroyed. According to City personnel, the utility engineering services had not been competitively selected since August 2005 because current and former Utility Directors have been satisfied with the services provided by the firm. Although State law and City ordinances<sup>49</sup> allow the use of continuing contracts for engineering services,

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<sup>44</sup> City of Palm Bay *Procurement Manual (Procurement Manual)*.

<sup>45</sup> Section 287.055(3), Florida Statutes.

<sup>46</sup> Section 287.055(2)(g), Florida Statutes.

<sup>47</sup> Section 38.12, City of Palm Bay Code of Ordinances.

<sup>48</sup> Sections 5(D) and 16, Professional Services Agreement Continuing Utility Consultant (Water & Wastewater) Engineering Services.

<sup>49</sup> Section 38.12, City of Palm Bay Code of Ordinances.

the use of one engineering firm for 14 years limits the City’s assurance that the services were rendered at the most economical price commensurate with acceptable quality.

In addition, while examining documentation associated with sales of land parcels (as discussed in Finding 18), we noted that the City engaged the services of a commercial real estate broker. On July 14, 2015, the City issued an RFP for commercial real estate broker services to market and sell City-owned real estate. The RFP indicated that submitted proposals would be evaluated based on four criteria.

The *City of Palm Bay Purchasing Procedure Manual*<sup>50</sup> provides that RFPs will be evaluated using the evaluation selection committee guidelines that provide for a three-member evaluation committee including a member appointed by the department director of the department that will administer the procurement, a member appointed by the Purchasing and Contracts Manager, and a member selected at random from a pool of City employee volunteers. Four respondents submitted real estate broker service proposals and were evaluated by the evaluation committee. The evaluation criteria and evaluation committee scores assigned to each respondent are shown in Table 4.

**Table 4**  
**Evaluation Criteria and Evaluation Committee Scores for Proposals for Commercial Real Estate Broker Services**

	Summary of Qualifications	Technical Response	Proposed Cost	Quality of Proposal Submittal	Total Score
<b>Maximum Weighted Score</b>	<b>20.00</b>	<b>40.00</b>	<b>30.00</b>	<b>10.00</b>	<b>100.00</b>
Respondent A Score	13.67	29.67	26.00	9.06	78.40
Respondent B Score	13.00	35.33	20.67	8.17	77.17
Respondent C Score	17.50	26.67	20.00	5.00	69.17
Respondent D Score	1.67	3.33	15.00	1.11	21.11

Source: City records.

The RFP provided that the three highest-ranked respondents would present their proposals at a Special City Council meeting and provide the City Council with an opportunity to ask questions of the respondents. Afterwards, the City Council would make the final selection. At the September 15, 2015, Special City Council meeting, the three highest-ranked respondents (Respondents A, B, and C) presented their proposals and the City Council members ranked the respondents as 1, 2, and 3 based solely upon the presentations.

Although Respondent C was ranked third by the evaluation committee using the RFP-established criteria, the City Council ranked Respondent C as number 1 and entered into a written agreement with Respondent C on October 1, 2015. Although we requested, City personnel did not provide documentation, of record, to explain how the City Council ranked the respondents or why the Council

<sup>50</sup> Section 19, *City of Palm Bay Purchasing Procedure Manual*, Request for Information and Request for Proposals.

selected Respondent C. As a result, the City Council selected Respondent C without evidencing that such selection was the most advantageous to the City.<sup>51</sup>

**Recommendation: The City should enhance policies and procedures to ensure that:**

- **Continuing professional services contracts are periodically subjected to competitive procurement.**
- **Records are maintained to justify procurement decisions that deviate from evaluation committee recommendations.**

**Finding 6: Insurance Procurement**

Pursuant to State law,<sup>52</sup> the City is authorized to self-insure any plan for health, accident, and hospitalization coverage, subject to approval based on actuarial soundness by the Florida Office of Insurance Regulation (OIR). In such circumstances, the City must contract with an insurance company or professional administrator qualified and approved by the OIR or with a corporation not for profit whose membership consists entirely of local governmental units authorized to enter into a risk management consortium under this subsection to administer such a plan. While State law provides that the City may award such contracts pursuant to advertised competitive bids or by direct negotiations, City ordinances<sup>53</sup> exempt insurance services from competitive selection.

On January 1, 2018, the City implemented a self-funded health insurance program and, after direct negotiations, entered into an administrative services only (ASO) agreement<sup>54</sup> with an administrator, approved by the OIR, to administer the City health self-insurance program. According to City personnel, the City elected not to competitively procure the ASO services based on discussions with upper management, Purchasing Department personnel, and personnel from other departments who purchase goods and services through the Purchasing Department. However, although we requested:

- City personnel did not provide records to support the decision not to competitively procure the ASO services. Appropriate documentation supporting the decision would explain how the benefits for direct negotiations outweighed applicable risks and assign accountability for future reference. Further, discussion at a City Council workshop or public meeting would have enhanced transparency and promoted public dialog regarding the significant decision to exempt the services from the competitive solicitation and selection processes.
- City records were not provided evidencing the nature of the negotiations with the ASO administrator. In addition, the City did not provide records evidencing that the City negotiated with potential administrators in addition to the administrator selected. City personnel asserted that, in lieu of formal direct negotiations with multiple administrators, they performed informal procedures to determine whether the City was being charged a competitive rate for ASO services. City personnel provided a comparison of the City ASO fees per employee per month with the fees for three other municipalities, four counties, and two water management districts in South and

<sup>51</sup> Section 2, III. *City of Palm Bay Purchasing Procedure Manual*, Award of Contract, specifies that contracts will be awarded to the lowest, most responsive and responsible proposer whose proposal conforms to the RFP, and is most advantageous to the City in terms of price, delivery, and other factors considered relevant.

<sup>52</sup> Section 112.08(2)(a), Florida Statutes.

<sup>53</sup> Section 38.06(E)(25), City of Palm Bay Code of Ordinances.

<sup>54</sup> Administrative services only (ASO) agreements are arrangements in which an employer hires a third party to deliver administrative services for the employer, such as processing claims and paying providers.

Central Florida. Notwithstanding this comparison, use of a documented negotiation process with multiple administrators would reduce the appearance and opportunity for favoritism and provide the City with greater assurance that its health insurance ASO services were obtained at the lowest cost consistent with desired quality.

**Recommendation: The City should periodically negotiate ASO services with multiple potential administrators to ensure that such services are obtained at the lowest cost consistent with desired quality. In addition, all significant decisions impacting City operations, such as decisions to exclude insurance-related services from competitive procurement, should be openly discussed at City Council workshops or public meetings, and the factors considered by decision makers should be documented.**

#### **Finding 7: Selection of Debt Professionals**

During the period October 2016 through February 2018, the City issued \$15.1 million in debt:

- Special Assessment Revenue Refunding Note, Series 2016, to refund the Special Assessment Bond, Series 2009A, in the amount \$2.1 million.<sup>55</sup>
- Taxable Franchise Fee Revenue Refunding Note, Series 2016, to refund a portion of the City's Taxable Special Obligation Bonds, Series 2004, in the amount of \$4 million.<sup>56</sup>
- Series 2018 Local Option Gas Tax Revenue Note in the amount of \$9 million<sup>57</sup> to finance the acquisition and construction of a connector road to a highway interchange.

Governments typically employ professionals, such as a financial advisor, an underwriter,<sup>58</sup> and legal counsel, to assist in the debt issuance process. Financial advisors can assist in determining the note sale method and may have various other responsibilities depending on which sale method is selected. Legal counsel renders an opinion on the validity of the note offering; the security for the offering; and whether, and to what extent, interest on the notes is exempt from income and other taxation. According to the Government Finance Officers Association (GFOA), the opinion of legal counsel provides, both to issuers and to investors who purchase the notes, assurance that all legal and tax requirements relevant to the matters covered by the opinion are met.<sup>59</sup>

The GFOA recommends that issuers selecting financial advisors, underwriters, and legal counsel to assist with the debt issuance process employ a competitive process using a RFP or Request for Qualifications (RFQ). 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.
- Provides objective assurance that the best services and interest rates are obtained at the lowest cost possible.

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<sup>55</sup> City of Palm Bay Resolution 2016-55, December 15, 2016.

<sup>56</sup> City of Palm Bay Resolution 2016-54, December 15, 2016.

<sup>57</sup> City of Palm Bay Resolution 2018-04, February 15, 2018.

<sup>58</sup> Underwriters purchase debt securities, such as government, corporate, or municipal debt, from an issuing body (like a government agency) to resell them either directly to the marketplace or to dealers, who will sell them to other buyers.

<sup>59</sup> GFOA Best Practice: *Selecting Bond Counsel*.

- Demonstrates that marketing and procurement decisions are free of self-interest and personal or political influences, reducing the opportunity for fraud and abuse and providing fairness to competing professionals.

The GFOA further recommends that debt issuers review their relationships with debt professionals periodically. Notwithstanding GFOA's best practices, the City did not competitively select certain professionals who assisted in the note issuance process during the period October 2016 through February 2018. Specifically, the City did not competitively select:

- The financial advisor who was paid a total of \$52,500. Our examination of City records disclosed that in April 2010 the City contracted with the financial advisor for 12 months with 12 annual renewal options and, as of February 2018, continued to use the advisor. In response to our inquiry, City personnel indicated that, because the financial advisor had extensive history in the region and had provided 5 years of contracted financial advisor services for the City prior to April 2010, the City contracted with the financial advisor absent a competitive selection process.
- The legal counsel who was paid a total of \$54,000. Our examination of City records disclosed that in September 2012 the City contracted with the legal counsel and, because the contract lacked an established term, the City continued to use the legal counsel through February 2018. In response to our inquiry, City personnel indicated that City ordinances<sup>60</sup> exempt legal services from competitive solicitation; therefore, the legal counsel was not competitively selected.

Without employing a competitive selection process to select professionals to assist in the debt issuance process, the City cannot demonstrate that it contracted with the most qualified professionals, received the best services and interest rates at the lowest cost possible, or that the selection process was free from self-interest and personal or political influences.

**Recommendation: When selecting professionals to assist in the debt issuance process, the City should employ a competitive selection process whereby RFPs or RFQs are solicited from a reasonable number of professionals.**

## **Finding 8: Purchasing Cards**

The City's *Procurement Manual*<sup>61</sup> provides that purchasing cards (P-cards) may be used to simplify the process for obtaining supplies, materials, services, travel, and equipment by making available to certain City employees the authority to make purchases directly with a P-card. P-cards are an efficient and effective method of purchasing and paying for supplies and services; however, as P-cards are vulnerable to fraud and misuse, it is essential that City policies and procedures provide effective controls over the safeguard, accountability, and use of P-cards.

City P-card procedures are established in the *Procurement Manual*, which requires that:

- Department heads request P-cards for new cardholders or request changes to existing cardholder purchasing limits for authorized employees by completing a Purchasing Card Request Form (P-card request form). The P-card request form requires both the approval of the applicable department head and the Chief Procurement Officer to authorize issuance of a P-card or to change cardholder purchasing limits.
- Before the cardholder receives the P-card, the cardholder must complete P-card training and sign the P-card Acceptance Agreement Form (acceptance agreement form). In addition to

<sup>60</sup> Section 38.06, City of Palm Bay Code of Ordinances.

<sup>61</sup> Section I, *Procurement Manual*, Purchasing Cards.

documenting that the cardholder received the card, the acceptance agreement form defines acceptable and unacceptable P-card usage and, by signing the form, the cardholder agrees to abide by those terms.

- When an employee separates from City employment or is transferred to another department, the applicable department P-card representative must collect the P-card, cut it in half, and submit it to their department director, who will send it to the P-Card Administrator. If unable to collect a P-card when a cardholder separates from City employment, the department P-card representative must immediately notify the P-Card Administrator, who will ensure that the P-card account is immediately canceled.
- If a P-card is lost or stolen, the cardholder must immediately notify the financial service provider and the department P-card representative, who will immediately confirm that the financial service provider has taken appropriate action and notify the P-Card Administrator.

During the period October 2016 through February 2018, City personnel used 224 P-cards and incurred 13,845 P-card expenditures totaling \$2.2 million. As of February 2018, there were 180 active P-card accounts in use. As part of our audit, we examined City records to evaluate City P-card procedures and found that the procedures needed improvement to better ensure the appropriate safeguard, accountability, and use of P-cards. Specifically:

- To determine whether P-cards, and related cardholder purchasing limits, were authorized and issued in compliance with the *Procurement Manual*, we requested for examination City records supporting 28 P-cards as of February 2018, and 2 additional P-cards issued in March 2018 and April 2018, respectively. Our examination of the records provided found that:
  - 6 P-cards were not supported by P-card request forms to demonstrate that the applicable department head and Chief Procurement Officer approved issuance of the cards. In response to our inquiries, City personnel indicated that the P-cards would not have been issued without an authorized P-card request form but did not know what happened to these forms. For another P-card, the P-card request form was signed by the appropriate department head but lacked the Chief Procurement Officer's signature. Absent properly completed P-card request forms, the City cannot demonstrate that P-cards were appropriately authorized before issuance, increasing the risk that cards may be issued to unauthorized employees.
  - 2 other P-cards were not supported by an acceptance agreement form to demonstrate that the applicable cardholder received the P-card and agreed to follow the P-card terms of use. According to City personnel, the 2 agreement forms were misplaced. Without the acceptance agreement forms, the City cannot demonstrate that the employees acknowledged acceptable and unacceptable P-card usage and agreed to comply with the P-card terms of use, and the risk of P-card misuse is increased.
  - For 2 P-cards, the cardholder's purchasing limits approved on the P-card request forms differed from the purchasing limits shown on the bank's online profile as of May 2018. For 1 cardholder, the purchasing limit on the P-card request form was \$20,000, or \$10,000 more than the bank's limit of \$10,000. For the other cardholder, the bank's limit was \$2,500, or \$1,500 more than the P-card request form limit of \$1,000. According to City personnel, the cardholders' purchasing limits would not have been increased unless a new P-card request form was completed to evidence and authorize the change; however, the forms were not available for our examination and City personnel did not know what happened to them.
- Our discussions with City personnel and examination of City records, such as P-card bank statements for the 224 P-cards used during the period October 2016 through February 2018, disclosed that the cardholders for 20 of the 224 P-cards did not use their P-card during that period. In addition, the City did not perform periodic reviews and evaluations of P-card use and the reasonableness of cardholder purchasing limits relative to the frequency and dollar amounts of

actual P-card usage during that period as neither the *Procurement Manual* nor other City policies and procedures required such reviews and evaluations. Without periodic reviews and evaluations of P-card use and cardholder purchasing limits there is an increased risk that P-card errors, fraud, or misuse could occur and not be timely detected and resolved and that P-card purchasing limits may exceed the amounts needed relative to the cardholder's responsibilities, resulting in purchases that exceed City budget constraints.

- We requested for examination City records for the 36 cardholders who separated from City employment during the period October 2016 through February 2018 to determine whether the cardholders' P-cards were timely canceled. Our examination disclosed that 5 of the 36 cardholders' P-cards were not canceled until 14 to 63 days, an average of 35 days, after the employees' separation dates and that City records did not evidence that the cardholders submitted the P-cards to the P-Card Administrator as required by the *Procurement Manual*.

According to City personnel, when a cardholder separates from City employment, his or her P-card is immediately canceled if the cardholder's P-card account does not have balance. However, if the P-card account has a balance, the P-Card Administrator does not cancel the P-card until charges are reconciled to supporting records. Although the P-Card Administrator requested the department heads to acknowledge when the charges were reconciled, that did not always happen. Delaying P-card cancellations until the final reconciliation of charges exposes the City to P-card misuse after the cardholder's separation date. While our examination of City records disclosed that the individuals did not use the P-cards after separating from City employment, without prompt cancellation and collection of assigned P-cards upon the cardholder's separation from employment, there is an increased risk that unauthorized P-card use may occur.

**Recommendation: The City should enhance controls over P-cards to require:**

- **City records demonstrating that all P-cards, and related cardholder purchasing limits, are properly authorized and that cardholders took possession of the P-cards and agreed to the terms of use.**
- **Periodic reviews and evaluations of P-card use and cardholder purchasing limits. Based on the evaluation results, appropriate actions, such as adjustments to purchasing limits and canceling unused P-cards, should be promptly taken.**
- **Prompt collection of P-cards and cancellation of P-card accounts upon a cardholder's separation from City employment.**

**Finding 9: Wireless Communication Devices and Services**

The City provides certain City officials and employees wireless communication devices, such as cellular and smart telephones (cell phones) and air cards,<sup>62</sup> to facilitate City business communication needs. Our examination of wireless service provider billing statements, consisting of both cell phone and air card service billing statements, disclosed that, as of May 2018, 721 devices (398 cell phones, including 214 smart phones, and 323 air cards) were available for use by City officials and employees and, according to City records, charges for the use of these devices totaled approximately \$301,500 during the period October 2016 through February 2018.

<sup>62</sup> Air cards are wireless modems used for connecting mobile devices to the Internet.

The City established controls over the acquisition, assignment, and use of wireless communication devices. For example, City administrative codes<sup>63</sup> provide that:

- City-assigned phone equipment is for official use only.
- Personal use of City phone equipment must be closely monitored by employees.
- Unauthorized use or abuse of City phone equipment will not be tolerated.

However, our examination of City records, including selected cell phone and air card service billing statements for the period October 2016 through February 2018, and discussions with City personnel disclosed that the City's wireless communication device controls could be improved. Specifically, we noted that:

- The City's established policies and procedures, as of July 2019, did not require:
  - Records justifying the need for devices be maintained. Such records could include justifications for device acquisitions and evidence of periodic evaluations to determine whether the nature and level of activity of each City device continued to justify the need.
  - A master list of all devices and related assignments be maintained.
  - Documented comparisons of a master list of City devices to billing statements to verify that the City is only billed for City devices.
  - Documentation that billing statements were reviewed to:
    - Evaluate whether charges were consistent with the City's wireless device plans and any additional charges were justified.
    - Identify any non-business use and that employee reimbursements were obtained for any such use that resulted in charges.
- The City received 17 monthly air card service billing statements totaling \$170,226 during the period October 2016 through February 2018. Our examination of 4 of the billing statements totaling \$40,379 disclosed that the statements included charges totaling approximately \$7,000 for numerous air cards (ranging from 57 to 66) with no associated activity. In response to our inquiry, City personnel indicated that some air cards do not have usage every month but are available when the user needs them. Notwithstanding this explanation, it is not apparent why the air cards were necessary given the documented lack of usage.
- The City received 68 cell phone service billing statements totaling \$131,247 during the period October 2016 through February 2018. Our examination of 4 of the billing statements totaling \$16,409 disclosed that 1 of the 4 billing statements, with charges totaling \$7,752, included international charges totaling \$163 for calls from Jamaica to New York and from New Jersey to Jamaica. In response to our inquiry about these charges, City personnel indicated that an employee went on vacation and did not inform the Communication and Information Technology Department beforehand so that the employee could be put on an international plan. City personnel also indicated that they made no attempt to determine whether any of the calls were for personal reasons. However, insofar as the billing statements list all wireless device activity, including telephone numbers and locations from where calls were made or received, it is not apparent why City personnel could not perform procedures to verify the nature and purpose of the wireless device use, especially use that resulted in additional charges.

According to City personnel, certain employees were assigned to monitor their department's use of wireless communications devices and to review monthly cell phone and air card service billing statements

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<sup>63</sup> Section 31.1.8, City of Palm Bay Administrative Code, *Use of City Phone Equipment*.

for anomalies such as call volume, length, and location of calls. City personnel also indicated that employees generally adhere to administrative code provisions and it is assumed that employees have not used City wireless devices for non-business purposes and, therefore, there has been no need for employees to reimburse the City for personal use of wireless devices. However, it is not apparent how the City obtained such assurance and, absent effective policies and procedures for the acquisition, assignment, and use of devices communicated to City personnel in writing, there is an increased risk that devices may be obtained or assigned to City officials or employees without a documented need, devices may be used for unauthorized purposes, and overcharges may not be timely detected and resolved.

**Recommendation: The City should enhance its policies and procedures for the acquisition, assignment, and use of wireless communication devices to require:**

- **Records justifying the need for the devices.**
- **A master list of all devices and related assignments be maintained.**
- **Documented comparisons of a master list of City devices to billing statements to verify that the City is only billed for City devices.**
- **Documentation that billing statements were reviewed to:**
  - **Evaluate whether charges were consistent with the City's wireless device plans and any additional charges were justified.**
  - **Identify any non-business use and that employee reimbursements were obtained for any such use that resulted in additional charges.**

PAYROLL AND PERSONNEL ADMINISTRATION
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Effective payroll policies and procedures ensure payroll transactions are handled accurately and consistently in accordance with applicable laws and the directives of the City Council and City management. Such policies and procedures should address, among other things, the calculation of salary payments, including terminal leave payments and severance payments to employees upon separation from City employment; required payroll reporting to the Internal Revenue Service and applicable State agencies; and preparation and approval of documentation, including time records, to support salary payments.

Effective personnel administration policies and procedures communicate management's expectations, employment guidelines, and benefits information to employees and promote the consistent administration of City personnel practices. Such policies and procedures should address, among other things, hiring guidelines, including verification of education credentials and prior work experience; employee background screenings; maintenance of leave balances; administration of retirement programs; employee performance evaluations; employee and dependent benefits eligibility determinations; and the maintenance of personnel records to support personnel actions.

## Finding 10: Extra Compensation

Pursuant to State law,<sup>64</sup> no City employee may be paid extra compensation after the service has been rendered or the contract made. However, our procedures disclosed that, during the period October 2016 through February 2018, the City made an extra compensation payment of \$18,000 to a Deputy City Attorney.

Our examination of City records disclosed that the payment was approved at the City Council December 15, 2016, meeting. According to a memorandum from the City Attorney to the Mayor and City Council, the payment was for “extraordinary” work completed in the 2015-16 fiscal year and “as motivation” to meet goals in the 2016-17 fiscal year.

In response to our inquiry, City personnel indicated that the City Council was authorized to approve the extra compensation because the payment was a form of remuneration and the City Charter<sup>65</sup> provides that the City Council shall determine the remuneration to be paid to the City Attorney and assistant attorneys. Notwithstanding this response, insofar as the payment was in addition to the Deputy City Attorney’s salary already paid for his rendered services, the payment represented extra compensation prohibited by State law.

**Recommendation: The City should ensure that payments to employees are only made pursuant to State law. In addition, the City should take appropriate action to recover the \$18,000 extra compensation payment from the Deputy City Attorney.**

## Finding 11: Severance Pay

State law<sup>66</sup> requires that employment agreements entered on or after July 1, 2011, containing a provision for severance pay must include provisions requiring that such pay not exceed an amount greater than 20 weeks of compensation and prohibiting severance pay when the employee has been fired for misconduct as defined by State law. In addition, State law<sup>67</sup> authorizes employees to receive severance pay that is not provided for in a contract or employment agreement if the severance pay represents the settlement of an employment dispute and does not exceed an amount greater than 6 weeks of compensation. State law<sup>68</sup> does not create an entitlement to severance pay in the absence of its authorization.

During the period October 2016 through February 2018, the City had five employment agreements with severance pay provisions. Our examination of the agreements disclosed that the City Attorney Emeritus’s agreement, effective December 18, 2015, included a severance pay provision that states, “In the event the City terminates [the employee] without cause, the City agrees for a period of eighteen (18) months from the date of separation to (1) retain [the employee] and his eligible family members on the City’s insurance plan or (2) pay the full amount of COBRA coverage for [the employee] and his

<sup>64</sup> Section 215.425(1), Florida Statutes.

<sup>65</sup> Section 3.114, City of Palm Bay Charter.

<sup>66</sup> Section 215.425(4)(a), Florida Statutes.

<sup>67</sup> Section 215.425(4)(b), Florida Statutes.

<sup>68</sup> Section 215.425(4)(c), Florida Statutes.

dependents.”<sup>69</sup> However, since State law limits severance pay to 20 weeks of compensation, which includes benefits, the City’s authority for including in the Attorney Emeritus’s employment agreement 18 months of insurance benefits upon separation was not readily apparent.

In response to our inquiry, the City Attorney acknowledged that the employment agreement’s severance pay provision did not comply with State law but also pointed out that the employment agreement includes a severability clause that states, “In the event that any provision of this Agreement should be found to be invalid, unlawful, or unenforceable by reason of any existing or subsequently enacted legislation or judicial decision, all other provisions of this Agreement shall remain in full force and effect.” Notwithstanding, agreements that contain pay provisions contrary to State law increase the risk for overpayments to occur.

In addition, our examination of City payroll records for the period October 2016 through February 2018 disclosed a severance payment of \$12,488 to a Deputy City Manager who separated from City employment in September 2017. The Deputy City Manager did not have an employment agreement with the City, and the severance payment was equivalent to 6 weeks of compensation. City records supporting the payment included a resignation letter, written and signed by the Deputy City Manager and signed by the Human Resources (HR) Director, that stated the Deputy City Manager was resigning with the understanding that he would receive 6 weeks (240 hours) of separation pay. Although State law permits severance pay of up to 6 weeks for the settlement of employment disputes, there was no severance agreement or other City records evidencing the existence of an employment dispute, the City did not have any policies providing for the payment of severance pay absent an agreement, and State law does not create an entitlement to severance pay in the absence of its authorization. Consequently, City records did not evidence the authority for the Deputy City Manager’s severance payment, or the public purpose served by the payment.

**Recommendation: The City should establish policies and procedures for severance pay that ensure compliance with State law. Such policies and procedures should require that severance pay provisions in employment agreements limit amounts to no more than 20 weeks of compensation and prohibit severance pay when the employee has been fired for misconduct. The policies and procedures should also require appropriate documentation, including documentation demonstrating the basis for the severance payment amount and the necessity for and public purpose served by severance payments. In addition, the City should take appropriate action to amend the City Attorney Emeritus employment agreement severance pay provisions to comply with State law. We also recommend that the City document the legal authority and public purpose for the severance payment to the Deputy City Manager or pursue recovery of the payment.**

## **Finding 12: Employee Time Records**

City administrative codes<sup>70</sup> state that the proper completion of time records is a critical part of the City’s pay rules and require that time records be completed by each employee and approved by both the employee and the employee’s supervisor. In addition, City personnel indicated that, when time records

<sup>69</sup> COBRA (the Consolidated Omnibus Budget Reconciliation Act) gives employees and their families the right to choose to continue group health insurance benefits for limited periods of time under certain circumstances. Under COBRA, qualified individuals may be required to pay the entire premium for coverage up to 102 percent of the cost to the group plan.

<sup>70</sup> Section 31.2.6, City of Palm Bay Administrative Code, *Time Records*.

initially lack evidence of supervisory approval, the HR Department e-mails applicable supervisors to follow through and document approval.

To determine whether time records properly supported salary payments totaling \$58.9 million during the period October 2016 through February 2018, we requested for examination time records supporting 30 selected salary payments totaling \$87,353. We found that the time records for 2 payments totaling \$7,149 were not approved by the employee's supervisor. In response to our inquiry, City personnel indicated that they could not explain why supervisory approval was not documented. The lack of documented supervisory approval of employee time worked increases the risk that City personnel may be incorrectly compensated, leave balances may not be accurate, and City records may not be sufficiently detailed in the event of a salary or leave dispute.

**Recommendation: The HR Department should continue efforts to ensure supervisory approval of employee time worked is appropriately documented. Such efforts should include communication with City management to remind applicable supervisors of their employee time record approval responsibilities.**

### **Finding 13: Employee Evaluations**

City administrative codes<sup>71</sup> provide that the primary purpose of the performance evaluation is to assist the employee in assessing their job performance through well-defined directions in order to achieve the desired goals and objectives of the department. Newly hired and recently promoted employees are required to receive a performance evaluation every 3 months during their designated probationary period. All other employees are to receive a performance evaluation within 5 working days prior to their anniversary date.<sup>72</sup> The HR Director is to advise departments at least 30 days in advance of when evaluations are due, and each department is responsible for establishing a tracking system to ensure timely completion of evaluations.<sup>73</sup> After completion and review of the evaluation, the evaluation is to be signed, a copy provided to the employee, and the original forwarded to the HR Department and placed in the employee's personnel file.

In September 2018, we requested for examination City records supporting performance evaluations for 28 employees selected from the 1,002 City employees during the period October 2016 through February 2018. Our examination found that:

- 1 employee, hired in May 2015, had not received a performance evaluation as of September 2018.
- 6 employees with anniversary dates during the period October 2016 through February 2018 did not receive evaluations during that period. The most recent evaluations for these employees were dated June 2014 through March 2016.
- 11 employees with anniversary dates during the period October 2016 through February 2018 received evaluations 17 to 220 work days after their anniversary dates, or an average of 93 work days late.

<sup>71</sup> Section 31.7, City of Palm Bay Administrative Code, *Employee Performance Evaluations*.

<sup>72</sup> Section 31.7.2, City of Palm Bay Administrative Code, *Types of Performance Evaluations*, indicates that the anniversary date is typically the date that an employee assumed his or her current position.

<sup>73</sup> Section 31.7.3, City of Palm Bay Administrative Code, *Procedures for Scheduling Performance Evaluations*.

In response to our inquiries, in October 2018 the HR Director agreed that the required evaluations were not always conducted or not always timely conducted. The HR Director also indicated that the HR Department had notified the applicable department heads in advance of the performance evaluation due dates and could not explain why the departments did not always comply with the evaluation requirements. Timely conducted performance evaluations are an important management tool to inform employees of their accomplishments, training needs, and areas for improvement, and to assist management in making and supporting personnel decisions.

**Recommendation:** To ensure that employee performance evaluations are timely conducted, we recommend that:

- Each City department head establish a tracking system to monitor each employee's evaluation due date and the dates the evaluations were completed and submitted to the HR Department.
- The City's HR Department maintain a log of evaluations due and received and notify the applicable department heads when an evaluation is not timely received.

#### **Finding 14: Pay Increases**

City administrative codes<sup>74</sup> provide that an employee may receive a pay increase for a satisfactory or better evaluation or economy performance. The codes also provide that, should unusual conditions arise, as defined by the City Manager, the HR Director is authorized to pay the increase.

During the period October 2016 through February 2018, 873 City employees received pay increases totaling \$2.7 million. To determine whether City records documented justification for the pay increases, we requested for examination City records supporting 72 pay increases totaling \$140,000 for 30 selected employees. The records provided disclosed factors, such as supervisor-recommended promotions and documented determinations that employees met the minimum education and work experience requirements for promotion, to justify most of the pay increases. However, City records were not provided to justify 2 pay increases: \$3,201 (5 percent) for the Assistant Growth Management Director and \$1,523 (3 percent) for an HR Analyst II.

In response to our inquiries, City personnel indicated that they could not explain why the 2 pay increases were provided and that the City Manager authorized the increases. On November 13, 2018, we requested clarification from the City Manager regarding the unusual conditions necessitating the pay increases; however, the City Council voted to terminate the City Manager's employment on November 21, 2018, and a response to our request was not provided. Without City records justifying employee pay increases, the City has limited assurance that the increases are appropriate and that employees are being equitably compensated.

**Recommendation:** The City should establish policies and procedures to require and ensure that City records are maintained to justify all pay increases and demonstrate compliance with City administrative codes.

<sup>74</sup> Section 31.15.3, City of Palm Bay Administrative Code, *Salary Increases*.

## Finding 15: Salary Cost Allocations

City ordinances<sup>75</sup> establish the stormwater management utility to provide for the general welfare of the City and its residents by providing for the operation, maintenance, regulation, and future improvements to the stormwater management system. In addition, City ordinances<sup>76</sup> provide that the City Council is responsible for establishing monthly utility rates by resolution. The City accounts for the stormwater management utility activities in the Stormwater Utility Fund, an enterprise fund.<sup>77</sup> For the period October 2016 through February 2018, the Stormwater Utility Fund reported revenues of \$14,267,726, expenses of \$8,850,306, and transfers out of \$458,377.

Our examination of City records and discussions with City personnel disclosed that the City transferred \$458,377 from the Stormwater Utility Fund to the General Fund, including \$134,125 for reimbursements to the General Fund for portions<sup>78</sup> of the salaries for the Public Works Assistant Director, Public Works Administrative Division Manager, and Public Works Part-Time Administrative Secretary. Although we requested, City records, such as personnel activity reports detailing the amount of time and effort spent by these employees on stormwater management activities, were not provided to justify the salary allocations and related reimbursements.

In response to our inquiries, City personnel indicated that the allocations were based upon an estimate of the percentage of time spent by the three employees on stormwater management activities prepared and approved by the City Manager in June 2014. In addition, although the City Council approved a resolution<sup>79</sup> in 2017 that significantly impacted the methodology for assessing stormwater fees, City personnel indicated that, as of July 2019, no City records had been prepared subsequent to June 2014 to evidence the amount of time and effort expended by the three employees on stormwater management activities.

Absent records to document the time and effort spent by the three employees, the City cannot demonstrate that the transfers from the Stormwater Utility Fund to the General Fund for salary cost reimbursements were reasonable and necessary. In addition, since the Stormwater Utility Fund recovers expenses through the annual stormwater fee assessments, absent the periodic evaluation of time and effort percentages, the unsupported salary allocation amounts may contribute to higher property owner stormwater utility assessment rates.

**Recommendation: The City should enhance procedures to ensure that transfers from the Stormwater Utility Fund to reimburse salary costs in other funds is based upon documented employee time and effort expended on stormwater management activities for the applicable period.**

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<sup>75</sup> Section 174.089, City of Palm Bay Code of Ordinances.

<sup>76</sup> Section 174.092(B), City of Palm Bay Code of Ordinances.

<sup>77</sup> Enterprise funds are used to account for activities for which a fee is charged to external users for goods or services and should be self-supporting through user rates and fees.

<sup>78</sup> Specifically, one-fourth of the salary for the Public Works Assistant Director and one-third of the salaries of the Public Works Administrative Division Manager and Public Works Part-Time Administrative Secretary were allocated to the Stormwater Utility Fund.

<sup>79</sup> Resolution No. 2017-19, dated May 18, 2017.

The City receives various Federal, State, and local resources and is responsible for implementing control procedures and processes to ensure compliance with requirements to receive and use the resources. Additionally, the City must properly account for financial transactions to provide for accurate internal and external financial reporting and ensure compliance with requirements related to that reporting.

**Finding 16: Special Events**

Authority for City officials to expend moneys is set forth in various provisions of general or special law and in ordinances enacted by the City Council. To qualify as authorized expenditures, expenditures of public funds must be shown to be authorized by applicable law or ordinance; reasonable in the circumstances and necessary to the accomplishment of authorized purposes of the governmental entity; and in pursuit of a public, rather than a private, purpose. Additionally, the Florida Attorney General has opined on numerous occasions<sup>80</sup> that documentation of an expenditure in sufficient detail to establish the authorized public purpose served, and how that particular expenditure serves to further the identified public purpose, should be present when the voucher is presented for payment of funds. Unless such documentation is present, the request for payment should be denied.

Our examination of City records and discussions with City personnel disclosed that, as of June 2019, the City had not established policies and procedures regarding special events. Among other things, effective policies and procedures for special events prescribe methods for determining the feasibility of the events, require City Council approval for each event, provide guidelines for soliciting contributions to defray event costs and for providing receipts to contributors, require separate accounting for contributions received and expenditures made for each event, and ensure City records document the public purpose served by the events.

We also noted that the City established “Aids to Private Organizations” accounts in the City accounting records for expenditures associated with donations to nonprofit organizations and other miscellaneous organizations, local grant expenditures, and special events. During the period October 2016 through February 2018, the City incurred and recorded expenditures totaling \$214,464 in these accounts. During the months of December 2016 and December 2017, expenditures totaling \$10,500 related to the City-sponsored 2016 and 2017 annual “Cops & Friends Reindeer Run” events. In addition to the \$10,500 provided by the City, private contributions of \$4,725 were used to purchase gift cards with values totaling \$15,225 for the events. For the 2016 event, we were provided records supporting the purchase of 97 gift cards (96 \$75 gift cards and 1 \$25 gift card) with values totaling \$7,225. For the 2017 event, although we requested, we were not provided records supporting the exact number of gift cards purchased with the \$8,000 expended; however, City personnel estimated that 107 gift cards (106 \$75 gift cards and 1 \$50 gift card) were purchased for the event.

According to the Police Department Budget Officer, on the Cops & Friends Reindeer Run event days, City police officers were to use the gift cards to take underprivileged children attending elementary schools located within the City limits shopping. In response to our inquiries, City personnel indicated that

<sup>80</sup> Florida Attorney General Opinion Nos. 68-12, 75-07, 79-14, and 94-89.

the term “underprivileged” had not been defined and that no specific criteria for eligibility to receive the gift cards were established. Rather, the City relied on elementary school guidance counselors to select which students were to be gift card recipients since the guidance counselors knew the students who were “in need.” However, absent clearly established criteria for identifying underprivileged children, it is not apparent how the City determined that the gift cards were fairly and equitably distributed in accordance with the City Council’s intent.

In addition, the Police Department Budget Officer indicated that some purchases exceeded the gift card amount and some purchases did not fully use the gift card amount. Any balances remaining on gift cards, and any gift cards unused because a student did not attend the event, were used to offset overages or retained for use in the subsequent year’s event. Also, City personnel indicated that some gift cards were used for siblings of participating students who City personnel were not aware of prior to the event. Although the City provided us lists of students selected by elementary school guidance counselors for participation in the Cops & Friends Reindeer Run events, the City did not obtain a list of the children who actually participated in the 2016 event. Absent such a list, the City has limited assurance that the gift cards were redeemed on behalf of the intended participants.

In response to our inquiries, City personnel indicated that, historically, the City received minimal contributions for City-run events. However, because the City is participating in more frequent City-run events with larger contributions, City personnel agreed that it is necessary to establish effective policies that address appropriate procedures for special events.

**Recommendation: The City should establish policies and procedures to require, for each special event, City Council approval; periodic evaluations of the economic viability of the event, including determinations of the amount of public funds and contributions needed to fund the event; specific guidelines for soliciting contributions and providing receipts to contributors; separate accountability; and establishment of criteria for determining event participant eligibility. In addition, the City should document in its records the public purpose for each special event.**

### **Finding 17: Accountability for Donations to Organizations**

The Attorney General has opined that a public purpose may be carried out through donations provided the local governmental entity determines that an entity purpose is served by such donation and proper safeguards are implemented to assure the accomplishment of that purpose.<sup>81</sup> During the period October 2016 through February 2018, the City made 19 donations totaling \$31,310 to 13 different external organizations. These organizations included, for example, the Brevard Police Testing and Selection Center and the Brevard County Association for Women Lawyers, Inc.

To help ensure and demonstrate that donations to external organizations accomplish an authorized public purpose, it is important for established policies and procedures to:

- Define the criteria for making donations to the organizations.
- Specify the methodology for calculating donation amounts.

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<sup>81</sup> Attorney General Opinion No. 2002-18.

- Require agreements with the organizations specifying how the donations will serve a City purpose and what records, such as periodic financial reports and related support, the organizations must provide to the City to properly account for use of the donations.

In response to our inquiries in April 2019, City personnel indicated that the City had not established policies and procedures for making donations because, historically, only small dollar donations were made. However, due to recent larger dollar donations, City personnel agreed that such policies and procedures are necessary. Establishing effective policies and procedures to properly account for donations would provide additional assurance that City moneys are used for their intended public purpose.

As part of our audit, we requested for examination City records supporting donations totaling \$13,000 made to two external organizations during the period October 2016 through February 2018. Our examination disclosed that:

- The City approved donations totaling \$10,000 to the Brevard Police Testing and Selection Center for the prescreening of candidates for the City Police Department. However, according to City personnel, the City did not enter into an agreement with the Center to restrict use of the donation to the prescreening services or obtain documentation to verify that the moneys donated were used for the services. Without an agreement and documented verification procedures, the authority for the donations to the Center is not readily apparent.
- The City donated \$3,000 to the Brevard County Association for Women Lawyers, Inc. without an agreement with the Association, City Council approval, or other records to establish the public purpose for the donation at the time of donation. In addition, City records were not available to evidence how the Association used the \$3,000 donation. In response to our inquiries in February 2019, the City Attorney indicated that the City sponsored the Association to recognize members of the judiciary and their assistants' distinguished service for providing legal services to the community. According to the City Attorney, the recognition provided by the Association included, for example, complementary lunches to judicial assistants and sponsorship of a judicial reception for judges. Notwithstanding, absent documentation of the purpose, approval, and use of the donation, the City has limited assurance that the Association used the donated funds consistent with the City's intended public purpose.

**Recommendation: The City should establish appropriate policies and procedures for making donations to external organizations. Such policies and procedures should:**

- **Define the criteria for making donations to the organizations.**
- **Specify the methodology for calculating donation amounts.**
- **Require agreements with the organizations specifying how the donations will serve a City purpose and what records, such as periodic financial reports and related support, the organizations must provide to the City to properly account for use of the donations.**

## CAPITAL ASSETS

The City is responsible for establishing adequate controls relating to the acquisition, disposal, accountability, and safeguard of capital assets. According to the City's 2017-18 fiscal year financial audit report, the City's capital assets totaled \$229.1 million (net of depreciation) as of September 30, 2018.

## Finding 18: Land Disposition

According to City records, during the period October 2016 through February 2018, the City sold 16 land parcels for a total of \$719,507. Our discussions with City personnel and examination of City records for the five land sales with the greatest proceeds (the proceeds totaled \$364,036) and listed for sale during the period January 2016 to May 2017 disclosed that:

- Although the City obtained an appraisal for an 11.53-acre land parcel, the largest of the 5 land parcels, City records did not evidence how the listing prices were established for the other 4 parcels, each less than 5 acres. According to City personnel, the City's contracted real estate broker used the comparable sales method<sup>82</sup> to establish the listing prices, totaling \$399,800, for the 4 land parcels. However, the real estate broker did not provide records of the listing price analyses to the City. Absent records evidencing how the real estate broker established the listing prices for the 4 land parcels, the City cannot demonstrate that the listing prices were reasonable or that the City disposed of the 4 land parcels in the most advantageous and economical manner.
- 2 land parcels, each less than 5 acres and without appraisals to justify the listing prices totaling \$327,800, were sold for a total of \$146,992, or \$180,808 below the listing prices. The individual parcels were listed for \$175,000 and \$152,800 and were sold for \$63,808 and \$83,184, respectively, absent City Council approval of the significantly lower prices. In response to our inquiry, City personnel indicated that City Council approval of the land sale prices was not required. However, the lack of City Council-approved sale prices increases the risk that the amount of land sale proceeds will be inconsistent with City Council intent.

According to City personnel, the City did not establish policies and procedures for the sale of City-owned real property designated as surplus until August 2017, after the five land parcels included in our examination were listed. In August 2017, the City updated the City administrative codes<sup>83</sup> to establish procedures for the sale of City-owned real property designated as surplus, including the use of appraisals to determine the value for land parcels of 10 acres or more and a requirement that the City Council approve any offers below the appraised value.

Our evaluation of the updated City administrative codes disclosed that, although the codes contained several useful elements, the codes could be further enhanced by:

- Requiring City Council approval of offers below the listing prices for all land parcels, regardless of acreage. The sale of surplus land parcels, including those with fewer than 10 acres, can still involve significant dollar amounts, and documented City Council approval would demonstrate that offer acceptance was consistent with City Council intent.
- Prohibiting real estate professionals, and the family members of those professionals, involved in the valuation of City-owned property from purchasing or having an interest in acquiring land parcels being offered by the City for sale. Land sales price proposals and appraisals performed by individuals independent of the land sale process would provide the City with assurance that the prices and appraisal are the most advantageous for the City. Our examination of City records associated with the five land parcel sales did not disclose any evidence that the applicable real estate professionals or their family members acquired any of the land parcels.

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<sup>82</sup> The comparable sales method compares prices paid for recently sold properties that are similar in size, characteristics, and location of the subject property to be sold.

<sup>83</sup> Section 77, City of Palm Bay Administrative Code, *Sale of City Surplus Real Estate*, August 15, 2017.

**Recommendation:** The City should obtain records from real estate brokers to evidence compliance with the City administrative codes requiring use of the comparable sales method. In addition, we recommend that the City further enhance policies and procedures by:

- Requiring City Council approval of offers below the listing prices for all land parcels, regardless of acreage.
- Prohibiting real estate professionals, and the family members of those professionals, involved in the valuation of City-owned property from purchasing or having an interest in acquiring land parcels being offered by the City for sale.

### **Finding 19: Tangible Personal Property**

According to the City's 2017-18 fiscal year financial audit report, the acquisition value of the City's tangible personal property (TPP) totaled \$31.1 million as of September 30, 2018. The City is responsible for maintaining complete and accurate records of TPP and establishing adequate internal controls over the acquisition and disposal of TPP.<sup>84</sup> Additionally, to promote the proper accountability for and safeguarding of TPP, the City should complete a physical inventory of all TPP at least once each fiscal year and, upon completion of a physical inventory, City personnel should compare the inventory results to the property records and, for any noted differences, investigate the differences and correct the property records, as appropriate.

City ordinances<sup>85</sup> and the City *Accounting Manual*<sup>86</sup> prescribe TPP accountability requirements. In addition, the City *Procurement Manual*<sup>87</sup> prescribes procedures for disposing of TPP and for reporting missing or stolen TPP.

Our examination of TPP records and discussions with City personnel disclosed that controls over TPP could be enhanced. Specifically, we found that:

- While City ordinances<sup>88</sup> provide that the Administrative Services Director is responsible for overall development and administration of TPP records, according to City personnel, the Administrative Services Director position was eliminated effective October 11, 2002, and the responsibilities of that position have not been reassigned. Although we requested, City personnel did not provide an explanation why City ordinances had not been updated to reflect the position elimination or why the position's associated responsibilities had not been reassigned. The lack of assigned TPP responsibilities to specific employees may have contributed to the control deficiencies discussed below.
- Certain provisions of the *Accounting Manual* were inaccurate or inconsistent with City ordinance provisions. Specifically:
  - The *Accounting Manual*, in addressing the City's capitalization policy (i.e., the policy for determining which purchased TPP items must be reported as capital assets on the City's financial statements), states that such policy is "based on Florida Statutes, Chapter 274 and Rules of the State of Florida Auditor General, Chapter 10.400." However:

<sup>84</sup> As reported on the City's 2017-18 audited financial statements, TPP includes machinery, equipment, and vehicles.

<sup>85</sup> Section 24, City of Palm Bay Code of Ordinances, *Accountability for City Property*.

<sup>86</sup> *Resource Management* section, *Accounting Manual*.

<sup>87</sup> Section EE, *Procurement Manual*, Disposal of City Property.

<sup>88</sup> Section 24.4A, City of Palm Bay Code of Ordinances, *Accountability for City Property*.

- The statutory reference cited establishes accountability requirements (i.e., recordkeeping and physical inventory requirements) for TPP and does not address capitalization of TPP for financial statement purposes.
- The Auditor General rule cited has not existed for many years as the Florida Department of Financial Services (DFS) became responsible for promulgating TPP accountability requirements by rule<sup>89</sup> pursuant to State law in 2006.<sup>90</sup>
- The *Accounting Manual* defines capital equipment as any readily identifiable items such as furniture, fixtures, office machines, communication equipment, vehicles, tools, and like items having a useful life of more than 1 year and a cost of \$1,000 or more. However, this definition is inconsistent with the definition of capital equipment in City ordinances,<sup>91</sup> which state that capital equipment has a useful life of more than 2 years.

City personnel indicated that the City is in the process of updating the *Accounting Manual*. Until the update is complete, there is an increased risk that City personnel will not properly administer TPP activities.

- The City did not always maintain appropriate TPP records in accordance with City ordinances. City ordinances<sup>92</sup> require that each department maintain a record for each TPP item valued<sup>93</sup> at or costing \$1,000 or more. The property record must include certain details to support the item, such as the last physical inventory date and condition of the item, acquisition date, acquisition cost or value, vendor or manufacturer information, and identification numbers. However:
  - Although we requested property records to support the City's reported TPP, we were only provided records for 8 of the 16 City departments and City personnel provided no explanation why records for the other 8 departments were unavailable. The property records provided included recorded TPP acquisition values totaling \$6.2 million, or approximately 20 percent of the total TPP reported by the City.
  - The property records provided for the 8 departments included 4,519 TPP items. We selected 41 items with total recorded values of \$143,950 from the property records and evaluated whether the property records included the required information. We found numerous instances in which the property records lacked one or more required details as, for example, the records for 33 items did not identify the last physical inventory date or condition of the item, the records for 10 items did not identify acquisition dates, the records for 9 items lacked the acquisition cost or value, the records for 10 items lacked vendor or manufacturer information, and the records for 4 items did not include identification numbers.
  - For one of the departments with property records, we identified 17 instances in which the records showed an identification number assigned to more than one item contrary to City ordinances,<sup>94</sup> which require a unique number be assigned for each TPP item. For example, we noted that the same identification number was assigned to 8 different TPP items.

Although we requested, City personnel did not explain why 8 departments did not maintain the required property records or why the property records maintained by the other 8 departments did not always include required information. City personnel indicated that the instances of assigning

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<sup>89</sup> DFS Rule 69I-73, Florida Administrative Code.

<sup>90</sup> Chapter 274, Florida Statutes, and Section 41, Chapter 2006-122, Laws of Florida.

<sup>91</sup> Section 24.3A, City of Palm Bay Code of Ordinances, *Accountability for City Property*.

<sup>92</sup> Sections 24.2, 24.4C, and 24.5, City of Palm Bay Code of Ordinances, *Accountability for City Property*.

<sup>93</sup> According to note 1.J to the City's 2017-18 audited financial statements, donated capital assets are recorded at acquisition value at the date of donation.

<sup>94</sup> Sections 24.3E and 24.6A.1, City of Palm Bay Code of Ordinances, *Accountability for City Property*.

the same identification number to multiple TPP items occurred because City personnel have had difficulty keeping the property records updated to reflect new or reassigned TPP.

- Pursuant to GFOA guidelines,<sup>95</sup> governmental entities should ensure that adequate control is maintained over property items with a cost or value of less than \$1,000 when those items require special attention to ensure legal compliance, protect public safety and avoid potential liability, or compensate for a heightened risk of theft. This includes TPP items that, by nature of their portability and adaptability for personal use, are more susceptible to loss or theft, such as electronic or motorized equipment, technology equipment, handguns, and tools. City ordinances<sup>96</sup> recommend, but do not require, that departments “use an internal property control accounting system” for TPP items with a cost or value of less than \$1,000.

Of the 8 departments with property records, only 1 department’s property records included TPP items with a cost or value of less than \$1,000. Although we requested, City personnel did not provide records evidencing that the other 7 departments had determined whether those departments’ TPP items with a cost or value of less than \$1,000 required special attention to ensure legal compliance, protect public safety and avoid potential liability, or compensate for a heightened risk of theft.

- City ordinances<sup>97</sup> require that a physical inventory of TPP items with a cost or value of \$1,000 or more be made at least annually and whenever there is a change in custodian. City ordinances<sup>98</sup> also indicate that City department directors are responsible for ensuring that physical inventories of TPP items assigned to their departments are made and reconciled to property records.

To determine whether physical inventories of TPP items were being performed, we requested records evidencing physical inventories of TPP with a cost or value of \$1,000 or more, and reconciliation of the physical inventory results to the property records, for the 2016-17 and 2017-18 fiscal years. City personnel provided records for only 1 department, the Fire Department. In response to our inquiries, City personnel indicated that physical inventories for the other departments were conducted; however, records evidencing the physical inventories were not maintained.

Absent adequate TPP controls, there is an increased risk that the City will lack appropriate accountability for TPP, City records will not accurately reflect the value of TPP, and that TPP may be lost, stolen, or inappropriately used.

**Recommendation: The City should ensure that:**

- **City ordinances are amended to assign responsibility for overall oversight of the property records to a City employee and update the *City Accounting Manual* to ensure that appropriate accountability for TPP is achieved consistent with City ordinances.**
- **City departments maintain property records for all TPP valued or costing \$1,000 or more.**
- **Property records include, for each TPP item, the information required by City ordinances, including a unique identification number.**
- **City departments identify all TPP items valued or costing less than \$1,000 that are not recorded in the property records, make a documented determination of whether any of those items require special attention as contemplated by GFOA guidelines, and maintain appropriate accountability for such items.**

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<sup>95</sup> GFOA publication, *Control Over Items That Are Not Capitalized*.

<sup>96</sup> Section 24.6, City of Palm Bay Code of Ordinances, *Accountability for City Property*.

<sup>97</sup> Section 24.6C.1, City of Palm Bay Code of Ordinances, *Accountability for City Property*.

<sup>98</sup> Section 24.4B, City of Palm Bay Code of Ordinances, *Accountability for City Property*.

- **An annual complete physical inventory of all TPP is conducted, documented, and reconciled to the property records. Any differences noted between the inventory and property records should be investigated and errors should be corrected.**

## MOTOR VEHICLES

As of June 2018, the City motor vehicle fleet was composed of 588 owned or leased vehicles (215 police vehicles and 373 other vehicles) for use by City employees while conducting official business. According to City administrative codes,<sup>99</sup> each department head is responsible for monitoring the compliance of departmental employees with respective code provisions.

To appropriately safeguard and manage the use of City vehicles, effective controls, including established procedures requiring records of vehicle assignment and use, and appropriate monitoring and evaluation of such use, are essential. Our audit procedures disclosed certain control deficiencies in the City's assignment and use of vehicles.

### **Finding 20: Mayor's Assigned Vehicle and Incidental Expense Allowance**

The City Charter<sup>100</sup> prescribes compensation for the Mayor and states that effective November 9, 2016, the salary for the Office of Mayor shall be at the rate of 20 cents per capita. While the City Charter does not provide for any other Mayoral compensation, pursuant to City policies and procedures,<sup>101</sup> the Mayor receives a \$200 per month allowance for incidental expenses incurred in performing his official City duties, such as attending local meetings. Pursuant to those policies and procedures that allowance may be used, for example, to pay for meals, mileage, and expenses related to City Council meetings. In addition, City procedures<sup>102</sup> require authorization to acquire new vehicles be accomplished through the annual budget process. Lastly, City procedures<sup>103</sup> provide that any vehicle dedicated to the Legislative Department (includes the Mayor and City Council) may not be utilized for personal use or as a "take-home" and the City Clerk "shall create a detailed tracking protocol whereby documentation of said vehicle(s), and fueling thereof, is conspicuously placed in the department lobby and available for inspection by the general public."

On December 16, 2016, the City paid \$22,599 for a vehicle for the Mayor's use. Based on our discussions with applicable City management, the vehicle was assigned only to the Mayor and was not intended to be used by other City Council members or City employees. City management also indicated it was their understanding that no specific provisions or restrictions were provided in connection with that assignment, and they were not aware of any prohibitions precluding the Mayor from taking the vehicle home (i.e., using the vehicle as a "take-home"). In addition to that vehicle assignment, City records show that during the period October 2016 through February 2018, the City paid the Mayor a total of \$3,400 for the monthly incidental expense allowance. Our examination of City records and inquiries of City

<sup>99</sup> Section 50.5, A., City of Palm Bay Administrative Code, *Personal Usage of City-Owned Motor Vehicles*.

<sup>100</sup> Section 3.03, City of Palm Bay Charter, *Compensation*.

<sup>101</sup> Chapter 3.3, City Council Policies and Procedures, *Salary*.

<sup>102</sup> Section 17.07, Public Works Standard Operation Procedures, *Replacement Policy*.

<sup>103</sup> Section 17.07, Public Works Standard Operation Procedures, *Replacement Policy*.

personnel regarding the vehicle purchased for the Mayor's use and the expense allowance disclosed that:

- City policies and procedures<sup>104</sup> provide that “notwithstanding a provision of a contract agreement with the City Clerk, a Charter Officer, the vehicle(s) dedicated to the Legislative Department may not be utilized for personal use or as a “take-home” vehicle; thereby restricting the use of City vehicles by Legislative Department employees, including the Mayor. Although we requested, City records were not provided to evidence the authority for the Mayor's vehicle assignment. Absent authority for the vehicle assignment, the value of any personal use of the vehicle by the Mayor represents Mayoral compensation that was not provided for in the City Charter or City policies and procedures.
- The City purchased the vehicle for the Mayor prior to obtaining budgetary authorization. The City Purchasing Officer signed a purchase order for the vehicle on December 2, 2016, and the City Manager authorized the purchase on the same date by e-mail. The City Manager subsequently included the vehicle purchase in a requested budget amendment that was approved by the City Council at its March 16, 2017, meeting, approximately 3 months after the Mayor began using the car. In response to our inquiry, City personnel indicated that the City Manager was aware at the time he approved the purchase that budgetary authorization would not be obtained through a budget amendment until March 16, 2017; however, the City Manager authorized the purchase as there was an immediate need for the vehicle. In response to our request for records evidencing the “immediate need” for the vehicle purchase, City personnel did not provide such records but speculated that the immediate need may have been attributable to the previous vehicle assigned to the Legislative Department (City Council and not exclusively to the Mayor) having approximately 100,000 miles on it, and the Mayor had been using that vehicle for frequent trips outside Brevard County on City business. Notwithstanding, because the vehicle was purchased approximately 3 months before the budget amendment was presented to the City Council for authorization, it is not apparent that, at the time of purchase, the City Council intended to authorize the purchase of a new vehicle for the Mayor's use.
- The City continued to pay the Mayor the \$200 monthly incidental expense allowance after the City purchased the vehicle for the Mayor's use in December 2016 and allowed the Mayor to use the City fuel dispensary for that vehicle. During the period December 2016 through February 2018, the City paid the Mayor a total of \$3,000 for the incidental expense allowance and the Mayor utilized gasoline from the City fuel dispensary valued at \$1,472. In response to our inquiry as to why the City continued to pay the full monthly allowance given that he had been provided a City vehicle and fuel, City personnel indicated that the allowance is not just for mileage (e.g., for meals and other incidental costs). Notwithstanding, as the Mayor's incidental expense allowance was for costs, including the cost of mileage related to his attending local meetings in his official capacity, it is not apparent why the City continued to pay the Mayor the full monthly incidental expense allowance amount given that the Mayor's mileage-related expenses were otherwise paid by the City.
- As noted above, City procedures provide that any vehicle dedicated to the Legislative Department may not be utilized for personal use or as a “take-home” and the City Clerk “shall create a detailed tracking protocol whereby documentation of said vehicle(s), and fueling thereof, is conspicuously placed in the department lobby and available for inspection by the general public. While it is not clear that a vehicle assigned exclusively to the Mayor would represent a vehicle dedicated to the Legislative Department, it would be prudent for the City to apply those procedures to such a vehicle. Regardless, a detailed tracking protocol for the Mayor's vehicle, and fueling thereof, was not maintained, nor did the Mayor maintain alternate records documenting the uses and purposes for trips made in the City-owned vehicle. Accordingly, City records did not demonstrate the

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<sup>104</sup> Section 3.6, *City Council Policies and Procedures*, Public Vehicle Use.

City-related purposes for which the vehicle was used or the extent the vehicle may have been used for personal purposes.

**Recommendation: The City should:**

- **Discontinue providing a vehicle for the Mayor's use as the City Charter does not provide that the Mayor be assigned a take-home vehicle or, alternatively, document the specific authority for providing the Mayor a take-home vehicle, reduce the Mayor's monthly incidental expense allowance amount by an amount proportional to the mileage-related expenses, and require the Mayor to document the purpose for all uses of and trips made in the City-owned vehicle.**
- **Enhance budgetary controls to ensure that authorizations for new vehicle acquisitions are accomplished through the annual budget process in accordance with City procedures.**

**Finding 21: Automobile Allowances**

State law<sup>105</sup> authorizes the City to establish travel policies that vary from the provisions of State law.<sup>106</sup> In October 2006, the City Council approved a resolution<sup>107</sup> that authorizes certain executive employees<sup>108</sup> to either be assigned a take-home vehicle or receive a monthly automobile allowance. The resolution established a monthly automobile allowance of \$374 for the period January 2008 to December 2017, which the City increased to \$405 starting January 2018. Notwithstanding, the City had not established travel policies that required, and procedures that ensured that, decisions for vehicle assignments and automobile allowances consider cost-effectiveness and be documented and monthly automobile allowances be based on documentation supporting the costs of a typical month's official business travel. Such documentation could include periodic reports of business-related travel for a given month, including the dates, locations, and miles traveled for each official business use.

During the period October 2016 through February 2018, pursuant to the City resolution, the City paid 17 employees automobile allowances totaling \$104,741 based on the City-adopted monthly rates. In response to our inquiries, City personnel indicated that issuing monthly automobile allowances to certain executive employees is a longstanding practice and that the allowances are a less expensive option than assigning City vehicles. However, although we requested, records were not provided to evidence that the automobile allowance was the less expensive option or to support the reasonableness of the allowance amount. Absent City policies and procedures that require the maintenance of records supporting the cost-effectiveness of vehicle assignments and automobile allowances and the reasonableness of the monthly automobile allowances, the basis for the allowances is not readily apparent.

**Recommendation: The City should establish policies and procedures that require and ensure periodic documented comparisons of the costs for providing a City-owned vehicle to the automobile allowance to ensure that the most cost-effective option is selected. In addition, to support the reasonableness of the automobile allowance amount, the policies and procedures should require and ensure that all employees receiving a monthly automobile allowance**

<sup>105</sup> Section 166.021(9)(b), Florida Statutes.

<sup>106</sup> Section 112.061, Florida Statutes.

<sup>107</sup> Resolution No. 2006-51, dated October 1, 2006.

<sup>108</sup> Executive at-will employees include the City Manager, Deputy City Manager, City Attorney, Deputy City Attorney II, City Clerk, Deputy City Clerk, and Department Heads.

**periodically provide documentation supporting the actual costs of official business travel for a given month.**

## **Finding 22: Take-home Vehicle Assignment and Use**

City administrative codes<sup>109</sup> establish certain requirements governing the assignment and use of City vehicles for all employees and require the City Manager or designee to authorize take-home vehicle assignments<sup>110</sup> through the use of a *Take Home Vehicle Program Agreement* (program agreement).<sup>111</sup> The program agreement requires employees to certify that they live within the City limits, include their typical commuting route, and agree to adhere to City administrative codes regarding take-home vehicle usage. The program agreement is to be signed by the employee, applicable department head, and the City Manager or designee.

To determine whether City records evidenced appropriate assignment and approval for take-home vehicles, we requested in November 2018 the program agreements for each of the 146 Police Department employees and 18 other City employees who were assigned take-home vehicles. However, agreements were not provided to evidence that 145 Police Department employees and 9 other City employees lived within the City limits and understood and agreed to follow City administrative codes, or that appropriate approval of the take-home assignments was obtained. In response to our inquiries, City personnel indicated that they did not have any knowledge as to why agreements were not completed or not maintained.

Absent properly completed and approved take-home vehicle program agreements to evidence that employees live in the City limits and understand and agree to follow City administrative codes, there is an increased risk that the vehicles will be used for unauthorized purposes.

**Recommendation: All take-home vehicle assignments should be supported by a properly completed *Take Home Vehicle Program Agreement* signed by the employee, applicable department head, and the City Manager or designee as required by City administrative codes.**

## **Finding 23: Vehicle Taxable Fringe Benefits**

City administrative codes<sup>112</sup> establish guidelines for the personal use of City-owned vehicles. The codes allow City employees to use City-owned vehicles for commuting, qualified non-personal use, and de minimis personal use (infrequent and brief side trips for personal reasons). Other personal use of City-owned vehicles must be specifically authorized by the City Manager or designee.

Pursuant to United States Treasury Regulations,<sup>113</sup> an employee's gross income includes the fair market value of any fringe benefit not specifically excluded from gross income by another provision of the Internal Revenue Code (IRC). The IRC<sup>114</sup> provides that the personal use of an employer-provided vehicle is a

<sup>109</sup> Section 50, City of Palm Bay Administrative Code, *Personal Usage of City-Owned Motor Vehicles*.

<sup>110</sup> Section 50.2, City of Palm Bay Administrative Code, *Policy*.

<sup>111</sup> Section 50.5, City of Palm Bay Administrative Code, *Specific Rules*.

<sup>112</sup> Section 50, City of Palm Bay Administrative Code, *Personal Usage of City-Owned Motor Vehicles*.

<sup>113</sup> Title 26, Section 1.61-21(a), Code of Federal Regulations.

<sup>114</sup> Title 26, Section 132(a)(3), United States Code.

fringe benefit that must be included in the employee's gross income as compensation for services, unless otherwise excluded. Pursuant to City administrative codes,<sup>1</sup> each department head is responsible for monitoring their department employees' compliance with the provisions of the codes, and the Finance Director is responsible for the calculation and reporting of vehicle usage as income in accordance with applicable provisions of the IRC.

As of November 2018, 165 employees were assigned take-home vehicles. The take-home vehicles included 146 Police Department vehicles, 18 vehicles assigned to other City departments, and a vehicle assigned to the City Manager. In addition, a take-home vehicle was purchased for the Mayor's use. Our inquiries of City personnel and examination of City payroll records for the period October 2016 through February 2018 for the 165 employees and the Mayor disclosed that an amount related to personal use of the City-owned vehicles was generally included in the gross income reported to the Internal Revenue Service (IRS). However, we also noted that:

- The City Manager was provided full-time use of a City-owned vehicle as part of his compensation. According to City administrative codes, in situations “where the City has determined that the employee may utilize the City-owned or leased vehicle for unlimited personal use, the employee shall file a Monthly Vehicle Use Report for the first two weeks of the months of June each year. The Finance Department shall utilize these representative periods to calculate the annual number of ‘after-hours’ use miles.” In response to our inquiries, City personnel indicated that the City Manager did not submit a Monthly Vehicle Use Report and, therefore, no amounts for personal use of the City-owned vehicle were included in the City Manager's gross income reported to the IRS for the 2016 and 2017 calendar years.
- Beginning November 30, 2016, the Mayor was assigned a City-owned vehicle specifically purchased for his use on a take-home basis as discussed in Finding 20. In response to our inquiry, City personnel indicated that the Mayor did not submit the required Monthly Vehicle Use Report to the Finance Department and, therefore, no amounts for personal use of the City-owned vehicle were included in the Mayor's gross income reported to the IRS for the 2016 and 2017 calendar years.
- Although the City developed a *Take Home Vehicle Program Agreement*<sup>115</sup> to document employee participation in the City's Take-Home Vehicle Program, the Agreements were not always completed. Specifically:
  - The City had 20 take-home vehicles (4 Police Department vehicles and 16 vehicles assigned to other departments) that did not qualify as non-personal use vehicles<sup>116</sup> and a *Take Home Vehicle Program Agreement* was not completed for 8 employees each assigned 1 of these vehicles.
  - The City Utilities Department had 4 on-call vehicles that were not assigned to specific employees as the responsibility to respond to calls rotated between Department employees. Although City administrative codes<sup>117</sup> required the vehicle assignments to be tracked as take-home vehicle assignments, a *Take Home Vehicle Program Agreement* was not

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<sup>115</sup> Section 50.5, City of Palm Bay Administrative Code, *Personal Usage of City-Owned Motor Vehicles, Specific Rules*.

<sup>116</sup> Qualified non-personal use vehicles are City-owned vehicles that are unlikely to be used for personal travel because of the vehicles' special design and include clearly marked police and fire vehicles, unmarked vehicles used by law enforcement officers, large cargo capacity vehicles, qualified special utility repair trucks, pickup trucks with specific permanently installed equipment, and cargo vans that have permanent shelving or are constantly carrying equipment. An employee's use of a qualified non-personal use vehicle is excluded from the employee's income.

<sup>117</sup> Section 50.4, City of Palm Bay Administrative Code, *Personal Usage of City-Owned Motor Vehicles, Conditions for General Use*.

completed for the 25 Utilities Department employees who shared the 4 on-call vehicles during the 2017 calendar year.

Because a *Take Home Vehicle Program Agreement* was not completed for these employees, Payroll Department personnel were unaware of the employees' use of City-owned vehicles. As a result, Payroll Department personnel did not request and obtain the various forms required to document the employees' personal use and calculate the value of such use. Consequently, the value of the employees' personal use of the City-owned vehicles was not calculated and included the employees' gross income reported to the IRS.

The Finance Director and some of the department heads were unaware of the requirements to include the value of personal vehicle usage in employees' gross income reported to the IRS. Consequently, only those department heads aware of the reporting requirement ensured that the necessary forms were completed and submitted to the Payroll Department. Absent records identifying the individuals assigned City-owned vehicles and any personal use of those vehicles, the City's ability to calculate and include the value of such personal use in the employee's gross income reported to the IRS is limited.

**Recommendation: The City should ensure that the value of the personal use of City-owned vehicles is appropriately included in employees' gross income, reported to the IRS, and based on appropriately completed records of City-owned vehicle assignments and use.**

## PUBLIC RECORDS

The City is responsible for establishing policies and procedures that are designed to effectively promote compliance with the statutory and ordinance requirements requiring the maintenance of public records.

### Finding 24: Public Records Retention

State law<sup>118</sup> requires the City to maintain public records in accordance with the Florida Department of State, Division of Library and Information Services, records retention schedules. Failure to maintain records in accordance with State law could result in City officials being subjected to certain penalties.<sup>119</sup>

According to the State's records retention schedule applicable to local governments,<sup>120</sup> records documenting successful bid responses and negotiation for contracts, leases, and agreements related to capital improvement and real property must be maintained for 10 fiscal years after completion or termination of the arrangements.<sup>121</sup> Records for arrangements not related to capital improvement and real property must be maintained for 5 fiscal years after completion or termination of the arrangement.<sup>122</sup> The State's records retention schedule applies to records regardless of the format in which they reside. Electronic records, like records in other formats, have a variety of purposes and relate to various program functions and activities. Therefore, records created or maintained in electronic format are required to be retained in accordance with the minimum retention requirements presented in the schedule.<sup>123</sup>

<sup>118</sup> Section 119.021(2)(a) and (b), Florida Statutes.

<sup>119</sup> Section 119.10, Florida Statutes.

<sup>120</sup> *State of Florida General Records Schedule GS1-SL for State and Local Government Agencies*.

<sup>121</sup> *State of Florida General Records Schedule GS1-SL for State and Local Government Agencies*, Item #s 64, 70, and 71.

<sup>122</sup> *State of Florida General Records Schedule GS1-SL for State and Local Government Agencies*, Item #s 65 and 72.

<sup>123</sup> *State of Florida General Records Schedule GS1-SL for State and Local Government Agencies*, General Information and Instructions, Section VI. Electronic Records.

The City *Records and Information Management Manual, 2009*, provides that the City will comply with the State's records retention schedule and establishes the duties and responsibilities of City personnel for retaining records. While performing audit procedures to evaluate the City's procurement processes, we noted certain instances in which the City did not comply with the State records retention requirements. For example:

- As discussed in Finding 5, in August 2005 the City contracted with a utility consultant for continuing engineering services and, during the period October 2016 through February 2018, the City paid \$1.3 million to the consultant. In March 2019, we requested City records supporting and associated with the consultant's proposal for the August 2005 contract. However, City personnel indicated that, after maintaining the records for 5 years from inception of the contract, the records were destroyed.
- In connection with our examination of City records related to four construction contracts totaling \$12.2 million (as discussed under the heading **Construction Administration**), we requested, but were not provided, the date- and time-stamped envelopes documenting the timely receipt of the successful respondents' proposals for these procurements. Similarly, during our testing of 30 competitive procurements with awards of \$17.4 million and with expenditures of \$18.4 million<sup>124</sup> occurring during the period October 2016 through February 2018, we noted that the City did not retain the date- and time-stamped bid or proposal envelopes to document the receipt of respondent bids or proposals for 23 of 24 applicable awards as follows:
  - 11 procurements for construction-related services awarded during the period January 2017 to January 2018.
  - 12 procurements for non-construction-related services awarded during the period August 2016 to March 2018.

While the public proposal opening logs as well as the sign-in sheets for the public openings were retained, City personnel indicated that they only retain the envelopes that contain respondent proposals until the contracts are finalized. After the contracts are finalized the bid and proposal envelopes are disposed of or destroyed.

Since City records supporting the capital improvement arrangements and the construction contracts' successful respondents' proposals should have been retained for 10 years after the arrangements were completed, and City records supporting non-capital improvement arrangements should have been retained for 5 years after the arrangements were completed, these records should have been available upon our request.

In addition, our discussions with City personnel in February 2019 disclosed that the City had not established procedures that required the retention of records of electronic communications, such as e-mail and text messages. According to City personnel, e-mails are retained on City servers; however, text messages sent and received from wireless communication devices are not retained because of the expense involved. However, according to the City Manager, City administrative codes will be updated in January 2020 to include retention policies for electronic communications.

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<sup>124</sup> Four of the procurements, for debris removal, debris removal monitoring, consulting, and legal services, were not awarded for specific amounts; rather, they were awarded based upon per unit or per hour pricing with amounts to be determined as necessary subsequent to the awards. During the period October 2016 through February 2018, the City expended \$2.4 million pursuant to these awards, and this amount is not included in the \$17.4 million award total.

Absent effective public records retention procedures and adequate controls to ensure compliance with the minimum retention requirements, the City has limited assurance that City personnel consistently comply with these requirements and are appropriately maintaining public records. **[no reference, effect]**

**Recommendation: To promote compliance with public records laws, the City should ensure that policies and procedures require and ensure records are appropriately maintained in accordance with the applicable public records retention requirements.**

### **Finding 25: City Council Meeting Minutes**

Pursuant to State law,<sup>125</sup> minutes of City Council meetings must be promptly recorded and open to public inspection. As a good business practice, to ensure that minutes accurately reflect all action and proceedings of the Council, the minutes of each meeting should be reviewed, corrected if necessary, and approved at a subsequent Council meeting. The City Charter<sup>126</sup> provides that the City Clerk is responsible for preparing City Council meeting minutes. According to City personnel, the City Council officially approves the minutes at a Council meeting before the City Clerk makes the minutes available for public inspection. Notwithstanding, the City had not established policies that require Council meeting minutes to be promptly prepared, reviewed, approved, and made available to the public.

The City maintains City Council meeting minutes on its Web site, allowing public access to official City Council actions. During the period October 2016 through February 2018, the City Council held 44 meetings, including 32 regular meetings (generally two each month) and 12 special meetings. Our examination of City Council meeting minutes for this period disclosed that the minutes for 23 City Council meetings, consisting of 15 regular meetings and 8 special meetings, were not made available to the public until 35 to 119 days after the meetings occurred.

In response to our inquiry, City personnel indicated that delays in the preparation and approval of the minutes occurred because of an increased number of meetings and the length of many meetings. City personnel also indicated that State law does not require that minutes be transcribed and made available to the public within a specific timeframe. Notwithstanding the lack of a specific timeframe, the prompt preparation, review, and approval of meeting minutes enhances the ability of the public to have timely access to official City Council actions. According to City personnel, the City Clerk's office plans to address the issue during the 2019-20 fiscal year budget process by requesting that the City Council create a part-time position within the City Clerk's office with primary responsibility for transcribing City Council meeting minutes.

**Recommendation: The City should establish policies that require Council meeting minutes to be promptly prepared, reviewed, approved, and made available to the public and ensure that City procedures comply with such policies.**

### ADMINISTRATION AND MANAGEMENT

Effective administration and management require the establishment of policies and procedures for strategic planning, a comprehensive framework of internal controls, budgetary planning and oversight,

<sup>125</sup> Section 286.011(2), Florida Statutes.

<sup>126</sup> Section 3.07, City of Palm Bay Charter.

and financial reporting. Established administration and management policies and procedures are essential to ensure City officials and employees administer their assigned responsibilities in accordance with applicable statutory<sup>127</sup> and ordinance requirements. Such policies and procedures should be designed to effectively promote and monitor compliance with the statutory and ordinance requirements and to demonstrate accountability for the use of public resources.

### **Finding 26: Anti-Fraud Policies and Procedures**

Effective policies and procedures for communicating, investigating, and reporting known or suspected fraud are essential to aid in the mitigation, detection, and prevention of fraud. Such policies and procedures serve to establish the responsibilities for investigating potential incidents of fraud and taking appropriate action, reporting evidence of such investigations and actions to the appropriate authorities, and protecting the reputation of persons suspected but determined not guilty of fraud.

City ordinances<sup>128</sup> provide whistle-blower protections for employees who report knowledge of unlawful activity, misfeasance, or malfeasance to appropriate authorities for investigation and corrective action. In addition, the City Council adopted a Code of Ethics policy<sup>129</sup> that requires, for example, public officials to avoid action that might result in or create the appearance of using public office for private gain.

Our audit procedures found that, while the City ordinances and Code of Ethics policy have some positive features essential to aid in the mitigation, detection, and prevention of fraud, they do not:

- Provide examples of actions constituting fraud.
- Require individuals to communicate and report known or suspected fraud.
- Provide for anonymous reporting of known or suspected fraud.
- Require officials to keep accurate records of reported fraud or suspected fraud.
- Assign responsibility for investigating potential incidents of fraud and taking appropriate action.
- Provide guidance for investigating potential and actual incidents of fraud; reporting evidence obtained by the investigation to the appropriate authorities, which may be the City Council members or City legal counsel if an incident involves City management; or protecting the reputations of persons suspected but determined not guilty of fraud.

In response to our inquiry, the City Manager indicated that City ordinances and policies lacked certain anti-fraud features because the City's existing procedures are adequate to prevent and address fraud. Notwithstanding this response, absent adequately designed, comprehensive anti-fraud policies and procedures, there is an increased risk that a known or suspected fraud may be identified but not communicated, investigated, or reported to the appropriate authority for resolution.

**Recommendation: The City should establish policies and procedures for communicating, investigating, and reporting known or suspected fraud that:**

- **Provide examples of actions constituting fraud.**
- **Require individuals to communicate and report known or suspected fraud.**

<sup>127</sup> For example, Chapter 166, Florida Statutes, *Municipal Home Rule Powers Act*.

<sup>128</sup> Sections 34.20 through 34.32, City of Palm Bay Code of Ordinances, *Whistle-blower's Ordinance*.

<sup>129</sup> City Policy adopted July 1, 2004.

- Provide for anonymous reporting of known or suspected fraud.
- Require officials to keep accurate records of reported fraud or suspected fraud.
- Assign responsibility for investigating potential incidents of fraud and for taking appropriate action.
- Provide guidance for investigating potential and actual incidents of fraud, reporting evidence obtained by the investigation to the appropriate authorities, and protecting the reputations of persons suspected but not determined guilty of fraud.

## **Finding 27: Budget Controls**

Pursuant to State law<sup>130</sup> and City ordinances,<sup>131</sup> the City Council must adopt a budget each fiscal year. The City Council-adopted budget must regulate the City's expenditures and it is unlawful to expend or contract for expenditures in any fiscal year except pursuant to the adopted budget. The City Council may, at any time within a fiscal year or within 60 days following the end of the fiscal year, amend the budget for that fiscal year.<sup>132</sup>

City ordinances<sup>133</sup> establish the City's legal level of budgetary control (i.e., the level at which expenditures may not legally exceed budget amounts) at the department level within each fund. The City Council is authorized to transfer budget appropriations between departments within the same fund or to increase or decrease budget appropriations in any department, division, or fund.

In its 2016-17 fiscal year comprehensive annual financial report, the City reported negative budget variances for instances in which actual expenditure amounts exceeded the budgeted amounts at the fund level. For example, the City reported negative budget variances of \$585,790 for the Neighborhood Stabilization Program (NSP) Fund, \$159,000 for the Risk Management Fund (RMF), \$1,959 for the General Fund, and \$32,956 for the Miscellaneous Donations Fund. Our examination of City accounting records and inquiries of City personnel regarding these variances disclosed that:

- No revenues or expenditures were budgeted for the NSP Fund because, according to City personnel, none were expected; however, in April 2018 City personnel recorded a journal entry in the 2016-17 fiscal year accounting records to move expenditures recorded in the State Housing Initiative Partnership (SHIP) Fund to the NSP Fund for the Growth Management Operations Department.
- The RMF budget overexpenditures resulted mainly from unrecorded estimated litigation claim costs because, according to City personnel, the Finance Department was not timely provided an actuary report needed to estimate those costs for the City Attorney Department.
- The General Fund budget overexpenditures resulted from an underestimation of anticipated costs for the City Attorney Department legal services and other miscellaneous costs.

<sup>130</sup> Section 166.241(2), Florida Statutes.

<sup>131</sup> Sections 35.021 and 35.026, City of Palm Bay Code of Ordinances.

<sup>132</sup> Section 166.241(5), Florida Statutes.

<sup>133</sup> Section 35.035, City of Palm Bay Code of Ordinances.

- The City has not historically budgeted revenues and expenditures for the Miscellaneous Donations Fund<sup>134</sup> because, according to City personnel, City personnel are not able to predict donation amounts. The negative budget variance resulted from expenditures totaling \$31,229 and \$1,727 by the Police and Fire Departments, respectively. City personnel asserted that the City's financial auditors have not raised the lack of budgets and amendments for this Fund as a concern during the City's annual financial statement audits.

According to City personnel, because State law<sup>135</sup> provides that a municipality can only amend its budget within the fiscal year or within 60 days following the end of the fiscal year, the Budget Department stops making budget amendments by November 30 (60 days after the City's September 30 fiscal year-end). However, the City's accounting records are not always closed by November 30, and the Accounting Department frequently posts correcting entries to the City's accounting records after November 30. Consequently, transactions recorded in the City's accounting records after November 30 may result in budget overexpenditures for the fiscal year. Notwithstanding, State law provides that a municipal government may not expend or contract for expenditures in any fiscal year except pursuant to the adopted budget.

Absent proper monitoring and timely amending of the budget to meet changing financial circumstances, there is an increased risk that expenditures may not be effectively monitored to ensure compliance with the legal level of budgetary control and that expenditures may exceed available resources.

**Recommendation: The City should enhance budget controls to ensure that expenditures are limited to approved budgeted amounts as required by State law.**

### **Finding 28: Budget and Financial Condition Monitoring**

State law<sup>136</sup> requires the governing body of each municipality to adopt a budget each fiscal year to regulate municipality expenditures. According to GFOA recommended budget practices,<sup>137</sup> regular monitoring of budgetary performance provides an early warning of potential problems and gives decision makers time to consider actions that may be needed if major deviations in budget-to-actual comparison results become evident. City ordinances<sup>138</sup> require the Finance Director to prepare, and the City Manager to submit, a monthly report to the City Council of all receipts and disbursements in sufficient detail to show the exact financial condition of the City. The monthly reports are to disclose, for the General Fund, Utilities Fund, and Building Fund, current fiscal year revenue amounts compared to prior fiscal year revenue amounts and current fiscal year budgeted expenditures (or expenses, as applicable) compared to current fiscal year actual amounts.

As part of our audit, we requested for examination the 17 monthly reports that should have been prepared and submitted to the City Council for the period October 2016 through February 2018. Our examination

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<sup>134</sup> The Miscellaneous Donations Fund is used to account for donations made to the Police, Fire, and Parks and Recreation Departments from outside sources.

<sup>135</sup> Section 166.241(5), Florida Statutes.

<sup>136</sup> Section 166.241(2), Florida Statutes.

<sup>137</sup> *Recommended Budget Practices, A Framework for Improved State and Local Government Budgeting*, National Advisory Council on State and Local Budgeting, Government Finance Officers Association (1998).

<sup>138</sup> Section 35.001, City of Palm Bay Code of Ordinances.

disclosed instances of noncompliance with City ordinances and GFOA recommended budget practices. Specifically, we found that:

- Monthly reports for 7 months were not submitted to the City Council. According to City personnel, monthly reports were prepared and posted on the City's Web site; therefore, the City Council and members of the public had access to the reports. Notwithstanding, City ordinances require the submittal of monthly reports of all receipts and disbursements to the City Council.
- None of the 17 monthly reports contained all City receipts and disbursements in sufficient detail to show the financial condition for each of the City's respective funds as the budget and actual information was aggregated for all but 3 governmental funds. Specifically, while the monthly reports separately presented financial information for the General Fund, Utilities Fund, and Building Fund, the reports did not separately present the budget and actual amounts for the City's other 28 governmental funds (such as the Bayfront Community Redevelopment Agency (BCRA) Fund and the BCRA Construction Fund), 10 enterprise funds (such as the Utilities Connection Fee Fund and the Main Line Extension Fee Fund), and 4 internal service funds (such as the Risk Management Fund and the Fleet Services Fund). Those 42 funds and the 3 separately presented funds (General Fund, Utilities Fund, and Building Fund) were aggregated and presented as "citywide."

In response to our inquiries, the Finance Director indicated that City ordinances do not define what is considered "sufficient detail" for purposes of showing "the exact financial condition of the City;" therefore, the presentation of budget and actual financial data for all funds is unnecessary. According to the Finance Director, the Finance Department and individual department heads monitor budget versus actual activity at the fund and department level at least monthly, and the City Manager and the City Council are notified of any upcoming issues involving City finances. Notwithstanding this response, absent the preparation and submittal of periodic budget-to-actual comparison reports that include all City funds to the City Council, the City Council may lack the information necessary to gain an appropriate understanding of the City's financial condition. Such information is essential to identifying and remedying critical budget shortfalls and verifying that sufficient funds are available before authorizing purchases and expenditures.

**Recommendation:** The City should prepare and submit to the City Council monthly reports of receipts and disbursements as required by City ordinances. Should the City Council believe that posting monthly financial reports on the City's Web site is a better method of providing financial information to decision makers and the public, the City Council should consider amending City ordinances to direct such postings rather than the monthly reports. In addition, to more accurately show the financial condition of the City and provide for the budgetary monitoring contemplated by the GFOA, the City should periodically present the financial activity for each individual fund.

#### **Finding 29: Council Members Communications with City Personnel**

The City Charter<sup>139</sup> provides that neither the Council nor its members shall either direct, interfere, or otherwise deal with City officers and employees who are subject to the direction and supervision of the City Manager, except through the City Manager. The City Charter further states that neither the Council nor its members shall give orders to any such officer or employee. After reasonable notice to the City Manager, individual members of the Council may closely scrutinize, by questions and observations, all aspects of City government operations, solely for the purpose of obtaining information to assist the

<sup>139</sup> Section 3.052, City of Palm Bay Charter.

Council in the formulation of sound policies to be considered. All recommendations for improvement in City government operation by individual Council members are to be made to and through the City Manager.

Our examination of City records and discussions with City personnel disclosed that the Mayor and another City Council member interacted with City employees without first giving reasonable notice to the City Manager. City personnel provided to us the following examples:

- In May 2017, the Mayor directly contacted, without first contacting the City Manager, the Utilities Director regarding unprofessional behavior by Utilities Department personnel. Subsequently, the City Manager sent an e-mail to the Mayor reminding the Mayor to copy the City Manager's office on communications with City employees since all complaints are tracked and reviewed by the City Manager to ensure issues are timely routed to appropriate departments and consistently handled. The City Manager also informed the Mayor in his e-mail that City Council members (includes the Mayor) contacting City staff directly places that staff in an uncomfortable position.
- In August 2017, a City Council member toured or visited the Fire and Utilities Departments without giving advance notice to the City Manager. Subsequently, the City Manager sent an e-mail to the City Council member informing him that directly contacting employees without including the City Manager places the employees in an awkward and uncomfortable situation.

When the City Manager is excluded from interactions between City Council members and City employees, there is an increased risk that information, such as residents' concerns, may not be timely communicated to the appropriate City staff and consistently, efficiently, and effectively addressed.

**Recommendation:** In accordance with the City Charter, the Mayor and other City Council members should not direct, interfere, or otherwise deal with City officers and employees who are subject to the direction and supervision of the City Manager, except through the City Manager.

## INFORMATION TECHNOLOGY

As the City depends on information technology (IT) to record, process, maintain, and report essential financial and program information, City management has an important stewardship responsibility for establishing effective IT controls that provide reasonable assurance of the achievement of management's control objectives, including, in particular, the confidentiality, integrity, and availability of data and IT resources.

### **Finding 30: Information Technology User Access Privileges**

Effective IT access controls include measures that limit user access privileges to only those system functions necessary for the performance of assigned job duties and promote an appropriate separation of duties. Periodic reviews of user access privileges help ensure that only authorized users have access and that the access privileges provided to each user remain appropriate. An effective periodic review consists of identifying the current access privileges of all users and evaluating the assigned access privileges to ensure that they align with the users' job responsibilities.

User access privileges within the City's business services application, including the human resource (HR), payroll, and finance functions, were controlled by assigning employees specific user profiles with access to established applications, menus, options, and subfunctions. In response to our inquiry, City personnel indicated that, to assign access to new employees:

- HR Department personnel send the Communications and Information Technology (CIT) Department personnel a notification listing the new employee's name, position, and start date.
- CIT Department personnel create a network login and a business application account and assign the same user access privileges to the new employee as the former employee in that position.

Annually, on October 1, and at other times during the year, for example when a new department director is appointed, department directors review and update their department's designee authorized to request access to IT resources. However, neither the department directors nor CIT Department personnel periodically evaluate each user's access privileges to the business services application to ensure that the access is appropriate based on the user's assigned job duties. Although we requested, City personnel did not explain why periodic evaluations of user access privileges were not performed.

The City had employee access reports that included employees and their assigned user profiles; however, the City did not have the ability to succinctly extract the applications, menus, options, and subfunctions granted to each user profile in a manner that readily corresponded to user fields. In response to our inquiries, City personnel provided us a listing, not created directly from the City's business services application, that purported to show summarized IT access privileges for 197 users. Our examination of the listing and discussions with City personnel disclosed instances in which City controls over user access privileges were not effective. Specifically:

- 18 users (e.g., the Chief Procurement Officer, Finance Director, City Engineer, and Assistant Public Works Director) had update access privileges to purchasing and payment processing functions that were incompatible as the privileges allowed the users to add or update vendor information, approve requisitions, approve purchase orders, pay invoices, and issue accounts payable checks.
- 22 users had update access privileges to payroll functions that were incompatible or unnecessary for the user's job duties. Of these 22 users:
  - 10 users not assigned to the HR Department (e.g., the City Manager, Risk Manager, and Budget Administrator) could add or update employee information and also change employee rates of pay. Nine of these users also had the ability to issue payroll checks.
  - 7 HR Department employees had the ability to issue payroll checks, which was incompatible with the employees' abilities to add or update employee information and change rates of pay.
  - 3 Police Department employees (Accreditation Management Unit Secretary, Crime Analyst, and Special Operations Secretary) were able to add or update employee information, even though the access was unnecessary for the employees' job duties.
  - 1 Fire Department employee was able to update employee rates of pay, even though the access was unnecessary for the employee's job duties as Special Projects Manager.

The existence of inappropriate or unnecessary IT access privileges increase the risk that unauthorized disclosure, modification, or destruction of City data and IT resources may occur and not be timely detected. In response to our inquiries in October 2019, CIT Department personnel indicated that procedures would be developed to review access controls and to limit access to the minimum access needed for employees to perform their job duties.

**Recommendation: The City should establish procedures that ensure IT user access privileges are necessary for the users' assigned job duties and enforce an appropriate separation of duties. Such procedures should include an effective process for documented, periodic evaluations of**

**user access privileges and prompt removal of any inappropriate or unnecessary access privileges detected.**

### **Finding 31: Information Technology Disaster Recovery Plan**

An important element of an effective internal control over IT operations is a disaster recovery plan to help minimize data and asset loss in the event of a major hardware or software failure. Among other things, a well-designed disaster recovery plan should:

- Identify key personnel and responsibilities and include a communication strategy.
- Identify the City's critical data, processes, and applications for restoration in priority order given the timing of a potential disaster and the estimated prolonged outage. For example, City management may identify critical applications such as finance, human resources, and other necessary applications for priority restoration.
- Provide detailed backup procedures or schedules of critical data. Detailed instructions should include identification of an alternative site for use in the event of an IT resource failure, critical data sets to be backed up, frequency of backups, storage location(s), and how data will be accessed during a disaster.
- Require annual testing of the plan and evaluation of the City's ability to access and run critical applications and processes from an alternate site in the event of a disaster.

Plan elements should be tested annually to disclose any areas not addressed by the plan and to facilitate proper conduct in an actual disruption of IT operations.

In response to our inquiry, City personnel indicated that the City periodically backs up data and performs additional backups when a hurricane watch is issued; however, the City had not, as of July 2019, established an IT disaster recovery plan. According to the City Manager, for the past 5 budget years, CIT Department personnel have requested additional budgeted moneys of approximately \$600,000 to implement a disaster recovery system; however, the City Council did not approve the requests.

Absent a comprehensive disaster recovery plan and annual testing of the plan elements, there is an increased risk that the City may be unable to continue critical IT operations, or maintain availability of information systems data and resources, in the event of a disruption of IT operations.

**Recommendation: The City should establish a comprehensive IT disaster recovery plan, and annually test and evaluate the plan.**

## ***RELATED INFORMATION***

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During the course of our audit, we became aware that a former Deputy City Manager who served the City from May 2015 to September 2017 was arrested in May 2019 for an ongoing pattern of specific criminal activities from at least September 12, 2015, through January 12, 2016. Specifically, he was charged with “Conspiracy to Commit Racketeering,” a first-degree felony; “Conspiracy to Commit Extortion,” a third-degree felony; along with other third-degree felonies for conspiracy to possess controlled substances.

## ***OBJECTIVES, SCOPE, AND METHODOLOGY***

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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. Pursuant to Section 11.45(3)(a), Florida Statutes, the Legislative Auditing Committee, at its November 16, 2017, meeting, directed us to conduct this operational audit of the City of Palm Bay.

We conducted this operational audit from April 2018 through October 2019 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, ordinances, bond covenants, 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, and identify weaknesses in those controls.
- To 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, deficiencies in management’s internal controls, instances of noncompliance with applicable laws, ordinances, bond covenants, 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.

As described in more detail below, 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.

Our audit included the selection and examination of transactions and records for the audit period October 2016 through February 2018, and selected transactions taken prior and subsequent thereto. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically 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 agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit we:

- Reviewed applicable laws, contracts, grant agreements, and City ordinances, policies, and procedures, and interviewed City personnel to gain an understanding of the City's processes and to evaluate whether the City had established effective policies and procedures for major City functions, such as procurement, finance, and human resource management.
- From the 41 construction projects with expenditures totaling more than \$50,000 each, and collective expenditures totaling \$10.1 million during the audit period, examined City records supporting 4 selected projects with expenditures totaling \$2.2 million. For these 4 projects, we examined City records to determine whether:
  - Plans and specifications were properly reviewed and approved as required by the City or its authorized review agent.
  - The design criteria professionals, design-build contractor, construction manager, architects, and engineers were competitively awarded contracts, as appropriate; adequately insured, and paid in accordance with applicable contracts.
  - City procedures were effective in documenting selections of qualified subcontractors.
  - The City or the City's authorized designee properly approved change orders.
  - The City had established adequate policies and procedures for negotiating, monitoring, and documenting applicable general conditions costs.
- Examined City records to determine the extent to which the City attempted to obtain developer or other contributions to cover City costs related to the Palm Bay Parkway Southern Interchange and St. Johns Heritage Parkway Interchange to Babcock Street (SJHP) projects and whether the City Council was provided complete and accurate information for financing these projects.
- Examined City records to determine whether the City selected a design-build firm for the SJHP project in accordance with applicable laws, ordinances, policies and procedures, and other guidelines.

- Evaluated the reasonableness of City procurement and change order thresholds by comparing the thresholds to those of comparable municipalities.
- From the 2,464 payments totaling \$28.7 million for contractual services during the audit period, examined City records supporting 30 selected payments totaling \$2.6 million to 20 different contractors to determine whether the payments were reasonable, adequately documented, for a valid City purpose, properly authorized and approved before payments were made, and complied with applicable City ordinances, State laws, contract terms; and applicable contractors were properly selected.
- From 63 vendors awarded contracts totaling over \$27 million during the period October 2016 through September 2018, we selected 30 vendors and examined City records supporting payments to these vendors totaling \$18.4 million to determine whether goods and services were competitively selected in accordance with applicable State laws, City ordinances, and other guidelines.
- Examined City records to determine whether the plan administrator was appropriately selected for the health self-insurance program based on consideration of the quality of services and reasonableness of related fees. Additionally, we determined whether the plan administrator had been approved by the Office of Insurance Regulation as required by Section 112.08(2)(a), Florida Statutes.
- Determined whether the City followed Government Finance Officers Association best practices for selecting debt professionals.
- Evaluated the reasonableness of City procedures for assignment and use of City-issued purchasing cards (P-cards). We also determined whether City personnel periodically reviewed and evaluated P-card use and cardholder purchasing limits.
- From the 13,845 P-card expenditures totaling \$2.2 million paid during the audit period, examined City records supporting 56 P-card expenditures totaling \$61,497 to determine whether expenditures were made in accordance with City ordinances and City policies and procedures.
- Determined whether the City timely canceled P-card privileges for 36 cardholders who separated from City employment during the audit period.
- Examined City policies and procedures to determine whether justification was required for wireless communication device assignments and appropriate controls existed for monitoring device usage and related charges.
- From the 17 monthly air card service billing statements during the audit period totaling \$170,226, examined City records supporting 4 selected billing statements totaling \$40,379 to determine the propriety of the charges and whether the City paid for unused air cards.
- From the 68 cell phone service billing statements during the audit period totaling \$131,247, examined City records supporting 4 billing statements totaling \$16,409 to determine the propriety of the charges and whether the City paid for unused cell phones.
- Examined City records supporting the extra compensation payments totaling \$18,000 to the employee during the audit period to determine whether payments complied with Section 215.425(1), Florida Statutes.
- Evaluated severance pay provisions in five employment agreements to determine whether the provisions complied with Section 215.425(4), Florida Statutes. Also, for the employee who received severance pay totaling \$12,488 during the audit period, we examined City records to determine whether the payment complied with Section 215.425(4), Florida Statutes, and City policies and procedures.

- Examined City records supporting salary payments totaling \$87,353 to 30 selected employees from the salary payments totaling \$58.9 million during the audit period to determine whether the payments were properly calculated and reviewed for accuracy.
- Examined City personnel files for 30 employees selected from the 1,002 City employees during the audit period to determine whether the files contained appropriate records, including position classifications, basis for salary amounts, employee-approved payroll deductions authorizations, and whether employee performance evaluations were conducted for each applicable employee in accordance with City policies.
- From the 873 employees who received pay increases totaling \$2.7 million during the audit period, examined City records supporting 72 pay increases totaling \$140,000 for 30 selected employees to determine whether pay increases complied with applicable State laws, City policies and procedures, and other guidelines.
- Reviewed City records supporting transfers out of the Stormwater Utility Fund to the General Fund during the audit period totaling \$458,377, including \$134,125 for reimbursement of portions of salaries of Public Works Department employees, to determine whether the transfers were reasonable, necessary, and adequately supported.
- Examined personnel files for the 3 employees who involuntarily separated from employment during the audit period to determine whether the separations were properly authorized in accordance with City policies and procedures.
- Examined the personnel file of a former City Manager to determine whether the City followed applicable policies and procedures for reprimanding the City Manager.
- From the 112 accrued leave payments totaling \$845,917 made to employees who separated from City employment during the audit period, examined City records supporting 30 selected payments totaling \$368,491 to determine whether the payments for unused vacation, sick, and compensatory leave were made in accordance with applicable State laws, City ordinances, City policies and procedures, and other guidelines.
- From the 352 accrued leave payments totaling \$1.8 million made to employees during the audit period, examined City records supporting 30 selected payments totaling \$410,150 to determine whether the payments were made in accordance with applicable State laws, City ordinances, City policies and procedures, and other guidelines.
- Evaluated City procedures for classifying individuals as employees or independent contractors, as appropriate.
- Examined payments to City Council members during the audit period to determine whether any prohibited compensation was paid.
- From the 54 expenditures totaling \$214,464 for special events, examined City records supporting 4 expenditures totaling \$15,225 to determine whether the City established adequate accountability to ensure that special events moneys were expended for City-intended purposes.
- From the 19 donations totaling \$31,310 made during the audit period to 13 different external organizations, examined City records for 2 donations totaling \$13,000 made to 2 organizations to determine whether donations were made in accordance with applicable laws, City ordinances, City policies and procedures, and other guidelines.
- From the 16 land sales totaling \$719,507 during the audit period, examined City records supporting five land sales totaling \$364,036 to determine whether the land sales were made in accordance with applicable State laws, City codes, City policies and procedures, and other guidelines.

- Examined City records supporting 6 land acquisitions totaling \$664,179 during the audit period to determine whether the acquisitions were made in accordance with applicable State laws, City codes, City policies and procedures, and other guidelines.
- Examined City tangible personal property (TPP) records for the audit period to determine whether the City followed policies, procedures, and good business practices to ensure property records were sufficiently detailed to safeguard assets, promptly updated for TPP purchases, and provided accountability for sensitive and attractive items with purchase prices below the City TPP capitalization threshold. We also determined whether City personnel periodically conducted TPP inventories and reconciled the results to the property records.
- From the 4,519 TPP items totaling \$6.2 million in eight City departments, located 41 items totaling \$143,950 to determine whether the items existed and were tagged as City property, and examined City records to determine whether the property records contained all required information, such as serial number and description.
- Examined City records related to the purchase of a vehicle for the Mayor's use to determine whether the purchase was made in accordance with the City Charter, City ordinances, and City policies and procedures.
- Reviewed City records supporting automobile allowances paid to City employees to determine whether allowances were made in accordance with applicable State laws, City ordinances, and City policies and procedures and were reasonably justified in accordance with good business practices.
- From the 588 total City motor vehicles as of June 2018, examined City records supporting 30 selected motor vehicles to determine whether the City maintained adequate vehicle-use records.
- Examined City records for 166 take-home vehicles as of November 2018 to determine whether City policies and procedures were followed. Additionally, we examined City records to determine whether personal use of take-home vehicles was appropriately included in employees' gross income and reported as taxable income to the Internal Revenue Service.
- Evaluated the City preventative maintenance program for motor vehicles. From the inventory of motor vehicle repair parts totaling \$788,864 used during the audit period, examined City records supporting 30 selected repair parts issuances totaling \$30,399 to determine whether the issuances were for specific work orders and properly recorded in the vehicle repair records.
- Evaluated the adequacy of City policies and procedures established to promote compliance with State and City records retention requirements, including requirements for retaining electronic communications, such as e-mails and text messages. We also determined whether the City complied with the records retention requirements during the audit period by requesting for examination City records supporting four selected construction projects with expenditures totaling \$2.2 million and 30 selected competitive procurements with expenditures totaling \$18.4 million.
- Examined City Council meeting minutes for the audit period, and selected meeting minutes prior and subsequent thereto, to determine the propriety and sufficiency of actions taken relative to topics included in the scope of this audit and to determine whether the City properly noticed the meetings, promptly recorded minutes of the meetings, promptly reviewed and approved the minutes, and promptly made the minutes readily accessible to the public.
- Determined whether the City had established anti-fraud policies and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals.
- Determined whether the City adopted and amended the 2016-17 fiscal year budget in compliance with State law and City ordinances and did not expend 2016-17 fiscal year moneys except pursuant to the adopted budget, as amended.

- For the audit period, determined whether the 17 monthly financial reports required by City ordinances were prepared and presented to the City Council and that the reports were in sufficient detail to provide City Council members a sufficient understanding of the City's financial condition.
- Reviewed City Council members communications with City personnel during the audit period to determine whether communications complied with City Charter provisions.
- Evaluated City procedures for establishing and periodically reviewing access to information technology (IT) resources.
- Determined whether the City had established and tested a comprehensive IT disaster recovery plan.
- Examined selected application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Evaluated the adequacy of City policies and procedures for identifying potential conflicts of interest. For selected City officials, we reviewed the Department of State, Division of Corporations records, statements of financial interests; and City records to identify any potential relationships that represented a conflict of interest with City vendors.
- Examined City records to determine whether the City established an adequate, comprehensive electronic funds transfer (EFT) policy and evaluated the adequacy of EFT controls. From the 1,868 EFTs totaling \$179.6 million during the audit period, we examined City records supporting 30 selected EFTs totaling \$37.2 million to determine whether the EFTs were adequately supported and properly authorized.
- Examined City records supporting 30 selected utility bills issued for 30 customer water accounts during the audit period to determine whether billed amounts and related collections complied with applicable City ordinances, policies, and procedures. Also, we evaluated City utility services billing and collection processes.
- From the 7,015 water and sewer deposit refunds totaling \$605,541 issued to customers during the audit period, reviewed City records supporting 30 selected deposit refunds totaling \$72,519 to determine whether the deposits were timely refunded and approved.
- From the 48,534 water customer account adjustments totaling \$6.5 million, examined City records supporting 30 selected water customer account adjustments totaling \$344,406 issued during the audit period to determine whether the adjustments were properly supported and City records evidenced appropriate supervisory review and approval.
- From the 734,469 City receipts totaling \$198 million during the audit period, examined City records supporting 30 individual receipts totaling \$22.1 million to determine whether they were properly and timely recorded in City accounting records and promptly deposited in City bank accounts.
- Evaluated City policies and procedures and examined applicable procurement documents to determine whether the City hired a certified public accountant to provide for annual financial audits in accordance with Section 218.391, Florida Statutes.
- From the 106 payments totaling \$2.5 million made from capital projects funds during the audit period, examined City records supporting 10 selected payments totaling \$1.5 million to determine whether:
  - Restricted funding sources were expended for allowable purposes.
  - Payments were properly expensed or timely capitalized and added to City property records, as appropriate.
  - The expenditure was adequately supported and was reviewed for accuracy and approved prior to payment.

- From the four State grants with 855 expenditures totaling \$2,624,046 during the audit period, examined City records supporting 30 selected expenditures totaling \$1,238,590 to determine whether State grant funds were expended for allowable purposes.
- For the 1,116 travel expenditures totaling \$175,716 during the audit period, examined documentation for 39 selected expenditures totaling \$21,749 to determine whether expenditures complied with State law, City ordinances, and City policies and procedures.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading

## ***AUTHORITY***

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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.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is written in a cursive style with a large, stylized initial "S".

Sherrill F. Norman, CPA  
Auditor General

## **MANAGEMENT'S RESPONSE**

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November 22, 2019

Ms. Sherrill F. Norman  
Office of the Auditor General  
Claude Denson Pepper Building, Suite G74  
111 West Madison Street  
Tallahassee, FL 32399-1450

Dear Ms. Norman,

In accordance with Section 11.45(4)(d), Florida Statutes, I am enclosing the response to the preliminary and tentative findings contained in the audit of the City of Palm Bay. This response reflects the specific action taken or contemplated to address the findings cited in your report.

Thank you for the opportunity to review and provide our comments. The City is committed to ensuring transparency, improving policies and procedures with substantive justification and accuracy.

If you have any questions or need additional information, please contact Lisa Morrell, City Manager at 321-952-3413.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lisa Morrell".

Lisa Morrell  
City Manager

Enclosure

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*City of Palm Bay*  
120 Malabar Rd., Palm Bay FL 32907

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# **RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS AND RECOMMENDATIONS, AUDIT OF THE CITY OF PALM BAY**

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## *Construction Administration*

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### **Finding 1:**

**The City did not document efforts to secure contributions from other governmental entities and from developers for highway interchange and connector road projects. In addition, City personnel did not provide complete and accurate information to the City Council regarding anticipated funding needs for the projects.**

### **Response:**

The City acknowledges that the available historical records on this project have provided limited information to understand when and how decisions were made, and by whom. It also appears based on auditor review that City Council did not receive clear and complete written information from staff, leading to a lack of transparency to support informed decision making.

### **Corrective Action:**

Building trust and confidence within our community, for our employees and City Council is a priority for City staff. As such, City Management recommends that City Council authorize a forensic audit on this project.

Management is committed to making sure Council is informed when making decisions by providing agenda reports that are comprehensive in nature and inclusive of all relevant historical detail and the information needed to make fully informed decisions and also providing individual briefings as desired by City Council. The documentation changes have already been implemented as evidenced by the materials provided at a Special Council Meeting on October 21, 2019 to discuss a proposed interlocal agreement with Brevard County for the St. Johns Heritage Parkway (SJHP) and Babcock Street intersection. To prepare for this meeting, the memo presented by staff included a detailed overview of the proposed agreement and a dozen attachments to provide a clear picture of the situation. It is the intention of current management to consistently provide complete and accurate information to City Council.

In addition, the City will ensure that developers pay their proportionate fair share for the costs of the expansion of capital and City services through impact fees as permitted under City ordinances.

**Finding 2:**

**City controls over the competitive selection of design criteria and design-build professional services need enhancement to ensure compliance with State law and the City *Procurement Manual*, and to improve transparency.**

**Response regarding use of a design criteria professional:**

The City acknowledges that the use of impact fee credit to purchase existing plans to use as a design criteria package was not in accordance with Procurement Manual procedures or Florida Statutes. Florida Statute 287.055 allows for the waiver of competitive solicitation for a design criteria professional in the event of an emergency as declared by the agency head. However, the City acknowledges that the use of emergency procurement in this instance does not appear to be warranted.

**Corrective Action:**

The City will use the existing Procurement Manual procedures for competitive solicitation of future design criteria professionals if the design criteria package cannot be prepared by a properly licensed employee per Florida Statutes. Additionally, the City will follow the existing Procurement Manual procedures for emergency purchases of services which includes provisions to document, explain and justify the necessity of emergency purchases.

City Management is committed to insuring full transparency and the provision of complete and accurate information for City Council on all agenda items.

**Response regarding the procurement of design-build services:**

The solicitation of design-build services was in accordance with the Procurement Ordinance and Manual, which satisfies the criteria of Florida Statute 287.055. Evaluation Team (E-Team) members were provided instructions on how to score the established criteria. All E-Team members completed Conflict of Interest acknowledgements. All recordings, notes and score sheets for the selection were collected by the E-Team chair (Procurement Chair). Notes were provided by E-team members for this solicitation. The extent and quantity of those notes must be left to the discretion of the individual E-Team members. E-Team members are advised in writing and during E-Team training that they cannot speak to each other outside of the public meeting regarding the solicitation and they acknowledge the prohibition of ex parte communication as part of their Conflict of Interest Statement.

**Corrective Action:**

The City proposes the following potential methods for improvement in order to enhance the procurement of design-build services: (1) A review and/or revision of the Procurement Ordinance and Manual; and (2) A modification of the Design Build section of the

Procurement Manual to more explicitly indicate the requirements for any City solicitations via competitive Request for Proposals (RFP); and (3) The City will develop a template Design-Build RFP document.

**Response regarding the selection of the E-Team:**

In evaluating whether there was a conflict, staff focused on whether an actual conflict existed. The City Attorney's Office and Procurement Department were both advised by the E-Team member that the previous employment issue had already been reviewed and deemed acceptable by the Florida Commission on Ethics prior to his appointment to the City; the Deputy City Attorney advised that there was not a conflict; and the E-Team member did not meet the statutory definition for conflict of interest in accordance with Chapter 112 of Florida Statutes, as indicated by the signed Conflict of Interest Statement. The audit report also notes that the E-Team member scored Respondent A higher on 3 of the 4 criteria in Phase 1. It should be noted that the other two E-Team members also score Respondent A either the same or higher than Respondent B in *all four* categories.

The City also acknowledges that a design criteria professional would have been an appropriate addition to the Evaluation Team and was requested by the Chief Procurement Officer at the time to be included.

**Corrective Action:**

The City will modify the Conflict of Interest form to have E-Team members acknowledge any conflict of interest, actual or perceived, with any member of the submitting firm's project team, including all subcontractors.

The City is committed to ensuring that procurement policies regarding the appointment of a design criteria professional to the Evaluation Team will be consistently implemented.

**Response regarding scoring instructions:**

The City's instructions to the E-Team members regarding scoring have been established to ensure a consistent review of submittals in each category. The adjective-based scoring system clearly defines a 0-5 score and associated meaning. Many procurement publications advise procurement agencies to use adjective based scoring to avoid the "public school" type grading than can occur with numerical scoring. In addition, numerical grading rarely results in lower scores (i.e. below 60%), even though that score may be warranted, as evaluators are concerned of the perception of giving a proposal that equates to an "F." Since evaluators tend to grade higher in numerical scores, the distinction between individual proposals is often blurred. Request for Proposal and Request for Qualification solicitation processes do have elements of subjectivity when compared to Invitations for Bid, thus the importance of having a well-defined scoring system and using a team of evaluators and open discussion in a public meeting versus

one individual. The City's current RFP Evaluation system adequately accounts for the subjectivity of the process while bringing a transparent, fair and competitive element of objectivity to the scoring.

**Corrective Action:**

The Procurement Department will review E-Team Guidelines and individual criteria in our templates for opportunities to better explain the scoring of submittal requirements and oral presentations, and to provide guidance to E-Team members as to what constitutes an "excellent" score vs. a "poor" score. However, the Procurement Department maintains that the current instructions on how criteria and scoring should be applied to proposals is acceptable.

**Response regarding scoring transparency:**

The City already requires the E-Team to turn in any notes and the score sheets have a space for notes. The extent and length of the notes must remain at the discretion of the individual E-Team member.

**Corrective Action:**

The Procurement Department already has a tool to encourage the use of notes in an organized fashion called a "Review Matrix". The Procurement Department can include explanation of this tool and its purpose as part of its E-Team Guidelines and training and encourage use of it to document E-Team notes consistently. This would be in lieu of comments on the Score Sheet. However, the Procurement Department cannot compel an individual committee member to make notes nor dictate the extent or quantity of those notes. Since evaluation meetings are recorded, the Procurement staff member who serves as the E-Team chair will request clear articulation of each E-Team member's reasons and justifications for individual scores for the record.

**Response regarding scoring methodology:**

The City acknowledges that fractional scoring is inconsistent with the RFP-specified scoring methodology.

**Corrective Action:**

The City has already prohibited fractional scoring and updated the E-team Guidelines to prevent fractional scores.

**Finding 3:**

**City personnel did not verify that the design-build firm for the St. Johns Heritage Parkway Interchange to Babcock Street Project used a competitive selection**

**process to select subcontractors; document comparisons of the subcontractor bid awards, contract amounts, and invoices with related design-build firm payment requests; or verify that subcontractors were appropriately licensed before they commenced work on the project.**

**Response:**

The contract referenced in this finding is a design-build Guaranteed Maximum Price (GMP) with a total sum construction cost in which the contractor is controlled by the cost-plus fixed fee methodology per the itemized bid items. At the time of the contract award, the City did not have a policy in place to cover the tracking of subcontractors to ensure competitive bidding. The City does have a listing of the subcontractors for this project and has verified their licenses. Pricing is locked per itemized and quantified line item and verified with each payment request.

**Corrective Action:**

All subcontractors for this ongoing project have been identified and appropriate licensure has been verified. City staff will review procurement policies and procedures regarding subcontractor selection and competitive bidding for guaranteed maximum price contracts.

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***Procurement***

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**Finding 4:**

**The City Council’s purchasing threshold of \$100,000 appeared excessive when compared to the purchasing thresholds at comparably sized municipalities, and the change in the purchasing threshold from \$25,000 to \$100,000 was not openly discussed at City Council workshops or other public meetings prior to the City Council’s approval of the \$100,000 threshold.**

**Response:**

On July 7, 2016, Council approved Ordinance No. 2016-41, increasing the City Manager’s approval threshold to \$100,000, citing reasons like reducing repetitive actions and having the City be comparable to the Brevard County Board of County Commissioners and federal procurement thresholds. On July 13, 2016, the Procurement Department held a Workshop with City Council to discuss revisions to the Procurement Ordinance and Manual. At the workshop, a slide referencing “Current Procurement Challenges” also identified “Threshold amounts too low” as an issue that the newly adopted ordinance and updated Manual would resolve. The Ordinance was approved by Council at two public meetings, and the changes to the Manual were approved by Resolution. Thus, the

threshold increase was transparently and openly discussed and vetted and appropriately approved twice by City Council.

**Corrective Action:**

It is a best practice to periodically review and update the Procurement Ordinance and Manual. As part of an overall review of the Ordinance and Manual, Procurement will review the thresholds and provide to Council an analysis that reviews the current purchasing thresholds and will include a comparison of other government agencies. As with the most recent changes in 2016, any future changes to the purchasing thresholds will be openly discussed with and approved by Council.

**Finding 5:**

**The City needs to enhance policies and procedures to ensure that records are maintained to justify procurement decisions that deviate from evaluation committee recommendations and that continuing professional services contracts are periodically subjected to competitive procurement.**

**Response:**

Regarding retention of the solicitation file for the utilities continuing engineering contract, which includes documentation of the selection of the firm: as of October 1, 2019, all hard copy solicitation files are now retained for the retention period of the subsequent contract file.

Florida Statute 287.055(2)(g) specifically permits the use of continuing contracts with no time limit. Regarding re-solicitation to ensure “economical price commensurate with acceptable quality,” the current consultant engineering firm has agreed to keep their rates the same for over ten years. Long term contracts are a well-established best-practice to mitigate price increases. In addition, hourly rates cannot be considered in the selection of an engineering firm in accordance with F.S. 287.055. As such, the City anticipates that prices will go up on engineering services when they are resolicited.

Regarding the RFP for brokerage services, the RFP stated “The City Council will interview the shortlisted firms in the Special Council Meeting and make the final selection. The City Council's decision will be final.” Council members did hold conversations following the presentations in a public special council meeting. The selection of the firm was made in accordance with the RFP. The City concurs that the documentation supporting the recommendation from Council can be enhanced. In addition, the Brokerage Services contract referenced was terminated and a replacement RFP is currently being evaluated by an Evaluation Team of City staff who will make a recommendation through the Chief Procurement Officer, Communication and Economic Development Department Director,

and City Manager for final consideration by City Council. City Council will not hear any presentations or rank proposals in this revised brokerage solicitation.

**Corrective Action:**

The City will resolicit the Utilities Continuing Engineering Services in FY 2020.

As of October 1, 2019, the City has corrected the application of the retention schedule, and all solicitation records, including documentation to support firm selection, will be held based on the subsequent contract extension period, not the five-year period from the original inception of the contract.

**Finding 6:**

**The City needs to periodically negotiate group health insurance administration services with multiple potential administrators to ensure that such services are obtained at the lowest cost consistent with desired quality. In addition, the City needs to ensure that all significant decisions impacting City operations, such as decisions to exclude insurance-related services from competitive procurement, are openly discussed at City Council workshops or public meetings, and the factors considered by decision makers documented.**

**Response:**

Administrative Services Only (ASO's) are exempt from formal bidding; therefore, solicitation of bids was conducted via the City's Broker of Record in accordance with the City's Procurement Ordinance and Manual and Benefits Consultant contract.

**Corrective Action:**

Human Resources and Procurement Department have met to discuss strategies for creating transparency within the solicitation process and to establish criteria for when formal bidding is necessary. Once determined, this information will be discussed publicly with City Council to ensure transparency.

**Finding 7:**

**Contrary to Government Finance Officers Association best practices, the City had not competitively selected the City financial advisor and bond counsel since April 2010 and September 2012, respectively.**

**Response:**

The City understands that GFOA Best Practice recommends that financial advisors be selected as the result of an RFP or RFQ process. The City's current financial advisor was

recommended and approved by City Council based on their extensive history in the region for providing financial advisor services. The City has retained the services of its current financial advisor because of their in-depth knowledge of the City's specific debt issuance history and because of the level of service they have continued to provide.

Legal services are exempt from competitive solicitation requirements. Although there is no controlling law that requires competitive solicitation, the City recognizes the value in having a competitive process that examines the qualifications of providers of legal services.

**Corrective Action:**

To align with the GFOA's Best Practice recommendation, and to address the Auditor General's concern, the City will issue an RFP to solicit financial advisory services prior to the expiration of the current financial advisor's contract which ends April 5, 2020.

On October 17, 2019, City Council awarded request for proposal #72-0-2019/JM for underwriting services providers to be members of the City's underwriting team for future negotiated bond sales. A competitive request for proposals was issued and we received responses from seven (7) underwriting service providers.

In regard to bond counsel, the City will select professionals for legal services through a qualifications-based selection process and the contracts will be regularly reviewed.

**Finding 8:**

**Controls over City-assigned purchasing cards (P-cards) need improvement to ensure that P-card assignments are properly approved, credit limits are periodically evaluated and appropriately adjusted, and P-cards and related accounts are promptly canceled upon a cardholder's separation from City employment.**

**Response regarding approvals of P-card assignments:**

The City acknowledges that 6 of the 24 audited P-card request forms were missing. Most of those were long-term employees who were issued P-cards at the Purchasing Card program's inception. The City acknowledges that 2 of the 24 P-cards reviewed were missing Exhibit B, Purchasing Card Agreement. However, those 2 employees did receive the training and signed for acceptance of the card as evidenced by documentation furnished to the Auditor General. The City acknowledges that 2 P-card limits in the Bank of America system had different limits than what was listed on the P-card request form. Past practice did allow increase requests via email. The Procurement office would not

have increased limits without a department director's request and Purchasing authority approval.

**Corrective Action:**

P-Card Request Forms and Exhibit B – Purchasing Card Agreements are retained in hardcopy and the Procurement office will develop a process to retain these forms through our electronic filing system, Laserfiche, as an added retention safeguard. The entire P-Card request form has been enhanced to ensure that requested limits are accompanied by justification for their levels on the form, and that those forms are signed by the Department Director and the Chief Procurement Officer prior to making any change or issuing a new card. Additionally, no additions or changes to P-cards will occur without the completion of a properly approved request form.

**Response regarding periodic examinations of P-card usage vs. limits:**

The City is enhancing our process to include periodic audits of P-cards. For example, the Procurement Department recently audited the highest limits in the City and worked with Department Directors to lower the limits of the four of five staff members; for the fifth person, a detailed justification was provided to support maintaining the previously approved limit.

**Corrective Action:**

In addition, starting in Fiscal Year 2019, the City sent a report to each department director with every staff member in their office who held a P-card, listing their credit limits, who was authorized to enter GL accounts, who was authorized to approve transactions, and requesting whose card should be increased in the event of a declared emergency. This form was signed by each department director and is now part of the City's annual P-card review.

In addition, the Procurement department will work with our contracted P-card provider to develop a template report for departments to run so they can readily self-audit usage and expenditures vs. need for card and card limits.

**Response regarding P-card cancellation of terminated employees:**

The City acknowledges this finding and has taken the following steps to improve the process. There are two steps to cancelling a P-card. The first step is to close the account. This action now occurs as soon as the P-card Administrator is notified that an employee has separated City employment and *immediately* cancels the card and prevents any charges against that account number. In addition, in November 2018, Procurement created and implemented a P-card Cancellation Form for all departments to use. The second step is to remove the P-card user profile from the system. This is the step that is

done after all P-card charges have been reconciled. Removing the user from the system prior to reconciling the charges prevents the department reconciler from being able to assign the appropriate account number and the department approver from signing off on the charges, which equates to a loss of transparency and financial checks and balances. Thus, the user cannot be deleted out of the system until all charges are reconciled, which normally occurs at the end of the month.

**Corrective Action:**

The City believes the concern identified in this finding is resolved by the processes described above. The Procurement Department has already developed a P-Card Cancellation Form which has been in use for over a year. In addition, the Procurement Department works closely with the Human Resources Department to ensure that Procurement is immediately notified when an employee permanently separates City employment.

**Finding 9:**

**The City needs to enhance controls over the acquisition, assignment, and use of wireless communication devices.**

**Response:**

The City acknowledges the need to enhance controls over wireless communication devices. The air cards identified for public safety were stored as inactive status in the event of a wireless failure, that impedes dispatch connectivity in public safety vehicles. In this operational manner, no technical staff is required to report on site for after-hours failures and restoration of connectivity of mobile users. A cost benefit analysis will be performed to determine the best use of public funds to ensure public safety needs are maintained.

The international cell phone charges were made by a former City Manager whose contract permitted "incidental use." Four phone calls were received or originated from the international location, totaling \$159.20. However, for all other employees, Human Resources Administrative Code 1-31, subsection 31.1.8 specifies that the "City assigned phone equipment is for official use only" and "unauthorized use or abuse of City phone equipment will not be tolerated."

**Corrective Action:**

The IT Director is in the process of updating the existing wireless communication device policy to address acquisition, assignment, and use of devices. A master list has been created and a regular review strategy is being developed. A form will be created and implemented to require justification for the need of devices as they are assigned.

Additionally, a process will be established to require Department Heads or delegated supervisors to review and verify charges and identify non-business use of wireless communications devices.

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***Payroll and Personnel Administration***

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**Finding 10:**

**The City paid extra compensation of \$18,000 to the Deputy City Attorney contrary to State law.**

**Response:**

The City acknowledges that it paid a lump sum payment to a Deputy City Attorney. The City Charter grants Council the authority to determine remuneration to the assistant attorneys. However, neither the Charter nor city ordinance created a bonus program. See Op. Att'y Gen., Fla. 2000-48 (August 29, 2000) (noting that the 1992 amendments to section 215.425 and other statutory provisions provide that extra compensation is permissible when paid pursuant to a pre-existing employment contract or when city council adopts a lump-sum bonus program to reward performance that exceeds standards). Moreover, because the City did not have a lump sum bonus program in place prior to 2011, the City was required to comply with the specific criteria for a bonus scheme found in section 215.425, Florida Statutes. See Op. Att'y Gen. Fla., 2016-14 (October 5, 2016) (recognizing that the 1992 statutory amendments permitted extra compensation to municipal employees, and when such policy is in place prior to the 2011 amendments it need not comply with the 2011 limitations).

**Corrective Action:**

The City will ensure that if extra compensation is provided that it complies with Florida law. In consultation with the City Attorney, the City will evaluate the legal claims, defenses and economics of pursuing recovery of the extra compensation payment

**Finding 11:**

**The City had not established policies and procedures to ensure that severance pay amounts do not exceed the limits specified in State law and are supported by documentation evidencing the public purpose for such pay. In addition, the City needs to take appropriate action to amend the City Attorney Emeritus employment agreement severance pay provisions to comply with State law. The City also needs**

**to document the legal authority and public purpose for the severance payment to the Deputy City Manager or pursue recovery of the payment.**

**Response:**

The City acknowledges the need to strengthen policies and procedures to ensure compliance with State law regarding severance pay. In addition, the City acknowledges that the City Attorney Emeritus' Employment Agreement dated December 18, 2015 and amended September 9, 2016 was subject to the severance pay provisions in §215.425, Fla. Stat.

The severance payment to the Deputy City Manager was made without any review by legal, there is no documentation regarding the purpose of the payment and those involved with the payment are no longer employed by the City. The lack of documentation by predecessor employees makes it difficult to determine whether the severance was to settle an employment dispute and therefore proper under law. See 215.425 (4)(b), Fla. Stat. (2019).

**Corrective Action:**

The City will amend or develop comprehensive and compliant policies and procedures to ensure that any severance payment or contract that includes severance pay complies with Florida law. The policy will include documentation requirements that identify the dispute, the necessity and public purpose served by severance to resolve the dispute, the allowable amount under law, and related factors. Moreover, the City will seek to amend the Employment Agreement to comply with state law. In addition, the City will consult with the City Attorney to evaluate the legal claims, defenses and economics of pursuing recovery of the severance payment.

**Finding 12:**

**Supervisory approval of City employee time worked was not always appropriately documented.**

**Response:**

The City's Payroll staff reviews and advises departments regarding any missing and or exceptions found on time records prior to processing of payroll. They also notify departments regarding missing signatures. The City acknowledges that there were times additional communications on missing signatures did not occur as staffing is limited to two employees for processing citywide payroll.

**Corrective Action:**

The responsibility for ensuring that time records are appropriately documented will be placed on the department supervisors authorized to sign off on timecards, rather than departments needing to rely on payroll staff to contact them. Payroll will provide a mandatory training for all supervisors authorized to approve timecards. All supervisors will be instructed on features in the timekeeping system they must use to confirm that all timekeeping records are properly and fully executed by the employee and supervisor, prior to the final processing of payroll. Staff will be instructed on the use of the employee time summary feature in the timekeeping system and how to generate an unapproved timecard report to identify time records not executed.

Payroll will also run a report of unapproved timecards prior to finalizing payroll. If the reports reveal time records that have not been executed, a high priority e-mail communication will be forwarded to the appropriate department head(s) with City Management copied. Department head(s) in receipt of the report will be responsible for the immediate review and approval of unapproved timecards by a specified date and time. Payroll will offer annual mandatory training to ensure that new supervisors are properly informed of the options available in the timekeeping system. To date, two training sessions were hosted on Friday, November 15, 2019, all department heads and supervisors were invited. All new hires will be required and assigned through the online document and policy distribution system for completion and review of the assigned policies and acknowledgement acceptance of the administrative codes.

**Finding 13:**

**The City did not always timely conduct employee performance evaluations required by City administrative codes.**

**Response:**

The City acknowledges this finding. Human Resources managers initiated the notification to all department heads when performance evaluations were upcoming and overdue. The process did not include any further actions or additional reminders communicated to departments.

**Corrective Action:**

An initial notification will continue to be sent to all department heads notifying them that performance evaluations are due. If the performance evaluations remain past due, as monitored by the Human Resources Department, a subsequent email will be sent to the department head along with a carbon copy to the City Manager. Supervisors who do not complete performance evaluations in a timely manner may be subject to discipline. City

Administrative Codes will be updated to reflect the importance of timely employee evaluations, the timeframes for completing the task, and the consequence of failure to perform the evaluation with the employee. Specifically, the Human Resources Administrative Code 1-31, Section 31.7.2 entitled Types of Performance Evaluations, Item B: Annual Evaluations:

“Once the probationary period is complete, a performance evaluation shall be completed annually on all employees within five working days prior to the anniversary date (normally this is the date they assumed their current position). With the exception of the Fire and Police Department; where Police Chief and Fire Chief may identify a different schedule for performance evaluations that best fit the needs of their departments.”

This section shall be amended to add an equitable notice timeframe for the Human Resources Department to initiate notice of upcoming evaluations as well as a reasonable completion timeframe regarding the current completion, five working days prior to anniversary date.

**Finding 14:**

**City policies and procedures need enhancement to ensure that all pay increases are appropriately supported.**

**Response:**

The City acknowledges this finding regarding two pay increases with no justification found in City records.

**Corrective Action:**

City staff will update Administrative Code 1-31 to require that a formal memorandum of explanation accompany all pay increases, and that documentation of approval or denial is included in the Human Resources personnel files. City Management and Human Resources have already instituted this process.

**Finding 15:**

**Transfers from the City Stormwater Utility Fund to reimburse salary costs in other funds were not based upon documented employee time and effort expended on stormwater management activities for the applicable period.**

**Response:**

The City acknowledges that through September 30, 2019, an estimated percentage of three Public Works General Fund positions were allocated to the Stormwater Fund for work these positions performed on behalf of the stormwater program.

**Corrective Action:**

As of October 1, 2019, the transfers from the City's Stormwater Utility Fund to the General Fund to cover a portion of the Public Works Department salaries have been discontinued with the application of Cost Allocation Plan (CAP). In January 2019 an outside firm was engaged to prepare a Cost Allocation Plan (CAP) for the City. The CAP uses a double step-down allocation procedure to distribute costs among Central Services and to departments (Funds) that receive that benefit. Any future salary costs reimbursements, outside of the CAP data reported, will be completed via a "charge back" method through recording actual time spent working within each department/fund/project.

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***Accountability for Resources***

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**Finding 16:**

**The City had not established controls to provide adequate accountability for special events and did not document the public purpose for such events.**

**Response:**

The City acknowledges that it currently does not have any established policies or procedures regarding special events beyond a special events ordinance and an application form to process for approval or denial. The City further acknowledges that an expenditure of public funds is authorized when it is authorized by law or ordinance, reasonable in circumstances and necessary to accomplishing authorized purposes of the government entity, and in pursuit of a public, rather than a private purpose. Historically, because special events such as Cops & Friends Reindeer Run events were paid for from private donations given to the Police Donation Fund for that purpose, and were not taxpayer dollars, the transactions were not accounted for by the Accounting division.

**Corrective Action:**

The City will establish policies and procedures that will specify criteria for city sponsorship requests for any events that utilize public resources; some examples, city facility, employee resources, bleachers, stage, and or funding that provide a public benefit. Requests will be presented to City Council as a formal resolution and will include

documentation of the public purpose of the special event and other criteria necessary to comply with the recommendation made by the Auditor General.

This year's Reindeer Run is scheduled for December 19<sup>th</sup>, the recommended policies and procedures will not be in place in time for the event. However, eligibility criteria of participants for the event will be established and implemented. Staff will account for all incoming donations and participant receipt of the gift card donations for holiday shopping. Staff will work to address specific accountability and public purpose concerns for the upcoming event, with the adoption of appropriate policies and procedures to follow.

**Finding 17:**

**The City had not established appropriate policies and procedures for making donations to external organizations and confirming the organizations' use of such donations for a public purpose.**

**Response:**

The City acknowledges the need to establish policies and procedures regarding donations to external organizations to confirm and document the public purpose involved.

**Corrective Action:**

Effective immediately, City donations not approved in advance by City Council will not be authorized, even if funding is available in a Department's budget. The City will establish policies and procedures to be followed by all departments for the expenditure of cash donations to any external organizations. The new policy will be presented to City Council for approval by resolution and will meet the requirements outlined in the Auditor General recommendation. Existing agreements with external organizations will be reviewed for compliance with the new policy.

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***Capital Assets***

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**Finding 18:**

**City surplus land disposal procedures need enhancement to evidence compliance with City administrative codes and demonstrate City Council approval of any offers below the land parcel listing price.**

**Response:**

The City of Palm Bay acknowledges that Administrative Code 77: Sale of City Surplus Real Estate, last updated in 2017, can be further enhanced to ensure transparency and authorization from City Council.

**Corrective Action:**

The City will revise the City surplus land disposal requirements to require: any contract for real estate professionals includes a requirement that the professional provide documentation to support the use of the comparable sales method; City Council approval of all land parcels regardless of acreage; and provisions that prohibit real estate professionals, and the family members of those professionals, involved in the valuation of City-owned property, from purchasing or having an interest in acquiring land parcels being offered by the City for sale. City staff will monitor all sales to make sure that real estate professionals are abiding by the land disposal requirements.

**Finding 19:**

**The City needs to amend the City ordinances to assign responsibility for overall oversight of tangible personal property (TPP) records to a City employee and update the City *Accounting Manual* to ensure that appropriate accountability for TPP is achieved consistent with City ordinances.**

**Response:**

The City acknowledges that Administrative Codes, Ordinances, and the City Accounting Manual must be updated to ensure consistency in policy and procedure.

**Corrective Action:**

The City will update City Ordinances, Administrative Code 24 and the Accounting Manual so they are aligned to reflect current practices and applicable Florida State Statute references. A designated employee will be assigned oversight responsibilities for tangible personal property (TPP). In addition, the City will enforce departmental compliance over TPP in accordance with policy and GFOA guidelines. A standardized inventory form will be used to capture all pertinent data relative to identification and maintenance of TPP to ensure that inventoried items, subsequent validations and reconciliations articulate with control records. Identification tags will be affixed where possible or otherwise manually marked to maintain accountability in compliance with updated City policy.

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***Motor Vehicles***

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**Finding 20:**

The City provided a motor vehicle for the Mayor's use without documenting the specific authority for providing the Mayor a take-home vehicle, reducing the Mayor's monthly incidental expense allowance amount by an amount proportional to the mileage-related expenses, or requiring the Mayor to document the official purpose for all trips made in the City-owned vehicle. In addition, the City needs to enhance budgetary controls to ensure that authorizations for new vehicle acquisitions are accomplished through the annual budget process in accordance with City procedures.

**Response:**

The City Charter addresses compensation for the Mayor and City Council. However, the benefits of the Mayor and City Council are established by resolution or through the adoption of Council Policy and Procedures. The City acknowledges the need for Council to adopt specific policies related to vehicles and to ensure that those policies are followed. Moreover, the City acknowledges that existing policies and procedures for purchases were not followed in this instance. City procedures allow for purchases outside of the annual budget process, if the appropriation of funds is approved by the City Council prior to encumbering funds or making the purchase.

**Corrective Action:**

The City Manager has reinforced compliance with the procedures under Admin Code 1-4, Reports for City Council Agenda. Admin Code 1-4 requires a City Council Memorandum be provided to City Council with complete and adequate information for all matters brought before them on the Council agenda. The City Manager and Finance Department now require that any request for the expenditure of unbudgeted funds be submitted on an Agenda Memorandum to the City Manager for City Council consideration and authorization. The City Manager's authorization in the Code of Ordinances and the Procurement Manual to approve non-emergency purchases without initial Council approval will be reviewed and updated and presented to City Council for discussion and consideration.

City staff will bring forth for City Council's consideration the auditor's recommendations so that Council can make policy determinations regarding: providing a take-home vehicle for the Mayor's use; specific authority for providing the Mayor a take-home vehicle; the Mayor's monthly incidental expense allowance (whether it should be reduced by an amount proportional to the mileage-related expenses); and documentation requirements providing the purpose for all uses of and trips made in the City-owned vehicle.

**Finding 21:**

**The City provided automobile allowances to employees without determining the cost-effectiveness of providing such allowances or the reasonableness of the allowance amounts.**

**Response:**

Automobile allowances were added as part of the revised pay plan for employees in 2006 by City Council Resolution 2006-51. A review of resolution 2006-51 provides no reference to a fixed dollar amount for the automobile allowance benefit for General 1 (G1) group employees but shows as an expense budgeted as a personnel expenditure. The automobile allowance was provided to consolidate and reduce benefit differences between the general employee groups, G1, G2, and G3. The automobile allowance falls under the category of a non-accountable plan that does not separate business and personal vehicle usage and is considered as taxable supplemental wages for employees. This pertains to G1 employees composed of the City Manager, Deputy City Manager, City Attorney, Deputy City Attorney II, City Clerk, Deputy City Clerk and City Department Heads. Currently, three charter officers have automobile allowances as part of their employment contracts which were approved by City Council.

Current Human Resources Administrative Code 1-31, Section 31.12.13 Incentive Pay, item 4 as adopted states:

“Group 1 employees who do not have a take home vehicle shall receive an automobile allowance. The amount is indexed to the GSA increase/decrease in mileage reimbursement each January. Minimum rate is \$275 per month.”

**Corrective Action:**

The City will conduct during the annual budget process a review documenting the cost of providing a City owned vehicle compared to the automobile allowance in place at the time to ensure the most cost-effective option is in place with appropriate justification.

**Finding 22:**

**Take-home vehicle assignments were not always supported by a properly completed *Take Home Vehicle Program Agreement* signed by the employee, applicable department head, and the City Manager or designee as required by City administrative codes.**

**Response:**

The City acknowledges that agreements were not completed by all employees assigned a take home vehicle.

**Corrective Action:**

Administrative Code 50, Personal Usage of City-Owned Motor Vehicles, will be reviewed and updated in its entirety. Specific to this finding, all departments are responsible for having employees assigned a vehicle sign the agreement, which is then approved by the Department Head and City Manager. The executed agreement will be filed and retained as a permanent record in Human Resources with the proper documentation submitted to Finance, payroll division, to compute the value of the personal use and report as employee compensation on a quarterly basis.

**Finding 23:**

**The City did not always include the value of personal use of City vehicles in the gross income reported to the Internal Revenue Service for applicable City officials and employees.**

**Response:**

The City acknowledges there has been inadequate communication and inconsistent use of forms. The Auditor General's report counted 146 Police Department vehicles as take home vehicles. Under AC-50 many of these vehicles fall under "Qualified Non-Personal Use Vehicles", which are City provided vehicles unlikely to be used for personal travel because of their design. Use of this type of vehicle by an employee is excluded from income, if clearly marked with insignia or words that identify the vehicle as police or fire vehicles.

**Corrective Action:**

The City will be confirming with all departments the names of all employees utilizing city owned take home vehicles subject to being taxed as a fringe benefit. All employees will be required to submit a new or updated Take Home Vehicle Program Agreement as required under Administrative Code (AC) 50. The City will implement several measures regarding this finding to include updating AC-50 to reflect current practices in accordance with IRS rules and other authoritative guidelines. In addition, the provisions of AC-50 will be reviewed with each department to promote policy comprehension in order to achieve and maintain compliance.

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**Public Records**

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**Finding 24:**

**The City had not established procedures that required the retention of electronic communications, such as e-mails and text messages. In addition, the City did not always comply with State records retention requirements and did not archive text messages sent or received using wireless communication devices.**

**Response:**

The City acknowledges the need to establish procedures to retain text messages for public record purposes. Email records are currently being archived.

**Corrective Action:**

Although the City does not have a policy that specifically addresses emails and text messages, the City's Public Records Policy states that each employee is responsible for the records he/she receives or creates in connection with the transaction of official City business. Employees are advised to be familiar with the records series titles and retention periods established by the state for the particular records housed and maintained by the employee. However, as of May 2017, all emails have been archived with our current cloud solution. The existing email policy will be reviewed and updated to include procedures for text messages as well. The Information Technology Department is developing a text message policy to address the audit recommendations as well as identifying a text message archiving solution for retention. As an unbudgeted expense for an automated solution, an agenda item will be prepared for city council consideration. Administrative Code 1-9, entitled Public Records Request, outlines the statutory duty of the State of Florida for all record custodians.

Alternatively, if the solution is not desired as an expense by City Council, the City will cease communications via text messaging on all City-issued cellular devices. This alternate decision would prevent and protect employees from any perceived or real intentions to violate the public records law. The cellular device feature of text messaging is currently unmanaged and left to the user's responsibility to backup and retain any public record communication.

**Finding 25:**

**Contrary to State law, City Council meeting minutes were not always promptly prepared, reviewed, approved, and made available to the public.**

**Response:**

During the period of March 2017 to June 2018, there was an increased number of meetings and extended time for many of those meetings which caused a delay in the submission of certain Council meeting minutes for approval.

**Corrective Action:**

In the Fiscal Year 2018-2019 budget, the City Clerk had requested a part-time position whose primary responsibility would be to transcribe Council meeting minutes. However, this request was denied by the City Manager at that time. The City Clerk will continue to pursue the additional staffing for the Legislative Department. To date, there have been no delays in the approval of meeting minutes.

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***Administration and Management***

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**Finding 26:**

**The City needs to establish policies and procedures for communicating, investigating, and reporting known or suspected fraud.**

**Response:**

The City is committed to preventing and addressing fraud. The City acknowledges the existing ordinances and Code of Ethics policy should be augmented to clearly identify what constitutes fraud and the process and procedures for communicating, investigating and reporting known or suspected fraud.

**Corrective Action:**

The City will establish a policy through ordinance amendments and administrative procedures detailing: the process to disclose violations or suspected fraud violations; the procedure for investigating disclosures; the requirement to make any criminal or regulatory referrals deemed necessary as a result of the investigation; protections of the identity of anyone disclosing information (to the extent permitted by law); and maintenance of appropriate records of fraud complaints.

**Finding 27:**

**City controls over the budgetary process need enhancement to ensure that expenditures are limited to approved budgeted amounts.**

**Response:**

The City acknowledges that process enhancements can be useful in decreasing end-of-year expenditure and revenue budget variances.

**Corrective Action:**

For the fiscal year ending September 30, 2019, City staff have reviewed all general ledger accounts, including those where budgets have not historically been adjusted to include revenue and/or expenditure budgets for accounts such as donations, unanticipated grant activity, unanticipated recoveries and/or estimated risk claims accruals, and other variable sources, and included the required budget appropriations on the final budget amendment submitted for City Council approval in November. For budget amendments to be included on the final Budgeted Amendment Ordinance for City Council consideration in November, the amounts to be adjusted must be known or identifiable by mid-October. Staff identified and submitted known adjustments required even though transactions will still be accrued back to the fiscal year as late as November. Efforts will be made by Accounting to have accruals that impact expenditures posted to the general ledger by mid-October.

Starting the first quarter in FY 2020, the Finance Department, in coordination with the Budget Office, will complete quarterly budget revenue and expenditure reviews of all citywide departmental budgets and Funds. The analysis will include actual revenues received in comparison to projections and actual expenditures in comparison to approved budget amounts. These quarterly budget reviews will serve two primary purposes: (1) maintain an increased oversight of current spending trends and identify incorrectly charged expenditures, and (2) assist in developing fluid year-end estimates that better align to the observed spending trends. Quarterly budget reviews will be recorded in a report format and presented to Senior Management and/or City Council.

**Finding 28:**

**The City did not always prepare and submit to the City Council sufficiently detailed monthly reports of receipts and disbursements as required by City ordinances.**

**Response:**

The City Code 35.001(E)(5), requiring a monthly statement of all receipts and disbursement in sufficient detail to show the exact financial conditions was adopted under Ordinance 76-3, and passed on April 1, 1976, 43 years ago, when the City had only a few funds, mostly likely only a General Fund and Utility Fund. In preparing the monthly reports, the Finance Department has, without any dissent from Management or City Council, historically focused on the General Fund, other major funds and funds that are of major interest at the time, i.e., Building, Solid Waste, and Stormwater Funds. At City Council

direction, monthly presentations before City Council were suspended and redirected as monthly reports placed as an item within City the Council Agenda packet. The reports were also posted to the City's public website under Financial Reports.

Because the current design of the monthly reports are cumulative and the timing of year end activities with the inclusion of closing out the monthly accounting reports, specifically September, posting final revenue and expenditure accruals for the end of the fiscal year, and related delays in closing out October and November reports, staff decided not to include these reports in the agenda packet because of the stale information.

Regarding the 7 monthly reports identified by the auditors as an omitted City Council agenda item, the financial information for the months of October, November, and December 2016 was consolidated and included in a quarterly report submitted for review and approval to City Council at the February 2, 2017 meeting. Likewise, financial information for the months of October and November 2017 was consolidated and included in a quarterly report submitted for review and approval to City Council at the February 15, 2018 meeting. City acknowledges that the April and May 2017 monthly reports, though completed by a staff member, were not forwarded to management for inclusion in the June and July 2017 Council Agenda packets. All individual monthly reports were placed on the City's web site on schedule for public access.

**Corrective Action:**

After learning of the Auditor General's opinion regarding the submittal of monthly reports, regardless of the age of the information, staff ensured both the October and November 2018 reports were placed on the January 17, 2019 agenda and the December 2018 report was placed on the February 21, 2019 agenda. All reports since February 2018 have been placed on the Council Agendas at staff completion. The monthly reports have been added to the City Manager's rolling agenda for upcoming City Council meetings, a tool used to further ensure accountability for timely and relevant data submittals to each monthly meeting.

The Finance Department will revamp the monthly financial reports to City Council. Workshop(s) will be conducted in conjunction with Management, Finance Department and City Council to discuss the desirable content of financial reports. City staff will make suggestions for reporting periods, relevant fund types, comparisons of projected trends and current conditions with relevant written explanation for recommendation and approval from City Council. City Council, as a body, will have the opportunity to engage in a public venue for discussion and public input. Staff will review and amend the City Code of Ordinances Chapter 35 entitled the Finance Department with City Council's intent regarding reporting requirements for adoption in a public meeting.

Management will continue to explore options to better provide information to Council and the public in a manner that is accessible.

**Finding 29:**

**The Mayor and another City Council member interacted with City employees without following City Charter provisions and giving reasonable notice to the City Manager.**

**Response:**

The City acknowledges the importance of following the City Charter in these matters.

**Corrective Action:**

The City Manager commits to working with City Council to uphold the City Charter and will actively discuss and maintain an awareness of the soundness of consistently abiding by Section 3.052 of the City of Palm Bay Charter which prohibits interference with administration. In addition, the City of Palm Bay is a member of the Florida League of Cities (FLC). This organization offers courses and curriculum for Municipal Officials, including the Institute for Elected Municipals Officials Course Curriculum. Members of Palm Bay's City Council may consider attending the course entitled Structure and Function of Cities in Florida, a 3-hour session which includes: Constitutional and statutory authority of cities; city charter contents and similarities/differences within FL; roles of elected officials; forms of municipal government; municipal services and service delivery; current challenges facing Florida municipalities.

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***Information Technology***

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**Finding 30:**

**To ensure that user information technology (IT) user access privileges are limited to those necessary for the users' assigned job responsibilities and enforce an appropriate separation of duties, the City needs to implement an effective process for documented, periodic evaluations of user access privileges and promptly remove any inappropriate or unnecessary access privileges detected.**

**Response:**

The City acknowledges the need to develop an effective process to limit user access privileges.

**Corrective Action:**

The Information Technology Department reviewed all active user's access levels of the financial system with department heads and system module access granting authorities of Finance, Human Resources, and Procurement. An identified user with elevated access deemed as a non-function or role-related to the current employee's roles and duties was removed. The Information Technology Director, Chief Procurement Officer, and the Finance Director will develop a process that supports the industry standard of least restrictive assignment of user level of access permission(s), request provided authority and delegated authority for elevated permission requests with substantive justification based on job function and duties, and establish reasonable review periods of system wide user access permissions by system module authority. During the review process from a system module level, operational department directors and or designees will review the user access list annually to ensure that appropriate permissions are current and there is a separation of duties.

**Finding 31:**

**The City had not established an IT disaster recovery plan detailing the procedures to be followed to recover and restore financial records and other critical City applications in the event of a major hardware or software failure.**

**Response:**

The City acknowledges the need for an IT disaster recovery plan and confirms that although the funds needed to establish and implement a plan were requested in the past five budget cycles, funding was prioritized to other City needs.

**Corrective Action:**

The Information Technology Department will review the current disaster recovery (DR) needs and create a new proposal to request funding approval in Fiscal Year 2021. A DR plan will also be created to govern the DR site. An alternative solution was formed in fiscal year 2019 upon City Council funding the upgrade of the Computer Aided Dispatch software system that will use a new hardware and software platform from the current platform, which is the same as the financial system. The city will repurpose the platform and has the capacity to purchase minor modifications to place this surplus technology platform into a productive disaster recovery or redundant financial system at a hardened facility.

***End of Preliminary and Tentative Audit Findings***

**7 Three Peat:  
Introductory Information**

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

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

### **Educational Entities:**

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

### **Local Governmental Entities:**

- County Constitutional Officers
- Municipalities
- Special Districts

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

- 4. Notifications** received from the Auditor General

## Failure to Correct Audit Findings Educational and Local Governmental Entities

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

### Statutory Authority

- **Colleges and Universities:** The Auditor General is required to notify the Committee of any financial or operational audit report prepared pursuant to s. 11.45, F.S., (*reports prepared by the Auditor General*) which indicates that a state university or Florida College System institution has failed to take full corrective action in response to a recommendation that was included in the two preceding financial or operational audit reports. Upon notification,
  - (1) The Committee may direct the governing body of the state university or Florida College System institution to provide a **written statement** to the Committee explaining why full corrective action has not been taken, or, if the governing body intends to take full corrective action, describing the corrective action to be taken and when it will occur.
  - (2) If the Committee determines that the written statement is not sufficient, the Committee may require the chair of the governing body of the state university or Florida College System institution, or the chair's designee, to **appear before the Committee**.
  - (3) If the Committee determines that the state university or Florida College System institution has failed to take full corrective action for which there is no justifiable reason or has failed to comply with Committee requests made pursuant to this section, the Committee shall refer the matter to the State Board of Education or the Board of Governors, as appropriate, to proceed in accordance with ss. 1008.32 or 1008.322, F.S., respectively [*s. 11.45(7)(j), F.S.*]
  
- **Other Educational Entities and Local Governmental Entities:** The Auditor General is required to notify the Committee of any audit report prepared pursuant to s. 218.39, F.S., (*reports prepared by private CPAs for audits of school districts, charter schools / charter technical career centers, counties, municipalities, and special districts*) which indicates that an audited entity has failed to take full corrective action in response to a recommendation that was included in the two preceding audit reports. Upon notification,
  - (1) The Committee may direct the governing body of the audited entity to provide a **written statement** to the Committee explaining why full corrective action has not been taken, or, if the governing body intends to take full corrective action, describing the corrective action to be taken and when it will occur.
  - (2) If the Committee determines that the written statement is not sufficient, the Committee may require the chair of the governing body of the local governmental entity or the chair's designee, the elected official of each county agency or the elected official's designee, the chair of the district school board or the chair's designee, the chair of the governing board of the charter school / charter technical career center or the chair's designee, as appropriate, to **appear before the Committee**.
  - (3) If the Committee determines that the audited entity has failed to take full corrective action for which there is no justifiable reason for not taking such action, or has failed to comply with Committee requests made pursuant to this section, the Committee may **proceed in accordance with s. 11.40(2), F.S.** [*s. 218.39(8), F.S.*]

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

  - (a) In the case of a local governmental entity or district school board, direct the Department of Revenue and the Department of Financial Services to withhold any funds not pledged for bond debt service satisfaction which are payable to such entity until the entity complies with the law. The Committee shall specify the date that such action must 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 this paragraph.

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

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

### Notifications Received from the Auditor General

The Committee has received notifications from the Auditor General regarding this initiative each year since 2012. The Auditor General is required by law to conduct audits of state universities, Florida College System institutions, and district school boards.<sup>1</sup> The Auditor General is required to conduct audits of county offices, municipalities, and special districts if directed by the Committee. Also, the Auditor General routinely reviews financial audits of district school boards, charter schools, and local governmental entities that are performed by private CPAs. Based on the Auditor General's review of all of these audit reports, the following is a breakdown of the entities that have failed to correct repeat audit findings for the 2013-14 fiscal year through the 2017-18 fiscal year, as reported to the Committee by December 9, 2019:

Type of Entity	Number of Entities with Repeat <sup>2</sup> Audit Findings During Last Five Fiscal Years (Total Number of Repeat Findings)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Colleges	0 (0)	6 (7)	2 (2)	4 (4)	0 (0)
Universities	2 (2)	2 (3)	1 (2)	2 (2)	4 (4)
District School Boards	35 (93)	31 (67)	24 (46)	17 (23)	15 (22)
Charter Schools	20 (21)	15 (17)	11 (11)	13 (13)	20 (25)
County Offices <sup>3</sup>	77 (123)	68 (119)	64 (104)	52 (69)	42 (50)
Municipalities <sup>4</sup>	134 (294)	117 (228)	110 (237)	107 (220)	90 (165)
Special Districts <sup>5</sup>	138 (217)	131 (202)	115 (195)	109 (186)	92 (152)
<b>Total</b>	<b>406 (750)</b>	<b>370 (643)</b>	<b>327 (597)</b>	<b>304 (517)</b>	<b>263 (418)</b>

### Recent Committee Action

Based on notifications received related to audit reports for the 2016-17 fiscal year, the Committee took action against 187 of the entities noted above during the meeting on February 21, 2019. As a result of the Committee's action, letters were sent to these entities to direct each governing body to provide a written statement regarding a total of 329 audit findings to the Committee to explain the corrective action that has occurred or is planned or to provide the reasons no corrective action is planned.

### Action Available for the Committee to Take in December 2019

The Committee may take action against the entities that were reported by the Auditor General for failing to correct audit findings that had been reported for at least the third time in the entities' 2017-18 fiscal year audit reports. In addition, the Committee may wish to direct Committee staff to send a letter requesting the status of uncorrected audit findings to all entities on future notification(s) from the Auditor General for late-filed audit reports for the 2017-18 fiscal year, or earlier.

<sup>1</sup>All 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.

<sup>2</sup> 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.

<sup>3</sup> 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).

<sup>4</sup> There are currently 412 municipalities in Florida.

<sup>5</sup> As of December 6, 2019, there are 1,748 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 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 Colleges

<b>State University or College</b>	<b>County</b>	<b>Schedule</b>
Florida Agricultural and Mechanical University	Leon	1
Florida Atlantic University	Palm Beach	1
University of Central Florida	Orange	1
University of West Florida	Escambia, Okaloosa	1

### District School Boards

<b>District School Board</b>	<b>Schedule</b>	<b>District School Board</b>	<b>Schedule</b>
Broward	2	Manatee	2
Clay	2	Okaloosa	2
Columbia	2	Palm Beach	2
Dixie	2	Pinellas	2
Gilchrist	2	Polk	2
Hernando	2	Sarasota	2
Jefferson	2	St. Lucie	2
Lee	2		

## Charter Schools

<b><i>Charter School</i></b>	<b><i>County</i></b>	<b><i>Schedule(s)</i></b>
<b>Academy of Environmental Science</b>	Citrus	4
<b>Bay Haven Charter Academy Elementary School</b>	Bay	4
<b>Bay Haven Charter Academy Middle School</b>	Bay	4
<b>Beacon College Prep Charter School</b>	Miami-Dade	3
<b>Ben Gamla Preparatory Academy</b>	Broward	3
<b>Bridgeprep Academy of Hollywood Hills</b>	Broward	3
<b>Escambia Charter School</b>	Escambia	3
<b>James Madison Preparatory Charter High School</b>	Madison	3
<b>Kinder Cub School</b>	Dixie	3
<b>Manatee School of Arts and Science</b>	Manatee	3
<b>McIntosh Area School</b>	Marion	3
<b>Micanopy Middle School</b>	Alachua	3
<b>North Bay Haven Charter Career Academy</b>	Bay	4
<b>North Bay Haven Charter Elementary School</b>	Bay	4
<b>North Bay Haven Charter Middle School</b>	Bay	4
<b>Reading Edge Academy, Inc.</b>	Volusia	3
<b>Rowlett Academy</b>	Manatee	3
<b>Samsula Academy</b>	Volusia	3
<b>South Broward Montessori Charter School</b>	Broward	3
<b>True North Classical Academy Charter School</b>	Miami-Dade	3

### Counties

<b>County</b>	<b>County Office</b>	<b>Schedule(s)</b>
<b>Baker</b>	<b>Board of County Commissioners</b>	6
	<b>Tax Collector</b>	6
<b>Bradford</b>	<b>Sheriff</b>	5
<b>Broward</b>	<b>Clerk of the Circuit Court</b>	5
<b>Calhoun</b>	<b>Sheriff</b>	6
	<b>Supervisor of Elections</b>	6
<b>DeSoto</b>	<b>Supervisor of Elections</b>	5
<b>Franklin</b>	<b>Property Appraiser</b>	6
	<b>Sheriff</b>	6
	<b>Supervisor of Elections</b>	6
<b>Gadsden</b>	<b>Sheriff</b>	5
<b>Gilchrist</b>	<b>Sheriff</b>	6
<b>Glades</b>	<b>Board of County Commissioners</b>	5 & 6
	<b>Clerk of the Circuit Court</b>	5
<b>Hardee</b>	<b>Sheriff</b>	5
<b>Holmes</b>	<b>Board of County Commissioners</b>	6
	<b>Clerk of the Circuit Court</b>	6
	<b>Property Appraiser</b>	6
	<b>Sheriff</b>	6
	<b>Supervisor of Elections</b>	6
	<b>Tax Collector</b>	5 & 6
<b>Jackson</b>	<b>Board of County Commissioners</b>	6
	<b>Sheriff</b>	6
<b>Lafayette</b>	<b>Board of County Commissioners</b>	6
	<b>Clerk of the Circuit Court</b>	6
	<b>Property Appraiser</b>	6
	<b>Sheriff</b>	6
	<b>Supervisor of Elections</b>	6
	<b>Tax Collector</b>	6
<b>Levy</b>	<b>Sheriff</b>	5
<b>Liberty</b>	<b>Sheriff</b>	5
<b>Madison</b>	<b>Board of County Commissioners</b>	5
	<b>Tax Collector</b>	6
<b>Miami-Dade</b>	<b>Board of County Commissioners</b>	5
<b>Putnam</b>	<b>Clerk of the Circuit Court</b>	5
	<b>Supervisor of Elections</b>	5
<b>Sumter</b>	<b>Sheriff</b>	5
<b>Washington</b>	<b>Board of County Commissioners</b>	5
	<b>Property Appraiser</b>	6
	<b>Sheriff</b>	6
	<b>Supervisor of Elections</b>	6
	<b>Tax Collector</b>	6

## Municipalities

<i>Municipality</i>	<i>County</i>	<i>Schedule(s)</i>
Apalachicola, City of	Franklin	7 & 8
Arcadia, City of	DeSoto	7
Archer, City of	Alachua	8
Astatula, Town of	Lake	7
Bal Harbour Village, Town of	Miami-Dade	7
Bell, Town of	Gilchrist	8
Belle Isle, City of	Orange	7
Biscayne Park, Village of	Miami-Dade	7
Bowling Green, City of	Hardee	7
Branford, Town of	Suwannee	8
Bronson, Town of	Levy	7 & 8
Bushnell, City of	Sumter	7 & 8
Callaway, City of	Bay	7
Campbellton, Town of	Jackson	8
Carrabelle, City of	Franklin	7 & 8
Cedar Key, City of	Levy	7
Center Hill, City of	Sumter	7
Chattahoochee, City of	Gadsden	8
Clewiston, City of	Hendry	8
Coleman, City of	Sumter	8
Cottondale, City of	Jackson	7 & 8
Cross City, Town of	Dixie	8
Dade City, City of	Pasco	7 & 8
Deerfield Beach, City of	Broward	7
DeFuniak Springs, City of	Walton	7
Destin, City of	Okaloosa	7
Dunnellon, City of	Marion	7
Eatonville, Town of	Orange	7
Ebro, Town of	Washington	7 & 8
Fanning Springs, City of	Gilchrist/Levy	8
Fort White, Town of	Columbia	8
Fruitland Park, City of	Lake	7
Glen St. Mary, Town of	Baker	8
Graceville, City of	Jackson	7 & 8
Grand Ridge, Town of	Jackson	8
Greensboro, Town of	Gadsden	8
Greenville, Town of	Madison	7 & 8
Hastings, Town of <span style="color: red;">(Dissolved February 2018)</span>	St. Johns	8
Hialeah, City of	Miami-Dade	7
High Springs, City of	Alachua	7
Hilliard, Town of	Nassau	8
Horseshoe Beach, Town of	Dixie	8
Interlachen, Town of	Putnam	8
Jacob City, City of	Jackson	8
Jasper, City of	Hamilton	7
Jennings, Town of	Hamilton	8

<b><i>Municipality</i></b>	<b><i>County</i></b>	<b><i>Schedule(s)</i></b>
Jupiter Inlet Colony, Town of	Palm Beach	7
LaBelle, City of	Hendry	8
Lake Helen, City of	Volusia	7
Lake Placid, Town of	Highlands	7
Lawtey, City of	Bradford	7
Macclenny, City of	Baker	8
Madison, City of	Madison	8
Malone, Town of	Jackson	8
Mayo, Town of	Lafayette	7 & 8
Medley, Town of	Miami-Dade	7 & 8
Melbourne Village, Town of	Brevard	7
Miami, City of	Miami-Dade	7
Milton, City of	Santa Rosa	7
Montverde, Town of	Lake	7
Moore Haven, City of	Glades	8
Mulberry, City of	Polk	7
New Port Richey, City of	Pasco	7
North Miami, City of	Miami-Dade	7
North Miami Beach, City of	Miami-Dade	7
Oak Hill, City of	Volusia	7 & 8
Oakland, Town of	Orange	7
Orchid, Town of	Indian River	8
Palm Bay, City of	Brevard	7
Panama City, City of	Bay	8
Panama City Beach, City of	Bay	8
Parker, City of	Bay	8
Paxton, City of	Walton	8
Penney Farms, Town of	Clay	8
Pierson, Town of	Volusia	7 & 8
Pomona Park, Town of	Putnam	8
San Antonio, City of	Pasco	7
Sneads, Town of	Jackson	7 & 8
South Daytona, City of	Volusia	7
South Palm Beach, Town of	Palm Beach	7
St. Cloud, City of	Osceola	7
St. Marks, City of	Wakulla	8
Tallahassee, City of	Leon	7
Tavares, City of	Lake	7
Temple Terrace, City of	Hillsborough	7
Trenton, City of	Gilchrist	8
Wausau, Town of	Washington	7 & 8
Webster, City of	Sumter	7 & 8
West Palm Beach, City of	Palm Beach	7
Windermere, Town of	Orange	8

## Special Districts

<b><i>Special District</i></b>	<b><i>County</i></b>	<b><i>Schedule(s)</i></b>
<b>Alligator Point Water Resources District</b>	Franklin	10
<b>Amelia Concourse Community Development District</b>	Nassau	9
<b>Aucilla Area Solid Waste Administration</b>	Dixie, Jefferson, Madison, Taylor	10
<b>Baker County Development Commission</b>	Baker	10
<b>Baker County Hospital District</b>	Baker	10
<b>Beach Mosquito Control District</b>	Bay	10
<b>Buckeye Park Community Development District</b>	Manatee	9
<b>CFM Community Development District</b>	Lee	9
<b>Cedar Key Water and Sewer District</b>	Levy	10
<b>Central County Water Control District</b>	Hendry	9
<b>Chapel Creek Community Development District</b>	Pasco	9
<b>Children's Services Council of Okeechobee County</b>	Okeechobee	10
<b>City Center Community Development District</b>	Polk	9
<b>City-County Public Works Authority</b>	Glades	9 & 10
<b>Concorde Estates Community Development District</b>	Osceola	9
<b>Connerton West Community Development District</b>	Pasco	9
<b>Coquina Water Control District</b>	Okeechobee County	9
<b>Creekside Community Development District</b>	St. Lucie	9
<b>The Crossings at Fleming Island Community Development District</b>	Clay	9
<b>Cypress Cove Community Development District</b>	Broward	9
<b>Daytona Beach Racing and Recreational Facilities District</b>	Volusia	9
<b>Doctors Memorial Hospital</b>	Holmes	9
<b>Durbin Crossing Community Development District</b>	St. Johns	9
<b>Fellsmere Water Control District</b>	Indian River	10
<b>Fiddler's Creek Community Development District 2</b>	Collier	9
<b>Flagler Estates Road and Water Control District</b>	St. Johns	10
<b>Florida Keys Mosquito Control District</b>	Monroe	9
<b>Fred R. Wilson Memorial Law Library</b>	Seminole	9 & 10
<b>Gilchrist Soil and Water Conservation District</b>	Gilchrist	10
<b>Gramercy Farms Community Development District</b>	Osceola	9
<b>Hendry-LaBelle Recreation Board</b>	Hendry	10
<b>Heritage Isles Community Development District</b>	Hillsborough	9
<b>Holmes Creek Soil and Water Conservation District</b>	Holmes	9 & 10
<b>Holt Fire District</b>	Okaloosa	10
<b>Homosassa Special Water District</b>	Citrus	9
<b>Indian River Farms Water Control District</b>	Indian River	10
<b>Indian Trail Improvement District</b>	Palm Beach	9
<b>Indigo Community Development District</b>	Volusia	9
<b>Jackson Soil and Water Conservation District</b>	Jackson	9 & 10
<b>Lake Shore Hospital Authority</b>	Columbia	10
<b>Lakeside Plantation Community Development District</b>	Sarasota	9
<b>Levy Soil and Water Conservation District</b>	Levy	10
<b>Madeira Community Development District</b>	St. Johns	9
<b>Madison County Health and Hospital District</b>	Madison	9

<b><i>Special District</i></b>	<b><i>County</i></b>	<b><i>Schedule(s)</i></b>
<b>Madison County Soil and Water Conservation District</b>	Madison	10
<b>Magnolia Creek Community Development District</b>	Walton	9
<b>Marion County Law Library</b>	Marion	10
<b>Marion Soil and Water Conservation District</b>	Marion	9
<b>Meadow Pointe IV Community Development District</b>	Pasco	9
<b>Midtown Miami Community Development District</b>	Miami-Dade	9
<b>Montecito Community Development District</b>	Brevard	9
<b>Municipal Service District of Ponte Vedra Beach</b>	St. Johns	10
<b>Naturewalk Community Development District</b>	Walton	9
<b>North Okaloosa County Fire District</b>	Okaloosa	10
<b>North St. Lucie River Water Control District</b>	St. Lucie	10
<b>Palatka Gas Authority</b>	Putnam	10
<b>Palm River Community Development District</b>	Hillsborough	9
<b>Parker Road Community Development District</b>	Alachua	9
<b>Portofino Isles Community Development District</b>	St. Lucie	9
<b>Portofino Vista Community Development District</b>	Osceola	9
<b>Putnam Soil and Water Conservation District</b>	Putnam	9
<b>Reunion East Community Development District</b>	Osceola	9
<b>River Glen Community Development District</b>	Nassau	9
<b>River Place on the St. Lucie Community Development District</b>	St. Lucie	9
<b>Riverwood Estates Community Development District</b>	Pasco	9
<b>Seminole County Port Authority</b>	Seminole	10
<b>Six Mile Creek Community Development District</b>	St. Johns	9
<b>South Central Regional Wastewater Treatment and Disposal Board</b>	Palm Beach	9
<b>South Seminole and North Orange County Wastewater Transmission Authority</b>	Orange, Seminole	10
<b>Southern Hills Plantation II Community Development District</b>	Hernando	9
<b>Southern Hills Plantation III Community Development District</b>	Hernando	9
<b>St. Augustine Port, Waterway and Beach District</b>	St. Johns	10
<b>St. Johns Improvement District</b>	Indian River	10
<b>Sterling Hill Community Development District</b>	Hernando	9
<b>Stevens Plantation Community Development District</b>	Osceola	9
<b>Sun'n Lake of Sebring Improvement District</b>	Highlands	9
<b>Suwannee County Conservation District</b>	Suwannee	10
<b>Suwannee Water and Sewer District</b>	Dixie	9
<b>Taylor Coastal Water and Sewer District</b>	Taylor	10
<b>Tolomato Community Development District</b>	Duval	9
<b>Trails Community Development District</b>	Duval	9
<b>Treeline Preserve Community Development District</b>	Lee	9
<b>Tri-County Airport Authority</b>	Holmes	10
<b>Waterford Estates Community Development District</b>	Charlotte	9
<b>Waterstone Community Development District</b>	St. Lucie	9
<b>West Villages Improvement District</b>	Sarasota	9
<b>Westridge Community Development District</b>	Polk	9
<b>Westside Community Development District</b>	Osceola	9
<b>Windemere Special Dependent District</b>	Hillsborough	9
<b>The Woodlands Community Development District</b>	Sarasota	9

<b><i>Special District</i></b>	<b><i>County</i></b>	<b><i>Schedule(s)</i></b>
<b>Wyld Palms Community Development District</b>	Citrus	9
<b>Zephyr Ridge Community Development District</b>	Pasco	9

**7A Three Peat:  
Educational Entities**

**State Universities and Colleges**

Failed to Take Full Corrective Action in Response to a Recommendation Included in the  
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Entity	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
<p><b>Florida Agricultural and Mechanical University</b></p>	<p>AG Report No. 2019-063 (Finding #1 - Intercollegiate Athletic Programs - Deficit Cash Balances): The University's intercollegiate athletic programs continued to experience cash deficits for the 2016-17 fiscal year. Board of Governors (BOG) regulations provide that each university may determine whether its auxiliary services will be self-supporting on an individual or collective basis, except for intercollegiate athletics, which must be self-supporting. For each of the past ten fiscal years, the intercollegiate athletic programs auxiliary enterprise fund had a deficit cash balance and, for the past two fiscal years, the intercollegiate athletic programs owed amounts to other auxiliary enterprises. Without a questioned \$188,763 transfer from the concession fund, the intercollegiate athletic programs auxiliary fund would have reported a cash deficit of \$1,193,446 at June 30, 2017, and without the transfer of concession fund revenue and the loans from other auxiliary enterprises, the intercollegiate athletic programs auxiliary enterprise fund would have reported a cash deficit of \$8,753,225. The auditors recommend that the Trustees continue to monitor the financial condition of the intercollegiate athletic programs and the status of the 12-year repayment plan and take appropriate actions to ensure that intercollegiate athletic programs are self-supporting pursuant to BOG regulations. (See PDF Pages 4-6)</p>	<p>N/A</p>	<p>2018 (2015-16)</p>	<p>As part of an accountability partnership, the State University System of Florida Board of Governors (BOG) began tracking a number of high level corrective actions at FAMU in January 2013. This corrective action is related to the FAMU intercollegiate athletics cash deficit. This issue was known to university management who have given this issue sustained management attention over a number of years. Despite this sustained attention, plans to balance the annual athletics budget and address the cumulative cash deficit have not yet been fully effective. The joint efforts between the FAMU Board of Trustees (BOT), university President, leadership, senior staff members, and the BOG continue with the commitment that the BOT's approved repayment plan will eliminate the cumulative cash deficit over a 12-year period. Correspondence describes the protocol for the correction of this finding</p>	<p>Yes</p>

**State Universities and Colleges**

**Failed to Take Full Corrective Action in Response to a Recommendation Included in the 2017-18 Fiscal Year Audit Report and the Two Preceding Audit Reports**

Entity	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
<p><b>Florida Atlantic University</b></p>	<p>AG Report No. 2019-206 (Finding #1 - Textbook Affordability): The University had not established monitoring procedures to ensure that required and recommended textbooks and instructional materials is posted in the course registration system and on the University's web site at least 45 days before the first day of class for each term, as required by state law. The auditors recommend that the University ensure that a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the University during the upcoming term is prominently posted in the course registration system and on its web site, as early as feasible, but at least 45 days before the first day of class for each term. (See PDF Pages 3-4)</p>	<p>N/A</p>	<p>2017 (2014-15)</p>	<p>Over the course of the past two years, several steps have been implemented to address this finding, including: (1) integration by the campus bookstore of its reporting tool with the system used by FAU faculty to post their textbooks; (2) meetings of the University Textbook Affordability Committee at least once each semester well in advance of the post deadline for the subsequent semester to discuss efforts/issues relating to timely postings of required textbooks and materials; and (3) development and implementation of several protocols relating to compliance with posting deadlines. [Note: Specific information about these steps was included in the response.]</p>	<p>Yes</p>
<p><b>University of Central Florida</b></p>	<p>AG Report No. 2019-095 (Finding #5 - Textbook Affordability): The University had not established monitoring procedures to ensure that required and recommended textbooks and instructional materials is posted in the course registration system and on the University's web site at least 45 days before the first day of class for each term, as required by state law. In addition, the auditors noted differences in the number of courses and course sections for the Fall 2016 and Spring 2017 Semesters per the University's records and those numbers reported to the Chancellor of the State University System (SUS Chancellor). The auditors recommend that the University ensure that a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the University during the upcoming term is prominently posted in the course registration system and on its web site, as early as feasible, but at least 45 days before the first day of class for each term. The auditors also recommend that the University maintain accurate records to support the courses and course sections reported to the SUS Chancellor. (See PDF Pages 11-12)</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>	<p>Yes</p>

**State Universities and Colleges**

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Entity	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
University of West Florida	AG Report No. 2019-007 (Finding #4 - Security Controls - User Authentication and Monitoring): Certain University security controls related to user authentication and monitoring need improvement. Specific details of the issues were not disclosed in the audit report to avoid the possibility of compromising University data and IT resources; however, appropriate University management was notified of the specific issues. The auditors recommend that the University improve IT security controls related to user authentication and monitoring to ensure the confidentiality, integrity, and availability of University data and IT resources. (See PDF Page 6)	N/A	N/A	N/A	Yes

LEGEND:

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

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

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

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

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

**District School Boards**

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	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
<b>Broward</b>	<p>AG Report No. 2019-210 (#4 - Salary Overpayments): The auditors noted that the District had identified several salary overpayments totaling \$893,035. In response to audit inquiry, District personnel indicated that most of the overpayments occurred due to errors associated with employment separations, changes in pay, pay supplements, and employee leave or absences. Review of District records tracking salary overpayments and related recovery efforts for the 2015-16, 2016-17, and 2017-18 fiscal years disclosed that the total outstanding salary overpayment balance as of June 30, 2018, for all fiscal years was \$712,968, which excluded amounts considered uncollectible according to the two-year statutory limitation. Notwithstanding the District recovery process and efforts, the instances of overpayments are indicative of control weaknesses in District payroll processing procedures. District personnel disclosed that District procedures require approvers to review and approve the employee time management reports within three days after the pay period ends. However, District records indicated that the review and approval for the payroll reports selected for audit were 3 to 45 days late, or an average of 11 days late; all of which were after the employee had been compensated. Although requested, District records were not provided to justify why supervisors did not promptly review and approve the payroll reports. The auditors recommend that the District ensure that, prior to payment, salary payments are appropriate, accurate, properly documented and supported, and timely reviewed and approved by supervisory personnel. In addition, the auditors recommend that the District also continue efforts to timely recover uncollected salary overpayments. (See PDF Page 7-8)</p>	N/A	2017 (2014-15)	<p>The District has made great strides in addressing overpayments since the initial finding was published. As a result of training and implementation of accountability measures, the occurrence of overpayments has been reduced significantly. The District will determine the financial impact and feasibility of engaging a consultant to reconfigure or modify the current reporting format in the SAP system in order to generate reports to track overpayments by fiscal periods. The Payroll Department will continue to diligently reiterate the District's payroll procedures, policies, and requirements with all District Administrators with the goal of enhancing compliance and accountability in the payroll process. The response from the District's Office of the Chief Auditor indicates that the findings have been reviewed and the Office has determined that these findings were corrected and cleared.</p>	Yes

## District School Boards

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	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
<b>Broward (Continued)</b>	<u>AG Report No. 2019-210 (#8 -Information Technology - Security Controls - User Authentication)</u> : Certain District IT security controls related to user authentication need improvement. Specific details of the issues were not disclosed in the audit report in order to avoid the possibility of compromising District data and IT resources; however, appropriate District management was notified of the specific issues. Without adequate security controls related to user authentication, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. The auditors recommend that District management improve security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of District data and IT resources. (See PDF Pages 12-13)	N/A	2017 (2014-15)	The District has made changes to the Information Technology Systems in response to the Auditor General's findings. It was determined that for the District's current business process, the Maximum Password Age will remain at 180 days. The setting will change with future enhancements to user provisioning and SSO. Project timeline call for this change by summer 2017.	Yes
<b>Clay</b>	<u>AG Report No. 2019-115 (#13 - Information Technology - Security Controls - User Authentication and Data Loss Prevention)</u> : Certain District IT security controls related to user authentication and data loss prevention need improvement. Specific details of the issues were not disclosed in the audit report in order to avoid the possibility of compromising District data and IT resources; however, appropriate District management was notified of the specific issues. Without adequate security controls related to user authentication and data loss prevention, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. The auditors recommend that District management improve security controls related to user authentication and data loss prevention to ensure the continued confidentiality, integrity, and availability of District data and IT resources. (See PDF Page 16)	N/A	2018 (2015-16)	System activity is monitored from many programs. Data Loss Prevention for Drive and Gmail gives greater control and visibility in protecting sensitive school data and the ability to protect users from accidentally sharing confidential information externally. All permission sets for the new Enterprise Resource Planning System (Business Plus) have been rebuilt as part of the project for each module of the application. Business Plus processes are segmented to provide improved controls and a granular approach to security (field level permissions) that the former TERMS system did not. Training for Business Plus involved best practices in keeping related data secure and will be a continuing process as part of improving of user experience and security. Note: Details are included in the District's response.	Yes

**District School Boards**

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	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
Columbia	<p>AG Report No. 2019-087 (#7 - Information Technology - Data Loss Prevention): Certain District IT security controls related to data loss prevention need improvement. Specific details of the issues were not disclosed in the audit report in order to avoid the possibility of compromising District data and IT resources; however, appropriate District management was notified of the specific issues. Without adequate security controls related to data loss prevention, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. The auditors recommend that the District improve IT security controls related to data loss prevention to ensure the continued confidentiality, integrity, and availability of District data and IT resources. (See PDF Page 10)</p>	N/A	2017 (2014-15)	This finding is not proposed to be included in the audit of the FY 2015-16.	Yes

**District School Boards**

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Dixie	<p>AG Report No. 2019-060 (#6 - Information Technology - Disaster Recovery Plan): The District participates in the North East Florida Educational Consortium (NEFEC) and obtains certain IT services, such as financial, payroll, and other critical applications. NEFEC developed an IT disaster recovery plan whereby member districts agreed to serve as alternate-processing sites for each other in the event of a disaster that interrupts critical IT operations. In addition, the District prepared a Disaster Recovery Plan (Plan); however, the Plan was not comprehensive and lacked certain necessary critical elements and details as the plan did not: (1) identify or prioritize the District's critical data, processes, and applications; (2) provide detailed backup procedures or schedules of critical data; and (3) detail specific procedures to be followed when NEFEC is inoperable or other events interrupt District operations and affect the recovery and restoration of finance, human resources, and other critical applications. Also, while the District had an alternate site agreement with another NEFEC school district, District personnel had not tested their ability to access and run critical applications and processes from the alternate site in the event of a disaster. The absence of critical elements and details from the District disaster recovery plan and the lack of annual testing of the plan may hinder District efforts to minimize the impact of, and timely recover from, a disaster or a disruption of operations. The auditors recommend that the District enhance its disaster recovery plan to include necessary critical elements and details and ensure the plan is tested annually. (See PDF Pages 10-11)</p>	N/A	N/A	N/A	Yes

**District School Boards**

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Gilchrist	<p>AG Report No. 2019-181 (#2018-001 - Information Technology - Access Privileges): District records and inquiries with District personnel disclosed that District management periodically evaluated assigned IT access privileges. However, an inadequate separation of duties existed in that the Director of Finance, who had primary responsibility for monitoring District financial activities, such as reviewing and approving payroll and other expenditure transactions, also served as District security administrator for nine months during the 2017-18 fiscal year and, thereby, had full update capability to computer files during those months. While the District had certain controls in place, such as documented bank account reconciliations prepared by an employee other than the Director of Finance and review and approval of monthly expenditures by the Superintendent and the School Board, that compensated, in part, for the inappropriate separation of financial monitoring and security administrator responsibilities, the existence of unnecessary or inappropriate IT access privileges increases the risk that errors or fraud may occur and not be timely detected. The auditors recommend that District management continue efforts to ensure that assigned IT access privileges restrict employees from performing incompatible functions by transferring the security administrator responsibilities to an employee other than the Director of Finance. (See PDF Pages 68-69)</p>	SD	2019 (2016-17)	<p>The District transferred the security administration responsibilities to the Finance Officer for Accounting, until that employee left employment in June 2018. At that point, the responsibilities reverted to the Director of Finance. The security administrator responsibilities have since been transferred to the Director of Human Resources.</p>	Yes

**District School Boards**

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Hernando	<p>AG Report No. 2019-202 (#4 - Tangible Personal Property): During the period July 2017 through October 2018, District personnel performed physical inventory counts at 9 of the District's 33 cost centers but had not conducted the counts at the other 24 cost centers, which included 19 school and 5 administrative sites. District personnel indicated that a timely and complete physical inventory had not been performed because, for example, the Property Department only had one staff member who is responsible for the inventory as well as other assigned duties and the impact of Hurricane Irma during the prior fiscal year. Absent the conduct of appropriate annual physical inventory procedures, the District cannot demonstrate compliance with State law and Florida Department of Financial Services rules, and there is an increased risk that any loss or theft of District property will not be timely detected, reported to the appropriate parties, and reflected in District accounting records. The auditors recommend that the District ensure that an annual physical inventory of tangible personal property is timely performed and any differences are thoroughly investigated. The auditors further recommend that, after thorough investigation, District personnel timely report any items not located to the Risk Management Department for appropriate disposition and, as applicable, to the appropriate law enforcement agency. (See PDF Page 8)</p>	N/A	2019 (2016-17)	<p>The District is currently implementing new enterprise resource planning (ERP) software and has also purchased new asset tracking software. Written procedures and forms that document additional reviews to properly reflect the assignment of capital assets have been revised and disseminated to District staff. District Warehouse and Property Control staff will continue training on the new software. Once training is complete, District Warehouse staff will work with Technology Information Services (TIS) to implement procedures using the new asset tracking software to ensure completeness and accuracy of reporting inventory. Also the Manager of Warehouse and Property (Manager) will participate in bookkeeper trainings and administrative meetings throughout the year to review property control and capital asset procedures. Districtwide inventory of capital assets will be conducted periodically throughout the upcoming year with the goal of total District completion. Upon completion at a site, the Property Control staff will run a missing property report for each location, and sites with missing property will receive a copy of this report and will be required to provide any missing documentation to the Property Control Department within ten working days upon receipt of the report. With the implementation of the new ERP software, TIS has developed reporting methods that will allow the Manager to monitor any purchases with an acquisition cost of more than \$1,000 to ensure that all capital asset purchases will be properly labeled and recorded into inventory. A detailed subsidiary ledger or spreadsheet is also kept by the Manager to ensure accuracy with end of the year financial statements. All capital asset purchases will be logged into this spreadsheet.</p>	Yes

**District School Boards**

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	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
Jefferson	AG Report No. 2019-153 (#AM 2018-001 - Bank Account Reconciliations): District procedures did not always provide for timely bank account reconciliations with reconciling items promptly identified, thoroughly investigated, adequately documented, and resolved. During the 2017-18 fiscal year, District procedures did not provide for reconciliations of bank account balances to general ledger cash account balances. The District contracted with a certified public accounting (CPA) firm to prepare the District's bank account reconciliations for all 12 months of the 2017-18 fiscal year. As of September 2018, the CPA firm had reconciled the bank account balances to general ledger cash account balances and prepared reconciliations for all 12 months of the 2017-18 fiscal year. The auditors recommend that the District enhance procedures to ensure that reconciliations of bank account cash balances to the general ledger account balances are timely performed with reconciling items promptly identified, thoroughly investigated, adequately documented, and resolved. (See PDF Pages 61-62)	N/A	2019 (2016-17)	The District has hired a retired Florida School Chief Financial Officer, with the approval of the Florida Department of Education, to provide assistance in assuring that appropriate financial processes and procedures are in place to ensure that the reconciliations for all accounts are prepared in a timely manner. All three accounts have been reconciled through April and the reconciliations for May are underway. In order to demonstrate compliance in the future, while not required, the District will provide copies of the Bank Reconciliations as part of the Financial Reports to the School Board on at least a quarterly basis. This is to demonstrate the District's understanding of the importance of these reconciliations on the financial well-being of the District.	Yes

**District School Boards**

Failed to Take Full Corrective Action in Response to a Recommendation Included in the  
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	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
<b>Jefferson (Continued)</b>	<p><u>AG Report No. 2019-153 (#AM 2018-002 - Budgetary Controls)</u>: District controls over the budgetary process continued to be deficient and, contrary to State law and State Board of Education rules, in some instances District expenditures exceeded budgetary amounts within a fund at the function level. District records supporting the General Fund budget process for the 2017-18 fiscal year disclosed that in July 2018, after Board approval of final budget amounts included in the AFR, the District overexpended by a total of \$725,093.49 the approved budget amounts in seven functional categories and other financing uses (transfers out) at June 30, 2018, contrary to State law, State rules, and Board policies. Procedures did not always provide for effective monitoring and appropriate adjustments for changing financial circumstances to limit expenditures to the Board-approved budget amounts. In addition, transfers to restore Federal questioned costs in previous fiscal years contributed to the budgetary overexpenditures. Also, as of fiscal year-end, the District reported a total of \$237,674 for General Fund assigned and unassigned fund balance, which represents a financial condition ratio of 3.3 percent. The auditors recommend that the School Board and the Superintendent enhance budgetary procedures by closely monitoring District activities to ensure that expenditures are limited to budgeted amounts as required by State law, State rules, and Board policies. (See PDF Pages 62-64)</p>	N/A	2019 (2016-17)	<p>The reference to the financial condition was removed because the District's audited unassigned general fund balance was \$237,674, representing 3.35 percent of the General Fund revenues. As a result of the improved general fund balance, a forensic audit of the District is being prepared at the direction of Florida Department of Education (FDOE) to allow the District to have the financial emergency designation removed. The District hired a CPA who is a retired Florida School Chief Financial Officer, with the approval of FDOE. The CPA will provide assistance in assuring that appropriate financial processes and procedures are in place. Part of this responsibility is to provide the District and the school board with the required monthly financial reports, including budget amendments, to ensure that the District is able to document, in a timely manner, the proper monitoring of budgetary activity and financial reporting.</p>	Yes
	<p><u>AG Report No. 2019-208 (#2 – Adult General Education Classes)</u>: In some cases, the District reported inaccurate instructional contact hours for adult general education classes to the Florida Department of Education (FDOE). Since funding is based, in part, on enrollment data reported to the FDOE, it is important that the District report accurate data. The auditors recommend that the District strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE (specific examples provided). (See PDF Page 5)</p>	N/A	N/A	N/A	Yes

**District School Boards**

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	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
Lee	<p>AG Report No. 2019-026 (#2 - Ad Valorem Taxation): Pursuant to Section 1011.71(2), Florida Statutes, allowable uses of ad valorem tax levy proceeds include, among other things, funding new construction and remodeling projects and maintenance, renovation, and repair of existing schools to correct deficiencies. The definition of maintenance and repair in Section 1013.01(12), Florida Statutes, specifically excludes custodial (e.g., cleaning services) and groundskeeping functions. Contrary to State law, the District expended ad valorem tax levy proceeds for various cleaning and groundskeeping services from two companies that did not appear to be allowable uses for the proceeds. In response to audit inquiry, District personnel indicated that the District notice of tax levy advertisement specifically identified indoor air quality (IAQ) corrections and believed that the use of ad valorem tax levy proceeds for these services were allowable because they were safety to life system corrective measures. Notwithstanding, although requested, District records, such as air quality test results before and after remediation efforts were performed, were not provided to identify the specific safety risks requiring correction or to demonstrate that the measures taken minimized those risks. Absent District records identifying safety risks and the related deficiencies at existing schools requiring correction and evidencing that use of ad valorem tax proceeds minimized such risks and corrected such deficiencies, the District cannot demonstrate that the proceeds were expended only for uses allowed by State law. The auditors recommend that the District enhance procedures to ensure and demonstrate that ad valorem tax levy proceeds are used only for authorized purposes. Such enhancements should include the maintenance of District records to identify applicable safety risks and demonstrate that use of the proceeds minimized such risks. In addition, the auditors recommend that the District either document to the Florida Department of Education the allowability of the LCI Fund expenditures totaling \$4.2 million or restore that amount to the LCI Fund. Subsequent to the issuance of the auditors' preliminary and tentative findings, the District provided documentation to substantiate the use of ad valorem tax levy proceeds totaling approximately \$300,000. Consequently, expenditures totaling \$3.9 million continue to represent questioned costs of ad valorem tax levy proceeds. (See PDF Pages 6-7)</p>	N/A	N/A	N/A	Yes

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Lee (Continued)	<p><u>AG Report No. 2019-026 (#13 - Information Technology - Risk Assessment)</u>: Although the District informally considered external and internal risks based on various tests and reviews conducted within selected departments and identified security controls such as selected configuration settings to mitigate these risks, the District had not developed a comprehensive, written IT risk assessment due to lack of time and resources. The District's Information Systems Department formed an Information Security and Assurance team under the direction of a new Chief Information Officer to address IT-related risks. The absence of a comprehensive, written IT risk assessment may lessen the District's assurance that all likely threats and vulnerabilities have been identified, the most significant risks have been addressed, and appropriate decisions have been made regarding which risks to accept and which risks to mitigate through security controls. The auditors recommend that the District develop a comprehensive, written IT risk assessment to provide a documented basis for managing IT-related risks. (See PDF Page 25)</p>	N/A	N/A	N/A	Yes
	<p><u>AG Report No. 2019-026 (#15 - Information Technology - Security Controls - User Authentication, Data Loss Prevention, and Logging and Monitoring of System Activity)</u>: Certain District security controls related to user authentication, data loss prevention, and logging and monitoring of system activity need improvement. Specific details of the issues were not disclosed in the audit report to avoid the possibility of compromising District data and IT resources; however, appropriate District management was notified of the specific issues. Without adequate security controls related to user authentication, data loss prevention, 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. The auditors recommend that the District improve IT security controls related to user authentication, data loss prevention, and logging and monitoring of system activity to ensure the continued confidentiality, integrity, and availability of District data and IT resources. (See PDF Pages 26-27)</p>	N/A	N/A	N/A	Yes

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	<b>Audit Finding(s)</b>	<b>MW or SD?</b>	<b>Year Last Response Received (re: fiscal year)</b>	<b>Summary of Entity's Most Recent Response</b>	<b>Recommend Requiring a Written Response This Year?</b>
<b>Manatee</b>	<b>AG Report No. 2019-205 (#2 - Contract Management):</b> Board policies and District procedures for monitoring payments to service providers were not consistently followed. Specifically, the auditors found that payments for school resource officer (SRO) services, security system services, and boiler services were made absent sufficient documentation that the services were satisfactorily received or absent verification that the amounts billed agreed with the bid and contract amounts. The auditors recommend that the District ensure that, for all contracts for services, including SRO services, confirmation of the satisfactory receipt of services in accordance with the contract terms is documented prior to payment for the services. Additionally, the auditors recommend that the District ensure that invoice amounts, including appropriate discounts and markups, are reconciled to applicable bids and contract terms and that documented determinations are maintained to demonstrate the reasonableness of labor hours charged (specific examples provided). (See PDF Pages 10-11)	N/A	N/A	N/A	Yes
<b>Okaloosa</b>	<b>AG Report No. 2019-057 (#11 - Information Technology User Access Privileges - Business Application):</b> Examination of selected IT access privileges to selected critical functions within the District business application disclosed that four employees had the ability to access and adjust employee salary records; however, such access was unnecessary for their assigned job responsibilities. District personnel indicated that, subsequently to audit examination, the unnecessary access privileges for these employees were removed. Although the District had certain controls (e.g., monitoring of budgets, payroll and other expenditure processing controls) that somewhat mitigated inappropriate access, the existence of unnecessary access privileges increases the risk of unauthorized disclosure, modification, or destruction of District data and IT resources may occur and not be timely detected. The auditors recommend that the District continue efforts to ensure the assignment of appropriate access privileges, periodic documented evaluations of assigned access privileges, and timely removal or adjustment of any unnecessary or inappropriate access privileges detected. (See PDF Page 15)	N/A	2017 (2014-15)	This audit finding has been corrected.	Yes

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	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
Okaloosa (Continued)	AG Report No. 2019-057 (#13 - Information Technology Security Controls - Data Loss Prevention and Monitoring of Application Activity): Certain District security controls related to data loss prevention and monitoring of system activity need improvement. Specific details of the issues were not disclosed in the audit report to avoid the possibility of compromising District data and IT resources; however, appropriate District management was notified of the specific issues. Without adequate security controls related to data loss prevention and monitoring of system activity, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. The auditors recommend that the District improve IT security controls related to data loss prevention and monitoring of system activity to ensure the continued confidentiality, integrity, and availability of District data and IT resources. (See PDF Page 16)	N/A	2017 (2014-15)	This audit finding has been corrected.	Yes

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	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
Palm Beach	<p>AG Report No. 2019-218 (#1 - School Bus Driver Disciplinary Process): The District established a Vehicle Accident Review Committee (VARC) that meets monthly to review accident reports and other records to determine whether an accident was preventable or non-preventable and to assist in determining the point assessment and disciplinary action required related to the accident. VARC procedures require the manager/supervisor, who is responsible for monitoring school bus drivers, and the bus driver to meet to review the VARC recommendation within ten working days of the VARC meeting. District records did not identify any other timelines for conducting the school bus driver disciplinary process. However, timelines would promote a timely and consistent approach to the accident review and school bus driver disciplinary process. Such timelines could specify a reasonable number of workdays from the accident to the VARC review, from the VARC review to the point assessment, from the VARC review to the disciplinary action, and from the accident to the disciplinary action. For 19 bus accidents, determined preventable and reported during the 2017-18 fiscal year, that were selected for audit testing, the number of workdays from the accident to the disciplinary actions ranged from 95 to 158 and averaged 115 workdays. While, due to extenuating circumstances associated with preventable accidents, certain incidents could take longer to evaluate than others, establishing reasonable timelines to complete the accident review and school bus driver disciplinary process may expedite the process and reduce the risk of recurring incidents that jeopardize the safety of students, employees, and others. The auditors recommend that the District establish and implement appropriate timelines for administering the accident review and school bus driver disciplinary process to reduce the risk of recurring incidents that jeopardize the safety of students, employees, and others. (See PDF Pages 4-5)</p>	N/A	N/A	N/A	Yes

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	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
<p><b>Palm Beach (Continued)</b></p>	<p>AG Report No. 2019-218 (#6 - Adult General Education): Audit tests disclosed that, due to discrepancies between reported hours and attendance records, the District over-reported instructional contact hours for adult general education classes to the Florida Department of Education (FDOE). In response to audit inquiry in May 2018, District personnel indicated that the data reviewed was preliminary, the period to make final corrections had not expired, and audit inquiry prompted the District to correct the misreported hours. In addition, District personnel indicated that the District implemented a new Student Information System, effective with the Spring 2018 Semester. Since funding is based, in part, on enrollment data reported to the FDOE, it is important that the District report accurate data. The auditors recommend that the District strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. The auditors further recommend that the District determine the extent of the adult general education hours misreported for the 2017-18 fiscal year and contact the FDOE for proper resolution. (See PDF Pages 9-10)</p>	<p>N/A</p>	<p>2018 (2015-16)</p>	<p>The Department of Adult &amp; Community Education (DACE) has provided and continues to provide intensive professional development for all Assistant Principals, Data Processors, and Teachers at the beginning of and throughout this school year. In addition to the enhanced professional development, the District implemented a new student information system (SIS) in August 2017. The SIS system has increased functionality and reporting capabilities, and the DACE is able to centrally monitor and review compliance at each of the school sites. Any issues are immediately reported to the school site administrator.</p>	<p>Yes</p>
<p><b>Pinellas</b></p>	<p>CPA Report No. 2017-18 (#2018-001 - Major Federal Program: Child Nutrition Cluster (CNC)): The District did not document food service director review and approval of CNC salaries and benefits expenditures and the propriety of these expenditures. While the District implemented, during the 2017-18 fiscal year, the use of monthly personnel activity reports (PARs) by personnel outside the Food Service department, the District did not complete quarterly PARs or prepare other records to support the distribution of employee salaries and benefits charged to specific activities or cost objectives for three salaried employees outside of the Food Service department. The auditors recommend that the District establish internal controls to document food service director review and approval of CNC salaries and benefits expenditures to accurately reflect the work performed for the CNC, and support the distribution of CNC employee salaries and benefits among specific activities or cost objectives. (See PDF Pages 148-149)</p>	<p>SD</p>	<p>2019 (2016-17)</p>	<p>The District's Food Service Director reviews and approves Child Nutrition Cluster (CNC) salaries and benefits on a quarterly basis for positions outside the Food Service department. Annually, these positions are reviewed to determine if adjustment in the percentage of time charged to the CNC program should be made. The audit found that three administrative employees outside the Food Service department did not document their food service specific tasks. To correct this finding, a calendar will be used to track activities, events, and other tasks for these three positions, and these reports will be reviewed by the Food Service Director and adjustments made to salaries and benefits charged to CNC as required. These three employees' reports will be ascertained by the Accounting department.</p>	<p>Yes</p>

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<b>Polk</b>	AG Report No. 2019-204 (#5 - Compensation and Salary Schedule): The Board had not established a documented process to identify the instructional personnel and school administrators entitled to differentiated pay using the factors prescribed in State law. The auditors recommend that the Board establish a documented process for identifying the instructional personnel and school administrators entitled to differentiated pay using the factors prescribed by State law and adopt salary schedules that specify the differentiated pay based on those factors. (See PDF Page 8)	N/A	N/A	N/A	Yes
<b>Sarasota</b>	AG Report No. 2019-100 (#7 - Security Controls - User Authentication and Confidential Finding): Certain District security controls related to user authentication need improvement. Specific details of the issues were not disclosed in the audit report to avoid the possibility of compromising District data and IT resources; however, appropriate District management was notified of the specific issues. Without adequate security controls related to user authentication, the risk is increased that the confidentiality, integrity, and availability of data and IT resources may be compromised. The auditors recommend that the District improve security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of District data and IT resources. (See PDF Page 10)	N/A	2017 (2014-15)	The School Board has taken full corrective action, and this finding was not included in the audit report for the 2015-16 fiscal year.	Yes

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St. Lucie	<p>AG Report No. 2019-213 (#5 - Information Technology User Access Privileges - Business Application): Evaluation of selected IT access privileges to the District's business application, including finance and human resources (HR), disclosed some access privileges that were unnecessary or that permitted certain employees to perform incompatible functions. District IT personnel indicated that access privileges were updated based on notifications from HR reviews of Board meeting minutes for personnel changes and user access change requests; however, an annual evaluation of IT user access privileges to the IT business application system information was not performed to help monitor these privileges. While District controls (e.g., management review of change or edit reports and budgetary restrictions) mitigate some risks associated with these access control deficiencies, inappropriate access privileges increase the risk that unauthorized disclosure, modification, or destruction of District data and IT resources may occur without timely detection. The auditors recommend that the District continue efforts to ensure the assignment of appropriate access privileges, appropriate evaluations of access privileges, and timely removal or adjustment of any unnecessary and inappropriate access detected. In addition, the auditors recommend that the District establish documented, periodic evaluations of assigned IT user access privileges to determine whether such privileges are necessary and timely remove any unnecessary access privileges detected. (See PDF Pages 8-9)</p>	N/A	2017 (2014-15)	<p>The District documented in the audit management response to the Auditor General that the privileges of noted concern had been rectified. This correction took place as soon as it was raised to awareness during the course of the audit. The District considers this finding to be corrected with no further action required.</p>	Yes

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LEGEND:

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

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

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

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

## Charter Schools

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Alachua	Micanopy Middle School	#2018-002 - Florida Retirement System Contributions (FRS): Two monthly FRS contributions were calculated using incorrect wage amounts because management failed to agree the wages actually paid to employees to the wages used to calculate the contributions. In addition, there was one employee for which one monthly contribution was not made to FRS. The auditors recommend that the School consider what procedures should be performed to ensure that all FRS contributions are computed on the correct wages for each individual employee in the proper month. (See PDF Page 28)	N/A	N/A	N/A	Yes
Broward	Ben Gamla Preparatory Academy	#ML2016-02 - Internal Account - Deposits: The School did not have evidence of providing a written receipt to the student (or parent) when cash collections of \$15 or higher were received. The auditors recommend that the School adhere to its internal control policies related to deposits so that all cash collections over \$15 are supported by receipts. (See PDF Page 38)	N/A	N/A	N/A	Yes
	Bridgeprep Academy of Hollywood Hills	#2018-1 - Total fund balance deficit: The auditors noted that, although the School's overall financial position increased from the prior year, the School had a total fund balance deficit of \$96,932 at fiscal year-end. The auditors recommend that the School continue to properly budget its expected expenditures and revenues for the following school year so that it can continue to improve its financial position. (See PDF Page 33)	N/A	2019 (2016-17)	A plan was put into place to improve the academic and financial condition of the School. The School is in a high free and reduced lunch population; this will allow the School to generate additional revenue to narrow the potential challenges a school can suffer from having a high population of low social-economic households. The School also qualified for Title I funds for the 2019-20 school year. Based on these additional funding sources and implementation of additional academic resources, the School is projected to recover financially and improve its academic performance. The School believes this finding will be removed for the 2018-19 fiscal year audit.	Yes

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Broward (Continued)	South Broward Montessori Charter School	#2018-1 - <u>Material Adjusting Journal Entries</u> : The auditors recommended and reported a number of material audit adjustments to the School's accounting related to incorrect classifications, and adjustments to certain account balances. The auditors recommend that the School implement control procedures to ensure that all transactions are properly reviewed, approved and recorded. (See PDF Page 34)	MW	N/A	N/A	Yes
		#2018-2 - <u>Inadequate Internal Controls and Improper Year-end Cut-Off</u> : The School had inadequate internal controls over cash and expenses, incorrect preparation of bank reconciliations, and improper cut-off procedures. The auditors recommend that the School implement internal control procedures to ensure that all cash is properly recorded when expended. In addition, the auditors recommend that all disbursements are posted when the check is written. (See PDF Page 34-35)	MW	N/A	N/A	Yes
Dixie	Kinder Cub School	#2018-001 - <u>Transparency</u> : Although the School does have a website, some of the specific information required was not current on the website on September 24, 2018, the day audit procedures were performed. The auditors recommend that the School maintain a website in compliance with Florida Statutes with all of the required information. (See PDF Page 28)	N/A	N/A	N/A	Yes
Escambia	Escambia Charter School	#2016-1 - <u>Deteriorating Financial Conditions</u> : The auditor applied financial condition assessment procedures and determined the School appears to be operating in a state of deteriorating financial condition based on negative changes in fund balances for the past six years, in addition to unfavorable ratings in 62% of the applicable financial indicators assessed. Due to continued deteriorating financial conditions, the School ceased operations on June 30, 2018. (See PDF Page 34)	N/A	N/A	N/A	No <b>SCHOOL CLOSED ON 6/30/2018</b>

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Escambia (Continued)	Escambia Charter School (Continued)	#2016-2 - School Website: Pursuant to Section 1002.33(9), Florida Statutes, the School should maintain a website in accordance with certain requirements. The School's annual budget, annual independent fiscal audit, listing of Board of Directors, and information regarding the School's academic performance were not posted on the website as required. (See PDF Page 35)	N/A	N/A	N/A	No <b>SCHOOL CLOSED ON 6/30/2018</b>
Madison	James Madison Preparatory Charter High School	#2015-01 - Cash receipts do not tie to general ledger: The auditors noted several instances of cash receipts not matching the deposits in the bank statement and general ledger entry for lunch cash receipts. In each instance, the amount deposited in the bank and entered into the general ledger was greater than the amount accounted for in pre-numbered receipts. The auditors recommend that the School's management ensure the proper procedure for issuing receipts is followed and personnel performing bank reconciliations review receipts pertaining to the deposits in the bank statement. (See PDF Page 40)	SD	2019 (2016-17)	Effective April 25, 2019, the School has strengthened the internal controls necessary to ensure correction of this finding by adding a Report of Monies Collected for each of the school's checking accounts. Also, the external auditors will perform interim testing throughout the year of the School's cash collections procedures. See letter for further details.	Yes
Manatee	Manatee School of Arts and Sciences	2018-001 - Journal Entries: Significant misstatements in the School's financial statements for the fiscal year ended June 30, 2018, were detected by the auditors. Several adjustments were required for the fair presentation of the financial statements to correct items purchased that were erroneously recorded as an expense rather than a capital asset and to accrue liabilities. The School's general ledger activity is not being properly monitored and maintained throughout the year. The auditors recommend that the School carefully review the financial records and applicable reporting requirements at year-end to ensure that all information and financial data is being properly reported. (See PDF Page 30)	MW	N/A	N/A	Yes

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Manatee (Continued)	Rowlett Academy	<u>2018-01 - Budget</u> : Audit procedures disclosed that the adopted budget did not provide adequate resources to fund all expenditures. Actual expenditures exceeded final budgeted expenditures in the amount of \$137,978. The excess was funded through unanticipated revenues and reserves. The auditors recommend that the Academy amend the budget throughout the year and subsequent to year end to ensure that expenditures do not exceed appropriations as the budget serves as the Board's authorization to incur costs. (See PDF Page 49)	N/A	N/A	N/A	Yes
Marion	McIntosh Area School	<u>2018-001 – Controls over Unauthorized Disbursements</u> : Supporting documentation for approximately 17% of the disbursements was not available. The auditors recommend that the School ensure that all disbursements have supporting documentation. (See PDF Page 23)	SD	N/A	N/A	No [Corrected - see FY 2018-19 CPA Report (PDF Page 21)]
		<u>2018-003 – Retirement Benefit</u> : The School offers up to a 4% retirement benefit match to its employees. There were some employees who were not paid in compliance with the plan agreement. Specifically, employees were not paid match on employee bonuses. The auditors recommend that the School review the provisions of its retirement plan to ensure compliance. (See PDF Page 23)	N/A	N/A	N/A	No [Corrected - see FY 2018-19 CPA Report (PDF Page 21)]
Miami-Dade	Beacon College Prep Charter School	<u>2018-1 – Total Deficit in Fund Balance</u> : There is a total fund balance deficit of \$111,577 at fiscal year-end, a decrease of \$82,006 compared to the previous year. The improvement was due to additional funding received, as a result of higher enrollment. During the 2017-18 fiscal year, the School's enrollment increased by approximately 100 students from the previous year. (See PDF Page 33)	N/A	N/A	N/A	Yes

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County	Charter School	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
Miami-Dade (Continued)	True North Classical Academy Charter School	<u>2018-1 – Total deficit in net position:</u> There is a total deficit in net position of \$418,991 at fiscal year-end. The 2017-18 fiscal year was the third full year of operations for the School. The School's enrollment for the school year was up approximately 45 students from the previous year. The School did have an increase in its net position of \$71, 650 during the year. (See PDF Page 33)	N/A	N/A	N/A	Yes
Volusia	Reading Edge Academy, Inc.	<u>#2018-1 - Ensure Proper Coding of Activity in the General Ledger Accounts:</u> The auditors noted a number of errors or inconsistencies in the coding of transactions in the general ledger accounts. In addition, the auditors noted some improvement regarding account distribution being documented on each invoice or other supporting documentation, which better enables anyone to ascertain the proper accounts are being coded and to facilitate their traceability. The auditors recommend that greater effort be made to code the activity into the proper general ledger account, as well as providing adequate descriptions of each entry in the general ledger. In addition, the auditors recommend a monthly review of the general ledger activity to determine if the postings were recorded in the proper accounts. (See PDF Page 22)	N/A	2019 (2016-17)	This has continually been getting better and more consistent. The audit for FY 2017-18 only had four proposed audit adjustments. Three of the four were adjusting year-end accruals, while one item was truly an error in coding. The School is getting better and will have these adjustments corrected in the FY 2018-19 financial statements.	Yes
		<u>2018-2 - Ensure the Financial Budget is Posted to the School's Website:</u> The School is required by Florida Statutes to maintain certain information on its website. While the School was generally in compliance with those requirements, the auditors noted that the FY 2017-18 financial budget was not evident, as well as untimely posting of the Board minutes. The auditors recommend that the School post the financial budget to its website, as well as timely posting the Board minutes, to be in compliance. (See PDF Page 22)	N/A	2019 (2016-17)	The School has updated the website to include the budget and is posting the Board minutes in a timely manner.	Yes

**Charter Schools**

Failed to Take Full Corrective Action in Response to a Recommendation Included in the  
2017-18 Fiscal Year Audit Report and the Two Preceding Audit Reports<sup>1</sup>

County	Charter School	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
Volusia (Continued)	Samsula Academy	#2018-1 - <u>Ensure Proper Coding of Activity in the General Ledger Accounts</u> : The auditors noted a number of errors or inconsistencies in the coding of transactions in the general ledger accounts. In addition, the auditors noted some improvement regarding account distribution being documented on each invoice or other supporting documentation, which better enables anyone to ascertain the proper accounts are being coded and to facilitate their traceability. The auditors recommend that greater effort be made to code the activity into the proper general ledger account, as well as providing adequate descriptions of each entry in the general ledger. In addition, the auditors recommend a monthly review of the general ledger activity to determine if the postings were recorded in the proper accounts. (See PDF Page 21)	N/A	2019 (2016-17)	This has continually been getting better and more consistent. The audit for FY 2017-18 only had four proposed audit adjustments. Three of the four were adjusting year-end accruals, while one item was truly an error in coding. The School is getting better and will have these adjustments corrected in the FY 2018-19 financial statements	Yes
		#2018-2 - <u>Ensure the Financial Budget is Posted to the School's Website</u> : The School is required by Florida Statutes to maintain certain information on its website. While the School was generally in compliance with those requirements, the auditors noted that the FY 2017-18 financial budget was not evident, as well as untimely posting of the Board minutes. The auditors recommend that the School post the financial budget to its website, as well as timely posting of the Board minutes, to be in compliance. (See PDF Page 21)	N/A	2019 (2016-17)	The School has updated the website to include the budget and is posting the Board minutes in a timely manner.	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**

Failed to Take Full Corrective Action in Response to a Recommendation Included in the  
2017-18 Fiscal Year Audit Report and the Two Preceding Audit Reports<sup>1</sup>

County	Charter School	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
Bay	Bay Haven Charter Academy Elementary School	#2018-001 - Adjustments to Financial Statements: Adjustments to the financial records had to be proposed by the auditors in order for the financial statements to conform to generally accepted accounting principles. While the auditors realize it would not be financially feasible to implement procedures necessary to eliminate all proposed adjustments, they recommend striving to reduce the number of adjustments needed as much as possible. (See PDF Pages 44-45)	MW	2017 (2014-15)	Management does not consider it practical or economically feasible for the School to invest in the substantial resources that would be required for it to produce financial statements that require no proposed audit adjustments; the costs for correction would outweigh benefits of corrective action. The School is trying to maintain the accounting records in a manner that reduces the number of proposed adjusting journal entries by the auditors to a minimum.	No
	Bay Haven Charter Academy Middle School	#2018-001 - Adjustments to Financial Statements: Adjustments to the financial records had to be proposed by the auditors in order for the financial statements to conform to generally accepted accounting principles. While the auditors realize it would not be financially feasible to implement procedures necessary to eliminate all proposed adjustments, they recommend striving to reduce the number of adjustments needed as much as possible. (See PDF Pages 42-43)	MW	2017 (2014-15)	Management does not consider it practical or economically feasible for the School to invest in the substantial resources that would be required for it to produce financial statements that require no proposed audit adjustments; the costs for correction would outweigh benefits of corrective action. The School is trying to maintain the accounting records in a manner that reduces the number of proposed adjusting journal entries by the auditors to a minimum.	No

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

**Charter Schools**

Failed to Take Full Corrective Action in Response to a Recommendation Included in the  
2017-18 Fiscal Year Audit Report and the Two Preceding Audit Reports<sup>1</sup>

County	Charter School	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
Bay (continued)	North Bay Haven Charter Career Academy	#2018-001 - <u>Adjustments to Financial Statements</u> : Adjustments to the financial records had to be proposed by the auditors in order for the financial statements to conform to generally accepted accounting principles. While the auditors realize it would not be financially feasible to implement procedures necessary to eliminate all proposed adjustments, they recommend striving to reduce the number of adjustments needed as much as possible. (See PDF Pages 45-46)	MW	2017 (2014-15)	Management does not consider it practical or economically feasible for the School to invest in the substantial resources that would be required for it to produce financial statements that require no proposed audit adjustments; the costs for correction would outweigh benefits of corrective action. The School is trying to maintain the accounting records in a manner that reduces the number of proposed adjusting journal entries by the auditors to a minimum.	No
	North Bay Haven Charter Academy Elementary School	#2018-001 - <u>Adjustments to Financial Statements</u> : Adjustments to the financial records had to be proposed by the auditors in order for the financial statements to conform to generally accepted accounting principles. While the auditors realize it would not be financially feasible to implement procedures necessary to eliminate all proposed adjustments, they recommend striving to reduce the number of adjustments needed as much as possible. (See PDF Pages 46-47)	MW	2017 (2014-15)	Management does not consider it practical or economically feasible for the School to invest in the substantial resources that would be required for it to produce financial statements that require no proposed audit adjustments; the costs for correction would outweigh benefits of corrective action. The School is trying to maintain the accounting records in a manner that reduces the number of proposed adjusting journal entries by the auditors to a minimum.	No

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

**Charter Schools**

Failed to Take Full Corrective Action in Response to a Recommendation Included in the  
2017-18 Fiscal Year Audit Report and the Two Preceding Audit Reports<sup>1</sup>

County	Charter School	Audit Finding(s)	MW or SD?	Year Last Response Received (re: fiscal year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response This Year?
Bay (continued)	North Bay Haven Charter Academy Middle School	#2018-001 - <u>Adjustments to Financial Statements</u> : Adjustments to the financial records had to be proposed by the auditors in order for the financial statements to conform to generally accepted accounting principles. While the auditors realize it would not be financially feasible to implement procedures necessary to eliminate all proposed adjustments, they recommend striving to reduce the number of adjustments needed as much as possible. (See PDF Pages 45-46)	MW	2017 (2014-15)	Management does not consider it practical or economically feasible for the School to invest in the substantial resources that would be required for it to produce financial statements that require no proposed audit adjustments; the costs for correction would outweigh benefits of corrective action. The School is trying to maintain the accounting records in a manner that reduces the number of proposed adjusting journal entries by the auditors to a minimum.	No
Citrus	Academy of Environmental Science	#2013-1 - <u>Lack of Segregation of Incompatible Duties for Financial Transactions</u> : For internal account activity accounted for in the fiduciary fund, the employee who has the sole responsibility to maintain the accounting records also handles cash collections, cosigns checks, and reconciles bank statement balances to the accounting records. While the auditors acknowledge that personnel may not always be available to permit appropriate separation, they think it is important that the School is made aware of the condition. The auditors recommend that the School develop mitigating controls to ensure that secondary reviews are performed by someone other than the one individual performing the transactions. (See PDF Page 31)	SD	2017 (2014-15)	The School is aware of the condition and has no viable way to eliminate it, as it would involve hiring additional personnel to assume portions of the employee's work. Some mitigating controls have been implemented to address the condition.	No

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SD = Significant Deficiency (see 3. in Legend)

**Charter Schools**

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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.

**7B Three Peat: Local  
Governmental Entities**

**Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation  
Included in the FY 2017-18 Fiscal Year Audit Report and the Two Preceding Audit Reports<sup>1</sup>**

County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Bradford County	Sheriff	<u>ML 2015-02 - Evidence Deposits</u> : Certain cash held as evidence was deposited into one of the Sheriff's bank accounts for safekeeping. The cash evidence that was deposited into the bank account was not specifically identified in the records by case and/or defendant name so that it could be properly tracked and accounted for. During the fiscal year 2017 and 2018 audits, it was noted that the office now attaches a copy of a judge's order to document the release of any confiscated funds. However, there is a fiscal year 2015 accumulated balance of unidentified funds which needs to be reviewed in order to determine if the monies are part of the Sheriff's available funds or are due to another party. The auditors recommend that written policies be established to account for the receipt and tracking of all evidence deposits received and disbursed and that appropriate employees be properly trained in these policies. (See PDF Page 145)	N/A	2019 (FY 2016-17)	The office has implemented policies and procedures to ensure this issue has been resolved and will not be repeated.	Yes

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County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
		<p><u>ML 2015-01 - Inmate Welfare Fund</u>: The Inmate Welfare Fund still has a large accumulated fund balance of \$476,840. Section 951.23(9)(d), Florida Statutes, states that profits from the commissary shall be used for overall inmate welfare, and an inmate welfare fund committee shall recommend what expenditures are to be made. Activities of the committee shall be reviewed by the officer in charge who shall have final authority on expenditures. The auditors recommend that the provisions of Section 951.23(9)(d), Florida Statutes, be followed in regard to the expenditures of funds from the Inmate Welfare Fund. (See PDF Page 144)</p>	N/A	2019 (FY 2016-17)	The Sheriff's office has constantly tried to direct these funds towards inmate vocational and recreational programs. Additionally, the office has budgeted to greatly reduce the balance of this fund by approximately half.	Yes
Broward County	Clerk of the Circuit Court	<p><u>2016-01 - Performance Measurement</u>: The Clerk's performance rates were below the Florida Clerks of Court Operations Corporation (COCC) standard rates. For FY 2015-16, the first year of the finding, the auditors recommended that the Clerk work with the COCC to review the current established standards and consider revisions of the standard rates based upon performance statewide, or explore changes in the Clerk's operating environment to achieve the established measures and standards. (See PDF Part 2, Page 151)</p>	N/A	N/A	N/A	Yes

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

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County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
DeSoto County	Supervisor of Elections	<u>2018-1 - Segregation of Duties</u> : Lack of segregation of incompatible duties can result in errors or irregularities that will not be prevented, or detected and corrected, on a timely basis. The auditors identified instances where one individual receives the mail, enters invoices, writes checks, signs checks, and reconciles the bank statements. That same individual authorizes purchases and payroll, and reconciles all transactions. The auditors recommend that the Supervisor of Elections review internal control policies and procedures to limit risks resulting from a lack of segregation of duties. (See PDF Page 243)	MW	N/A	N/A	Yes
Gadsden County	Sheriff	<u>2016-1 - Financial Statement Close</u> : The Sheriff's office does not have effective procedures in place to close the books and prepare timely bank account reconciliations; therefore, there is an increased risk that errors of fraud will go undetected for long periods of time. The auditors recommend that the Sheriff's office continue to evaluate the need to hire additional accounting staff to assist with the monthly and year-end closing process. The auditors also recommend that a detailed plan be established, including scheduled completion dates for each step required in the closing process and bank reconciliations, and that procedures be implemented to ensure that all bank accounts are reconciled within 20 days of month-end. (See PDF Page 170)	SD	N/A	N/A	Yes

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SD = Significant Deficiency (see 3. In Legend)

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County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Glades County	Board of County Commissioners	<p><u>2016-003 - SHIP Reporting</u>: The SHIP (State Housing Initiatives Partnership Program) Coordinator had requested an extension from the County's contact with Florida Housing for filing of the SHIP Final Report. Although granted, the County was later informed that the contact did not have the authority to authorize the extension. Therefore, the County did not receive proper authorization for the extension. The SHIP Coordinator was unable to submit the reports electronically to the State through the Department's website due to encumbrances on the FY 2014-15 and FY 2015-16 reports, so she submitted the reports via email on September 14, 2018. The reports submitted via email were not accepted, and the Program Manager stated that the County was out of compliance. The auditor recommends that the County develop a checklist that includes required reports that must be filed, what to include in the reports, filing dates, and information to be maintained for record-keeping purposes to show what was filed and when it was filed. (See PDF Page 89)</p>	MW	N/A	N/A	Yes
		<p><u>2016-002 - Fund Balance and Chart of Accounts</u>: The fund balance for the general and capital projects funds in the trial balance provided by the County for the audit did not agree to the ending balance from the prior financial statements. Posting date errors have resulted in current year activity being posted to the prior year resulting in fund balance differences. The auditor recommends that the County begin reviewing and reconciling fund balance to the prior year financial statements as soon as any audit adjustment are posted and then again at year-end to verify nothing has changed. (See PDF Page 88)</p>	MW	N/A	N/A	Yes

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

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County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Glades County (Continued)	Board of County Commissioners (Continued)	<u>2016-005 - Permit Fee Modification</u> : There are currently no restrictions on employee access to add, delete, or modify fees within a permit application that has already completed the review and approval stage. Permit and inspection revenues are susceptible to misstatement, either by error or fraud, if the fees can be removed or altered by an employee prior to payment at the cashiering station. The auditors recommend that the County either remove, or at least restrict to only authorized individuals, the ability to initiate any changes to permit applications after the departmental review and approval process has been completed. The auditor recommends that any necessary changes subsequent to that process be accompanied by sufficient supporting documentation and also be prepared and approved by only authorized individuals. (See PDF Page 90)	MW	N/A	N/A	Yes
	Clerk of the Circuit Court	<u>ML 2010-001 - Timely Remittance of Agency Transactions</u> : The Clerk's agency fund contained balances that were not current, or for those balances that are held for a period of time, were not supported by subsidiary schedules that are reconciled to the general ledger. Written policy and procedures do not clearly address the accounting, remittance, and monitoring of agency fund transactions. The auditors recommend that agency fund balances be reconciled timely and supported. (See PDF Page 123)	N/A	N/A	N/A	Yes

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

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County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Hardee County	Sheriff	<p><u>2018-001 - Material Financial Statement Adjustments:</u> Material audit adjustments were necessary in order for the financial statements to be in accordance with generally accepted accounting principles (GAAP). These included: (1) excess fees were improperly netted against revenues resulting in an understatement of revenues during the current year; (2) excess fees were improperly calculated resulting in a fund balance in the general fund during the current year; (3) prior year entries were not properly booked resulting in a material fund balance in the current year; (4) prepaid expenses were not properly closed out during year-end procedures resulting in an overstatement of prepaid expenditures and an understatement of expenditures; and (5) several backdated checks were identified resulting in an understatement of cash and payables. The auditors recommend that the Sheriff's office develop a year-end closing procedure to calculate and record all adjustments necessary in order for the financial statements to be in accordance with U.S. GAAP. (See PDF Page 181)</p>	MW	2019 (FY 2016-17)	<p>The radio tower was not a budgeted expense in this fiscal year and an agreement was made with the Sheriff and Board of County Commissioners (BOCC) that the payment would be made to the BOCC using revenues collected by the Sheriff's office during the fiscal year. Due to the high cost of the necessary upgrades, the BOCC began exploring financing options at the beginning of FY 2017-18 and selected a financing option (Motorola) to be paid annually for 3 years. Due to the timing of the BOCC's agreement with Motorola, the annual payment was not budgeted into the fiscal year. In February 2018, the Sheriff's office made contact with the BOCC to verify the amount due and informed the BOCC that the payment would be made the end of February. The BOCC informed the Sheriff's office that they will need to make the payment directly to Motorola and it was past due. Payment was made the end of March. With the assistance of the auditors, they were able to obtain the total principle and interest amounts and assisted in correctly booking these entries. The Sheriff's office has made a second payment to Motorola and will make the final payment in December 2019, which will complete this obligation and bring a close to these findings. With the correction the auditors assisted office staff in making in January 2019, this issue should not be on the 2018-19 fiscal year audit.</p>	Yes

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

**Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation  
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County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Holmes County	Tax Collector	<u>2013-01 - Information Technology General Controls - Passwords</u> : Passwords to log in to the AS400 financial system do not expire and do not require both an alpha and numeric code. This could expose the Tax Collector's information technology system to internal and external threats resulting in unauthorized users gaining access to financial and nonfinancial data including personally identifiable information. The auditors recommend that the Tax Collector update his password policy to require passwords to expire every 90 days and include at least one numeric code as an addition to the alpha code. (See PDF Page 247)	SD	2019 (FY 2016-17)	The Tax Collector has evaluated the constraints of the security user group limitations (password level-inquiry only), the Tax Collector will remain with the current password determinations.	Yes
Levy County	Sheriff	<u>2018-001 - Separation of Duties</u> : Because of a limited number of personnel in the Finance Department, there were insufficient internal controls over the receipting processes in the Special Revenue Funds with one individual performing all aspects of certain transactions. The financial records are updated and maintained by one person with no review performed. The auditors recommend that, whenever possible, duties be segregated so that receipting by one employee is reviewed by an employee separate from that function, with that review being documented. In addition, the auditors recommend that cash collections, revenue review processes, and fiscal year-end closing entries be documented with formal procedures and those procedures be followed consistently. (See PDF Page 138)	MW	2017 (FY 2014-15)	Effective May 3, 2017, the Sheriff's office has corrected the division of duties which has caused the repeated audit finding. Accounting/inventory duties have been removed from the Property Manager. The Property Manager will no longer be responsible for the annual accounting of physical assets. Written policies will also be modified to reflect this division of duties.	Yes

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Liberty County	Sheriff	<p><u>2016-IC-03 - Budget Administration</u>: The Sheriff's office deposited numerous different types of fee proceeds into the Sheriff office's operating account instead of remitting these fees to the County as required. The Sheriff also deposited impound fees into a separate "Narcotics account," and this activity was not recorded to the general ledger's activity of the Sheriff's office. Therefore, the Sheriff's office cannot document compliance with Section 30.51, Florida Statutes. The auditors recommend that the Sheriff set up the controls and procedures necessary to account for the activity of the agency accounts and its own operating accounts and also review the Florida Statutes regarding the uses of fees. (See PDF Page 161)</p>	MW	N/A	N/A	Yes
		<p><u>2016-IC-02 - General Accounting Records</u>: There was not an accurate accounting for the inmate welfare or inmate trust accounts, and transfers between the two accounts were not made. Also, there is not an inmate welfare committee recommending how the money shall be spent. The Sheriff's office continues to deposit fee income into the inmate trust account, including all commissary activity, and made numerous disbursements that do not meet statutory requirements. The auditors recommend that the Sheriff's office review Chapter 944, Florida Statutes, and set up procedures to post activity of both funds to enable the documentation of compliance with the statutory requirements. (See PDF Page 161)</p>	MW	2019 (FY 2016-17)	The Sheriff's office is currently working on corrective action. The identified findings, a detailed general ledger for the Inmate Welfare and Inmate Trust funds, were from a prior administration, and staff is working diligently on making these corrections. These findings will be cleared up for the FY 2017 audit. To address the issues of transfers from Inmate Trust and Welfare funds, there were not transfers made to the General Fund in FY 2017-18. This issue has been resolved. The Sheriff's office is currently developing policies and procedures for Inmate Welfare and Trust fund activities for appropriate distribution and retention of these funds. The Sheriff stated that he is committed to addressing the necessary changes to bring the office into compliance with the appropriate documentation for all funds.	Yes

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County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Madison County	Board of County Commissioners	<u>2018-001 - Accounts Receivable Reconciliations Process:</u> Monthly reconciliations for the Emergency Medical Services fund were producing ongoing differences between the service provider's balances and the County's balances. The auditors recommend that accounts receivable reconciliation processes be reviewed and discussed between the service provider and the County to ensure that each party understands its role in the process and that the service provider understands the internal control requirements of the County. (See PDF Page 95)	SD	N/A	N/A	Yes
Miami-Dade County	Board of County Commissioners	<u>2018-001 - Password Configurations:</u> Password configuration settings have not been adjusted to meet minimum requirements as stated in the ITD Information Security Policy. Risks include unauthorized use, disclosure of proprietary information, modification, damage, or loss of data. The auditors recommend that management consider adjusting the password minimum length, password history, and password expiration settings to meet minimum requirements as stated in the ITD Information Security Policy. (See PDF Page 374)	SD	2019 (FY 2016-17)	The portion of the finding relating to network password configuration over the password expiration time interval was corrected. In April 2019, the County implemented password expiration of 90 days and reduced the maximum number of invalid login attempts to five within the payroll application, in accordance with the Enterprise Information Security Policy. Furthermore, the current payroll application will be replaced with the ERP system in early 2021, which will include account authentication/authorization compliant with the Enterprise Information Security Policy Manual.	Yes

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County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Putnam County	Clerk of the Circuit Court	<u>2018-001 - Other Control Deficiencies and Noncompliance</u> : The Clerk's office did not achieve the following performance measures: (a) Collections performance standards for Circuit Criminal, County Criminal, Juvenile Delinquency and Civil Traffic; and (b) Timeliness standards for Circuit Criminal, County Criminal, Juvenile Delinquency, Criminal Traffic, Probate and Juvenile Dependency. The auditors recommend that the Clerk's office continue to pursue the goal of meeting the performance standards for which it has the ability to control. (See PDF Page 202)	N/A	2019 (FY 2016-17)	The audit finding has been difficult to correct and may never be completely resolved due to limited resources and demographic factors. The Clerk's office has strived to improve collections and timeliness with the following procedures: 1) the office has begun sending electronic notification of fines due; 2) the office contracted with a collection agency to pursue delinquent fines and court costs; 3) partial pay contracts are offered to defendants by the Clerk's office staff; 4) the County will pursue collections even though they have been turned into civil liens; and 5) the office reorganized the structure of its departments and opened a Customer Service Center for all walk-in customers.	Yes
	Supervisor of Elections	<u>2018-001 - General Accounting Records</u> : Material audit adjustment were necessary to properly state certain balances at year-end. Personnel are unable to prepare financial statements, including notes, in accordance with generally accepted accounting principles. The auditors recommend that the Supervisor of Election's office consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process. (See PDF Page 280)	MW	N/A	N/A	Yes

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SD = Significant Deficiency (see 3. In Legend)

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Sumter County	Sheriff	<u>2018-001 - Material Weakness in Segregation of Duties:</u> Because the Sheriff's office has a 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. The auditors recommend that, whenever possible, duties be segregated 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 181)	MW	2019 (FY 2016-17)	The Sheriff's office has and continues to implement new controls to prevent any one person access to both physical assets and related accounting records. In areas where proper segregation cannot be achieved, compensating controls have been implemented, such as bank statements and bank reconciliation that occurs outside of the finance department are reviewed, and monthly overall review of the Commissary Fund's general ledger including all supporting documents.	Yes
Washington County	Board of County Commissioners	<u>BCC1997-001 - Capital Assets Records:</u> A complete and accurate listing of all property, equipment, and infrastructure has not been maintained or reconciled to the depreciation schedules and recorded balances. As a result, the recorded capital asset balances and related depreciation amounts are not in agreement with available supporting documentation. The lack of supporting documentation for the recorded capital asset balances and related depreciation amounts as reported on the government-wide Statement of Net Position does not allow for an unmodified audit opinion. The auditors recommend that the County undertake a project to ensure all assets are recorded on the capital asset listing at cost or estimated historical cost, establish a depreciation schedule, and reconcile these to the recorded balances on the general ledger. The auditors also recommend that a formal policy be established regarding acquisition and disposition of all assets and a physical inventory be taken at least annually. (See PDF Page 96)	MW	2019 (FY 2016-17)	Establishing such records, while not impossible, is a very significant undertaking for a small rural county with limited resources. Compiling a list of the assets owned by the County, and determining the actual cost or estimated historical cost of each, has required much time and effort. While some progress has been made in this effort, limited available personnel continues to hinder the completion of this. This finding will remain until staff complete work in this area.	Yes

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## FOOTNOTE/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.

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Baker County	Board of County Commissioners	<u>2018-001 - Segregation of Duties:</u> A fundamental concept in a good system of internal control is the segregation of duties, the basic premise is that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. The employee opening the mail and creating the deposit slips for general cash receipts is also able to input those receipts into the County's accounting software. In addition, there is no employee designated to review journal entries in the accounting software, and journal entries made in the accounting system do not require any approval. The auditors recommend that the County implement certain procedures, which include having an employee that: (1) does not have access to the accounting software open the mail, record cash receipts on a receipts log, give the receipts to the bookkeeper to input into the accounting software, and have this person prepare the deposit; and (2) does not create journal entries review and approve any journal entries in the accounting system. (See PDF Page 55)	MW	2017 (FY 2014-15)	The County has hired an additional staff person to assist the Finance Director perform her duties This has allowed the County to separate many of the duties that were deemed incompatible for one person to perform. The County hopes this will eliminate this finding.	No
	Tax Collector	<u>2018-001 - Segregation of Duties:</u> The office has implemented various improvements during the year; however, the underlying weaknesses over the payroll and journal entry processes existed during the majority of the fiscal year due to the timing of such changes As substantial improvements were made late in the fiscal year, the auditors recommend that the Tax Collector continue to maintain the full implementation of the designed processes of segregating key financial duties for the entirety of fiscal year 2019 and beyond. (See PDF Page 204)	SD	2017 (FY 2014-15)	This finding is the result of not having employees to adequately separate the duties. The Tax Collector has implemented compensating controls to the extent possible that include: (1) the Tax Collector reviews and approves all purchases, (2) the office operates within a budget that is approved by the Department of Revenue, and (3) bank statements are delivered and available online for the Tax Collector's review. The cost of hiring additional staff necessary to mitigate this weakness outweighs benefits generated.	No

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Calhoun County	Sheriff	<u>2004-002 - Need for Segregation of Duties:</u> There is a lack of segregation of duties between employees who have recordkeeping responsibility and employees in custody of the Sheriff's assets. The possibility exists that unintentional or intentional errors or irregularities could occur and not be promptly detected. The auditors realize that, due to a limited number of employees and certain incompatible duties being performed by the same employee, it is difficult to achieve ideal separation of duties. Nevertheless, internal control is strengthened when incompatible duties are separated and review procedures are established and adhered to. The auditors also recommend that the Sheriff log into the bank's website and review the original bank statement. (See PDF Page 160)	SD	2017 (FY 2014-15)	The Sheriff's office is a very small agency. Limited funding prohibits the hiring of additional staff to strengthen internal controls. The finance officer/administrative assistant is supervised directly by the Sheriff. The Sheriff will continue to monitor the finances and review bank statements each month in order to provide a measure of assurance of proper accountability and handling of the Sheriff's finances.	No
	Supervisor of Elections	<u>2004-001 - Need for Segregation of Duties:</u> There is a lack of segregation of duties between employees who have recordkeeping responsibility and employees who have custody of assets. The possibility exists that unintentional or intentional errors or irregularities could occur and not be promptly detected. The auditors realize that due to the size of the office it is difficult to achieve ideal separation of duties; however, the Supervisor of Elections should remain very active and involved in the day-to-day operations. The auditors further recommend that controls be implemented to help compensate for the weaknesses and to provide checks and balances. (See PDF Page 214)	SD	2017 (FY 2014-15)	With the financial pressures and lack of funding, the cost/benefit ratio is far too great for this office to employ more personnel. The office currently has two employees, and the person responsible for completing bank reconciliations each month does not process checks/payments nor has check signing authority. The Supervisor of Elections will continue to initiate controls to mitigate the lack of segregation of duties, and the office is currently working to identify specific areas to help alleviate this comment. Appropriate safeguards are in place to deter fraud and abuse from taking place.	No

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Franklin County	Property Appraiser	<u>2018-001 - Financial Reporting</u> : There is an inadequate design of internal control over the preparation of the financial statements being audited. The auditors assist with the preparation of the financial statements. (See PDF Part 2, Page 109)	MW	2017 (FY 2014-15)	At this time, the benefits derived from investing in the resources required for the Property Appraiser's office to prepare its own financial statements do not outweigh the cost of those resources.	No
	Sheriff	<u>2018-01 - General Accounting Records</u> : Significant adjustments to the financial statements were made in order for the financial statements to conform to generally accepted accounting principles. (See PDF Part 2, Page 59)	MW	2017 (FY 2014-15)	In the near future, the benefits derived from investing in the resources necessary for the Sheriff's office to implement an effective internal control system do not outweigh the cost of those resources.	No
	Supervisor of Elections	<u>2018-001 - Lack of Segregation of Duties</u> : Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. The limited number of employees precludes proper segregation of duties in the Supervisor of Election's office. The auditors recommend that, in the absence of the ability to hire additional employees, mitigating procedures including additional oversight with regard to certain duties be performed regularly to reduce the risks caused by this lack of segregation of duties. (See PDF Part 2, Page 132)	MW	2017 (FY 2014-15)	Due to small number of employees, it is virtually impossible to maintain complete separation of accounting and administrative duties among employees. However, every effort is being made to continue to accomplish a more effective internal procedure with more oversight.	No

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Gilchrist County	Sheriff	<u>2018-001 - Separation of Duties</u> : There were insufficient internal controls over the cash receipting and disbursement processes with one individual performing all aspects of certain transactions. The financial records are updated and maintained by one person with no review performed. The basic premise is that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. The auditors recommend that, whenever possible, duties be segregated so that receipting and disbursements by one employee are reviewed by an employee separate from that function, with that review being documented. In addition, the auditors recommend that cash collections and disbursements be documented with formal procedures and those procedures be followed consistently. (See PDF Page 134)	MW	2017 (FY 2014-15)	Certain duties have been segregated, and no one employee shall be responsible for both physical assets and accounting records. Further, no single employee shall be the lone control to all phases of a transaction.	No
Glades County	Board of County Commissioners	<u>2010-001 - Audit Adjustments</u> : The auditors proposed audit adjustments to revise the County's financial statements at fiscal year-end. These adjustments involved the recording of accruals, reclassifications of revenues, disbursements to the proper accounts, and fund balance reclassifications. The auditors recommend that County management be consistently aware of all procedures and processes involved in recording receipts, disbursements, and reclassifications, and develop internal control policies to ensure proper recording of these items. (See PDF Page 87)	MW	2017 (FY 2014-15)	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 prior to entry. There are a limited number of personnel in the Finance Office; however, the Clerk's office is working diligently to improve policies and procedures to prevent future audit adjustments after the year-end trial balance is presented to the external auditing firm.	No

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Holmes County	Board of County Commissioners	<u>2010-001 - Financial Statement Preparation Knowledge:</u> The auditors' assistance was necessary to prepare the financial statements including note disclosures in accordance with generally accepted accounting principles. The auditors recommend that County personnel continue to develop their knowledge of generally accepted accounting principles in order to ultimately prepare or provide technical reviews of the financial statements. (See PDF Page 101)	MW	2017 (FY 2014-15)	This County is a small rural entity with limited resources. This finding will not be resolved until economic growth comes to this rural area and brings the revenue increase that is necessary to add additional positions with increased educational requirements and pay rates. Funds are not available to create a position for an in-house certified public accountant.	No
	Clerk of the Circuit Court	<u>2010-01 - Financial Statement Preparation Knowledge:</u> Management's lack of familiarity with Governmental Accounting and Financial Accounting Standards prohibits the Clerk's office from being able to prepare financial statements and note disclosures as required by those standards. The auditors recommend that Clerk's office personnel increase their knowledge of these standards sufficiently to allow them to prepare financial statements, including the notes, in accordance with generally accepted accounting principles. (See PDF Page 142)	MW	2017 (FY 2014-15)	The Clerk's office has limited staff of 2 FTEs in the finance department. The current budget does not allow for additional positions with increased educational requirements with higher pay rates nor to create a position for an in-house certified public accountant.	No
	Property Appraiser	<u>2012-02 - Disbursement Controls:</u> Due to a limited number of personnel involved in the cash disbursement process, some critical duties are not adequately segregated. The lack of adequate control procedures could result in the misuse or misappropriation of assets. The auditors recommend implementing control procedures to separate the bank reconciliation, check writing, check distribution, and creating new vendor file responsibilities. The auditors further recommend some steps that should be taken, including to limit some of the responsibilities of the Chief Deputy. (See PDF Page 165)	MW	2017 (FY 2014-15)	The Property Appraiser's office is following several of the recommendations. Drafted checks are sent directly to the Property Appraiser for review, approval, and signature. The Property Appraiser reviews the bank statement reconciliations and examines reconciling items. The office has limited staff and resources of a small entity and does not have funding to hire additional personnel to segregate all disbursement duties at this time.	No

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Holmes County (Continued)	Property Appraiser (Continued)	<u>2010-01 - Financial Statement Preparation Knowledge:</u> Management's lack of familiarity with Governmental Accounting and Financial Accounting Standards prohibits the Property Appraiser's office from being able to prepare financial statements and note disclosures as required by those standards. The auditors recommend that Property Appraiser's office personnel increase their knowledge of these standards sufficiently to allow them to prepare financial statements, including the notes, in accordance with generally accepted accounting principles. (See PDF Page 164)	MW	2017 (FY 2014-15)	Due to limited staff and resources of a small entity, for the foreseeable future the Property Appraiser's office will continue to rely on the external auditor in the preparation of the annual financial statements.	No
	Sheriff	<u>2010-02 - Financial Statement Preparation Knowledge:</u> Management's lack of knowledge and familiarity with Governmental Accounting and Financial Accounting Standards prohibits the Sheriff's office from being able to prepare financial statements and note disclosures as required by those standards. The auditors recommend that Sheriff's office personnel increase their knowledge of these standards sufficiently to allow them to prepare financial statements, including the notes, in accordance with generally accepted accounting principles. (See PDF Page 220)	MW	2017 (FY 2014-15)	Due to limited staff and limited resource this finding may never be fully resolved. The Sheriff's office will strive toward personnel training to adhere to the standards of preparing the financial statements, including the notes, in accordance with generally accepted accounting principles.	No

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Holmes County (Continued)	Sheriff (Continued)	<u>2010-01 - Segregation of Duties:</u> Due to the limited number of personnel involved in the cash disbursement process, some control duties are not adequately segregated. The lack of adequate control procedures could result in the misuse or misappropriation of assets. The auditors recommend that control procedures be implemented to separate the accounts payable, bank reconciliation, and check writing responsibilities. The auditors also recommend some steps that should be taken, including limiting some of the responsibilities of the Finance Director. (See PDF Page 219)	MW	2017 (FY 2014-15)	Due to limited staff and resources this finding may never be fully resolved. The Sheriff's office has implemented various internal control measures. The Sheriff now reviews, approves, and signs checks, and a third party distributes the checks. Additional details are provided in the response.	No
	Supervisor of Elections	<u>2010-01 - Financial Statement Preparation Knowledge:</u> Management's lack of knowledge and familiarity with Governmental Accounting and Financial Accounting Standards prohibits the Supervisor of Election's office from being able to prepare financial statements and note disclosures as required by those standards. The auditors recommend that Supervisor of Election's office personnel increase their knowledge of these standards sufficiently to allow them to prepare financial statements in accordance with generally accepted accounting principles. (See PDF Page 188)	MW	2017 (FY 2014-15)	The Supervisor of Election's office does not have funds available to pay the salary for an in-house CPA. The Supervisor of Elections does not foresee being able to resolve this finding, but will strive to maintain excellence even though limited staff and funding are available.	No

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Holmes County (Continued)	Tax Collector	<u>2010-01 - Financial Statement Preparation Knowledge:</u> Management's lack of familiarity with Governmental Accounting and Financial Accounting Standards prohibits the Tax Collector's office from being able to prepare financial statements and note disclosures as required by those standards. The auditors recommend that Tax Collector's office personnel increase their knowledge of these standards sufficiently to allow them to prepare financial statements, including the notes, in accordance with generally accepted accounting principles. (See PDF Page 246)	MW	2017 (FY 2014-15)	The Tax Collector acknowledges this finding and will continue to seek opportunities to improve familiarity with Governmental Accounting and Financial Accounting Standards. However, the Tax Collector also acknowledges the difficulty presented by the staffing constraints and limited resources of the small office and, therefore, receives assistance from the auditors.	No
Jackson County	Board of County Commissioners	<u>2006-01 - Fire &amp; Rescue:</u> There is a lack of segregation of duties between employees who have recordkeeping responsibilities related to the receipt of payments and posting of payments in the Fire and Rescue Department. The possibility exists that unintentional or intentional errors could occur and not be promptly detected. The auditors recommend that a better separation of duties be established. (See PDF Page 120)	N/A	2017 (FY 2014-15)	Due to limited clerical staff, the separation of duties noted will always be present when one of the two employees are on approved leave. It will not be cost effective for an additional clerical position to be filled on those rare occasions. Appropriate layers of review are in place to mitigate any risk associated with the limited personnel.	No

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Jackson County (Continued)	Sheriff	<u>SH2006-01 - Segregation of Duties</u> : There is a lack of segregation of duties between employees who have recordkeeping responsibility and employees who have custody of the Sheriff's assets. The possibility exists that unintentional or intentional errors or irregularities could occur and not be promptly detected. The auditors realize that, due to the limited number of employees and certain incompatible duties being performed by the same employee, it is difficult to achieve ideal separation of duties. Nevertheless, internal control is strengthened when incompatible duties are separated and review procedures are established and adhered to. The auditors also recommend that the Sheriff receive and review the unopened bank statements each month. (See PDF Page 212)	MW	2017 (FY 2014-15)	The Sheriff now opens and reviews bank statements, as recommended. The response includes other additional information related to compensating controls implemented by the Sheriff's office; however, with limited staffing it is difficult to separate these duties any further.	No
Lafayette County	Board of County Commissioners	<u>12-01 - Financial Statement Preparation Knowledge</u> : County personnel's lack of knowledge and familiarity with Governmental Accounting and Financial Accounting Standards prohibits the County from being able to prepare financial statements with adequate and proper disclosures and free of material misstatements. The auditor recommends that County personnel increase their knowledge of these standards sufficiently to allow them to prepare financial statements, including the notes, in accordance with generally accepted accounting principles. (See PDF Page 63)	MW	2017 (FY 2014-15)	As a small county, it would not be economically feasible to hire an accountant with the skills and knowledge to keep current with accepted accounting principles. The County believes that the limited funds received will be of better use to serve constituents. The County will continue to rely on the auditors in preparing financial statements.	No

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Lafayette County (Continued)	Clerk of the Circuit Court	<u>12-01 - Financial Statement Preparation Knowledge:</u> Personnel in the Clerk of Court's office lack of knowledge and familiarity with Governmental Accounting and Financial Accounting Standards prohibits the Clerk of the Circuit Court from being able to prepare financial statements with adequate and proper disclosures and free of material misstatements. The auditor recommends that Clerk of Court personnel increase their knowledge of these standards sufficiently to allow them to prepare financial statements, including the notes, in accordance with generally accepted accounting principles. (See PDF Page 103)	MW	2017 (FY 2014-15)	As a small county, it would not be economically feasible to hire an accountant with the skills and knowledge to keep current with accepted accounting principles. The Clerk believes that the limited funds received will be of better use to serve constituents. The Clerk will continue to rely on the auditors in preparing financial statements.	No
	Property Appraiser	<u>12-01 - Financial Statement Preparation Knowledge:</u> Personnel in the Property Appraiser's office lack of knowledge and familiarity with Governmental Accounting and Financial Accounting Standards prohibits the Property Appraiser from being able to prepare financial statements with adequate and proper disclosures and free of material misstatements. The auditor recommends that Property Appraiser personnel increase their knowledge of these standards sufficiently to allow them to prepare financial statements, including the notes, in accordance with generally accepted accounting principles. (See PDF Page 194)	MW	2017 (FY 2014-15)	As a small county, it would not be economically feasible to hire an accountant with the skills and knowledge to keep current with accepted accounting principles. The Property Appraiser believes that the limited funds received will be of better use to serve constituents. The Property Appraiser will continue to rely on the auditors in preparing financial statements.	No

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Lafayette County (Continued)	Sheriff	<u>12-01 - Financial Statement Preparation Knowledge:</u> Personnel in the Sheriff's office lack of knowledge and familiarity with Governmental Accounting and Financial Accounting Standards prohibits the Sheriff from being able to prepare financial statements with adequate and proper disclosures and free of material misstatements. The auditor recommends that Sheriff personnel increase their knowledge of these standards sufficiently to allow them to prepare financial statements, including the notes, in accordance with generally accepted accounting principles. (See PDF Page 134)	MW	2017 (FY 2014-15)	As a small county, it would not be economically feasible to hire an accountant with the skills and knowledge to keep current with accepted accounting principles. The Sheriff believes that the limited funds received will be of better use to serve constituents. The Sheriff will continue to rely on the auditors in preparing financial statements.	No
	Supervisor of Elections	<u>12-01 - Financial Statement Preparation Knowledge:</u> Personnel in the Supervisor of Election's office lack of knowledge and familiarity with Governmental Accounting and Financial Accounting Standards prohibits the Supervisor of Elections from being able to prepare financial statements with adequate and proper disclosures and free of material misstatements. The auditor recommends that Supervisor of Elections personnel increase their knowledge of these standards sufficiently to allow them to prepare financial statements, including the notes, in accordance with generally accepted accounting principles. (See PDF Page 222)	MW	2017 (FY 2014-15)	As a small county, it would not be economically feasible to hire an accountant with the skills and knowledge to keep current with accepted accounting principles. The Supervisor of Elections believes that the limited funds received will be of better use to serve constituents. The Supervisor of Elections will continue to rely on the auditors in preparing financial statements.	No

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Lafayette County (Continued)	Tax Collector	<u>12-01 - Financial Statement Preparation Knowledge:</u> Personnel in the Tax Collector's office lack of knowledge and familiarity with Governmental Accounting and Financial Accounting Standards prohibits the Tax Collector from being able to prepare financial statements with adequate and proper disclosures and free of material misstatements. The auditor recommends that Tax Collector personnel increase their knowledge of these standards sufficiently to allow them to prepare financial statements, including the notes, in accordance with generally accepted accounting principles. (See PDF Page 165)	MW	2017 (FY 2014-15)	As a small county, it would not be economically feasible to hire an accountant with the skills and knowledge to keep current with accepted accounting principles. The Tax Collector believes that the limited funds received will be of better use to serve constituents. The Tax Collector will continue to rely on the auditors in preparing financial statements.	No
Madison County	Tax Collector	<u>TC-2018-001 - Segregation of Duties:</u> Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. The limited number of employees within certain offices precludes ideal segregation of duties. The auditors recommend that, in the absence of the ability to hire additional employees, alternative procedures, including additional oversight with regard to certain functions, be performed regularly to mitigate the risk caused by this deficiency in internal controls. (See PDF Page 154)	SD	2017 (FY 2014-15)	The Tax Collector's office is so small and, with the work load at times, one employee cannot be designated to only having access to the financial part of the office and not serve customers when needed. Since all collections and transactions are confined to one office setting, no one clerk works independently; therefore, the Tax Collector's office feels the system being used for collections, depositing, and reporting of monies is adequate.	No

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Washington County	Property Appraiser	PA2003-003 - <u>Need for Segregation of Duties</u> : There is a lack of segregation of duties between employees who have recordkeeping responsibility and employees who have custody of assets. The auditors realize that, due to the size of the administrative staff, it is difficult to achieve ideal separation of duties; however, the auditors recommend that the Property Appraiser remain very active and involved in the day-to-day operations. The auditors further recommend that controls be implemented to help compensate for these weaknesses and to provide appropriate checks and balances. (See PDF Page 203)	SD	2017 (FY 2014-15)	This is a small office with employees who have overlapping duties, and complete segregation of duties is not possible. The Property Appraiser will continue to remain active in the day-to-day operations of the office and continue to ensure there are checks and balances in the daily work and the ledger is balanced on a monthly basis.	No
	Sheriff	SH2003-001 - <u>Need for Segregation of Duties</u> : There is a lack of segregation of duties between employees who have recordkeeping responsibilities and employees who have custody of Sheriff's assets, due to limited personnel in the accounting department. The auditors realize that, due to the size of the Sheriff's administrative staff, it is difficult to achieve ideal separation of duties. However, the auditors recommend that the Sheriff remain very active and involved in the day-to-day operations. The auditors further recommend controls be implemented to help compensate for these weaknesses and to provide checks and balances. (See PDF Page 177)	SD	2017 (FY 2014-15)	The Sheriff's Department is a small office, and it would not be feasible to hire additional personnel to accomplish adequate segregation of duties. Procedures to help alleviate this situation include: (1) the person responsible for completing bank reconciliations does not process checks/payments nor does she have check-signing authority, and (2) the Sheriff reviews all monthly bills to be paid. The Sheriff's Department will continue to initiate controls to mitigate the lack of segregation of duties and is currently working with the auditors to identify specific areas the Department can work on to help alleviate this comment.	No

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County	Constitutional Officer	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Washington County (Continued)	Supervisor of Elections	<u>SOE 2003-003 - Need for Segregation of Duties:</u> There is a lack of segregation of duties between employees who have recordkeeping responsibility and employees who have custody of assets, due to limited personnel in the accounting department. The auditors realize that, due to the size of the Supervisor of Elections' administrative staff, it is difficult to achieve ideal separation of duties. However, the auditors recommend that the Supervisor of Elections remain very active and involved in the day-to-day operations. The auditors further recommend that controls be implemented to help compensate for these weaknesses and to provide checks and balances. (See PDF Page 230)	SD	2017 (FY 2014-15)	The Supervisor of Elections is a small office, and it would not be feasible to hire additional personnel to accomplish adequate segregation of duties. Procedures to help alleviate this situation include: (1) the person responsible for completing bank reconciliations does not process checks/payments nor does she have check-signing authority, and (2) the Supervisor of Elections reviews all monthly bills to be paid. The Supervisor of Elections will continue to initiate controls to mitigate the lack of segregation of duties. Appropriate safeguards are in place to deter fraud and abuse from taking place. The office is currently working with the auditors to identify specific areas it can work on to help alleviate this comment.	No
	Tax Collector	<u>TC2003-003 - Need for Segregation of Duties:</u> There is a lack of segregation of duties between employees who have recordkeeping responsibility and employees who have custody of assets, due to limited personnel in the accounting department. The auditors realize that, due to the size of the Tax Collector's administrative staff, it is difficult to achieve ideal separation of duties. However, the auditors recommend that the Tax Collector remain very active and involved in the day-to-day operations. The auditors further recommend that controls be implemented to help compensate for these weaknesses and to provide appropriate checks and balances. (See PDF Page 261)	SD	2017 (FY 2014-15)	With the financial pressures and lack of funding, the Tax Collector has found the cost/benefit ratio is far too great to employ more personnel. The Tax Collector's office is a small office, and it would not be feasible to hire additional personnel to accomplish adequate segregation of duties. Procedures to help alleviate this situation include: (1) the person responsible for completing the daily deposit and bank reconciliations each month will not process any payment transaction nor will she/he have check-signing authority, and (2) the Tax Collector reviews all monthly bills to be paid. The Tax Collector will continue to initiate controls to mitigate the lack of segregation of duties. Appropriate safeguards are in place to deter fraud and abuse from taking place. The Tax Collector is currently working with the auditing firm and will continue to have an active role in office operations.	No

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## FOOTNOTE/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.

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City of Apalachicola	Franklin County	<u>2017-003 - Deteriorating Financial Condition</u> : The City was experiencing a deteriorating financial condition. This included consistent operating losses from year to year, decreases in cash balances, and decreases in fund balance and net position. The auditors recommend that the City continue to improve procedures to increase revenues and decrease expenses to improve cash balances and operating results. (See PDF Page 68)	MW	N/A	N/A	Yes
City of Arcadia	DeSoto County	<u>2018-001 - Bank Reconciliations</u> : The City's bank accounts associated with pooled cash were not completely reconciled to the general ledger in a timely manner and the reconciliation contained errors. The City is working through staffing constraints and software implementation in the Finance Department, which has caused a backlog in the reconciliation process. The auditors recommend that the City improve on its reconciliation process with more accurate and timely reconciliations. The auditors also recommend that the City consistently implement internal control processes requiring that all reconciliations be reviewed and approved by an individual not responsible for the preparation of the item. (See PDF Page 90)	MW	2019 (FY 2016-17)	The City's financial condition and the overall finance operations continue to improve; the process of reconciling in a timely manner continues to be an issue. In May 2019, a new Reconciliation Clerk was hired to be solely dedicated to monthly reconciliation of bank statements along with the balance sheet accounts. It is the City's goal to be completely caught up by September 2019.	Yes

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City of Arcadia (Continued)	DeSoto County (Continued)	2018-002 - Account Reconciliations and Audit Adjustments: In prior years, material adjustments to correct errors in the City's financial statements were identified during the audit. These types of errors were identified again in the current year and resulted in material adjustments to the City's financial statements. In addition, several balance sheet accounts are not reconciled on a monthly basis. Accounts including certain grant and derived tax revenues and receivables, accounts and retainage payable, interfund balances, and accrued liabilities did not reconcile to supporting documentation. The auditors recommend that reconciliations be prepared monthly by a staff member and reviewed by a member of management and management evaluate revenue transactions to ensure revenue is recognized in accordance with Generally Accepted Accounting Principles. Additional details are provided in the audit report. (See PDF Page 91)	MW	2019 (FY 2016-17)	The City continues to make it a priority to complete all reconciliations in a timely manner.	Yes
Town of Astatula	Lake County	2018-001 - Proper Cutoff of Revenue and Expenditure Transactions: Amounts recorded on the Town's financial statements were not properly reflected on an accrual basis. The auditors recommend that the year-end close process include an analysis for year-end cutoff of cash disbursements subsequent to year-end to ensure all expenditures have been recorded in the proper accounting period. (See PDF Page 36)	SD	N/A	N/A	Yes
Village of Bal Harbour	Miami-Dade County	ML 2016-04 - Financial Reporting Process: Client prepared post-closing accounting adjustments were required to be made to the financial statements to properly report the year end balances. The auditors recommend that management implement formal policies, procedures, and a system to allow for the periodic preparation of financial statement in accordance with generally accepted accounting principles. (See PDF Page 146)	N/A	N/A	N/A	Yes

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City of Belle Isle	Orange County	ML 18-01 - Segregation of Duties: The auditors noted that the design of internal controls included adequate segregation of duties; however, due to the small organization size, the position responsible for the review function for items such as payroll and bank reconciliations is not part of the finance department. The design of internal control relies upon a position that is typically held by an individual with no accounting background or expertise. Even though there is an adequate segregation of duties in the design of internal control, misstatements could occur, whether due to fraud or error, and may not be identified or corrected in a timely manner. The auditors recommend that a review function be assigned to an individual with the appropriate level of expertise. (See PDF Page 101)	N/A	N/A	N/A	Yes
Village of Biscayne Park	Miami-Dade County	2015-01 - Financial Accounting and Reporting: Several instances of transactions that were not properly recorded in the general ledger were identified during the audit. There was a lack of preparation of reconciliations of account balances affected by the improperly recorded transactions, which resulted in misstatements in several account balances. This creates the possibility of inaccurate account balances for accounts receivable, capital assets, and debt in addition to governmental funds being potentially misstated due to improperly recorded capital outlay. The auditors recommend that the Village perform an in-depth review of the Village's internal controls over financial reporting and implement the necessary changes to prevent or detect material misstatements in the financial statements in a timely manner. The auditors further recommend that the Village review capital asset records to provide a more accurate detail of capital assets and that management implement proper closing procedures to ensure all supporting schedules agree to the general ledger. (See PDF Page 68)	MW	2019 (FY 2016-17)	The Village has contracted with a professional management company that specializes in providing management, accounting, financial reporting, and administrative services. This action has corrected most of the findings. Unfortunately, there remains a portion of the original finding with which management disagrees. The Village has shown tremendous progress in resolving this matter including but not limited to meeting the statutory due date for submitting the AFR. The Village will continue the effort to improve all areas of financial reporting requirements.	Yes

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City of Bowling Green	Hardee County	2018-01 - Financial Reporting: The City made improvements from the previous year in posting adjustments. However, various adjustments were necessary to present the City's financial statements in accordance with generally accepted accounting principles. The auditors recommend that the City continue its efforts over the financial statement process and ensure that all material accounts are reconciled and adjusted to reduce the need to year-end adjustments. (See PDF Page 57)	N/A	N/A	N/A	Yes
Town of Bronson	Levy County	ML 2016-1 - Extension of Credit Not Allowed: At fiscal year-end, an amount of \$4,104 was due from an individual for health insurance premiums paid on his behalf. This amount represents the extension of credit by a governmental agency to an individual and is not allowed under the Florida Constitution. The auditors recommend that all amounts currently owed be repaid promptly and that future premiums be paid as they become due. (See PDF Page 39)	N/A	N/A	N/A	Yes
		ML 2009-4 - 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. The auditors recommend that the Town continue to increase the water and sewer rates to a level that will recover all operating expenses and debt service requirements. (See PDF Page 38)	N/A	2019 (FY 2015-16)	The Town adopted a Resolution in 2017 to implement a proposed three-year tiered rate structure. The Council will continue to evaluate both the Water and Sewer rates and increase accordingly to ensure both departments operate more effectively.	Yes

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Town of Bronson (Continued)	Levy County (Continued)	2016-1 - Accounting Records: According to the U.S. Department of Agriculture (USDA) Letter of Conditions, accepted and agreed to by the Town as related to the grant and loan funds for the wastewater system expansion project, the Town is required to keep the water and sewer activities, separately in the accounting records. Currently the Town accounts for both water and sewer activities in one fund. The auditors recommend that the Town take the steps necessary to revise its accounting process to properly separate the water and sewer activities in the accounting records. (See PDF Page 34)	N/A	N/A	N/A	Yes
City of Bushnell	Sumter County	2014-1 - Interfund Borrowings with the Wastewater Fund: As of fiscal year-end, the Wastewater Fund owes the Electric and Water Fund approximately \$1,858,304 that has built up since the inception of the Wastewater Fund. This interfund borrowing consists of an interfund long-term loan from both the Water and Electric Fund and an interfund short-term loan from the Electric Fund due to operating cash shortages. These interfund borrowings primarily occurred in prior years and were directly due to the Wastewater Fund not earning enough revenues to cover current operating costs and making debt service payments. In the current year, the Wastewater Fund showed further deterioration in operations and needed to borrow further from the Electric Fund approximately \$197,396 on the interfund short-term loan, the likelihood of the Wastewater Fund to fully repay both the short-term and long-term loans in the near future is remote. Accordingly, authoritative accounting standards indicate that "if repayment is not expected within a reasonable time, the interfund balances should be reduced and the amount that is not expected to be repaid should be reported as a transfer from the fund that made the loan to the fund that received the loan." The auditors recommend that management consider this issue and determine the appropriate measures to address the interfund borrowings. (See PDF Page 123)	N/A	2019 (FY 2016-17)	The Wastewater Fund showed no improvement in operations, primarily due to unanticipated increases in repair and maintenance expenses due to the equipment failure of an integral part of the Wastewater Treatment Plant. Also, the likelihood of the Wastewater Fund to fully repay both the short-term and long-term loans in the near future is remote. Consequently, management is considering reporting these loans in the future as a permanent transfer from the Electric Fund to the Wastewater Fund, with no anticipation of repayment. Staff has been directed by council to conduct an independent Wastewater rate study within the current budget year to re-evaluate the current rate structure. In the interim and, in an effort to currently avoid raising Wastewater rates so that the City's customers are not adversely impacted financially, the City also has the ability through the budget process to make transfers from the General Fund to the Wastewater Fund to help supplement the Wastewater Fund Revenues.	Yes

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City of Bushnell (Continued)	Sumter County (Continued)	2011-1 - Financial Condition Assessment - Wastewater Fund: The Wastewater Fund continues to show a net operating loss and is operating with borrowed funds from both outside sources and through interfund borrowings from the Electric and Water Funds. The auditors stated that, a continued increase in overall revenues and cash flows is necessary to increase liquidity, provide for debt repayment, and to improve the overall financial position of the fund. (See PDF Page 123)	N/A	2019 (FY 2016-17)	The Wastewater Fund (Fund) showed a net operating loss after depreciation in FY 2016-17; however, the Fund's net position did slightly improve. The Fund is producing enough revenue to meet all cash obligations and debt service coverage ratios. It does not currently generate enough net income to fully fund depreciation. It is expected that the Fund will continue to improve during the current and future fiscal years, primarily due to increased customer connections brought about by new development within the City's utility service area. There is a consensus by council that the City needed to raise its rates in both the Wastewater and Water Funds, and that an independent rate study would be necessary. Staff anticipates the study will show that rates need to be increased in the Wastewater Fund, and it is anticipated that council will approve this rate increase during the current fiscal year.	Yes
City of Callaway	Bay County	2018-001 - Segregation of Duties: The City does not have proper segregation of duties in many areas of the accounting function due to a limited number of staff and the need to cross-train in the event of absences. Although the auditors understand the limited number of employees involved and the resulting overlapping of duties, the auditors recommend that there be adequate segregation of duties to ensure proper recording and recognition of accounting transactions, and to lessen the potential for misappropriation of City assets. (See PDF Page 109)	MW	N/A	N/A	Yes

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City of Carrabelle	Franklin County	<p><b>Recommendation:</b> If the City's 2018-19 fiscal year audit report (due no later than due June 30, 2020) continues to reflect that the City has not addressed a significant number of the long-term audit findings, direct Committee staff to contact the City to discuss the outstanding findings. Committee staff shall notify the Committee member who represents the City regarding any phone calls or meetings that are scheduled. The Committee staff may require a representative of the City to travel to Tallahassee to meet with Committee staff.</p>				
		<p>2018-006 - Budgetary Controls: Funds were expended in excess of budgeted amounts. 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 auditors recommend that the City maintain a level of expenditures within the adopted budget. (See PDF Page 54)</p>	N/A	2019 (FY 2016-17)	The City intends to adopt a final budget at fiscal year-end (2017-18) to include final fund equities. The City anticipates that this finding will be removed by FY 2017-18 audit.	Yes
		<p>2018-007 - Budgetary Controls - General: Florida law requires that the amount available from taxation and other sources, including amount carried over from prior years, must equal the total appropriations for expenditures and reserves. The City did, in fact, include carry forward amounts in its adopted budget. However, after year end, when final fund equities were determined, the City did not amend the budget to include the appropriate amounts. Failure to consider accurate beginning fund equities in the budget diminishes the City's ability to determine appropriate increases/decreases in revenues and/or expenditures that may be needed for the fiscal year for which the budget is adopted. The auditors recommend that the City implement a policy whereby final fund equities are included in the budget as soon as determined. (See PDF Page 55)</p>	N/A	2019 (FY 2016-17)	The City intends to adopt a final budget at fiscal year-end (2017-18) to include final fund equities. The City anticipates that this finding will be removed by FY 2017-18 audit.	Yes

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City of Carrabelle (Continued)	Franklin County (Continued)	2018-005 - Community Redevelopment Agency: The City has not yet transferred all of the appropriate amounts due to the Community Redevelopment Agency (CRA) as required by Florida Statutes. The auditors recommend that the City review Chapter 163, Florida Statutes, to ensure the City is in compliance with all requirements and begin to transfer the past amounts due to the CRA. (See PDF Page 51)	N/A	2019 (FY 2016-17)	The City continues to make payments to the Community Redevelopment Agency to clear this finding.	Yes
		2018-003 - Capital Assets: Although required by Florida law and Department of Financial Services rule, the City had not taken a complete physical inventory of property and equipment. The result is that capital assets may be materially misstated as the physical assets owned by the City cannot be reconciled to the fixed asset records. The auditors recommend that the City perform an annual inventory count. (See PDF Page 51)	N/A	2019 (FY 2016-17)	The City has completed a complete inventory of vehicles and property with the assistance of Florida League of Cities and anticipate this finding being removed in the next audit.	Yes
		2018-009 - Disaster Recovery Plan: The City does not have current, well-defined, written disaster recovery procedures. The auditors recommend that management develop a disaster recovery plan that includes, but is not limited to: (1) location of, and access to, offsite storage; (2) a listing of all data files that would have to be obtained from the offsite storage location; (3) identification of a backup location where similar or compatible equipment is available for emergency processing; (4) responsibilities of various personnel in an emergency; and (5) critical application priority and reporting requirements during the emergency period. (See PDF Page 55)	N/A	2019 (FY 2016-17)	Due to limited resources and staff the City is seeking grant funding to assist in this process. Until funding is acquired this finding will remain.	Yes

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City of Carrabelle (Continued)	Franklin County (Continued)	2018-008 - Accounting Manual: The City does not have an accounting procedures manual. Written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. Additional details are provided in the audit report. The auditors state that it will take some time and effort for management to complete this manual; however, they believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective. (See PDF Page 55)	N/A	2019 (FY 2016-17)	Due to limited resources and staff the City is seeking grant funding to assist in this process. Until funding is acquired this finding will remain.	Yes
City of Cedar Key	Levy County	ML2015-1 - Cedar Key Community Redevelopment Agency (CKCRA): The CKCRA owes long-term debt under a Redevelopment Revenue Note, Series 2007 (Note) to SunTrust Bank. Because of decreasing property values in the CKCRA district, the annual tax increment revenues generated within the CKCRA district have become insufficient to fully fund the semiannual debt service payments due under the Note. The CKCRA paid \$412,671 on January 9, 2019, to retire the debt service principal and interest that was due. During the 2017-18 fiscal year, the CKCRA budgeted and paid 100% of the tax increment revenues for debt service payments under the Note. (See PDF Page 46)	N/A	2019 (FY 2016-17)	The Note is a revenue bond, payable solely from the annual Tax Increment Revenues received by the CRA. Because of decreasing property values in the CRA district, the annual Tax Increment Revenues generated within the district have been insufficient to fully fund the payments due on the Note. The CRA has been budgeting and paying 100% of all TIF revenues received to the repayment of the Note for several years. There is no legally available alternate source for repayment of the Note, thus there is no further corrective action to be taken.	Yes

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City of Center Hill	Sumter County	2015-04 - Proprietary Fund Financial Statement Presentation and Profit Incentive: Depreciation expenses are not presented or used in the City's Proprietary Fund Financial Statements. Depreciation or estimated depreciation should be recorded in the City's financial statements to be fairly stated and in accordance with United States generally accepted accounting principles. Because the City does not use Generally Accepted Accounting Principles for Proprietary Funds, the Council members and other readers of the financial statements may not be aware of the cost allocation of capital assets. Enterprise funds, a type of proprietary fund, are designed to be profitable. After including the depreciation expense in the current and prior audits, the Water Fund had realized losses. The cost of capital assets should be recovered through revenues generated by the City. The auditors recommend that the City develop a budget to encompass recovering the cost of capital assets. (See PDF Page 98)	SD	2019 (FY 2016-17)	The City raised the water and sanitation rates effective for the 2018-19 fiscal year to help offset the depreciation expenses; however, it may still not cover the whole amount due to not having a lot of customer base. The City only has around 350 water and sanitation accounts, and based on a water audit from Florida Rural Water the City's rates are where they need to be for the surrounding area. The City also prides itself with keeping rates low because of the fixed income of our customer base so this makes it hard to raise the rates to adjust for depreciation expenses.	Yes
		2015-03 - Payroll and Personnel Administration: Payroll Tax Compliance and Financial Statement Liabilities: The City was not in compliance with Federal Payroll Tax guidelines. The City's payroll tax setup in its accounting software was not properly staged. Taxable and Nontaxable payroll items were computed incorrectly for both the employer and employee for both Federal and FICA withholding, and payroll tax returns such as 941 and W-2's were not correctly stated. The auditors recommend that, although the amount is not material, amended payroll tax returns should be prepared. (See PDF Page 98)	SD	2019 (FY 2016-17)	The City has corrected the error in the payroll system, and the payroll taxes are being withheld correctly. The City also filed amended 941 and W-2's for 2017. This was an error in the accounting system that was not the fault of the City. QuickBooks was notified and is working to fix the problem.	Yes

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City of Cottondale	Jackson County	2016-01 - Budget Comparison: The City's computerized accounting system has the capability to produce reports comparing income and expenditures to budget amounts. However, the budget information must be entered into the system at the first of the fiscal year. This was done in years past, but has not been done accurately in recent years. For the current year, the City Clerk made a concerted effort to include the budget information in the accounting system; however, there were a number of mistakes, some material. There was no apparent follow up to ensure the information that was entered was correct. The auditors recommend that the budget be entered into the system and periodic comparison reports be prepared for better financial management. (See PDF Page 57)	N/A	2019 (FY 2016-17)	The City Clerk will enter budget totals in Business Works to produce reports comparing income and expenditures to budget amounts to keep more accurate figures to assist the department heads when making decisions for purchase.	Yes
		2004-02 - Capital Asset Inventory: The City should take periodic inventories of its capital assets (property and equipment). The auditors recommend that management adopt reasonable policies for what items will be tagged and those that will not. These policies should take into account reasonable levels of control. (See PDF Page 56)	N/A	2019 (FY 2016-17)	Department heads have been advised to tag equipment to allow an inventory of assets. Identifying inventory to be tagged and those not requiring tags allows levels of control.	Yes
		2009-001 - 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 payables account for the general, transportation, and enterprise funds were either off from the subsidiary reports, had debit balances, or both. The auditors recommend that policies be instituted requiring regular detail reports to be generated and general ledger totals to be reconciled to detail records where applicable. The auditors also state that additional training and supervision in this area would be helpful. (See PDF Page 51)	MW	2019 (FY 2016-17)	Regular detail reports will be generated, and general ledger totals will be reconciled to detail records where applicable. Additional training from an external source will be implemented. The governing commissioners have closer supervision on all financial activity.	Yes

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City of Cottondale (Continued)	Jackson County (Continued)	2016-05 - Small Liability Accounts: The auditors noted a few liability accounts with relatively small balances that appear to be incorrect. The auditors recommend that the ledgers be reviewed and all accounts be appropriately reconciled, adjusted, and maintained with accurate balances. (See PDF Page 57)	N/A	2019 (FY 2016-17)	We will review the small liability accounts and track down posting errors and correct them in a timely manner.	Yes
		2016-03 - Billing System Complexity: The auditors noted an excessive number of separate "adjustment" line items. Having such a complicated report makes reconciling the actual revenue accounts difficult or impossible. (See PDF Page 57)	N/A	2019 (FY 2016-17)	The adjustment categories can't be deleted from system, but only certain ones will be used on a day-to-day basis.	Yes
City of Dade City	Pasco County	2015-3 - Utility Inventory Records: The City is still in the process of implementing changes to address some weaknesses in the inventory records of supplies and material on hand for the utility operations as noted in the prior year audit. Management performed inventory counts and has adjusted the value of the inventory to agree to these counts. However, the auditors noted that inventory items can be added or removed without supporting documentation to identify the items that are entering or leaving the warehouse. The auditors recommend that the City continue its efforts to improve the controls over the inventory process by requiring more timely and frequent inventory counts. The auditors further recommend that these controls also include review of purchase orders and requisitions that relate to inventory items to ensure new inventory is safeguarded and properly accounted for in the general ledger. (See PDF Page 88)	N/A	2019 (FY 2016-17)	The City has implemented a computer-based system titled SEMS to track inventory transactions. It also maintains a count of each item and automatically triggers alerts when an item gets used to a reorder quantity. The City will continue to conduct quarterly inventory check counts to check on the functionality and adherence to the program. Equipment has been purchased to allow internet access to the warehouse office to allow utility employees to enter items into SEMS directly. Management will train field staff once the install is complete.	Yes

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City of Dade City (Continued)	Pasco County (Continued)	2015-2 - Information Technology (IT) General Controls and Policies: The auditors noted the following issues: (1) The City's IT policies and procedures are not well documented; and (2) The City does not have a disaster recovery plan that describes the process or set of procedures to recover and protect the City's IT infrastructure in the event of a disaster. The auditors recommend that the City mature its IT policies and procedures to define how critical processes are performed, monitored, and enforced. The auditors also recommend that a disaster recovery plan be developed and tested to determine how critical systems can be restored to resume normal operations based on the established recovery time and point objectives. (See PDF Page 88)	N/A	2019 (FY 2016-17)	The City is working to develop policies/procedures that will strengthen the City's security and disaster recovery plan. The process was delayed due to the fact that a new City manager was hired. Training on security risks is provided annually, and the IT manager sends notices to alert staff of new risks. Spam filters have been installed. The City is in the process of determining the "acceptable" level of downtime in a disaster and will work with IT to develop recovery plan accordingly.	Yes
City of Deerfield Beach	Broward County	SD 2018-001 - Bank Reconciliations: The City has formally approved the written policies and procedures manual which requires bank reconciliations to be completed and reviewed no later than 30 days following the end of each month. However, for the months of June, July, and August 2018, the bank reconciliations were prepared and reviewed within 10 days after the 30-day policy, and for the month of September 2018, the bank reconciliation was reviewed and signed off by supervisory personnel approximately 60 days after the policy date. The auditors recommend that, in order to ensure that assets are safeguarded from loss or misuse and that City policy is being followed, all bank reconciliations document the date they are prepared and reviewed and be prepared and reviewed within the City's policy. (See PDF Page 167)	SD	2019 (FY 2016-17)	The City recently created a Staff Accountant position, which is solely dedicated to performing bank reconciliations. The City's Accounting Policies and Procedures Manual requires the completion of the bank reconciliations within 30 days after the close of each month. The monthly bank reconciliations are then reviewed and approved by the City's Chief Accounting Officer.	Yes

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City of Deerfield Beach (Continued)	Broward County (Continued)	ML 10-2 - Segregation of Duties - Payroll: The payroll accountant has access to the payroll data system, is charged with printing the checks with an electronic signature, and also delivers or mails the checks to the individual employees. The same individual should not be able to initiate, process, and record transactions. The auditors recommend that the City review its policies and procedures to provide for appropriate segregation of duties for payroll processing. (See PDF Page 178)	N/A	2019 (FY 2016-17)	All personnel actions are entered into the payroll system by the Payroll Coordinator, who is also responsible for processing the City's payroll. The City does understand that this poses a major internal control risk. As such, the City's Human Resources Department will be assuming the duty of entering all personnel actions. A new position was created in the City's Human Resources Department to take over the incompatible duties of the Payroll Coordinator. This position description and duties for the Human Resources Payroll Specialist (HRPS) are separate and distinct from the Payroll Coordinator (Finance). The position's responsibilities include but are not limited to, entering all personnel actions in the Human Resources/Payroll database. These personnel actions will include new hires, status changes, terminations, transfers, resignations, retirements and salary adjustments. The City is currently in the recruitment process for the HRPS. Upon hire and transfer of duties, this finding will be resolved.	Yes

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City of DeFuniak Springs	Walton County	2018-001 - Internal Controls over Financial Reporting: The City's management experienced higher than usual and sudden turnover, causing the City to hire an external accountant who did not always provide the City with adequate supporting documentation. Material audit adjustments were proposed by the auditors and accepted by management for the financial statements to be prepared in accordance with generally accepted accounting principles (GAAP). In addition, multiple material entries recorded in the general ledger system were recorded with little or no support retained by City's management. Additional contributing factors to the condition were lack of corrective action regarding prior audit findings relating to timely filing of reports with the State. The auditors recommend that the City's management obtain support for all of the work performed by the City's external accountant to provide for adequate support for journal entries. (See PDF Page 93)	SD	N/A	N/A	Yes
City of Destin	Okaloosa County	2018-02 - Fund Balance Policy: The City has not adopted a formal fund balance policy, which is important to comply with Governmental Accounting Standards Board (GASB) Statement No. 54, as well as to establish minimum fund balance benchmarks to provide a stable tax levy for future budgeting purposes. The auditors recommend that the City adopt a fund balance policy to comply with GASB Statement No. 54. (See Revised ML, PDF Page 2)	N/A	N/A	N/A	Yes
City of Dunnellon	Marion County	2015-02 - Fund Balance Policy: To assist the City in restoring and maintaining reserves at appropriate levels, the auditors again recommend that the City Council promptly adopt a formal "Financial Reserves" policy. Such a policy would specify reserve levels for each fund and direct uses of excess funds when such situations occur. (See PDF Page 82)	N/A	2019 (FY 2016-17)	The City sold its water and sewer utility system in October 26, 2018. The City postponed adoption as the sale of the utility has a significant impact on this policy. The City plans on implementing a formal financial reserve policy after the final audit of the utility system.	Yes

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Town of Eatonville	Orange County	2006-A - Financial Condition Assessment: The Town, excluding the Community Redevelopment Agency, had a deficit unrestricted/unassigned fund balance and a deficit unrestricted net position at fiscal year-end. Without strengthening of financial condition and resolution of other matters, conditions exist that could lead to a state of financial emergency as prescribed by Section 218.503(1), Florida Statutes. The auditors recommend that the Town's budgeting, financial management, and strategic planning process provide for strengthening of the Town's financial position in order to ensure adequate liquidity and ability to address long-term obligations. (See PDF Page 79)	N/A	2019 (FY 2016-17)	The Town has taken steps to improve its financial condition. On October 1, 2018, the Town implemented an increase to utility rates and rate structure in the Enterprise fund. The Town has performed significant upgrades to the water and sewer systems with the help of grants/loans. The upgrades are expected to decrease maintenance costs of the water and sewer system.	Yes
		2018-001 - Recording and Oversight of Transactions: Multiple transactions were not recorded consistently with generally accepted accounting principles (GAAP). The auditors recommend that the Finance Department exercise increased diligence in the recording and review of transactions to ensure all transactions are recorded in accordance with GAAP. (See PDF Page 73)	MW	2019 (FY 2016-17)	The Town is a small entity, and the finance department has limited staff. The Town is working diligently by recording and reviewing all transactions to have this issue fully resolved in accordance with GAAP.	Yes
Town of Ebro	Washington County	2009-02 - Financial Statement Preparation: There is no Town personnel with the experience, background, and knowledge of Governmental Accounting and Financial Accounting Standards to prepare the financial statements internally including full note disclosures as required by those standards. The auditors recommend that Town personnel continue to develop their knowledge of generally accepted accounting principles in order to ultimately prepare or provide technical reviews of the financial statements. (See PDF Page 35)	MW	2017 (FY 2014-15)	The Town clerk continues to work to become more knowledgeable of generally accepted accounting principles in order to provide a more informed review of financial statements soliciting guidance from qualified persons when needed.	Yes

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Town of Ebro (Continued)	Washington County (Continued)	2009-04 - Fixed Asset Management Policy: The Town has not implemented a formal written fixed asset management policy. The auditors recommend that the Town adopt and implement a fixed asset management policy to ensure proper accounting and safeguarding of Town assets. (See PDF Page 36)	MW	2017 (FY 2014-15)	The Town has worked with the auditors to prepare and implement a fixed asset management policy to ensure proper accounting and safeguarding of Town assets. This policy is scheduled for adoption no later than 5/18/2017.	Yes
		2009-06 - Investment Policy: The Town has not implemented a written investment policy. The auditors recommend that the Town adopt a formal written investment policy in accordance with Section 218.415, Florida Statutes. (See PDF Page 36)	MW	2017 (FY 2014-15)	The Town has worked with the auditors to prepare an investment policy in accordance with Florida Statutes. This policy is scheduled for adoption no later than 5/18/2017.	Yes
City of Fruitland Park	Lake County	ML 18-1 - Pension Trust Fund: The auditors noted that not all investments in the Firemen's Retirement Trust Fund were kept in a separate trust fund, and these funds were not invested in a qualified public depository. The City is not in compliance with Florida Statutes, and pension funds are not properly being segregated from City assets. The auditors recommend that the City appropriately deposit all contributions to the pension trust fund, as well as make payments to retirees from the pension trust fund. (See PDF Page 125)	SD	N/A	N/A	Yes
		ML 18-2 - Pension Actuarial Valuations: The auditors noted that the Firemen's Retirement Trust obtains only triennial actuarial valuations, which do not include required information on the City's net pension asset or liability. The City is not in compliance with governmental accounting standards. The auditors recommend that the City consider obtaining a separate actuarial valuation to be in compliance with governmental accounting standards. (See PDF Page 125)	SD	N/A	N/A	Yes

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City of Graceville	Jackson County	2012-001 - Fixed Assets: An inventory of property owned by the City has not been completed in several years. The auditors recommend that the City establish a policy for periodic review of property records in compliance with Section 274.02, Florida Statutes. (See PDF Page 64)	N/A	2019 (FY 2016-17)	Fixed asset inventory will be completed. The City has purchased a utility operating system that will allow for such reconciliation on a routine basis limiting manual positioning of documentation.	Yes
Town of Greenville	Madison County	2018-003 - Excess Expenditures Over Appropriations: Expenditures exceeded appropriations in the General Fund at fiscal year-end. The auditors recommend that, in addition to amending the budget, the Town budget for debt service payment expenditures going forward. (See PDF Page 62)	N/A	2019 (FY 2016-17)	The Town Council approved an expenditure of \$6,500 to purchase a new lawn mower. The Town Manager resigned before an amendment to the budget had been made. A new Town Manager is in place now, and the Town does not see this to be an issue on the next audit cycle.	Yes

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City of Hialeah	Miami-Dade County	2015-02 - Water and Sewer Fund, Solid Waste Fund, and Stormwater Utility Fund Deficit: The Water and Sewer fund and Stormwater fund had operating losses at fiscal year-end. In the prior year, the Water and Sewer, Solid Waste, and Stormwater funds incurred operating losses. The auditors recommend that the City review its current rates for Water and Sewer, Solid Waste, and Stormwater Services to ensure the fees cover the costs of operations and also continue to reduce costs of operations while maintaining quality of service. (See PDF Page 183)	SD	2019 (FY 2016-17)	The City completed a five-year utility rate study in March 2016, which recommended that water and sewer rates be adjusted to account for anticipated increases in operational costs, capital expenditures, and conserving existing reserves. At that time only, a CPI increase and a Miami-Dade County (MDC) pass-through sewer increase were implemented. In FY 2017-18 rates have been adjusted to account for additional anticipated increases. For FY 2019-20 the City will consider additional adjustments to the water and sewer rates to cover large ongoing capital expenditures needed to meet the requirements of the Consent Agreement between MDC and the City. Additional details related to the sewer charges were provided by the City. In FY 2015-16 the City privatized the disposal of garbage and bulky waste reducing disposal costs by \$1.4M from the previous year. Operating losses in FY 2016-17 were reduced, while the City continues to operate the collection of recyclables. In FY 2017-18 the City completed the privatization of the collection of recyclable materials. It is expected that in FY 2018-19, given the implemented reduction in force, decreased recycle collection costs and adjustments to the residential fees, that the solid waste program operating losses will be substantially reduced and or eliminated. There was a delay in the transfer of employees as part of the privatization effort, which also contributed significantly to the operating losses for FYs 2015-16, 2016-17, and 2017-18.	Yes

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City of High Springs	Alachua County	2018-001 - Deficit Unrestricted Net Position: The City reported a deficit unrestricted net position in the enterprise funds at fiscal year-end. The deficit unrestricted net position was made up of a Water Fund deficit and a Sewer Fund deficit. The Water Fund deficit decreased from the prior year, and the Sewer Fund deficit increased from the prior year. (See PDF Page 54)	N/A	2019 (FY 2016-17)	The City is aware of the deficit in the unrestricted net position in the Enterprise Funds. The City Sewer Fund at this time does not have enough customers on the system to sustain itself. The City is actively pursuing grants for the City Sewer System and will be adding additional customers in FY 2018-19 and 2019-20 with grants from the Suwanee River Water Management District.	Yes
City of Jasper	Hamilton County	2016-002 - Utility (Water) Meters: The City's residential water meters average between 25 to 30 years of age, with the life of an accurate meter estimated to be ten years. The failure to systematically replace or repair the City's water meters could result in a significant loss of revenue and incorrect billings. The auditors recommend that the City develop a plan to determine the accuracy of the current water meters in use and, if inaccurate, replace and develop a plan to test meters to ensure continued accuracy. (See PDF Page 74)	N/A	N/A	N/A	Yes
Town of Jupiter Inlet Colony	Palm Beach County	2016-1 - Policies and Procedures Manual: The Town's policies and procedures manual has not been updated to reflect changes in the Town's personnel and fund structure. The auditors also noted areas such as monthly and year end closings where the current procedures need to be improved and that the policies are not being consistently followed. The auditors recommend that management review the existing policies and procedures manual and make changes where appropriate. (See PDF Page 38)	MW	N/A	N/A	Yes

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City of Lake Helen	Volusia County	2018-004 - Accounting System: The City uses the QuickBooks accounting software. While this software is very user-friendly and a well-established program, the complexity of the City's operations exceeds the capability of certain functions within QuickBooks. While it should be acknowledged the City is in the process of implementing a more robust and complete accounting system in FY 2018-19, the vulnerability existed during FY 2017-18 for transactions to potentially be modified, voided, or deleted without adequate review. (See PDF Page 55)	SD	2019 (FY 2016-17)	The City began implementation of a new software system which will eliminate the City's vulnerability of transactions being modified, voided, or deleted without adequate review. In March 2019, the City entered into an agreement with a CPA firm to become the City's Chief Financial Officer, which will add greater oversight to the City's financial management.	Yes
		2018-003 - Journal Entries Segregation of Duties: The Finance Manager is responsible for all aspects of journal entries, including the preparation, approval, and posting of journal entries. While this is not uncommon for an entity of the City's size, this presents a greater risk due to the lack of segregation of duties. The auditors recommend that the City consider opportunities to achieve a greater level of segregation of duties over the journal entry process, potentially by further involving a second individual, such as the Finance Assistant, in the process. The auditors also noted several entries where the Finance Manager was unable to provide adequate support for all journal entries recorded. The auditors recommend that the City maintain adequate support for all journal entries recorded. (See PDF Page 55)	SD	2019 (FY 2016-17)	The City Commission entered into an agreement with a CPA firm to become the Chief Financial Officer (effective April 1, 2019). This will provide for greater oversight of financial activity and segregation of duties, including journal entries.	Yes

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Town of Lake Placid	Highlands County	2018-001 - Financial Statement Close: Good sound internal controls require financial statements to be properly prepared, reconciled, and reviewed to ensure reporting in accordance with generally accepted accounting principles (GAAP). The Town did not appropriately address the above criteria as it relates to the reporting of due from other governments, due to/from other funds, and net position/fund balance items that existed at year-end within the Infrastructure Fund, Business-type Activities, Water Fund, and Wastewater Fund. Audit adjustments were necessary in the Infrastructure Fund, Water Fund, Wastewater Fund, and the Business-type Activities. The auditors recommend that the Town thoroughly review the preparation of the year-end trial balance and related entries to ensure that adjustments are properly accounted for, in a timely manner, in order to facilitate the preparation of GAAP financial statements to satisfy the audit reporting requirements of the Town. The auditors also recommend that the Town perform monthly reconciliations for all interfund accounts and year-end reconciliations due from other governments. (See PDF Page 63)	MW	2019 (FY 2016-17)	The Town will look into resources, within the 2020 budget process, to conceivably hire another staff member to assist with regular reconciliations of data and to ensure the year-end process isn't the obligation of only one individual.	Yes
City of Lawtey	Bradford County	2018-1 - Debt Administration: The required annual Reserve account balance at the fiscal year-end was not maintained pursuant to the loan agreement with the USDA. The auditors recommend that the City establish procedures to ensure the required annual balance is maintained in the Reserve account at fiscal year-end and consider setting up an automatic transfer of funds to facilitate this requirement. (See PDF Page 34)	N/A	N/A	N/A	Yes

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City of Lawtey (Continued)	Bradford County (Continued)	2018-2 - Debt Administration: The required monthly transfers into the Revenue Bond Sinking account pursuant to the loan agreement with the USDA were not always deposited in a timely manner. The auditors recommend that the City establish procedures to ensure the required monthly amount is transferred to the sinking fund on a monthly basis and consider setting up an automatic transfer of funds to facilitate this requirement. (See PDF Page 34)	N/A	2019 (FY 2016-17)	The City has set up an automatic monthly transfer to ensure that the USDA loan requirements are met. This finding is resolved in the 2017-18 fiscal year audit.	Yes
Town of Mayo	Lafayette County	2016-1 - Payroll Liabilities: Payroll liability accounts were not being properly utilized, and items that should have been in the liability accounts were in expense accounts and vice versa. The auditors recommend the proper use of the payroll liability accounts and routine review of these balances to help ensure that payroll is being recorded correctly. (See PDF Page 59)	N/A	N/A	N/A	Yes
		2016-2 - Customer Deposits: The utility billing software's customer deposits records did not match the financial reporting software. The utility billing reports displayed multiple customers with credit balances when those accounts had been closed. Management manually reviewed this log and updated it to reflect current balances. The auditors recommend that management meet with the utility billing software vendor to locate and correct the source of these errors, as well as conduct routine reconciliation of the deposits on the utility billing software to the financial report software. (See PDF Page 59)	N/A	N/A	N/A	Yes

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Town of Medley	Miami-Dade County	2018-02 - Capital Assets: The Town has numerous pump station sites that have not been dedicated and do not have easement language contained in their plats to conclusively establish dedication in accordance with Section 177.081, Florida Statutes. This is because no one at the Town has been designated to perform annual physical inventories or to oversee the dedication of the pump stations by the developers. Pump stations with estimated values totaling approximately \$3.5 million are not included in the Town's capital assets. The auditors recommend that the Town continue to vigorously pursue the conveyance of completed Town infrastructure constructed by third parties. (See PDF Page 87)	MW	2019 (FY 2016-17)	The Town has implemented an aggressive program to obtain proper right-of-way dedications and conveyances of infrastructure and utility sites. As new permits are issued, right-of-ways and infrastructure conveyances are required to be dedicated to the Town before any development work begins. This is an ongoing and multi-year program which cannot be corrected in one year. Over the last four years, the Town has made significant progress in obtaining right-of-way and infrastructure and utility dedications.	Yes
		2018-03 - Purchasing Procedures: There is no centralized purchasing system in place. The auditors noted several discrepancies and internal control weaknesses related to credit card purchases and obtaining quotes or competitive bids. The auditors recommend that the Town review its policies over credit card purchases and implement strict guidelines to follow its ordinance when purchases meet the requirements of obtaining quotes or competitive bids. (See PDF Page 88)	SD	2017 (FY 2016-17)	Stricter enforcement of the Town's Purchasing Ordinance has been implemented. The Town regularly complies with its Purchasing Ordinance for large expenditures, seeking competitive procurement/bidding and complying with all Code and legal requirements. Credit card use has substantially decreased and the Town has only 3 individuals who are authorized users.	Yes
Town of Melbourne Village	Brevard County	Comment 001 - Fiscal Year-End Schedule: Though the Town uses an extensive year-end closing procedure designed to ensure materially accurate year-end account balances, the procedure did not include all required steps related to the close of the fiscal year, nor were the final financial statements completed in a timely manner for audit. The auditors recommend that the Town develop a schedule or checklist to monitor all tasks that must be completed as part of the year-end closing process to facilitate the timely submission of accurate financial reports and other data for audit. (See PDF Page 49)	N/A	N/A	N/A	Yes

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Town of Melbourne Village (Continued)	Brevard County (Continued)	Finding 001 - Continuing Education on Investments: The Town Clerk/Treasurer had not completed eight (8) hours of continuing education related to investments. The Town is out of compliance with Section 218.415(14), Florida Statutes, and with the Town's investment policy. The auditors recommend that either the Town Clerk/Treasurer complete eight (8) hours of continuing education annually related to investments in order to comply with state law and the Town's investment policy or the Town should consider repealing its investment policy and defaulting to Section 218.415(17), Florida Statutes, (does not require an investment policy) until such time as the Town sees a need to invest beyond the limits of that law. (See PDF Page 43)	N/A	N/A	N/A	Yes
City of Miami	Miami-Dade County	ML 2014-04 - User Access Reviews: Periodic user access reviews are not being performed for the network (active directory) to validate that employee system access rights are appropriate based on the employee's roles and responsibilities. Also, the auditors noted an Oracle user access rights review was not completed for the Office of Planning and the Office of Management and Budget. The auditors recommend that management establish formal policies and procedures to allow for the proper administration of user access rights on an ongoing basis. Details are provided in audit report. (See PDF Page 271)	N/A	2019 (FY 2016-17)	The City expects to finalize a user access review by June 30, 2019. Implementing a policy and a process to review Active Directory user access for over 5,000 employees will require additional resources. A full implementation of this initiative will most likely occur during FY 2019-20.	Yes

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City of Miami (Continued)	Miami-Dade County (Continued)	ML 2015-02 - Accounts Receivable: The City's allowance for uncollectible receivables was \$36.6 million at fiscal year-end. Management should assess the collectability of the allowed receivable balances and write off amounts not deemed to be collectible at a future date, after all reasonable collection efforts have been exhausted. Management has been assessing the collectability of the outstanding receivable balances over time; however, formal action has not been taken to write-off amounts not deemed to be collectible at a future date. The auditors recommend that management take formal action to write-off balances for financial statement reporting purposes, which are not deemed to be collectible at a future date. (See PDF Page 270)	N/A	2019 (FY 2016-17)	The City is preparing a write-off policy to be approved by the City Commission. The first stage of adopting a formal policy was conducted on May 10, 2018, when the City Commission adopted an Ordinance which revised the City's Financial Integrity Ordinance to include language that the City shall endeavor to maintain formal policies, which reflect "best practices" in the area of revenue collection, to include write-offs of uncollectible accounts. Finance will present the proposed write-off policy aligned with current accounting standards to the City Commission prior to September 30, 2019.	Yes
City of Milton	Santa Rosa County	2018-001 - Bank Reconciliation Process: The City's bank reconciliation for the pooled cash accounts did not agree to the general ledger balances at fiscal year-end. The auditors recommend that management review the bank reconciliation process and establish set procedures for monitoring and reconciling the pooled cash accounts on a timely basis. (See PDF Page 108)	MW	N/A	N/A	Yes
Town of Montverde	Lake County	ML 18-1 - Internal Controls Over Recording Transactions in Accordance (GAAP): Due to the small size of the Town, the staff does not have the necessary qualifications and training to prepare transactions in accordance with generally accepted accounting principles (GAAP). The auditors had to recommend multiple adjusting entries be posted, and make several adjustment to capital asset balances, in order for financial statements to be prepared. The auditors recommend that the Town staff receive additional training on governmental accounting standards, as well as make all required adjustment to the year-end financial statements. (See PDF Page 55)	MW	N/A	N/A	Yes

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City of Mulberry	Polk County	2014-005 - Budgetary Control: Actual expenditures exceeded budgeted appropriation by \$46,872 in the General Fund and \$61,079 in the Community Redevelopment Fund. While this was a significant improvement from the prior year, the auditors recommended that the City take action to fully correct this finding in the ensuing year. (See PDF Page 51)	N/A	2019 (FY 2016-17)	The City is working with the City's Financial Reporting Officer to make sure that the annual budget amendment is processed correctly. This finding should be corrected by FY 2018-19.	Yes
City of New Port Richey	Pasco County	2018-002 - Prior Period Adjustment: The City did not maintain an effective review process over year-end accrual adjustments. Furthermore, the City did not reconcile the corresponding accrual/revenue accounts in a timely manner. The auditors recommend that management closely evaluate adjusting entries and compare subledger information to general ledger balances to ensure account balances are reported in accordance with generally accepted accounting principles (GAAP). (See PDF Page 158)	MW	2018 (FY 2015-16)	The City is confident that this finding will be cleared.	Yes
		2018-001 - Timeliness of Closing Process: Various account balances were not adequately reconciled as part of the City's month-end and year-end closing process. The City did not have reliable processes in place to perform the necessary review and reconciliation procedures during the fiscal year-end closing process. The auditors recommend that: (1) management ensure that sufficient internal resources and reliable internal controls processes are in place to promptly reconcile account balances on a consistent, periodic basis, and (2) the year-end closing process commence promptly after year-end and contain a comprehensive checklist with instructions detailing all tasks necessary to be performed in order to generate a trial balance that is available to be audited without the need for multiple post-closing journal entries. (See PDF Page 157)	MW	2018 (FY 2015-16)	The City is confident that this finding will be cleared.	Yes

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SD = Significant Deficiency (see 3. In Legend)

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City of North Miami Beach	Miami-Dade County	2015-1 - New Enterprise Resource Program System Implementation Observations: On October 1, 2015, the City commenced the implementation of phase one of a new Enterprise Resource Program (ERP) system. Phase one included the following modules: general ledger, budgeting, accounts payable, purchasing, fixed assets, project & grant accounting, cash management, and contract management. The auditors noted the following matters which are not unusual during the implementation of a new ERP system: (1) Fiscal Year 2014-15 general ledger postings were not substantially completed until approximately eight months (May 2016) after September 30, 2015; (2) Delays in the general ledger detailed conversion validation impacting the timeliness of financial statements; (3) Bank reconciliations were not completed in a timely manner; (4) Delays in recording depreciation expense due to the time required to validate the fixed assets conversion; and (5) Limited financial reports available from the system. The auditors recommend that: (1) the City conduct an evaluation of the existing ERP system and an analysis of projected needs for the future; (2) additional training on the new ERP for the City's staff be required, as well as the development of reports that provide information to management and other interested parties; and (3) efforts be made to document the flow of transactions in the Fixed Assets module. Additional details are provided in the audit report. (See PDF Page 201)	SD	2019 (FY 2016-17)	During the FY 2014-15, the City implemented a new Enterprise Resource Planning (ERP) system. Over the subsequent years, virtually all aspects of this finding have been rectified with the exception of the capital assets report. Management believed that this issue was resolved at the end of FY 2016-17. However, when the reports were created for this fiscal year, some additional issues were discovered and addressed. The City does not expect this comment to be repeated for the next financial statement period, FY 2018-19.	Yes

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City of North Miami	Miami-Dade County	ML 2016-02 - User Access Administration: The auditors noted that system user access rights for employees are not being updated in a timely manner and/or employee Personnel Action Forms are not being consistently completed, when an employee separates from the City. The auditors recommend that the City establish and implement formal policies and procedures over user access provisioning. Details are provided in the audit report. (See PDF Page 256)	N/A	N/A	N/A	Yes
		ML 2016-03 - User Access Reviews: The City's User Technology and Access Review policy requires that an annual audit and quarterly user access reports be provided to each department director for review, in order to address any changes needed to employees access rights. Lack of proper supervisory oversight resulted in noncompliance with the City's established policy. The auditors recommend that management comply with the City's User Technology and Access Review policy, which requires that an annual audit and quarterly user access reports be provided to each department director for review, in order to assess the propriety of each employee's access rights. (See PDF Page 257)	N/A	N/A	N/A	Yes

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City of Oak Hill	Volusia County	ML 2015-03 - Information Systems Security: Comprehensive, formal and written security policies are not in place to define the security objectives for the City. The auditors recommend that, to reduce the exposure to unauthorized access to the City's information technology (IT) systems, the City create a comprehensive Information Security Policy that defines the requirements for granting access, terminating access, periodically reviewing access, password security, confidentiality of information, segregation of duties, physical and logical access to sensitive data, network security, backup, and disaster recovery procedures. The auditors further recommend that this policy be reviewed and updated annually to accurately reflect changes in the information systems environment. (See PDF Page 78)	N/A	2019 (FY 2016-17)	The City's Information System Security (ISS) policies have been delayed, primarily due to the small size of the City. However, the City has performed an ISS review and is currently working on an official security policy. The City is striving to have an official policy finalized and approved in the 2018-19 fiscal year.	Yes
Town of Oakland	Orange County	12-3 - Capital Asset Inventory: An inventory of the Town's capital asset property for FY 2017-18 was not performed. In prior years, the auditors have recommended that the Town implement procedures to ensure that a physical inventory of all capital asset property is completed annually and in accordance with the Florida Administrative Code. (See PDF Page 56)	N/A	2019 (FY 2016-17)	The Town has hired a consultant to help correct these findings. The Town is currently in the process of correcting all findings in the FY 2017-18 audit which should be finalized in the next 30 days.	Yes
		10-05 - Internal Control over Financial Reporting: The auditors continued to find many financial statement misstatements, some considered material. The auditors recognize that the Town has engaged an experienced and qualified consultant to assist in the developing internal controls over financial reporting and to provide oversight of the year-end closing and financial statement preparation process. The auditors recommend that the Town continue to work with the consultant to strengthen the Town's internal control over financial reporting. (See PDF Page 63)	MW	2019 (FY 2016-17)	The Town has hired a consultant to help correct these findings. The Town is currently in the process of correcting all findings in the FY 2017-18 audit which should be finalized in the next 30 days.	Yes

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Town of Oakland (Continued)	Orange County (Continued)	11-5 - Approval and Support for Journal Entries: Some journal entries posted to the general ledger were not supported by adequate documentation and approval. The auditors recommend that management adopt procedures that ensure all journal entries are supported by adequate documentation and are subject to supervisory review and approval. (See PDF Page 64)	MW	2019 (FY 2016-17)	The Town has hired a consultant to help correct these findings. The Town is currently in the process of correcting all findings in the FY 2017-18 audit which should be finalized in the next 30 days.	Yes
		10-04 - Payroll: The auditors noted improvements in the recording of payroll-related transactions within the general ledger, but monthly reconciliations of the accrued liabilities and the actual amounts paid for benefits are not being performed. (See PDF Page 56)	N/A	2019 (FY 2016-17)	The Town has hired a consultant to help correct these findings. The Town is currently in the process of correcting all findings in the FY 2017-18 audit which should be finalized in the next 30 days.	Yes
		10-01 - Utility Billing Accounts Receivable and Customer Deposit Reconciliation: In the past nine audits, the auditors have noted that management was not performing a periodic reconciliation of the utility accounts receivable and customer deposit subsidiary ledgers to the general ledger control accounts. Although they have noted improvement, a monthly reconciliation has yet to be performed. The auditors continue to recommend that management implement procedures to require monthly reconciliations between the utility accounts receivable and customer deposit subsidiary ledgers to the general ledger control accounts. (See PDF Page 63)	SD	2019 (FY 2016-17)	The Town has hired a consultant to help correct these findings. The Town is currently in the process of correcting all findings in the FY 2017-18 audit which should be finalized in the next 30 days.	Yes
		10-06 - Restricted Cash Monitoring: The auditors noted that management is not always monitoring the restrictions placed on resources that are restricted as to use by enabling legislation or contract, on a monthly basis. The auditors continue to recommend that management segregate and monitor the sources and uses of all restricted funds, a compliance with enabling legislation and debt-related covenants, on a monthly basis. (See PDF Page 64)	SD	2019 (FY 2016-17)	The Town has hired a consultant to help correct these findings. The Town is currently in the process of correcting all findings in the FY 2017-18 audit which should be finalized in the next 30 days.	Yes

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City of Palm Bay	Brevard County	IC 2016-002 - Payroll Allocations - CFDA #14.218, Community Development Block Grant/Entitlement Grant: Although required, the City did not require employees to track their time per pay period by the grant projects that they worked on for the entire fiscal year. Further, the time that was tracked was not communicated to the City's Finance Department to adjust actual grant expenditures. The auditors recommend that the City require employees who work on grants to track their hours on a timecard or in a similar format. The auditors also recommend that the information be shared with the Finance Department to adjust grant expenditures accordingly. (See PDF Page 218)	MW	N/A	N/A	Yes
		IC 2016-002 - State Financial Assistance: Payroll Allocations - CFSA #40.901, State Housing Initiatives Partnership Program (SHIP): Although required, the City did not require employees to track their time per pay period by the grant projects that they worked on for the entire fiscal year. Further, the time that was tracked was not communicated to the City's Finance Department to adjust actual grant expenditures. The auditors recommend that the City require employees who work on grants to track their hours on a timecard or in a similar format. The auditors also recommend that the information be shared with the Finance Department to adjust grant expenditures accordingly. (See PDF Page 218)	MW	N/A	N/A	Yes

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Town of Pierson	Volusia County	2012-01 - Utility Billing: The Town's accounts receivable detail report and the customer deposit detail report are not being reconciled to the general ledger accounting system on a monthly basis. In addition, the accounts receivable aging obtained from the utility billing system included significantly old outstanding client account balances that either no longer existed or were written off in previous years. Also, no liens were recorded on the property owners to secure that the outstanding bills will be paid in the future. The auditors recommend that: (1) the account detail be reconciled to the general ledger and that a member of the Town Council review this reconciliation, and (2) a review be performed on all accounts that are past due in excess of 60 days to ensure that service has been cut off and determine if a lien needs to be recorded on the property. (See PDF Page 41)	SD	2019 (FY 2016-17)	This finding was not corrected in the audit report for the 2017-18 fiscal year. (1) Having corrected and reconciled the customers' deposits and having set up a new billing system, the Town is still working on getting the customer accounts receivables to the general ledger on a monthly basis. The contracted accountant is diligently working to have this compliant by the next audit, as well as training the utility clerk to maintain. (2) Those water accounts that are in excess of 60-days past due are being reviewed, monitored for payment and holding a lien on those that have not paid. The municipal clerk follows up when lien searches are requested and is obtaining payments.	Yes
		2014-01 - Utility Deposit Interest Payable: The Town has been accruing a liability for deposit interest payable but has not credited or made payment to its customers in several years, as required by the Florida Public Service Commission. The auditors recommend that the Town establish procedures so that the deposit utility interest is paid out on an annual basis as required. (See PDF Page 44)	N/A	2019 (FY 2016-17)	This finding was not corrected in the audit report for the 2017-18 fiscal year. Having corrected and reconciled the customers' deposits, the Town is still working with the contracted accountant to have this compliant by the next audit.	Yes
City of San Antonio	Pasco County	2015-1 - Fixed Assets: Periodic fixed asset inventory was not being performed, and no formal policy exists to regularly perform a fixed asset inventory. The auditors recommend that management establish an inventory process that provides for inventory for at least 25% of fixed assets per year. In addition, the auditors recommend that management formalize the process and ensure proper training of staff on effective implementation. (See PDF Page 68)	N/A	2019 (FY 2016-17)	The City Commission has directed staff to implement an inventory process. Details are provided in the response letter. The inventory process was started in April 2019 and will be ongoing.	Yes

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Town of Sneads	Jackson County	2000-001 - Fixed Assets: The Town's capital asset records are materially accurate related to cost, date acquired, and description. However, they do not provide sufficient required information related to source of funds, restrictions, etc. The deficiency could result in improper use or disposal of equipment or property, possibly in violation of law. The auditors recommend that the Town continue to update its capital asset records by reconciling the cost records with a current complete physical inventory. The auditors further recommend that these records be updated with other required data, such as source of funds and restrictions, and the Town not rely on the external auditor to update these records. (See PDF Page 61)	SD	2019 (FY 2016-17)	The Town does not have sufficient staff to complete these records. It is unlikely to change in the foreseeable future, but if it does, the Town will then make that change.	Yes
City of South Daytona	Volusia County	2013-1 - Interfund Receivables: The Water/Sewer Fund owed the General Fund \$1,008,273 at fiscal year-end. The City's balance increased from FY 2016-17. The auditors recommend that the City continue to monitor its plan on a monthly basis until the loan has been repaid. (See PDF Page 139)	N/A	2019 (FY 2016-17)	The City has continued to monitor its plan to repay this loan and has reduced the balance by approximately 64% from FY 2012-13 when the audit finding was initially presented. As a small City with limited resources, the City is not in a position to immediately pay off this balance, but has worked diligently to ensure that the balance is reduced each year. UPDATE: The former City Manager postponed completion of the rate study, resulting in an increase in the loan balance. The City intends to complete the rate study in FY 2018-19 and, if fully implemented, should generate sufficient revenues to pay down this loan. Due to the delay in completing the implementing the rate study, the City may experience a further increase in the loan balance in FY 2018-19.	Yes

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City of South Daytona (Continued)	Volusia County (Continued)	2015-2 - Renewal and Replacement Fund: The City depleted the cash in the Renewal and Replacement Fund during the year for repairs and maintenance. These funds are designed to have cash available in order to meet unforeseen repairs or emergencies. The auditors recommend that the City complete a rate study in in order to determine the operating costs, including all indirect costs from various departments that are being allocated to Utility operations. The City currently has estimated these indirect costs and has classified them as transfers. (See PDF Page 140)	N/A	2019 (FY 2016-17)	The issue was to be addressed in the rate study planned for FY 2017-18, which was postponed. The City intends to complete the rate study in FY 2018-19 and, if fully implemented, should generate sufficient revenues to enable the City to begin restoring renewal and replacement funds. Due to the delay in completing and implementing the rate study, the rate study is not expected to have a substantial impact on revenues in FY 2018-19.	Yes
Town of South Palm Beach	Palm Beach County	2018-04 - Bank Reconciliations: The auditors noted that the bank reconciliation was not signed and dated by the preparer or the reviewer. The auditors recommend that bank reconciliations be signed and dated by the preparer and the reviewer. (See PDF Page 98)	N/A	N/A	N/A	Yes
		2018-02 - Accounting and Internal Control Policies and Procedures: The auditors noted that the Town did not have comprehensive detailed internal control and accounting policies and procedures. Adopted accounting procedures lacked sufficient detail of control, review, and reconciliation procedures to be implementation and documentation of the same. The policy also contained insufficient detail on procedures and controls for the procurement of various goods and services. The auditors recommend that management implement a detailed and comprehensive set of internal control policies and procedures covering all operational and financial areas, including procurement, cash disbursements, cash receipts, and accounting records. The auditors further recommend that policies detail the individual person (title/position) required to perform each control activity and the documentation required to evidence performance of each control. (See PDF Page 97)	N/A	2019 (FY 2016-17)	The Town has contracted with an independent accountant to prepare and maintain the Town's financial statements, reconciliations, and related documentation. This staffing increase allows for more effective internal controls. Management is also revising current policies to include more comprehensive and detailed procedures.	Yes

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City of St. Cloud	Osceola County	2018-1 - Notice of Event of Default (Stevens Plantation Improvement Project Dependent Special District (District)): The District was formed in 2003 and is presented as a blended component unit of the City of St. Cloud. In May 2013, the Bondholders of the District's Revenue Bonds, Series 2003, received a Notice of Event of Default because the Trustee did not receive sufficient payments from the District for the payment of the: (i) interest due on the Bonds on May 1, 2013, and (ii) principal maturity on the Bonds due and payable on May 1, 2013. The amounts on deposit in the Revenue Fund and the Reserve account were insufficient to pay the interest and principal on the Bonds due and payable on May 1, 2013. No subsequent payments have been made since the notice of default, except for a partial interest payment made in June 2016. The District is not in compliance with certain provisions of the Bonds. (See PDF Page 163)	N/A	2019 (FY 2016-17)	The District has continued to aggressively market the property for sale at the highest possible value, while working with the bondholders to obtain the highest possible net proceeds from sales to satisfy the District bonds. Since last year's response, the District has closed on three sales of District property. Currently, the District has two pending contract for a sale of additional property and is negotiating the sale of an additional parcel. The District has retained a new real estate professional to serve as listing agent to procure a buyer for the District's largest undeveloped property. A portion of the proceeds from the sale of District property is transferred to the bond trustee to pay the outstanding District bond obligations. The District is working with the bond trustees and/or bondholders to promote the sale of property for the highest value possible with the goal of extinguishing the obligation at the time that the undeveloped parcel is sold.	Yes

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City of St. Cloud (Continued)	Osceola County (Continued)	2018-2 - Stevens Plantation Dependent Special District: The Stevens Plantation Dependent Development District (District) was created by the City on August 21, 2003. The purpose of the District is to acquire land within its geographical boundary from the proceeds of tax-exempt debt for resale to developers in association with the Stevens Plantation Development. The financial condition of the District indicates that there are several issues management needs to address: (1) Bonds payable of the District are currently in default. The auditors recommend that management continue to work with both legal and bond counsel to determine the legal liability associated with the default and the plans to address how to resolve the defaulted status of the Bonds; (2) Land held for sale is currently reported in the accounting records at \$3,576,107, which is based on the historic values at which the land was purchased for resale. The auditors recommend that management reevaluate the carrying value of the land based on current appraised values and determine possible impairments; (3) The District has obtained interfund borrowings from both the General Fund and OUC Interlocal Agreement Fund to cover the deficit and meet the operating needs of the fund for several years. The auditors recommend that the City continue to monitor the future potential for recovery of these advances and consider the source of funds and recoverability of future advances to the District; (4) The Stevens Plantation Community Development District is not in compliance with certain provisions of its bond indentures for the Special Assessment Revenue Bonds, including those relating to collecting assessments to provide payment of debt service and making its semi-annual debt service principal and interest payments; and (5) During 2018, the District was a party to certain land sale contracts activity completed through an escrow agent; however, the sales were not originally recorded in the general ledger of the District. The auditors recommend that the City obtain detailed support for all transactions of the District and ensure timely and accurate recording of all activity. Additionally, the auditors recommend that a detailed understanding be established and documented of the activity of the District, including the legal authority for the control, access, and approval of funds held in the name of the District or those funds held by other parties. (See PDF Page 167)	N/A	2019 (FY 2016-17)	See response to Finding #2018-1 above.	Yes

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City of Tallahassee	Leon County	2018-003 - Financial Reporting Division: Accounting for local governments and for the activities of the City has become increasingly complex over the last several years. In addition to the accounting required for the City's activities, the Financial Reporting Division is also responsible for maintaining the accounting records for three other entities. During the audit, it was noted that the City's general ledger contains over 20,000 accounts across approximately 275 funds. Several accounts receivable and revenue accounts were incorrect due to posting errors. Various entries were required to correctly classify negative cash balances within the "pooled cash" accounts and to properly reflect due to/due from amounts with other entities and governments. The auditors recommend that the City evaluate the workload of the Financial Reporting Division and evaluate the qualifications of its current staff to ensure that personnel are in place to provide that proper financial accounting and reporting of the City's operations, as well as the joint ventures for which it assumes accounting responsibilities. The auditors also recommend that the City evaluate its general ledger and streamline its account structure. (See PDF Page 233)	N/A	N/A	N/A	Yes
City of Tavares	Lake County	ML 18-01 - General Fund Balance: The Government Finance Officers Association recommends a General Fund balance reserve of at least two month's expenditures in order to mitigate current and future risks. The City's General Fund at fiscal year-end is below the recommended reserve. The auditors recommend that the City explore revenue enhancement opportunities, cost reductions, and delaying future borrowings until such time that an appropriate reserve can be established. (See PDF Page 172)	N/A	N/A	N/A	Yes

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City of Temple Terrace	Hillsborough County	2017-001 - Audit Adjustments: Turnover in the City's Finance Department created a lack of management oversight. The auditors noted several account balances that required audit adjustments, such as cash and investments, accounts receivables, capital assets, pensions, accounts payable, and accrued liabilities. Material adjustments were proposed and subsequently recorded by the City to correct the misstatements. The auditors recommend that the City's management strengthen internal controls and procedures over financial accounting and reporting. (See PDF Page 165)	SD	2019 (FY 2016-17)	The City implemented more formal closing procedures, assigning review and reconciliation of account balances to specific finance personnel as part of the year-end closing process. The City is in the process of fine tuning further its year-end closing checklist to encompass all necessary year-end closing tasks. The City also completely overhauled the bank reconciliation process to provide accurate monthly bank reconciliations and timely adjustments to the general ledger for cash related items.	Yes
Town of Wausau	Washington County	2015-01 - Design of IT General Controls: The auditors noted that there are significant deficiencies relating to: (1) lack of segregation of duties; (2) no IT policies and procedures are in place; and (3) recovery testing of financial statement software has not been tested. The auditors recommend that the Town give serious consideration to developing policies and procedures incorporating IT general and application control features. (See PDF Page 58)	SD	2019 (FY 2016-17)	(1) Due to budget constraints it is not possible to hire additional personnel. The Mayor or Mayor Pro-Tem reviews all invoices prior to any checks being issued. The Town also utilizes dual signatures on all checks; (2) The Town has one desktop computer in the office and will give serious consideration and will consult with the Town's Auditors and Attorney in order to develop policies and procedures incorporating IT and general and application control; (3) The Town utilizes QuickBooks and utilizes local backup as well as online backups and utilize an annual maintenance contract on both so that the systems can be restored if needed; and (4) The Town employs one employee and does not have the budget to hire a full-time CPA.	Yes
City of Webster	Sumter County	2015-007 - Utility Billing Rates: City Ordinance 2015-01 states that rates for utility services should be updated annually on October 1. The auditors noted that during the 2017-18 fiscal year some customers tested had the wrong individual rates for utilities coded in correctly per gallon charge. The auditors recommend regular monitoring by the City Council of the compliance with local laws and rules. (See PDF Page 63)	MW	2019 (FY 2016-17)	This finding has been resolved. The last rate increase per City ordinance will take place October 1, 2019. This rate increase has been documented and logged into the system to ensure the rate is accurate as of that date.	Yes

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City of West Palm Beach	Palm Beach County	ML 2018-002 - User Access Review: User access reviews were not completed in fiscal years 2015-16, 2016-17, and 2017-18. The auditors recommend that user access reviews be completed for systems with an impact on financial reporting at least annually. (See Single Audit, PDF Page 47)	N/A	N/A	N/A	Yes
		ML 2018-003 - Data Recovery Testing: A full scale recovery test was not completed in fiscal years 2015-16, 2016-17, and 2017-18 for Oracle eBusiness Suite, Oracle CC&B, and the network, and testing of the viability of backups was only performed via the completion of ad hoc requests. The auditors recommend that data recovery testing be documented and performed once a year to test the effectiveness of the restoration process and determine that data, transactions, and programs that are necessary for financial reporting can be recovered. (See Single Audit, PDF Page 48)	N/A	N/A	N/A	Yes
		ML 2018-001 - Supervisory Approval of Employee Timecards: The City did not follow its policies and procedures in reviewing timecards prior to processing payroll. The payroll was processed without first obtaining evidence of proper approval. The auditors recommend that the City review its policies and procedure in place with both payroll processing personnel and the departments to help ensure all payroll transactions are properly approved and accurately recorded. (See Single Audit, PDF Page 46)	N/A	N/A	N/A	Yes

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## FOOTNOTE/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.

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City of Apalachicola	Franklin County	<u>2017-002 - Significant Adjustments to the Financial Records:</u> Adjustments were needed in order for the financial statements to conform with generally accepted accounting principles. The auditors recommend that the accounting staff continue to strive toward minimizing the proposed audit adjustments that have been required. (See PDF Page 67)	MW	2017 (FY 2014-15)	The City has determined that it is not 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; however, the City will strive to minimize the number of proposed adjustments.	No
		<u>2017-001 - Segregation of Duties:</u> Due to the small number of accounting staff, the City does not have proper segregation of duties in many areas. Due to the lack of segregation of duties and limited internal controls, the City Administrator 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. The auditors recommend that the City segregate duties as much as possible and implement mitigating controls where segregation of duties is not possible due to the size of the City. (See PDF Page 67)	MW	2017 (FY 2014-15)	This issue results from the limited number of employees in the City office. The duties of City office personnel are continually being reviewed by City administration in an effort to work toward a more effective and efficient overall operational structure.	No
City of Archer	Alachua County	<u>2012-1 - Financial Statement Preparation:</u> The City does not have the expertise necessary to prevent, detect, and correct misstatements, and is not capable of drafting the financial statements and all required footnotes disclosures in accordance with generally accepted accounting principles. A deficiency in internal control exists in such instances. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures. (See PDF Page 58)	SD	2018 (FY 2015-16)	The City is a very small government and has used available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports. The City has confidence in the audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. The City does not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements.	No

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Town of Bell	Gilchrist County	<u>2009-1 - Financial Statement Preparation</u> : The Town is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles, and it does not have the expertise necessary to prevent, detect, and correct misstatements. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures. (See PDF Page 39)	SD	2017 (FY 2014-15)	The Town is a very small government and has used available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports. The Town has confidence in the audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. The Town does not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements.	No
Town of Branford	Suwannee County	<u>2010-1 - Financial Statement Preparation</u> : The Town is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles, and it does not have the expertise necessary to prevent, detect, and correct misstatements. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures. (See PDF Page 51)	SD	2017 (FY 2014-15)	The Town is a very small government and has used available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports. The Town has confidence in the audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. The Town does not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements.	No

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Town of Bronson	Levy County	<u>2009-1 - Segregation of Duties:</u> Effective internal controls over financial reporting require that the function of authorizing transactions, custody of assets, and recording of transactions be separated in order to provide reasonable assurance that assets are adequately safeguarded and transactions are properly authorized, executed and recorded in accordance with the assertions of management. Due to the Town's limited staffing, one employee performs all incompatible duties, including receiving and depositing cash, and recording all transactions. Lack of proper separation of incompatible duties could result in errors and irregularities that go undetected for extended periods of time. The auditors recommend that incompatible duties be separated among employees where it is feasible to do so. (See PDF Page 33)	MW	2017 (FY 2014-15)	The Town is a small municipality in a rural setting with only two full-time staff to handle daily activities. Duties are separated as much as possible.	No
City of Bushnell	Sumter County	<u>2008-2 - Segregation of Duties:</u> The City operates with a small finance, accounting, and customer service department and does not have the resources to properly segregate duties among employees so that no one employee has sole control over approving, recording, and accounting for transactions. The auditors recommend that the City's finance, accounting, and customer service department continue to develop and, if necessary, expand its current staff to ensure a more effective internal control structure over financial reporting. (See PDF Page 118)	SD	2017 (FY 2014-15)	Several changes were completed during the past fiscal year to improve this finding. The new City Clerk has taken over all of the payroll duties and also tracks all of the receipts and revenues received by the City. The Clerk also reviews and approves certain Council and administrative expenditures for the City. Additional tasks will be assigned to both the City Clerk and the new Finance Specialist in the future in an effort to achieve an even greater improvement. Because of the small size of the City staff, it is unlikely that complete segregation of duties can be achieved in the coming fiscal year however significant improvements will be realized.	No

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Town of Campbellton	Jackson County	<u>04-01 - Separation of Duties:</u> Custody of assets, record keeping, and recording of assets should have adequate separation. Due to the size of the Town, proper separation of duties may not be feasible. The auditor recommends that the Town compensate for this lack of segregation of duties by being conscious of the financial affairs of the Town. The auditor further recommends that the Mayor and/or Council review all bills before they are paid and evidence their approval on the invoice even though two signatures are required on all checks. (See PDF Page 45)	SD	2017 (FY 2014-15)	The Town is a small rural town with limited resources and funding sources to operate the community. This finding will never be cleared as the Town does not have the resources to adequately staff enough persons to separate accounting functions; however, the Town's response includes specific information related to compensating controls implemented by the Town.	No
City of Carrabelle	Franklin County	<u>2018-001 - Prepare Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP) and Significant Adjustments:</u> 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 (GAAP). Adjustments were required to be made to the accounting records subsequent to the start of the audit process to be in accordance with GAAP. This was because management relied on the auditors to propose entries that had not been recorded at the time of the audit. Incorrect recording of accounting records could lead to a material misstatement on the financial statements. The auditors recommend that the process for identifying accounting transaction be reviewed and updated. (See PDF Page 50)	MW	2017 (FY 2014-15)	There is no one on staff with sufficient knowledge to prepare GAAP-based financial statements. This finding may never be fully resolved due to limited resources of a small entity.	No

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City of Carrabelle (Continued)	Franklin County (Continued)	<u>2018-002 - Segregation of Duties:</u> Internal controls are designed to safeguard assets and help prevent or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred - including timely deposits of cash receipts, mailing signed checks without returning them to the employee responsible for accounts payable and maintaining a management approved vendor list. Errors or material misstatements in the financial statements presented to the board by management may exist and not be detected. The auditors recommend that management develop compensating controls. (See PDF Page 50)	MW	2017 (FY 2014-15)	Due to size of the City's 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. Practices are implemented to the best of the City's ability to improve existing controls; however, this finding may never be fully resolved due to lack of staffing.	No
City of Chattahoochee	Gadsden County	<u>2018-001 - Audit Adjustments:</u> Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States ("GAAP"). Adjustments were required to be made to the accounting records as part of the audit process to be in accordance with GAAP. The auditors recommend that the process for identifying accounting transaction be reviewed and updated. (See PDF Page 113)	MW	2017 (FY 2014-15)	With the hiring of an employee with many years knowledge of generally accepted accounting principles in preparing financial statements and the change in auditing firms and adoption of a "City Accounting Manual," the City feels much of this problem has been or is being solved.	No

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City of Chattahoochee (Continued)	Gadsden County (Continued)	<u>2018-002 - Segregation of Duties:</u> There is a lack of segregation of duties at the City. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. The auditors noted the following deficiencies: (1) the Deputy Clerk prepares the bank reconciliation, processes the accounts payable, prints checks, and has access to accounting system; and (2) journal entries made in the accounting system are not being reviewed and approved. Although the size of the City's accounting staff precludes certain internal controls that would be preferred, the auditors believe that certain practices could be implemented to improve existing internal control without impairing efficiency. The auditors recommend management develop compensating controls. (See PDF Page 113)	MW	2017 (FY 2014-15)	In view of the economic costs involved with the hiring of adequate personnel to comply with all aspects of this finding, the City has decided to keep the current staff of four employees at the City Hall and instituted cross-training as much as possible to preclude any collusion and also has the City Manager or Police Chief to pick up and open mail, and make bank deposits in an effort to segregate as many duties as possible. The City feels the economic cost would outweigh the benefits if more employees were hired.	No
City of Clewiston	Hendry County	<u>2009-1 - Internal Control Over Financial Reporting:</u> The City does not currently have the skills and competencies necessary to prepare the financial statements and to prevent, detect, and correct a material misstatement in the financial statements. The auditors recommend that the City develop a strategy to address the material weakness in internal control over financial reporting. (See PDF Page 109)	MW	2017 (FY 2014-15)	As a small entity with limited resources, the City feels that it does not have the economic viability to retain an individual to meet the Auditing Standards at this time. The City will continue to evaluate the cost involved in meeting the standards of financial reporting while monitoring and comparing the measure of improvement gained toward achieving an adequate resolution.	No

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City of Coleman	Sumter County	<u>2018-1 - Improve Knowledge of Internal Control Over Financial Reporting:</u> The person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording the City's financial transactions or preparing its financial statements. The auditors suggest possible solutions that include training accounting staff, hiring additional staff, or engaging outside consultants or obtaining assistance from knowledgeable volunteers to prepare financial statements in accordance with generally accepted accounting principles. (See PDF Page 59)	SD	2017 (FY 2014-15)	The City evaluated the cost vs. benefit of establishing internal control over the preparation of financial statements in accordance with generally accepted accounting principles and came to the conclusion that outsourcing this task to the City's auditors is the most cost effective way for small entities with limited staff and resources like the City. However; the City continues to stay involved in the process by reviewing the financial statement draft, making significant input into the management discussion and analysis and other pertinent sections. The City will also continue to ensure that its auditors are independent of the City's internal control system.	No
		<u>2018-2 - Lack of Segregation of Duties:</u> The small size of the City's accounting staff precludes certain internal controls and segregation of duties afforded by a larger staff. The Financial and Operations Manager performs all of the accounting tasks, which includes receiving invoices, approving them for payment, preparing checks, mailing out the checks, preparing bank reconciliations, and posting activity into the general ledger and the utility system computer package. The lack of segregation of duties increases the potential for error. The auditors recommend that the City implement any practical controls to overcome this inherent weakness in internal control, including that management and the City Council remain closely involved in the financial affairs of the City to provide oversight and independent review functions. (See PDF Page 59)	SD	2017 (FY 2014-15)	The City continues to provide as many safeguards as possible by having bills inspected by the Mayor and approved by the City Council. The response also includes additional compensating controls implemented by the City.	No

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City of Cottdale	Jackson County	<p><u>2007-001 - Financial Reporting:</u> The City relies on the external auditor to assist with preparing and explaining financial statements in conformity with generally accepted accounting principles (GAAP). The City has a small accounting staff, and it does not consider it cost effective to develop and maintain a system of internal accounting control sufficient to prepare financial statements in accordance with GAAP, nor to maintain internal staff with sufficient knowledge to develop and maintain controls to prevent, detect or correct misstatements in audited financial statements. The auditors recommend that the City continue to consider the effects of the cost of developing and benefits of implementing such a system as compared with understanding that, due to the size of its accounting department, it will continue to need external assistance with the preparation and understanding of financial statements in accordance with GAAP. (See PDF Page 50)</p>	MW	2019 (FY 2016-17)	The City is run with a small accounting staff. It will be necessary to continue to have external assistance with the preparation and understanding of financial statements in accordance with generally accepted accounting principles.	No
		<p><u>2016-001 - General Accounting Records:</u> The City accounting staff lack formal training and experience for accurate recording of transactions and reporting of financial activity. There is no formal review process of financial records. The auditors recommend that the City Council stay apprised of the status of the financial accounting and controls systems and follow up on any problems that continue to exist. The auditors state that a review system needs to be instituted to help to expose errors and reduce or eliminate them, and continued monitoring and supervision is crucial. (See PDF Page 52)</p>	MW	2019 (FY 2016-17)	A plan will be implemented to review and identify mistakes and corrections made in a timely manner. The Commissioners have agreed to work closer with the personnel to eliminate the problem.	No

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City of Cottondale (Continued)	Jackson County (Continued)	<u>2003-001 - Separation of Duties:</u> The City has not designed its internal control system to include sufficient segregation of duties. Staff members having custody of accounting records also have access to assets. The auditors recommend that, due to limited staff numbers, the City make every effort to allocate duties for recording assets and access to assets among full-time staff, as well as use Council members to provide review and approval procedures where possible. (See PDF Page 50)	SD	2019 (FY 2016-17)	The City's office personnel consist of the City Clerk, Deputy Clerk, and Secretary/Receptionist. The City allocates duties among the employees to try to sufficiently segregate all duties for recording and accessing accounting proceedings. The response specifies the tasks that each employee performs.	No
Town of Cross City	Dixie County	<u>2018-001 - Separation of Duties:</u> Due to the limited number of people working for the Town, many of the critical duties are combined and assigned to the available employees. Presently, a single individual performs the majority of the accounting functions. The auditors recommend that, to the extent possible, duties be segregated to serve as a check and balance and to maintain the best control system possible. (See PDF Page 37)	MW	2017 (FY 2014-15)	The Town is a small governmental entity, and all accounting responsibilities are performed primarily by two individuals. The Town has adopted review and control oversight procedures, where possible. It is not cost beneficial to hire additional staff.	No
City of Dade City	Pasco County	<u>2014-2 - Separation of Duties:</u> The City operates with a small finance and accounting department and does not have the resources to properly segregate duties among employees so that no one employee has sole control over approving, recording, and accounting for transactions. The auditors recommend that the City's finance and accounting departments continue to develop and expand its current staff to ensure more effective internal control structure over financial reporting. (See PDF Page 84)	SD	2018 (FY 2015-16)	The finding may never be fully resolved due to the small size of the City and its budget constraints. The City has taken the following corrective actions to mitigate the risks. In the FY 2015-16, the City added one additional staff position, which allowed the City to assign the Accounts Payable and Payroll functions to different employees. Human Resources now enters the majority of payroll changes, as well as timekeeping for field employees. The Finance Officer reviews Accounts Payable, Payroll, and journal entries before posting. Finance staff attends various training opportunities. The City employs the services of an outside consultant when needed with large projects. Management will, when financially feasible, seek to further expand staffing levels.	No

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Town of Ebro	Washington County	<u>2009-03 - Segregation of Duties:</u> The Town lacks sufficient personnel to design and implement adequate separation of duties. Due to a lack of personnel required to establish proper separation of duties, a recommendation to correct this weakness is prohibitive. However, the auditors strongly recommend that the Town Council, Mayor, or representative monitor ongoing operations to include systematic reviews of monthly financial activity and reporting. (See PDF Page 35)	MW	2017 (FY 2014-15)	While the Town lacks sufficient personnel to design and implement adequate separation of duties, the financial operations are monitored by the Mayor on a daily basis. The response includes specific information relating to compensating controls implemented by the Town.	No
City of Fanning Springs	Gilchrist County, Levy County	<u>2013-1 - Financial Statement Preparation:</u> The City does not have the expertise necessary to prevent, detect, and correct misstatements in the financial statements. Also, the City is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. These are deficiencies in internal control. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures. (See PDF Page 60)	SD	2017 (FY 2014-15)	The City is a very small government and has used available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports. The City has confidence in the audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. The City does not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements.	No
Town of Fort White	Columbia County	<u>2011-1 - Financial Statement Preparation:</u> The Town does not have the expertise necessary to prevent, detect, and correct misstatements in the financial statements. The Town is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. These are deficiencies in internal control. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures. (See PDF Page 42)	SD	2017 (FY 2014-15)	The Town is a very small government and has used available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports. The Town has confidence in the audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. The Town does not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements.	No

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Town of Glen Saint Mary	Baker County	<u>2018-002 - Financial Reporting</u> : It was necessary for the auditors to propose material adjustments to the financial statements and assist with the preparation of the financial statements. The auditors recommend that the Town consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process. (See PDF Page 47)	MW	2017 (FY 2014-15)	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
		<u>2018-001 - Separation of Duties</u> : Because of the limited number of personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. The auditors recommend that, to the extent possible given available personnel, steps be taken to segregate employee duties so no one individual has access to both physical assets and the related accounting records, or all phases of a transaction. (See PDF Page 47)	MW	2017 (FY 2014-15)	The Town's population is under 500. Due to budget constraints, the Town has only two part-time employees (Mayor and Town Clerk) who handle all water/sewer billing, code enforcement, and all day-to-day office operations. The Town has all bank accounts set up to require two signature for all payments. The Town Council also gets copies of check registers each month to review.	No

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City of Graceville	Jackson County	<u>2007-001 - Financial Reporting:</u> The City relies on the external auditor to assist with preparing and explaining financial statements in conformity with generally accepted accounting principles (GAAP). The City has a small accounting staff necessitated by the overall small size of the entity and does not consider it cost effective to develop and maintain a system of internal accounting control sufficient to prepare financial statements in accordance with generally accepted accounting principles, nor to maintain internal staff with sufficient knowledge to develop and maintain controls to prevent, detect or correct misstatements in audited financial statements. The auditors recommend that the City continue to consider the effects of the cost of developing and benefits of implementing a system in which staff are able to prepare financial statements and have sufficient knowledge to develop and maintain controls to prevent, detect or correct misstatements in audited financial statements as compared with understanding that, due to the size of the accounting department, the City will continue to need external assistance with the preparation and understanding of financial statements in accordance with GAAP. (See PDF Page 60)	MW	2017 (FY 2014-15)	The City operates with a limited staff responsible for all financial operations. The City operates on a cash account basis and will continue to utilize accounting firms to complete annual audit and work through issues identified.	No
		<u>2006-001 - Separation of Duties:</u> Custody of assets, recordkeeping, and recording of assets should have adequate separation. Due to the City's size, proper separation of duties may not be feasible. The auditors recommend that management remain very active and involved in the day-to-day operations and that controls be established to provide checks and balances. (See PDF Page 60)	SD	2017 (FY 2014-15)	The City operates with a small staff consisting of three principal employees dealing with the week-to-week financial functions of the City and a City Manager.	No

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Town of Grand Ridge	Jackson County	<u>2018-001 - Significant Adjustments and Preparation of Financial Statements:</u> The system of internal control over the objectives of reliability of financial reporting contains certain deficiencies. 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 generally accepted accounting principles (GAAP). As a result, certain adjustments were required to be made to the accounting records subsequent to the start of the audit process. Since these adjustments resulted in a material misstatement of the financial statements, this deficiency is deemed to be a material weakness. The auditors recommend that management select and apply the appropriate accounting principles to prepare the financial statements in accordance with GAAP. (See PDF Page 48)	MW	2017 (FY 2014-15)	The Town states that it would be cost prohibitive to engage another accounting firm to draft financial statements and related note disclosures. As a compensating control, the Town Council reviews the financial statements and budget comparison on a monthly basis in addition to reviewing and approving all adjustments proposed by the auditors. This provides an additional level of review necessary to mitigate the preparation of financial statements finding.	No
Town of Greensboro	Gadsden County	<u>2018-001 - Segregation of Duties:</u> Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. The limited number of employees precludes ideal segregation of duties. The failure to maintain separation of these functions subjects the Town to the risk that material misstatements due to error or fraud may occur and not be detected by employees in a timely manner during the performance of their assigned tasks. The auditors recommend that, in the absence of the ability to hire additional employees, alternative procedures, including additional oversight with regard to certain functions, be performed regularly to mitigate the risk caused by this deficiency in internal controls. (See PDF Page 54)	MW	2017 (FY 2014-15)	The Town employs a total of three people. The small staff includes the Town Manager, Office Assistant/Town Clerk, and Maintenance person. The Town Manager opens all bank statements and makes all bank deposits, returning receipts to the Town Clerk. The Town Council is aware of the concerns and would certainly make any changes necessary were funds available for increase in staffing levels.	No

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Town of Greenville	Madison County	<u>2018-001 - Significant Adjustments and Preparation of Financial Statements:</u> The internal controls of the Town have focused primarily on the objective of effectiveness and efficiency of operations (i.e., performance and mission goals and safeguarding of resources). However, the system of internal control over the objectives of reliability of financial reporting contains certain deficiencies. 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 generally accepted accounting principles (GAAP). Certain adjustments were required to be made to the accounting records subsequent to the start of the audit process. Since these adjustments resulted in a material misstatement of the financial statements, this deficiency is deemed to be a material weakness. The auditors recommend that management select and apply the appropriate accounting principles to prepare the financial statements in accordance with GAAP. (See PDF Page 59)	MW	2017 (FY 2014-15)	The Town finds this finding uncorrectable. The Town is a small municipality with limited resources and is not financially able to hire additional personnel or contract with an outside agency to prepare financial statements.	No
		<u>2018-002 - Segregation of Duties:</u> A fundamental concept in a good system of internal control is the segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. The Town employee opening the mail, creating the deposit slips for cash receipts, and generating checks for cash disbursements also inputs those transactions into the accounting software. In addition, no one reviews and approves journal entries. The auditors recommend that certain practices, described in the audit report, could be implemented to improve existing internal controls and journal entries should be approved by an employee other than the one who prepared the entry. (See PDF Page 59)	MW	2017 (FY 2014-15)	There are only two employees, and the only way for the Town to correct this finding is to hire additional personnel and that is not financially possible. The Town will continue to work with the auditors to implement oversights where possible.	No

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Town of Hastings	St. Johns County	<u>2018-002 - General Accounting Records</u> : As part of the audit process it was necessary for the auditors to propose material adjustments, including some related to long-term debt, equity, pension, and expenses, and assist with the preparation of the Town's financial statements. The auditors recommend that the Town consider and evaluate the cost and benefits of improving internal controls relative to the financial reporting process. (See PDF Page 47)	MW	2017 (FY 2014-15)	The Town will review recurring adjustments with the auditor and Treasurer in an attempt to alleviate this portion of the finding moving forward; however, the Town feels that it is in the best interest financially to continue to have the auditor assist in the preparation of the financial statements. [NOTE: The Town was dissolved on February 28, 2018.]	No
		<u>2018-001 - Separation of Duties</u> : Because of a limited number of available personnel, it is not always possible to adequately segregate incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. The auditors recommend that, to the extent possible given available personnel, steps 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 47)	MW	2017 (FY 2014-15)	Due to limited staff this finding may never be fully resolved. The response includes specific information relating to compensating controls implemented by the Town. [NOTE: The Town was dissolved on February 28, 2018.]	No
Town of Hilliard	Nassau County	<u>2009-1 - Financial Statement Preparation</u> : The Town does not have the expertise necessary to prevent, detect, and correct misstatements in the financial statements. Also, the Town is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. These are deficiencies in internal control. Possessing suitable skill, knowledge or experience to oversee service an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures. (See PDF Page 74)	N/A	2017 (FY 2014-15)	The Town is a very small government and has used available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports. The Town has confidence in the audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. The Town does not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements.	No

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Town of Horseshoe Beach	Dixie County	<u>2011-1 - Financial Statement Preparation</u> : The Town does not have the expertise necessary to prevent, detect, and correct misstatements in the financial statements. Also, the Town is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. These are deficiencies in internal control. Possessing suitable skill, knowledge or experience to oversee service an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures. (See PDF Page 44)	SD	2017 (FY 2014-15)	The Town is a very small government and has used available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports. The Town has confidence in the audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. The Town does not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements.	No
Town of Interlachen	Putnam County	<u>2018-001 - Preparation of Financial Statements</u> : The Town's internal control system over financial reporting does not currently provide for preparation of financial statements, including note disclosures, in accordance with generally accepted accounting principles (GAAP). The Town's resources currently available related to the preparation of financial statements, including note disclosures, in accordance with GAAP are limited. The auditors provide preparation and review assistance related to the preparation of financial statements and related notes to comply with GAAP. The auditors recommend that, for subsequent audits, management may wish to take an active role in the drafting of the financial statements and related note disclosures. (See PDF Page 32)	SD	2017 (FY 2014-15)	The Town has limited resources and staff and utilizes an outside consultant to assist with accrual adjustments related to accounts payable and receivable items. She also reviews revenue and expense coding to ensure that line items are not over-expended or ledgered against the wrong item line. The response includes additional compensating controls taken by the Town. The Town does not currently have resources available to allow for preparation of financial statements and note disclosures in accordance with Governmental Accounting Standards Board requirements.	No

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City of Jacob City	Jackson County	<u>2018-001 - Audit Adjustments</u> : It was necessary for the auditors to propose certain audit adjustments relating to the posting and reversing of year-end accruals that were material to the overall financial statements. Auditing standards require the auditors to provide written communication of significant audit adjustments identified during the audit that were considered to be indicators of control deficiencies over financial reporting since they were not detected and prevented by the City's internal control system. (See PDF Page 30)	MW	2017 (FY 2014-15)	Due to limited staff and resources of the small city, this finding cannot be corrected. Because of the accounting expertise required in order to maintain the books in conformance with generally accepted accounting principles, the cost of correcting this issue is not economically feasible.	No
Town of Jennings	Hamilton County	<u>2018-002 - Financial Reporting</u> : The Town has an inadequate design of internal controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Optimum internal control exists when an entity has the ability to prepare its own financial statements in conformity with GAAP. Certain adjustments were required to be made to the accounting records subsequent to the start of the auditing process, and management requested that the auditors prepare a draft of the financial statements, including the related footnote disclosures. Management reviewed, approved, and accepted responsibility for the financial statements prior to their issuance; however, management did not perform a detailed review of the financial statements. The auditors acknowledged that there is no practical solution for this finding, as the outsourcing of these services is common for governments of this size and is the result of management's cost benefit decision to outsource rather than incur this internal resource cost. (See PDF Page 64)	SD	2017 (FY 2014-15)	Due to the limited staff and resources, this area may never be fully resolved. The response includes specific information relating to compensating controls implemented by the Town.	No

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Town of Jennings (Continued)	Hamilton County (Continued)	<u>2018-001 - Separation of Duties</u> : There is an inadequate segregation of accounting duties among personnel. Certain functions are not segregated including collection/deposit of cash and recording of cash receipts and general ledger; cash receipts/disbursements and preparation of bank reconciliation; accounts payable and recording of general ledger and payroll processing and general ledger due to limited staff size. The auditors recommend that increased management oversight of the accounting function be utilized to mitigate risk. (See PDF Page 64)	MW	2017 (FY 2014-15)	Due to the limited staff and resources, this area may never be fully resolved. The response includes specific information relating to compensating controls implemented by the Town.	No
City of LaBelle	Hendry County	<u>2009-1 - Internal Control Over Financial Reporting</u> : City staff does not currently have the skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements. The auditors recommend that the City develop a strategy to address the material weakness in internal control over financial reporting. (See PDF Page 102)	MW	2017 (FY 2014-15)	The City is a small municipality with limited financial resources and fiscal staffing and may not resolve this finding in the near future. The audit finding weakness has been mitigated during these past few years by the auditors disclosing to and teaching staff how to calculate and create the majority of the year-end adjustments needed for the City's financial statements. Additionally, the auditors conduct an exit conference/interview with the Mayor-Commissioner, Finance Director, and staff and have, upon request, done the same with the City's entire Commission, reviewing in enough detail to assure all Commissioners understand the financial reports, the City's financial condition, and the results of operations.	No
City of Macclenny	Baker County	<u>2018-002 - Financial Reporting</u> : It was necessary for the auditors to propose material adjustments to the City's financial statements and to assist with the preparation of the financial statements. The auditors recommend that the City consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process. (See PDF Page 59)	MW	2017 (FY 2014-15)	The City continues to train key personnel responsible for the preparation of financial statements and, through the assistance of professional oversight, will continue to reduce the adjustments being made by the auditors to the financial statements.	No

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City of Macclenny (Continued)	Baker County (Continued)	<u>2018-001 - Separation of Duties:</u> Because of a limited number of personnel, it is not always possible to adequately separate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. The auditors recommend that, to the extent possible given available personnel, steps be taken to segregate employee duties so no one individual has access to both physical assets and the related accounting records, or all phases of a transaction. (See PDF Page 59)	MW	2017 (FY 2014-15)	The City has implemented as many external controls, along with internal controls within the City's software, to segregate the duties as much as possible with the limited staff available. The response includes specific information relating to compensating controls implemented by the City. The City expects the finding to remain due to limited staff and funding.	No
City of Madison	Madison County	<u>2012-1 - Financial Statement Preparation:</u> The City does not have the expertise necessary to prevent, detect, and correct misstatements in the financial statements or to draft the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. These are deficiencies in internal control. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures. (See PDF Page 83)	SD	2017 (FY 2014-15)	The City is a very small government and has used available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports. The City has confidence in the audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. The City does not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements.	No

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Town of Malone	Jackson County	<p><u>2007-001 - Financial Reporting:</u> The Town relies on the external auditors to assist with preparing and explaining financial statements in conformity with generally accepted accounting principles (GAAP). The auditors noted that the Town has a small accounting staff necessitated by its overall small size and does not consider it cost effective to develop and maintain a system of internal accounting control sufficient to prepare financial statements in accordance with GAAP, nor to maintain internal staff with sufficient knowledge to develop and maintain controls to prevent, detect or correct misstatements in audited financial statements. The auditors recommend that the Town continue to consider the effects of the cost of developing and benefits of implementing such a system as compared with understanding that, due to the size of its accounting department, it will continue to need external assistance for the preparation and understanding of financial statements in accordance with GAAP. (See PDF Page 45)</p>	MW	2017 (FY 2014-15)	The Town does not consider it cost effective due to its small size to develop and maintain a system of internal accounting control sufficient to prepare financial statements in accordance with generally accepted accounting principles or maintain internal staff.	No
		<p><u>2004-001 - Separation of Duties:</u> Custody of assets, record keeping, and recording of assets should have adequate separation. Due to the size of the Town, proper separation of duties may not be feasible. The auditors recommend that management remain very active and involved in the day-to-day operations and controls be established to provide checks and balances. (See PDF Page 45)</p>	SD	2017 (FY 2014-15)	The Town is a small town and only has two office staff members. This is a remaining issue and the Town does not see it changing soon. The Mayor and Town Council will continue to be active and involved in the day-to-day operation of the Town's finances.	No

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Town of Mayo	Lafayette County	<u>2011-1 - Financial Statement Preparation</u> : The Town does not have the expertise necessary to prevent, detect, and correct misstatements in the financial statements or to draft the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. These are deficiencies in internal control. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures. (See PDF Page 57)	SD	2017 (FY 2014-15)	The Town has used available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports. The Town has confidence in the audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. The Mayor and the Town Council review the annual financial reports and have the opportunity to ask the auditor any questions regarding the report prior to its formal presentation before the Town Council.	No
Town of Medley	Miami-Dade County	<u>2018-01 - Supervisory Review</u> : Due to the small size of the Town, 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. Additionally, journal entries can be prepared, entered, and posted by one individual without review or approval. The auditors recommend that the Mayor and the Town Council establish a periodic review and approval of the Town's financial statements and implement a system of review and approval for nonstandard journal entries. (See PDF Page 87)	MW	2017 (FY 2014-15)	The Town has a small finance department and believes it is not efficient and practicable to have journal entries reviewed by a second person as it slows down the work process. As a result of new accounting software implemented in October 2016, there are no longer non-standard journal entries being recorded. General ledger journal entries still being made include correction of postings, allocations to different departments, and period-end accruals. Additional details are provided in the Town's response.	No

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City of Moore Haven	Glades County	<u>2018-001 - Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP):</u> The City does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and related note disclosures [and to ensure they] are complete and presented in accordance with GAAP. The City relies on the auditors to prepare the annual financial statements and related note disclosures. However, the City has reviewed and approved the annual financial statements and the related note disclosures. The auditors recommend that management continue to evaluate the City's internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial. (See PDF Page 97)	MW	2017 (FY 2014-15)	The City is a very small community and receives approximately \$185,000 per annum in ad valorem revenue. The City is not in a financial position to hire additional staff to oversee the areas reported in the audit finding and the system which has been implemented provides for more than sufficient checks and balances by the City's auditors.	No
		<u>2018-002 - Audit Adjustments:</u> It was necessary for the auditors to propose audit adjustments to revise the City's books at year-end. These adjustments involved the recording of accruals, reclassifications of revenues and disbursements to the proper accounts, and fund balance reclassifications. The auditors acknowledge that this material weakness is already known to management and represents a conscious decision by management and the Council to accept that degree of risk because of cost or other considerations. (See PDF Page 98)	MW	2017 (FY 2014-15)	The City is a very small community and receives approximately \$185,000 per annum in ad valorem revenue. The City is not in a financial position to hire additional staff to oversee the areas reported in the audit finding and the system which has been implemented provides for more than sufficient checks and balances by the City's auditors.	No

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City of Oak Hill	Volusia County	<u>SD01 (2009) - Segregation of Duties:</u> The City has not completed the drafting and reviewing of formal accounting policies and procedures in order to provide adequate controls as it relates to the accounting functions and processes. Due to the limited number of staff working with the administrative and finance departments, many of the critical overlapping duties are combined with virtually no managerial oversight or control. Presently, a single individual performs the majority of the accounting functions. The auditors continue to recommend that the City complete formal written accounting policies and procedures. The auditors also suggest that the segregation of duties be reviewed and adjusted where possible to strengthen the system of internal control. (See PDF Page 73)	SD	2017 (FY 2014-15)	The City will continue to work diligently to mitigate these matters within its physical and financial constraints. In a very small office environment it is difficult to properly segregate all duties; however, the City will continue to consider its limited options and constraints to separate the important finance functions and duties to further strengthen internal controls.	No
Town of Orchid	Indian River County	<u>IC 2018-001 - Segregation of Duties:</u> The auditors noted that there is not a formal documented review procedure over the calculation of building permit receipt transactions by an individual other than the person responsible for collecting the revenues. There is also no formal reconciliation of the building cash receipts book when cash is collected to the general ledger or bank statement. The Town has not implemented a formal recalculation of permit fees or a procedure to reconcile all building cash receipts to ensure all of the receipts are accounted for. The auditors recommend that an individual other than the person responsible for collecting and recording building receipts performs a formal review of building permit calculations, and a formal reconciliation of the building cash receipts book to the general ledger or bank statement activity, either daily or weekly as the Town deems necessary. (See PDF Page 36)	SD	2017 (FY 2014-15)	Working with the auditors, the City has continued to develop or modify procedures and processes that it believes allows for appropriate segregation of financial functions within the small office. There is a small number of staff, but the Town has taken extensive steps to ensure that no single individual does all aspects of transactions.	No

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City of Panama City Beach	Bay County	<u>2018-001 - Segregation of Duties:</u> Due to the limited number of staff, the City does not have proper segregation of duties in many areas. 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. The auditors recommend that the City segregate duties as much as possible and implement mitigating controls where segregation of duties is not possible due to the size of the City. (See PDF Page 117)	MW	2017 (FY 2014-15)	Due to the small size of the city and limited resources, separation of duties finding may never be fully resolved; describes some procedures implemented to compensate; an additional accounting position was filled in January 2017. As the additional staff person continues to assume more responsibilities, the City believes even greater segregation of duties can be achieved.	No
City of Panama City	Bay County	<u>2007-1 - Segregation of Duties - Component Unit - Panama City Downtown Improvement Board:</u> Due to the limited number of people working in the Panama City Downtown Improvement Board office (a component unit of the City), many duties associated with cash receipts are combined and assigned to the available employees. To the extent possible, cash receipts duties should be segregated to serve as a check and balance and to maintain the best control system possible. The auditors recommend that the segregation of duties in the cash receipts processes be reviewed and adjusted where possible to strengthen the system of internal control. (See PDF Page 248)	SD	2017 (FY 2014-15)	Fiscal constraints make it impossible to hire more staff. However, as of October 1, 2016, the accounting duties are handled by the City staff. The segregation of duties has been improved.	No
City of Parker	Bay County	<u>2018-001 - Significant Audit Adjustments:</u> It was necessary for the auditors to propose adjustments to the financial records in order for the financial statements to conform to generally accepted accounting principles (GAAP). The auditors recommend that the City strive to reduce the number of adjustments needed as much as possible. (See PDF Page 71)	MW	2017 (FY 2014-15)	It is not considered economically feasible for the City to invest in additional resources to provide the auditors with accounting records that require no proposed audit adjustments. New accounting staff has been hired, and the City has begun to see substantial improvement in accuracy.	No

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City of Parker (Continued)	Bay County (Continued)	<u>2018-002 - Lack of Segregation of Duties:</u> The City does not have proper segregation of duties in many areas due to the limited number of staff and having a need to cross train staff in the event of absences. The auditors recommend that the City continue to evaluate the cost versus the benefit of hiring additional staff to improve segregation of duties and compensating controls be used to reduce the risk associated with a lack of proper segregation of duties. The auditors further recommend that monthly financial activity, such as journal entries, significant account balances, bank reconciliations, bank statements, and check images be reviewed by an independent member of management with sufficient knowledge. (See PDF Page 71)	MW	2017 (FY 2014-15)	This finding may never be fully resolved due to the limited staff and resources of the small City. The City has segregated an instance of an employee handling accounts receivable from the ability to be a backup for accounts payable and have removed the Clerk's ability to do financial system transactions for receivables and payables. Additional details are provided in the City's response.	No
City of Paxton	Walton County	<u>2018-01 - Financial Reporting:</u> The City does not have personnel with sufficient knowledge to analyze complex transactions to ensure that all transactions were properly recorded in the accounting records or to prepare financial statements in accordance with generally accepted accounting principles. (See PDF Page 48)	SD	2017 (FY 2014-15)	Because of the financial disadvantage of the City, it does not have funding to staff an employee with the credentials that would be required to complete the financial statements according to generally accepted accounting principles. Therefore, the City relies on its accountants (auditors) to complete this task.	No
		<u>2018-02 - Separation of Duties:</u> Due to the small size of the City, the accounting and administrative staff are precluded from performing certain internal controls that would be preferred. A fundamental concept of internal control is the 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 Page 48)	SD	2017 (FY 2014-15)	The City is a small municipality with only six employees. Two of the employees are office/administration, City Clerk and Utilities Billing Clerk. Between the two clerks, the City tries to have a checks and balance system in place (with duty separations as suggested by the City's accountants (auditors)). The response includes specific information relating to compensating controls implemented by the City. The City works diligently to keep duties separated as much as possible with a limited staff.	No

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Town of Penney Farms	Clay County	<u>2011-1 - Financial Statement Preparation</u> : The Town does not have the expertise necessary to prevent, detect, and correct misstatements in the financial statements or to draft the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures. (See PDF Page 50)	SD	2017 (FY 2014-15)	The Town is a very small government and has used available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports. The Town has confidence in the audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. The Town does not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements.	No
Town of Pierson	Volusia County	<u>2009-01 - Financial Statement Preparation</u> : Management requested the auditors to prepare a draft of the financial statements, including the related notes to the financial statements. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management did not prepare the financial statements. The absence of controls over the preparation of the financial statements is considered a material weakness because there is a reasonable possibility that a material misstatement of the financial statements could occur and not be prevented, or detected and corrected by the entity's internal control. (See PDF Page 40)	MW	2019 (FY 2016-17)	This finding relates to an area that may never be fully resolved due to limited staff and resources.	No

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Town of Pierson (Continued)	Volusia County (Continued)	<u>2009-02 - Segregation of Duties</u> : The Town Clerk is responsible to all accounting functions. The auditors recommend that: (1) monthly transactions be reviewed by a Council member or another employee of the Town, (2) monthly financial statement balances be reviewed by someone who can determine whether the balances are reasonable, (3) bank statements be received by a Council member or someone independent of cash receipts and disbursements, and (4) canceled checks be reviewed for unusual items. (See PDF Page 41)	MW	2019 (FY 2016-17)	This finding relates to an area that may never be fully resolved due to limited staff and resources. The Town is continually looking for ways to implement compensating controls to help mitigate some of the inherent risks that exist in a small entity.	No
Town of Pomona Park	Putnam County	<u>2009-IC-1 - Segregation of Duties</u> : Because of the number of personnel in the finance department, there is a lack of separation of duties between employees that prepare the transactions and those that review the transactions. (See PDF Page 55)	SD	2017 (FY 2014-15)	The Town is a small municipality with only five employees. Three are with the Maintenance Department and the other two are the Town Clerk and Accounting Clerk, making it difficult to address the segregation of duties. The response includes specific information relating to compensating controls implemented by the Town. With the precautions taken, it is working well for the Town. In fact, errors/oversights have been detected and resolved during the review process. With the size of the workforce, the City is doing everything possible to address the finding.	No

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Town of Sneads	Jackson County	<u>2007-001 - Financial Reporting</u> : The Town relies on the external auditor to assist with preparing and explaining financial statements in conformity with generally accepted accounting principles (GAAP). Since the auditor cannot be a part of an entity's system of internal accounting control, the Town's system of internal accounting control over the financial reporting is not sufficient by itself to prevent, detect or correct misstatements in the audited financial statements. The auditors recommend that the Town continue to consider the effects of the cost of developing and benefits of implementing a system of internal control as compared with understanding that, due to the size of its accounting department, it will continue to need external assistance with the preparation and understanding of financial statements in accordance with GAAP. (See PDF Page 61)	MW	2017 (FY 2014-15)	It is not financially feasible to resolve this issue.	No
City of St. Marks	Wakulla County	<u>2018-001 - Segregation of Duties</u> : The same person within the accounting department handles cash and checks and posts receipts and disbursements to the utility ledger. The auditors recommend that the City have another designated person receive all cash and checks, make all required deposits, and return a summary of receipts along with a validated deposit slip before turning them over to the accounting department. (See PDF Page 37)	MW	2017 (FY 2014-15)	The financial resources of the City are limited. The City has two employees who must perform all accounting duties. The City will try to segregate duties of handling cash, checks, posting receipts, and disbursements 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. Therefore, as a compensating control, the City Council reviews the financial statements and budget comparison on a monthly basis. This control provides the additional level of review necessary to mitigate the lack of segregation of duties finding.	No

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City of Trenton	Gilchrist County	<u>2009-1 - Financial Statement Preparation</u> : The City does not have the expertise necessary to prevent, detect, and correct misstatements, and is not capable of drafting the financial statements and all required footnotes disclosures in accordance with generally accepted accounting principles. A deficiency in internal control exists in such instances. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures. (See PDF Page 62)	SD	2017 (FY 2014-15)	The City is a very small government and has used available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports. The City has confidence in the audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. The City does not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements.	No
Town of Wausau	Washington County	<u>2010-02 - Financial Statement Preparation</u> : The Town's finance officer lacks the experience, background, and knowledge of governmental and financial accounting standards to prepare the Town's financial statements including all note disclosures in accordance with generally accepted accounting principles (GAAP). The auditors recommend that Town personnel continue to develop their knowledge of GAAP in order to prepare the financial statements and that a current disclosure checklist from the AICPA be used to ensure propriety and completeness of the footnotes. (See PDF Page 57)	MW	2019 (FY 2016-17)	The Town employs one employee with over 30 years of local government experience; however, it does not have the budget resources to hire a full-time CPA to assist with preparation of the financial statements.	No

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SD = Significant Deficiency (see 3. In Legend)

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Town of Wausau (Continued)	Washington County (Continued)	<u>2010-01 - Segregation of Duties</u> : The Town employs only one full-time clerical employee whose responsibilities include billing, collecting, receipting, depositing, and recording all revenues. She is also responsible for preparing and documenting all disbursements. This results in an inadequate separation of duties relating to the control and recording of receipts and disbursements. This could result in the misappropriation of assets and adversely affect the Town's ability to record, process, summarize, and report financial information. The auditors noted that, due to a lack of adequate staffing, optimum segregation of duties is not obtainable. However, the auditors strongly recommend that the Mayor and/or Council monitor daily activities and monthly reporting. (See PDF Page 57)	MW	2019 (FY 2016-17)	The Town realizes the hazards of a one-person office; however, due budget constraints it is not possible to hire additional personnel. The Mayor or Mayor Pro-Tem reviews all invoices prior to any checks being issued. The Town also utilizes dual signatures on all checks. The Mayor and Council are provided with the entire bank statements showing all deposits and checks each month. The Town also utilizes NCBA employees when they are available.	No
City of Webster	Sumter County	<u>2015-002 - Timely Reconciliations Along with Financial Close Process</u> : It was necessary for the auditors to assist with the preparation of the City's financial statements. The auditors also detected errors in the City's accounting records and proposed material adjustments to the City's financial statements. An outsourced accountant was retained by the City; however, due to the state of records and limitations of such a small staff, not all reconciliations were considered timely and only prepared for the audit. The auditors recommend that the City continue to consider and evaluate the costs and benefits of improving and strengthening internal controls relative to the reconciliation process and financial reporting process with focus set on more time applied consistency. Details are provided in the audit report. (See PDF Page 59)	MW	2018 (FY 2015-16)	The City has contracted with an accounting firm which will serve as a third party to provide checks and balances for the City's financial stability.	No

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City of Webster (Continued)	Sumter County (Continued)	<u>2015-001 - Segregation of Duties:</u> Because of the 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. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected. The auditors noted several areas where improvement should be focused, including cash handling, payroll, and cash disbursements. The auditors recommend that, to the extent possible, given the availability of personnel, steps be taken to separate employee duties so that no one individual has access to both physical assets and the relating accounting records and that the City's accounting function be closely monitored to help ensure that all transactions are adequately supported and accurately and timely recorded. Details are provided in the audit report. (See PDF Page 57)	MW	2018 (FY 2015-16)	Financial duties are now segregated between the City Manager, City Clerk, and a Clerk Assistant.	No
Town of Windermere	Orange County	<u>18-01 - Internal Controls Over the Preparation of Financial Statements:</u> The Town does not have the necessary expertise to draft the financial statements without assistance from the auditors. The auditors recommend continued training of existing staff to improve financial reporting. (See PDF Page 41)	SD	2017 (FY 2014-15)	Due to the size, limited staff and resources of the Town, management acknowledges and accepts this deficiency. However, the material weakness was partially corrected earlier. As noted in a prior audit report, the Finance Director's skills at recording financial transactions in accordance with generally accepted accounting principles have improved such that the auditors did not report a material weakness, but did report a significant deficiency. This deficiency may never be fully resolved, and it may not be possible, practical, or feasible for the Town to perform this function internally.	No

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## FOOTNOTE/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.

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Amelia Concourse Community Development District	Nassau County	<u>2012-01/2013-01/2014-01 - Reserve Requirement:</u> The Debt Service Reserve Requirement for the 2007 Bond was not met at fiscal year-end. The auditors recommend that the District make the necessary arrangements to ensure funds are available to make debt service payments. (See PDF Page 35)	N/A	2019 (FY 2016-17)	Prior year correspondence described the history and status of the District; the Special Purpose Entity (SPE) that was created to hold foreclosed property continued to fund its share of the District's operating and maintenance costs and was actively marketing the property for resale. After the sale of the property, the net proceeds from the sale will be paid to the bondholders. On October 26, 2015, the District approved a purchase and sale agreement between the SPE and a developer to acquire all remaining undeveloped land within the District in two transactions. The first transaction (conveyance of Phase II lands) closed on January 15, 2016, and on January 24, 2018, the purchase and sale agreement between the SPE and a developer to acquire all remaining undeveloped land within the District (Phase III lands) was finalized. <u>Most recent status:</u> On March 20, 2019, the District closed on the Series 2019, Capital Improvement Revenue Bonds, the proceeds of which will be used to develop the final phase of development within the District. Therefore, once the Phase III lots are sold to end users, the District will cancel the remaining Series 2007 Bonds not secured by assessments on developed property, and all findings related to deteriorating financial condition will be eliminated from future annual audit reports.	Yes

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Amelia Concourse Community Development District (Continued)	Nassau County (Continued)	<u>2012-02/2013-02/2014-02 - Financial Condition Assessment:</u> The District's financial conditions continue to deteriorate, and the future of the project remains uncertain. The Debt Service Fund has reported deficit fund balances at the end of the last six fiscal years. Nonpayment of assessments by the former Developer caused there to be insufficient funds available to make certain prior year required debt service payments. The District did not make the current year principal payment, any of the past due interest payments, or the full payment of current year interest due. In addition, the District had a net deficit fund balance in the Debt Service Fund as of fiscal year-end. The auditors recommend that the District take the necessary steps to improve the deteriorating financial condition. (See PDF Page 36)	N/A	2019 (FY 2016-17)	See response to Finding #2012-01/2013-01/2014-01 above.	Yes

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Buckeye Park Community Development District	Manatee County	<u>IC2015-03 - Debt Administration</u> : The District is not in compliance with certain provisions of its Bond Indenture including those relating to: (1) collecting assessments to provide payment of debt service; (2) maintaining adequate funds in debt service reserve accounts; and (3) making its semi-annual debt service principal and interest payments. (See PDF Page 33)	N/A	2019 (FY 2016-17)	In essence, there is no change and no updates on the audit findings. The District Bonds are in default solely due to the former developer abandonment of the entire project, including the fact that no new developer has shown interest in acquiring the property as of this writing. The District has a final judgment in favor of the District for the delinquent properties and has foreclosed on all of the delinquent properties. The District has thus fully complied with the obligations set forth in the Indenture in the event of special assessment defaults, and has fully cooperated with direction provided by the Indenture Trustee with respect to the defaults. As such, although the assessments remain unpaid due to economic conditions, the District has and will continue to work closely with the Trustee and bondholders toward a solution. Unfortunately, there is no foreseeable conclusion to these findings unless and until another developer purchases this property and/or works out an agreeable solution to the delinquent assessments.	Yes
		<u>IC2016-01 - Expenditures/Expenses</u> : Expenditures are made from an account that the District has no direct control or authority over, and the funds to cover these expenditures are taken from an account maintained in the debt service fund by the Trustee. No supporting documentation is provided to the District for the transactions. The auditors recommend that the District work with the Trustee to obtain sufficient documentation to support Special Purpose Entity activity. (See PDF Page 33)	N/A	2019 (FY 2016-17)	The response does not specifically address this finding, rather it provides a status update of the District's situation. See response for Finding #IC2015-03 above.	Yes

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Central County Water Control District	Hendry County	<u>2016-2 - Florida Statute Noncompliance</u> : The auditors noted that the District performed an annual inventory; however, it was not formally approved by the District Manager. The District subsequent to year-end in December 2018 did perform the physical inventory, and it was signed and approved by the new District Manager. The auditors recommend that the District perform a timely annual physical inventory in order to be in compliance with the Department of Financial Services Rule 69I-73.006, Florida Administrative Code. (See PDF Page 63)	N/A	N/A	N/A	Yes
		<u>2016-14 - Maintenance Taxes Levied</u> : The District, for the fiscal year 2019, did not certify its assessment by July 1, 2018, as required by law. The District is aware of the July 1 deadline and is committed to timely certifying future tax assessments. The auditors continue to recommend that the District's Board certify the annual assessment levy prior to July 1 of each year to ensure compliance with its Codification law. (See PDF Page 64)	N/A	N/A	N/A	Yes

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CFM Community Development District	Lee County	<u>IC2010-1 - Debt Administration</u> : At fiscal year-end, the District was not in compliance with certain provisions of its Debt Service Bond indenture, including those relating to: (1) collecting amounts to provide payment of debt service; (2) maintaining adequate funds in debt service reserve accounts; and (3) making its semi-annual debt service principal and interest payments. (See PDF Page 32)	N/A	2019 (FY 2016-17)	As also noted in prior year correspondence, during a prior year, the Trustee, on behalf of the bondholders, created a Special Purpose Entity (SPE) to own, manage, and dispose of the land subject to delinquent debt service assessments. Additionally, during a prior year, the District, Trustee, and the SPE entered into a tri-party Project Transfer and Transition Agreement, whereby the SPE conveyed its interest in certain lots to D.R. Horton, Inc. The Trustee has temporarily deferred payment of the principal and interest on the bonds and has directed the District to defer collection of debt service assessments until such time as the Trustee notifies the District otherwise. The SPE has been continuing to work with D.R. Horton, Inc., in order to transfer the land under control by the SPE. In October 2017, the SPE sold an additional 238 lots to D.R. Horton, Inc., and as a result has assumed the responsibility of paying the ongoing debt service assessments for these lots, following a two-year abeyance period ending October 1, 2019. In addition, the SPE is working on several improvements for Phase 2 lot development enhancing the marketability of the remaining unsold property. Improvements are being made on this development, which will result in the District being able to comply with the provisions of the bond indenture, including the fully funding of the debt service reserve, collecting debt service assessments, and making its semi-annual debt service payments. The District is unable to provide a date for when these obligations will be met, but progress is being made.	Yes

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Chapel Creek Community Development District	Pasco County	<u>12-01 - Failure to Make Debt Service Payments When Due:</u> In current and prior years, the District did not pay all of the principal and interest due on the Series 2006A Bonds, due to Developer nonpayment and Special Purpose Entity purchase of land. At fiscal year-end, the District was not in compliance with the requirements of the Bond Indenture and has met a financial emergency condition described in Florida Statutes. The auditors recommend that the District utilize all remedies available to bring debt service payments current. (See PDF Page 37)	N/A	2019 (FY 2016-17)	The Trustee, on behalf of the bondholders, created a Special Purpose Entity (SPE) to own, manage, and dispose of the land purchased at a tax deed sale. The District, Trustee, and SPE entered into a tri-party agreement whereby the SPE assumed responsibility for the prior year debt service assessments owed to the District related to the land owned by the SPE. The Trustee has temporarily deferred payment of the principal and interest on the bonds and has directed the District to defer collection of debt service assessments until such time as the Trustee notifies the District otherwise. The SPE has sold 176 lots to the homebuilders, with the balance of the undeveloped land held by the SPE. The Series 2006B and Series 2006B-1 bonds have been cancelled, following a final distribution to holders in April 2012. In addition, a portion of the Series 2006A bonds has been cancelled, and the project's projection and unit mix has been modified to reflect an estimated 842 units at final buildout.	Yes
		<u>12-03 - Failure to Include Component Unit Financial Statements in the Financial Report:</u> The District did not include the Special Purpose Entity (SPE) New Chapel Creek, LLC as a component unit in the District's financial report as required by generally accepted accounting principles. The auditors recommend that the District include the SPE as a blended component unit of the District's government-wide and fund financial statements. (See PDF Page 36)	MW	2019 (FY 2016-17)	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 auditors that it should be included. This finding will not be resolved until the SPE has sold all the property it holds and is dissolved.	Yes

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Chapel Creek Community Development District (Continued)	Pasco County (Continued)	<u>12-04 - Land Held for Resale Not Recorded:</u> No appraisal was performed on the land held for resale owned by the Special Purpose Entity (SPE) Chapel Creek CDD Holdings, LLC. As a result, the market value of the land could not be determined at fiscal year-end, and no amount was recorded in the financial statements for this asset. The auditors recommend that an appraisal be performed on the land held for resale to determine its value and the land be recorded in the financial statements. (See PDF Page 36)	MW	2019 (FY 2016-17)	No appraisal was performed on the land owned by the SPE. Management does not agree that the SPE is an asset of the District, thus no appraisal is performed, and no market value of land can be determined, and no value is recorded in the financial statements for the asset. The District's position is that corrective actions, to the extent it can at this time, have been taken. However, the finding will remain until all lots are sold by the SPE.	Yes
City Center Community Development District	Polk County	<u>2015-01 - Failure to Meet Debt Service Reserve Account Requirements:</u> The District did not adequately meet the reserve requirement on the Series 2005A and 2007A Special Assessment Revenue Bonds as set forth in the Trust Indenture. The auditors recommend that the District make the necessary arrangements to ensure funds are available to make debt service payments. (See PDF Page 34)	N/A	2019 (FY 2016-17)	Prior year correspondence described the history and status of the District: Following five years of litigation and bankruptcy proceedings relating to developer defaults on the Series 2005A and Series 2007A Bonds (collectively the "Bonds"), the District's bondholders acquired title to the undeveloped, non-performing property (Property) in the District in late 2014, and a special purpose entity (SPE) holds title to the Property on their behalf. Subsequently, during March 2015, the District entered into a Forbearance Agreement with the bondholders and the SPE for the purpose of formally suspending payment and other obligations under the trust indentures securing the Bonds, and subsequently the SPE provided the District with sufficient funding to bring its general account deficit current and resume relatively normal maintenance operations. As the predominant landowner in the District, the bondholders also assumed control of the District's governing Board of Supervisors and are actively marketing the Property for sale. Most recent status: No material changes have occurred during the past year that should adversely affect the statements, conditions, or events reported in prior audits. The corrective measures necessary to resolve the audit findings are dependent upon market conditions beyond the control of the District and resale of the	Yes

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City Center Community Development District (Continued)	Polk County (Continued)				remaining Property. Based upon experience to date, we anticipate that, as the Property is sold, proceeds of such sales will be utilized to retire the outstanding Series 2005A and Series 2007A Bonds. Upon the sale of the last of the remaining SPE Property, the District anticipates the outstanding bonds will be fully retired. This event is necessary to resolve the negative audit findings. The Board of Supervisors has taken all corrective action required by the Trust Indenture, to the fullest extent permitted by Chapters 170 and 190, Florida Statutes, and is fully committed to restoring the financial condition of the District.	
		<u>2015-02 - Financial Condition Assessment:</u> The District has a net position deficit and net governmental funds balance deficit. The auditors recommend that the District utilize all remedies available to alleviate deteriorating financial conditions. (See PDF Page 34)	N/A	2019 (FY 2016-17)	See response to Finding #2015-01 above.	Yes
City-County Public Works Authority	Glades County	<u>2017-001 - Deleted Transactions:</u> During the auditors' review of journal entries and QuickBooks audit trail, it was noted that transactions were deleted. By deleting transactions, QuickBooks is not providing an accurate history of all transactions and can make previous reports produced by QuickBooks inaccurate. Management does not have policies and procedures to not delete transactions. The auditors recommend that the Authority adopt a policy prohibiting the deletion of financial records once entered into the accounting software. The auditors further recommend that, if changes need to be made to the financial records, items be edited, voided, or corrected through an adjusting entry which will provide an audit trail in the financial records. (See PDF Page 20)	SD	N/A	N/A	Yes

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Concorde Estates Community Development District	Osceola County	<u>13-01 - Financial Condition Assessment</u> : The District's financial condition has deteriorated. In prior years, the Developer failed to pay debt service assessments, causing the District to be unable to pay certain debt service payments when due. An event of default was declared, and the debt was subsequently restructured with the agreement of the bondholders. The restructured agreement requires no current payments, and the District is now funded; however, the overall effect of these actions on the District's financial condition cannot be determined at this time. (See PDF Page 36)	N/A	2019 (FY 2016-17)	The District is taking full corrective action and has filed a foreclosure lawsuit against all delinquent landowners with delinquent assessment against their property. The District's position is that all corrective actions have been taken at this point.	Yes
Connerton West Community Development District	Pasco County	<u>13-02 - Failure to Make Debt Service Account Reserve Requirements</u> : Debt Service Reserve Accounts for the Series 2006A Bonds were deficient at fiscal year-end. The balances in the Debt Service Reserve Account were used to pay prior year debt service. The auditors recommend that the District utilize all legal remedies available to replenish the Debt Service Reserve Accounts. (See PDF Page 38)	N/A	2019 (FY 2016-17)	The reserve requirement has not been met and will continue as a finding in regards to the Series 2006A-2 bonds. However, in August 2018, the District issued S2018 bonds to refund and defease the Series 2006A-1 bonds and a portion of the Series 2006A-2 bonds. Consequently, the District's position is that corrective action, to the extent it can be at this time, has been taken.	Yes
Coquina Water Control District	Okeechobee County	<u>2018-01 - Disbursement Procedures</u> : The District has not adopted a formal, written procurement policy. The auditors recommend that the District adopt a formal, written procurement policy. (See PDF Page 27)	SD	2019 (FY 2016-17)	The District adopted a formal written procurement policy on May 10, 2019. The policy is in effect for the FY 2019-20, and this matter has been fully resolved.	Yes

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Creekside Community Development District	St. Lucie County	<u>2018-01 - Financial Condition Assessment:</u> Deteriorating financial conditions were noted. At fiscal year-end, the District reported deficit fund balances in the general fund and the debt service fund. The Developer and the Landowners have largely stopped funding the District, and the future of the project remains uncertain. A significant portion of the assessments for fiscal years 2009-2018 remain delinquent. As a result, certain scheduled debt service payments were made, in part, by draws on the Debt Service Reserve Account in prior fiscal years, which resulted in the Debt Service Reserve Fund being underfunded. In addition, the District did not have sufficient funds to make certain scheduled debt service payments in the prior, current, and subsequent fiscal years and, as a result, the payments were not made when due and, in some cases, remain unpaid. The auditors recommend that the District take the necessary steps to alleviate the deteriorating financial condition. (See PDF Page 30)	N/A	2019 (FY 2016-17)	Prior year correspondence stated: The District has authorized filing of a 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. <u>Most recent status:</u> Please be advised there has been no material additional corrective action taken by the District from what was provided in the prior response.	Yes
Crossings At Fleming Island Community Development District, The	Clay County	<u>15-01 - Failure to Make Debt Service Payments When Due:</u> In the current and prior years, the District did not pay the entire principal and interest due on the Golf Course Revenue Bonds Series 1999 because the Developer did not pay debt service assessments owed to the District. The auditors recommend that the District utilize all remedies available to bring debt service payments current. (See PDF Page 45)	N/A	2019 (FY 2016-17)	The District has recently completed approximately \$1.5M of capital improvements designed to improve the financial performance of the golf course and its related facilities. While the course is not yet generating sufficient excess revenues to resolve the issues addressed in the FY 2016-17 audit report, the Board of Supervisors and District staff continue to work diligently toward that goal.	Yes

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Crossings At Fleming Island Community Development District, The (Continued)	Clay County (Continued)	<u>15-02 - Failure to Meet Debt Service Reserve Account Requirement:</u> At fiscal year-end, the Debt Service Reserve Account was deficient. The balance in the Debt Service Reserve Account was used to pay debt service requirements. The auditors recommend that the District utilize all remedies available to replenish the Debt Service Reserve Account. (See PDF Page 46)	N/A	2019 (FY 2016-17)	The District has recently completed approximately \$1.5M of capital improvements designed to improve the financial performance of the golf course and its related facilities. While the course is not yet generating sufficient excess revenues to resolve the issues addressed in the FY 2016-17 audit report, the Board of Supervisors and District staff continue to work diligently toward that goal.	Yes
Cypress Cove Community Development District	Broward County	<u>2018-01 - Net Proceeds:</u> The Bond indenture requires the District to send to the Trustee the net proceeds of debt service assessment received to be deposited in a revenue fund established by the Trustee. The District has only sent the funds sufficient to make each debt service payment as it comes due. The auditors recommend that the District determine the amount of funds that should have been sent to the Trustee but were not and send those funds to the Trustee as soon as possible to be deposited in the revenue fund. (See PDF Page 28)	N/A	2019 (FY 2016-17)	The District terminated its existing CDD management company and hired Governmental Management Services - South Florida, LLC (GMS) to provide the day-to-day management, financial, and administrative services to the District. Therefore, the assessments collected for FY 2016-17 were already transferred to the Trustee, and corrective action was not possible. Since GMS was responsible for the financial reporting requirements of the District for FY 2017-18, this finding was corrected and not anticipated to be incurred in future fiscal years.	Yes

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Daytona Beach Racing and Recreational Facilities District	Volusia County	<u>2018-001 - Reconciliation of Show Revenues:</u> The auditors noted that management compiled the schedule of show revenues by space on a monthly basis, but did not reconcile the schedule to the general ledger maintained by the contracted accounting firm until after the shows during the fiscal year were completed. The reconciliation should be used as a tool to ensure show revenues are reasonable on a fiscal basis and for management analysis throughout the year. The auditors recommend that management not only compile the schedule, but reconcile the figures to the general ledger maintained by the contracted accounting firm on a monthly basis. (See PDF Page 28)	N/A	2019 (FY 2016-17)	While the District has year-round operations, the main work and focus of the District are two car shows held at the Daytona International Speedway in November and March. After receipt of auditor comments, there is a delay in the ability to implement because the shows only occur twice a year. So, a similar comment was recently received in connection with the FY 2017-18 audit. District staff implemented the audit recommendation prior to and for the Fall of 2018 and Spring 2019 shows which are not reflective of the FY 2017-18 audit but will be reflective in next year's audit. With that said, District staff has informed the auditor that the reconciliation report provides little to no value to the effective policing of the show's revenue. The pricing of rentable spaces to third parties, which is a material revenue source for the District, is not static because of the varying size of spaces (both during and between shows) and the varying conditions and benefits (based on varying locations of other vendors), whether caused by the landlord, changes by the District, or weather. However, the District has implemented the recommendation.	Yes

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Doctors Memorial Hospital	Holmes County	<u>2018-002 - Accruals and Balance Sheet Presentation:</u> Management is responsible for establishing and maintaining effective internal control over financial reporting and presenting financial statements in accordance with generally accepted accounting principles (GAAP). Audit adjustments were required to adjust prepaid expense and accounts payable for FY 2018-19 amounts not yet paid at fiscal year-end; to adjust accounts payable and capital assets to record outstanding liabilities associated with capital purchases; and to correct accumulated depreciation and depreciation expense for an entry which was recorded in reverse. The Chief Financial Officer resigned from the Hospital before the fiscal year-end ledger was completely closed, which likely resulted in certain routine adjustments not being recorded and other reconciling items not being corrected in a timely manner. The auditors recommend that management continue to focus on strengthening internal controls surrounding financial reporting and the proper presentation of financial statements in accordance with GAAP and ensure that appropriate measures are taken to capture all assets and liabilities. The auditors further recommend that financial close procedures include reconciliations of all capital asset and related accumulated depreciation accounts and an analysis of prepaid expenses. (See Revised ML, PDF Page 1)	SD	N/A	N/A	Yes

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Durbin Crossing Community Development District	St. Johns County	<u>18-01 - Failure to Meet Debt Service Reserve Account Requirement:</u> At fiscal year-end, the Series 2006 Debt Service Reserve Account was deficient. In prior years the funds in the Series 2006 Debt Service Reserve Account were used to pay debt service payments. The auditors recommend that the District utilize all remedies available to replenish the Debt Service Reserve Accounts. (See PDF Page 35)	N/A	2019 (FY 2016-17)	The depletion of the Reserve Account resulted from the District's collection and enforcement against an owner of a parcel of land (Delinquent Land) that failed to pay debt service assessments (Series 2006-1 Assessments). As a result of that failure, the Delinquent Land was the subject of protracted foreclosure and bankruptcy proceedings. In order to deal with the assessment delinquency and subsequent repositioning of the Delinquent Land, the District's bondholders utilized funds in the Reserve Account. In May 2014, fee title to the Delinquent Land was obtained by a Special Purpose Entity (SPE) established by the Bond Trustee for the benefit of owners of another series of District bonds (Series 2005A), which have since been refunded and are no longer outstanding. The District subsequently entered into a forbearance agreement with the Bond Trustee and the SPE, upon direction of the majority bondholders, providing for payment of debt service assessments by a date certain. The District obtained bondholder consent in 2015 and extended the maturity of the Series 2006-1 Bonds by an additional five years. It is important to note that the First Amendment to the Fourth Supplemental Trust Indenture provides that the District is not required to replenish the 2006-1 Reserve Account to the extent monies were withdrawn by the Bond Trustee to pay for remedial expenses. The District did not replenish the 2006-1 Reserve Account, and there were no requests by the Bond Trustee or bondholders to do so. The Delinquent Land was sold to a national homebuilder in December 2015. As part of that transaction, the 2006-1 assessments on the Delinquent Land were brought current and a new two-year forbearance agreement was entered into with respect to the 2006-1 assessments on the Delinquent Land with the consent of the Bond Trustee and bondholders. <u>Most recent status:</u> In early 2019, the District paid off the 2006-1 Bonds in their entirety and discharged its obligations under the applicable trust indenture. Going forward, the District is no longer required to maintain a debt service reserve account for the 2006-1 Bonds, and this finding should not be repeated.	Yes

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Fiddler's Creek Community Development District Number 2	Collier County	<u>2010-01 - Debt Administration</u> : The Series 2003A and 2003B reserve accounts reflect deficits at fiscal year-end. The auditors recommend that the District maintain the required reserve account balance. (See PDF Page 37)	N/A	2019 (FY 2016-17)	As indicated in the District's responses for the past several years, the District is a party in a number of legal actions including Contract, Tort, Declaratory, and the Interpleader action that is specific to the 2003A and 2003B Debt Service Funds. Global mediation held on June 6-7, 2017, did not result in settlement of the case. Therefore, the case continues to work its way through the legal process. Most recent update: There has been some meaningful dialogue in recent weeks that may result in a settlement/work out.	Yes
		<u>2013-01 - Debt Administration</u> : The District did not meet the debt service requirements for the Special Assessment Revenue Bonds, Series 2003A and 2003B, for the current fiscal year. The auditors recommend that the District make the debt service payments when due. (See PDF Page 37)	N/A	2019 (FY 2016-17)	See response to Finding #2010-01 above.	Yes
Florida Keys Mosquito Control District	Monroe County	<u>2018-01 - General Accounting Records</u> : Audit testing of accounts payable, including the search for unrecorded liabilities, disclosed subsequent payments for related fiscal year items that were not properly included at fiscal year-end. The auditors recommend that the open invoice file be reconciled with the balance in the general ledger at the end of every month/year end and differences, if any, be investigated and resolved promptly. (See PDF Page 39)	N/A	2019 (FY 2016-17)	The District has created an open invoice file for month and year-end accounting purposes. Open invoices and general ledger balances are reconciled, and any differences are investigated and resolved.	Yes

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Fred R. Wilson Memorial Law Library	Seminole County	<u>ITEM-3 - Electronic Cash Disbursements</u> : The Library uses the SunTrust online bill pay portal. It has been noted that this system does not require Trustee approval to safeguard payment against improper amounts and unauthorized vendors. The auditors recommend that the Library institute a Trustee approval step prior to electronically disbursing the funds. (See PDF Page 29)	N/A	2018 (FY 2015-16)	The Library has limited staff that consists of two librarians. The Board and management of the Library have determined from a cost/benefit analysis, that it is not practical to expend funds to employ additional personnel to correct these deficiencies. Specifically, it is not practical to set up a trustee approval step within the Sun Trust online bill pay portal. Management has taken steps to mitigate the deficiencies, including: (1) the Board approves all disbursements of funds; (2) a Board member approves specific disbursements by signing the invoice; (3) the Board approves all purchase commitments and employee salary levels, bonuses, raises, and benefits; (4) the Board reviews budget vs. actual expenditures and cash balances on a periodic basis; (5) the Board engages a CPA to compile quarterly financial statements; (6) the Board reviews and approves such compiled financial statements; and (7) the Board has implemented a change to its bank account agreement to implement safeguards on transfer of funds. The Library feels that the compensating controls implemented mitigate the risks associated with the underlying deficiencies.	Yes
Gramercy Farms Community Development District	Osceola County	<u>12-03 - Failure to Meet Debt Service Reserve Account Requirement</u> : The District did not maintain the minimum balance in the Series 2007 Debt Service Reserve Accounts. The Debt Service Reserve Accounts were deficient at fiscal year-end, and the District is not in compliance with all trust indentures. The auditors recommend that the District utilize all legal remedies available to collect assessments and replenish the Debt Service Reserve Accounts. (See PDF Page 32)	N/A	2019 (FY 2016-17)	The District has taken all necessary and available actions in order to comply with the Trust Indenture. A SPE was formed and took ownership of the unplatted land. During a prior year, the bonds were restructured to enable the District to continue with development of the property and completion of the construction project as amended. Due to the restructure, there is no anticipation that funds deposited in the trust accounts will be used to replenish the reserve account relating to the Series 2007 bonds. Such bonds will either be paid off or forgiven when all SPE land is sold. The District's position is that corrective action, to the extent it can be at this time, has been taken.	Yes

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Gramercy Farms Community Development District (Continued)	Osceola County (Continued)	<u>12-04 - Financial Condition Assessment:</u> The District's financial condition has deteriorated. In a prior year, the Developer failed to pay debt service assessments, causing the District to be unable to pay certain debt service payments when due. An event of default was declared, and the debt was subsequently restructured with the agreement of the bondholders. The restructured agreement requires no current payments, and the Special Purpose Entity (SPE) is now funding the District; however, the overall effect of these actions on the District's financial condition cannot be determined at this time. The auditors recommend that the District utilize all legal remedies available to improve the present financial condition. (See PDF Page 35)	N/A	2019 (FY 2016-17)	In a prior year, the Developer failed to pay debt service assessments, causing the District to be unable to pay certain debt service payments when due. An event of default was declared, and the debt was subsequently restructured with the agreement of the bondholders. The restructured agreement requires no current payments, and the SPE is now funding the District. The overall effect of these actions on the District's financial condition cannot be determined at this time. The District's position is that corrective action, to the extent it can be at this time, has been taken.	Yes

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Gramercy Farms Community Development District (Continued)	Osceola County (Continued)	<u>12-01 - Failure to Include Component Unit Financial Statement in the Financial Report:</u> The Special Purpose Entity (SPE) is not included as a component unit in the District's financial report. The auditors recommend that the District include the SPE as a discretely-presented component unit of the District's government-wide financial statements. (See PDF Page 34)	N/A	2019 (FY 2016-17)	Management does not agree that the SPE should be included as a blended component unit on the government-wide financial statements. [Committee staff note: The auditor recommended, both in the 2016-17 and 2017-18 fiscal year audit reports, that the District include the SPE as a discretely presented component unit, not a blended component unit.] Management feels that it would be misleading to the users of the financial statements to include the SPE as a component unit for the following reasons: (1) The District has no ownership and/or control over the SPE and in no way can it impose its will on the SPE; (2) The District will not benefit from the activities of the SPE; (3) When the land held by the SPE is sold, the proceeds will be paid to the Bondholders to satisfy the Bond debt; and (4) The District will not be responsible for any deficiency between the net proceeds of the sale of the SPE-owned land and the associated Bond debt not satisfied or secured by assessments. As of June 2019, the SPE continues to sell lots with phase 6 being sold in September 2018 and phase 9 being sold in February 2019. The SPE will exist until all remaining lots are sold. The District's position is that corrective action, to the extent it can be at this time, has been taken.	Yes

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Heritage Isles Community Development District	Hillsborough County	<u>2009-01 - Debt Administration</u> : The District continues to meet a condition described in Section 218.503, Florida Statutes, in that it failed to make the required debt service payments on the Series 1999 Recreational Revenue Bond, which are secured by the pledged revenue of the Golf Course and Restaurant. (See PDF Page 45)	N/A	2019 (FY 2016-17)	Prior years' correspondence described a brief history and status of the District, stating that the District owns and operates an 18-hole golf course and supporting restaurant and, unfortunately, the recreational golf industry continues to suffer declining play and revenues in recent years resulting in an account deficit in the District's Enterprise Fund. The District's Recreational Revenue Bonds are true "revenue bonds," solely payable from and secured by the "Pledged Revenues" for the Bonds, effectively defined in the Bond Indenture as the net operating revenues from the golf course and restaurant. Therefore, if the golf course and restaurant fail to generate net operating profits, the bondholders do not receive payment. The Board has diligently worked to reduce the operational expenses and maximize profitability of the golf course related operations; however, such operations have not generated sufficient net operating revenues to make further payments on the Bonds for FY 2012-13 through current. <u>Most recent status</u> : The financial conditions of the golf course facilities remains unchanged, in that the operating revenues fall short of funding all of the annual costs and expenses associated with the golf course facilities. No material changes or events have occurred since the prior year response, and the financial performance of the golf course facilities remains relatively static due to market conditions, the age of the course, and weather conditions during the most recent fiscal year. The Board is very attentive to the financial condition issue and continues to take corrective action to favorably address the audit finding. For example, during FY 2015-16, the District incurred significant expense renovating the "greens" to ensure the golf course will remain competitive and attractive in the market place. In addition, a renovation of the restaurant facilities was recently completed, which appears to have improved food service operations. The lease tenant for the restaurant portion of the District's facilities has changed, with the new commercial lease effective November 2017, and the restaurant tenant is currently making timely rent payments. The Board has no plans to close the restaurant and golf course facilities, primarily due to the detrimental effect such a closure might have on the property owners in the District, and will continue making diligent efforts to maximize and improve operational revenue from the restaurant and golf course facilities.	Yes

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Heritage Isles Community Development District (Continued)	Hillsborough County (Continued)	<u>2014-01 - Financial Condition:</u> The Restaurant and Golf Course operated at a deficit for the fiscal years ended September 30, 2014, 2015, 2016, 2017, and 2018. Although the Restaurant was leased to a new tenant during the 2016-17 fiscal year, the tenant did not make four monthly rent payments during the year. (See PDF Page 46)	N/A	2019 (FY 2016-17)	See response to Finding #2009-01 above.	Yes
Holmes Creek Soil and Water Conservation District	Holmes County	<u>2016-001 - Budget Administration:</u> The District did not adopt a balanced budget by resolution as required by Section 189.016, Florida Statutes. This issue has continued from the fiscal year ended September 30, 2014. The auditors recommend that the District prepare a budget in order to be in compliance with Section 189.016, Florida Statutes, and make necessary amendments as the year progresses. (See PDF Page 33)	N/A	2019 (FY 2016-17)	The District is in the process of preparing a budget and will be making necessary amendments as the year progresses.	Yes
		<u>2014-01 - Expenditures/Expenses:</u> A Board member does not approve invoices prior to payment. The auditors recommend that a member of the Board of Directors review and approve invoices prior to payment to ensure proper internal controls are in place. (See PDF Page 37)	N/A	2019 (FY 2016-17)	The District has implemented the practice that Board members who are reviewing invoices for payment will initial the invoice before signing the check to verify they have examined said invoice.	Yes
		<u>2016-01 - Revenues/Collections:</u> The auditors noted that administration fees paid to the District through grant contracts are not being transferred from the grant cash account to the regular account. The auditors recommend that the funds be transferred out of the grant account in order to track grant funds appropriately. (See PDF Page 37)	N/A	N/A	N/A	Yes

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Homosassa Special Water District	Citrus County	<u>ML17-1 - Interfund Balances</u> : The District is transferring cash from the General Fund to the Water System Revenue Fund; however, this flow of cash is being recorded as a loan rather than a transfer out. Tax revenues continue to accumulate in the General Fund, and only the annual debt payment amount is being recorded as a transfer to the Water System Revenue Fund. The auditors recommend that the District consider forgiving the balance due to the General Fund if it does not expect the Water System Revenue Fund to repay this balance. The auditors further recommend that, if the District plans to repay the General Fund, a repayment plan be set up to reduce the interfund balance. (See PDF Page 49)	N/A	N/A	N/A	Yes
Indian Trail Improvement District	Palm Beach County	<u>2018-02 - Purchasing and Disbursement Policies and Processes</u> : The District provided to the auditors inadequate formal documentation to demonstrate adherence to procurements procedures for certain items, including documentation of obtaining required number of quotes, request for proposal, and bid documentation, and authorization of exceptions to procurement policy, including documentation to sole source providers. The auditors recommend that the District implement procedures to ensure that all procurement procedures are adhered to and written documentation demonstrating compliance is uniformly retained. Furthermore, the auditors recommend that the District consider implementing written procedures for exceptions to general policies and required documentation, including documentation of sole source provider determination and approval. (See PDF Page 73)	SD	N/A	N/A	Yes

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Indigo Community Development District	Volusia County	<u>2018-01 - Financial Condition Assessment:</u> The District's financial conditions continue to deteriorate. The debt service fund had a deficit fund balance at fiscal year-end. In the prior, current, and subsequent fiscal years, major landowners in the District failed to pay significant portions of their assessments. As a result, certain debt service payments were not made, resulting in events of default. In addition, the District has not met the debt service reserve requirement. The District is economically dependent on the major landowners of the District. Furthermore, the title work necessary to commence foreclosure proceedings has been completed, but a foreclosure complaint has not yet been filed by the District. The auditors recommend that the District take the necessary steps to alleviate the deteriorating financial condition. (See PDF Page 31)	N/A	2019 (FY 2016-17)	Prior year correspondence described history and status of the District: Major landowners failed to pay their annual debt service assessments securing the Series 1999C and Series 2005 Bonds. As a result, the District had to utilize the funds in reserve accounts to make debt service payments and subsequently utilized the uniform collection method to ensure a more secure collection method of debt service assessments. Unlike other areas of the state, the real estate market for lands within the District has not recovered. Accordingly, the District has taken various actions in coordination with the major landowners, bondholders, and bond trustee in order to resolve the continued financial problems. The District has declared the project complete for economic reasons, allowing the District to redeem \$6.8 million of outstanding bonds and reduce its annual debt service payments. <u>Most recent status:</u> The District has executed two settlement agreements with major property owners that included payment of past due delinquent Operation and Maintenance and Debt assessments for the Series 1999C and 2005 Bonds. In addition, the District has commenced foreclosure proceedings on several parcels which have delinquent assessments. These actions don't result in the total correction of the continued finding; however, it represents significant progress towards that accomplishment. The District's operating revenues continue to exceed its operating expenses, and the District does not require any financial assistance from the state.	Yes

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Jackson Soil and Water Conservation District	Jackson County	<u>14-001 - Expenditures/Expenses:</u> It was noted during the audit that a Board member does not approve invoices prior to payment. The auditors recommend that a member of the Board of Directors review and approve invoices prior to their payment to ensure proper internal controls are in place. (See PDF Page 43)	N/A	2019 (FY 2016-17)	The District does approve all invoices prior to payment to ensure proper internal controls are maintained and that the integrity of the District's mission is continued. Further, the Board requires two signatures on all checks written to handle financial obligations.	Yes
Lakeside Plantation Community Development District	Sarasota County	<u>2018-01 - Reserve Requirement:</u> As a result of unscheduled draws on the Series 1999 debt service reserve account to make certain scheduled debt service payments, the District did not meet the reserve requirement at fiscal year-end. The auditors recommend that the District take the necessary steps to replenish the reserve account. (See PDF Page 30)	N/A	2019 (FY 2016-17)	Prior year correspondence described history and status of the District relating to the District's acceptance of a deed in lieu of foreclosure of certain land within its boundary due to the nonpayment of debt service assessments levied on such property. In relation to this transaction and as permitted by the District's trust indenture, a majority of the bondholders caused a distribution of 95% of the Reserve Account in June 2004, which distribution has resulted in this ongoing audit finding. <u>Most recent status:</u> There have been no material changes in relation to the amount of funding in the District's Reserve Account. Given the circumstances in which the Reserve Account was depleted, the District has not previously desired to assess landowners and residents in order to replenish the Reserve Account. As in prior years, the District does not presently intend to assess such landowners and residents and remains under no obligation to do so. Alternatively, the District has actively investigated the viability of refinancing its outstanding Bonds, the result of which would likely require the establishment and funding of a new reserve account. The District has continued to monitor the ongoing financial climate in order to determine whether a potential for refinancing may exist. However, despite the Board's ongoing interest, the District has yet to be presented with any viable refinancing options.	Yes

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Madeira Community Development District	St. Johns County	<u>16-01 - Failure to Make Debt Service Payments When Due:</u> In the current and prior years, the District was unable to pay all of the principal and interest due on the Series 2007 Bonds because the Developer did not pay debt service assessments owed to the District. At fiscal year-end, the District was not in compliance with the requirements of the Bond Indenture and has met a financial emergency condition as described in Section 218.503(1), Florida Statutes. The auditors recommend that the District utilize all remedies available to bring debt service payments current. (See PDF Page 36)	N/A	2019 (FY 2016-17)	The District is pursuing delinquent assessments. Pursuant to the Bond's Trust Indenture, the Trustee and the Bondholders are authorized to direct remedial proceedings upon the failure of the District to make debt service payments on the Bonds. To date, the Bondholders have directed the District to refrain from remedial actions. Accordingly, the District is deferring to the direction of the Trustee and the Bondholders regarding such remedial proceedings. The majority Bondholder now controls the District's Board and provides direction on collection of assessments. Several lots have had the debt accelerated and prepaid. In April 2019, the Trustee redeemed \$705,000 of S2017A bonds and \$280,000 of 2007B. The District's position is that corrective action, within the ability of the District, has been taken.	Yes
		<u>16-02 - Failure to Meet Debt Service Reserve Account Requirement:</u> At fiscal year-end, the Debt Service Reserve Account was deficient. The balance in the Debt Service Reserve Account was used to pay debt service requirements. The auditors recommend that the District utilize all remedies available to replenish the Debt Service Reserve Account. (See PDF Page 36)	N/A	2019 (FY 2016-17)	As stated in the response for Finding #16-01 above, the Bondholder provides direction to the District, including whether to replenish the debt service reserve account. At this time the Bondholder has not requested the account to be fully funded.	Yes

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Madison County Health and Hospital District	Madison County	<u>2018-001 - Information Technology</u> : The Chief Financial Officer and the human resource officer have access to more system modules than necessary to complete job-related tasks, creating a lack of segregation of duties in various processes including the financial reporting, cash, payroll, and accounts payable functions. Due to the nature of operations, there are not enough personnel to adequately staff all functions, creating the need for key personnel to perform tasks outside their normal duties. The auditors recommend that a review process of system access be performed to determine which access is necessary to carry out day-to-day activities and limiting access, where possible. The auditors further recommend that an additional review process be implemented at the administrator or Board level for areas where segregation is not possible. (See PDF Page 33)	SD	2019 (FY 2016-17)	The Hospital addressed the system modules' access of personnel by limiting access to only personnel needed to carry out day-to-day activities for several staff members. A quarterly review of user access continues to be performed to remove access not currently needed. Currently, only the CFO and human resource (HR) officer have access to more system modules than necessary. However, due to staffing constraints and the multiple hats culture of critical access hospitals, there are not enough personnel to adequately staff all functions, creating the need for the CFO and HR officer to perform tasks outside their normal duties. In these instances where segregation is not possible, the CEO performs additional reviews.	Yes

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Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Magnolia Creek Community Development District	Walton County	<u>2018-02 - Financial Condition Assessment</u> : The District's financial conditions continue to deteriorate. The Developer failed to pay assessments during prior fiscal years. As a result, the District foreclosed on the related property which was acquired by the SPE. Due to lack of sufficient funds, certain scheduled debt service payments were not made in the prior, current, or subsequent fiscal years, resulting in events of default. In addition, the reserve requirements of the Series 2007 Bonds have not been met. Further, the debt service fund reported a deficit fund balance of (\$25,197,502) at fiscal year-end. The auditors recommend that the District take the necessary steps to alleviate the deteriorating financial condition. (See PDF Page 32)	N/A	2019 (FY 2016-17)	The District has taken all necessary and available actions in order to comply with the Trust Indenture. In November 2013, a final judgment of foreclosure conveyed the certificate of title on the property subject to the foreclosure to the successful bidder, Magnolia Creek CDD Holdings, LLC (LLC). The LLC's activities with respect to the Foreclosure Properties are governed by a tri-party agreement between the District, the LLC, and the Trustee pursuant to the Master Trust Indenture and First Supplemental Trust Indenture for the Series 2007 Bonds. Pursuant to the tri-party agreement, the LLC has agreed to own, maintain, sell, and/or dispose of the Foreclosure Properties for the benefit of the District, who, in turn acts for the benefit of the owners of the Series 2007 Bonds in relation to maintenance and disposal of the Foreclosure Properties. The LLC has assumed responsibility for delinquent operating and maintenance assessments owed to the District and has agreed to pay future operating and maintenance assessments. At this time, it is uncertain as to when and if the reserve fund will be replenished. The District's position is that corrective action, within the ability of the District, has been taken relating to the finding.	Yes
		<u>2018-01 - Appraisal Not Performed and Land Held for Resale Not Recorded</u> : No appraisal was performed on the property owned by the Special Purpose Entity (SPE). Consequently, while the property should be recorded in the financial statements as land held for resale, no amount was recorded in the financial statements related to this asset as the market value of the property could not be determined. The auditors recommend that an annual appraisal be performed on the property owned by the SPE to determine its value as of the end of each fiscal year. (See PDF Page 32)	MW	2019 (FY 2016-17)	Magnolia Creek CDD Holdings, LLC is a Florida limited liability company (LLC) established by the District to hold lands acquired by the District through the foreclosure of special assessment liens. No appraisal was performed on the land owned by the LLC due to lack of available funds by the District.	Yes

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

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Marion Soil and Water Conservation District	Marion County	<u>16-01 - Financial Statement Preparation Knowledge:</u> District personnel's lack of knowledge and familiarity with Governmental Accounting and Financial Accounting Standards prohibits the District from being able to prepare financial statements with adequate and proper disclosures and free of material misstatements. The auditor recommends that District personnel increase their knowledge of the standards sufficiently to allow them to prepare financial statements including the notes in accordance with generally accepted accounting principles. (See PDF Page 24)	N/A	N/A	N/A	Yes
Meadow Pointe IV Community Development District	Pasco County	<u>13-01 - Failure to Make Debt Service Payment When Due:</u> The Special Assessment Revenue Bonds, Series 2004, 2005, 2007, and 2012, require semiannual interest and principal payments per the Bond Indenture. In the current and prior years, interest and principal were not paid on the bonds. In prior years, debt service assessments were not paid to the District due to landowner bankruptcies. During the current year, the District paid \$1,102,637 of the matured interest payable. As of fiscal year-end, the District was not in compliance with the requirements of the bond indenture and has met a financial emergency condition as described in Section 218.503(1), Florida Statutes. The auditors recommend that the District utilize all legal remedies available to collect delinquent assessments to bring the debt service payments current. (See PDF Pages 38-39)	N/A	2019 (FY 2016-17)	In a prior year, the Trustee, on behalf of the bondholders, created a Special Purpose Entity (SPE) to own, manage, and dispose of land taken in lieu of foreclosure from three significant landowners of the District. The District, Trustee, and SPE entered into a tri-party agreement whereby the SPE assumed responsibility for the prior year debt service assessments owed to the District related to the land owned by the SPE. Also, in a prior year, the bonds were restructured and portions of the Series 2004, 2005, and 2007 bonds were exchanged for Series 2012A-1 and A-2 bonds; the unexchanged portions are still outstanding. Subsequently, the SPE sold all of the remaining lots to a developer to complete the development. As the developer sells lots, funds are remitted to the Trustee to pay principal and interest on the unexchanged bonds. The principal on the restructured bonds is in forbearance until the maturity date. In FY 2017-18, the District paid \$1,102,637 of the matured interest payable.	Yes

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Meadow Pointe IV Community Development District (Continued)	Pasco County (Continued)	<u>13-02 - Failure to Meet Debt Service Reserve Requirement:</u> The Trust Indentures require the District to keep minimum balances in the Debt Service Reserve Accounts. In prior years, Debt Service Reserves were used to pay debt service on the bonds due to landowner bankruptcies. The District is not in compliance with all trust indentures. The auditors recommend that the District utilize all legal remedies available to collect delinquent assessments to replenish the Debt Service Reserve Accounts. <u>Current status:</u> The reserve balances are in compliance with the required balance. (See PDF Page 36)	N/A	2019 (FY 2016-17)	Portions of the Series 2004, 2005, and 2007 Bonds were exchanged for Series 2012 Bonds. Subsequent to this, a portion of the 2012B-2 Bonds were exchanged for Series 2014A Bonds. As part of this exchange, any remaining funds in the Series 2004, 2005, and 2007 bond trust funds were transferred to the trust funds relating to the Series 2012 bond trust funds. As of June 2019, the debt service reserve requirement has mostly been met with only a small delinquent balance remaining.	No  (See Current Status in Audit Finding)
		<u>13-03 - Failure to Include Component Unit Financial Statement in the Financial Report:</u> The Special Purpose Entity (SPE) is not included as a component unit in the District's financial report. Due to lack of control by the District and that the SPE's primary beneficiary is the Bondholders, the District's position is that the SPE is not a component unit of the District. The auditors could not audit the records or include them as a discretely-presented component unit in the District's government-wide financial statements. The auditors recommend that the District include the SPE as a discretely-presented component unit in the District's government-wide financial statements. (See PDF Pages 39-40)	N/A	2019 (FY 2016-17)	Management does not agree that the SPE should be included as a discretely-presented component unit on the government-wide financial statements. Management feels that it would be misleading to the users of the financial statements to include the SPE as a component unit for the following reasons: (1) The District has no ownership and/or control over the SPE and in no way can it impose its will on the SPE; (2) The District has not benefitted from the activities of the SPE; (3) When the land held by the SPE was sold, the proceeds were paid to the Bondholders to satisfy the Bond debt; and (4) The District will not be responsible for any deficiency between the net proceeds of the sale of the land and the associated Bond debt. Additionally, the SPE has sold its remaining lots to a subsequent developer for the purposes of finishing the development. Therefore, the SPE is no longer a landowner within the boundaries of the District.	Yes

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Midtown Miami Community Development District	Miami-Dade County	<u>2012-01 - Fund Equity</u> : The District continues to report a net position deficit in the Enterprise Fund at fiscal year-end for which sufficient resources were not available to cover the deficit. (See PDF Pages 41-42)	N/A	2019 (FY 2016-17)	The net position deficit is attributable to the fact that depreciation occurs at a faster rate than the current principal reduction payments on the bonds. As such, this finding will be repeated for many years to come. In other words, the magnitude of annual principal payments will increase year over year, and they will eventually overtake annual depreciation expense, thereby resolving the net deficit over time. The District has a strong cash position as revenues substantially exceed expenses less depreciation, which is a non-cash item.	Yes

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Montecito Community Development District	Brevard County	<u>2017-01 - Financial Condition Assessment:</u> The District's financial conditions continue to deteriorate. The Developer and certain major landowners failed to pay a significant portion of the assessments in fiscal years 2009-2015, resulting in significant delinquent assessments. As a result, reserve funds were used to partially pay certain required debt service payments during the current and prior fiscal years. In addition, certain required debt service payments were not made during the prior, current, and subsequent fiscal years, resulting in events of default. The reserve requirement on the Series 2006A Bonds has not been met as a result of the financial condition of the District. Further, the debt service fund reported a deficit fund balance at fiscal year-end. The auditors recommend that the District continue taking the necessary steps to alleviate the deteriorating financial condition. (See PDF Page 35)	N/A	2019 (FY 2016-17)	Prior years' correspondence stated that the District and Bondholders were working to alleviate this issue through efforts to collect delinquent assessments. The Trustee, on behalf of the Bondholder, created or caused to be created a Special Purpose Entity (SPE) to own, manage, and dispose of the property subject to the delinquent Series 2006 assessments. The District, Trustee, and SPE entered into a tri-party agreement whereby the District will bill the SPE for operations and maintenance assessments. However, the debt service assessments will be held in abeyance and continue to constitute a lien on the property. If the SPE is successful in selling the land, the amount of debt service assessments to be collected by the District is uncertain at this time. Also, it is uncertain as to when the findings will be corrected. The District has approved construction contracts for the necessary improvements to develop the final phase of the District's development that is the primary reason for the finding. The property is being sold to builders and homeowners resulting in additional annual assessments being collected which is reducing the deteriorating financial condition. Once the final lot is sold on this project, the remaining unsecured debt will be cancelled and the finding will be removed from future audit reports. <u>Most recent status:</u> There has been no material corrective action taken by the District other than what was reported in prior year responses. Also, it is important to note that the District is currently collecting sufficient annual assessments to fund operating expenses and does not require any financial assistance from the state.	Yes

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Naturewalk Community Development District	Walton County	<u>12-01 - Failure to Meet Debt Service Reserve Requirements:</u> The Trust Indenture requires the District to maintain certain minimum amounts in the Debt Service Reserve Accounts. The District has not maintained the required reserve amounts for several years. The auditors recommend that the District utilize all legal remedies available to collect assessments and replenish the Debt Service Reserve Accounts. (See PDF Page 34)	N/A	2019 (FY 2016-17)	The District's lack of sufficient funds was due to certain landowners failing to pay their debt service special assessments securing the District's Special Assessment Bonds, Series 2007A and 2007B, when due. The District and the Bondholders have been working to alleviate these issues. In a prior year the District had entered into a Forbearance Agreement with the successor bond trustee and others. The Forbearance Agreement expired in February 2013, at which time all installment payments were due to the District. All installment payments have been received in full. Furthermore, certain property identified in the Forbearance Agreement was conveyed to a special purpose entity (SPE) established by the Trustee for purposes of owning, managing, and selling such property in an effort to minimize the adverse impacts resulting from nonpayment of a portion of the debt service assessments. It is uncertain as to when and if the reserve fund will be replenished with funds received either per the Forbearance Agreement or in connection with a sale of the property owned by the SPE.	Yes
		<u>12-02 - Failure to Make Bond Debt Service Payments When Due:</u> The District has been unable to make the required debt service payments when due since November 2015. The auditors recommend that the District use all legal remedies available to collect delinquent assessments and bring debt service payments current. (See PDF Page 34)	N/A	2019 (FY 2016-17)	In January 2015, outstanding principal and interest payments on the Bonds were satisfied. However, findings #12-01 and #12-02 are repeated in the FY 2016-17 audit report as subsequent to the November 2015 principal and interest payments had not been made in full due to insufficient funds in the trust accounts because of SPE-related expenses being paid by the Trustee. The Trustee, on behalf of the Bondholders, has instructed the District to hold all debt service assessments in abeyance. It is the District's position, nevertheless, that corrective action, within the ability of the District, has been taken relating to the findings.	Yes

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Naturewalk Community Development District (Continued)	Walton County (Continued)	<u>15-01 - Failure to Include Component Unit Financial Statements in the Financial Report:</u> The District failed to include the financial statements of the Special Purpose Entity (SPE) as a discretely presented component unit in its financial statements as required by governmental accounting standards. The auditors recommend that the District include the SPE financial statements in future annual reports. (See PDF Page 33)	N/A	2019 (FY 2016-17)	Management does not agree that the SPE should be included as a discretely-presented component unit on the government-wide financial statements. Management feels that it would be misleading to the users of the financial statements to include the SPE as a component unit for the following reasons: (1) The District has no ownership and/or control over the SPE and in no way can it impose its will on the SPE; and (2) The District has not benefitted from the activities of the SPE.	Yes
Palm River Community Development District	Hillsborough County	<u>18-01 - Failure to Make Debt Service Payments When Due:</u> In the current and prior years, the District did not pay the principal and interest due on the Series 2007A and 2007B Bonds because it did not receive sufficient debt service assessments due to a Developer's non-payment and the subsequent Special Purpose Entity's acquisition of the Developer's land within the District. The District is not in compliance with the Trust Indenture and has met a financial emergency condition as described in Section 218.503(1), Florida Statutes. The auditors recommend that the District utilize all remedies available to bring debt service current. (See PDF Page 36)	N/A	2019 (FY 2016-17)	The Special Purpose Entity has been negotiating a real estate sale for over two years, and it's still in process. Existing assessments abeyant will remain in effect until a real estate deal is complete. Upon completion of the sale, the Bonds will be brought current, Debt Service Reserve amount will be recalculated, and Debt Service payments will be made based on an updated amortization schedule.	Yes
		<u>18-02 - Failure to Meet Debt Service Reserve Account Requirements:</u> At fiscal year-end, the Debt Service Reserve account requirements exceeded the balances in the Debt Service Reserve accounts. The Debt Service Reserve accounts were used to make prior year debt service payments on the Series 2007A and 2007B Bonds and to provide funds to the Special Purpose Entity for its use. The auditors recommend that the District utilize all remedies available to replenish the Debt Service Reserve Accounts. (See PDF Page 36)	N/A	2019 (FY 2016-17)	See response for Finding #18-01 above.	Yes

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Parker Road Community Development District	Alachua County	<u>IC2015-1 - 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 31)	N/A	2019 (FY 2016-17)	The District is working diligently with the Developer and taking direction from the Bondholder to obtain funds necessary to make scheduled debt service payments. The District has worked out an agreement in which additional payments are being made upon sale of lots to pay the past due assessments.	Yes
Portofino Isles Community Development District	St. Lucie County	<u>2016-01 - Financial Condition</u> : The debt service fund continues to maintain a deficit fund balance at fiscal year-end. The special assessments associated with the Series 2005 Bonds have not been collected since 2010, and, therefore after the reserve fund was depleted, there have not been funds available to make the required debt service payments. The Series 2005 Bonds are considered in default, and in accordance with the bond indenture a Special Purpose Entity (SPE) was established in a prior year to own, manage, maintain, and dispose of certain property associated with the delinquent Series 2005 Bond special assessments. (See PDF Page 34)	N/A	2019 (FY 2016-17)	Prior years' correspondence described brief history and status of the District: A special purpose entity (SPE) was created and holds title to certain developer-owned property within the District in lieu of foreclosure. The SPE was funding its share of the operating cost of the District; however, the findings had not been corrected and would not be corrected until the property is sold. <u>Most recent status</u> : There has been no material additional corrective action taken by the District from what was provided in the prior year response.	Yes

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Portofino Vista Community Development District	Osceola County	<u>2018-01 - Financial Condition Assessment:</u> The Developer owns almost all of the benefitted property associated with the Series 2006 Bonds and has not paid its share of assessments for prior, current, and subsequent fiscal years. As a result, the District did not have sufficient funds to make the Series 2006A and Series 2006B debt service payments due May 1, 2010, or during fiscal years 2011-2018, as applicable. The District's failures to make its scheduled debt service payments, when due, are considered events of default. The District also has deficits in the debt service reserve funds. Furthermore, the District reported a deficit fund balance of (\$4,226,516) in the debt service fund. The auditors recommend that the District take the necessary steps to alleviate the deteriorating financial condition. (See PDF Page 30)	N/A	2019 (FY 2016-17)	Prior years' correspondence described the history and status of the District: The developer stopped paying assessments in prior fiscal years, and the District filed a lawsuit seeking to foreclose on all property benefitted by Series 2006 Bonds for which there were delinquent assessments. The District dismissed the foreclosure lawsuit subject to negotiations of a settlement agreement between landowner, debt holders, and the District. The District entered into a settlement agreement in November 2014 and established a special purpose entity (SPE) to own, maintain, and market for resale the property within the District that has delinquent assessments. Once the property is sold, the outstanding delinquent assessments will be satisfied, and the bonds secured by the assessments on this property will be paid or cancelled. Unfortunately, the District is not able to correct the findings while this process continues. <u>Most recent status:</u> There has been no material additional corrective action taken by the District from what was provided in the prior year response.	Yes
Putnam Soil and Water Conservation District	Putnam County	<u>16-01 - Financial Statement Preparation Knowledge:</u> District personnel's lack of knowledge and familiarity with Governmental Accounting and Financial Accounting Standards prohibits the District from being able to prepare financial statements with adequate and proper disclosures and free of material misstatements. The auditor recommends that District personnel increase their knowledge of the standards sufficiently to allow them to prepare financial statements including the notes in accordance with generally accepted accounting principles. (See PDF Pages 23-24)	N/A	N/A	N/A	Yes

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Reunion East Community Development District	Osceola County	<u>13-01 - Failure to Make Bond Debt Service Payments When Due:</u> The Prior Developer failed to pay debt service special assessments to the District. Therefore, all of the debt service payments due on the Series 2005 and Series 2002A Bonds have not been made as of fiscal year-end. The auditors recommend that the District utilize all legal remedies available to collect delinquent assessments and bring debt service payments current. (See PDF Page 38)	N/A	2019 (FY 2016-17)	Prior years' correspondence stated that the District issued the Series 2015, Special Assessment Refunding Bonds, in order to refund the defaulted Special Assessment Bonds, Series 2002A-2 and Series 2005 Bonds (Prior Bonds). However, at the request of the debt holders of the Prior Bonds, the Series 2015 Bonds did not refund 100% of the Prior Bonds; a portion of the Prior Bonds remains outstanding and in a defaulted state. Therefore, the audit findings will continue until the full cancelation of the Prior Bonds is completed. The District is continuing to pursue resolution to this matter. A Bond exchange and the Series 2015 Bond issue provided the District with the opportunity for the orderly and continued development of a portion of the Reunion development within the District, permitted the District to resolve delinquencies related with the exchanged bonds, and provided the District additional time within which to retire the obligations originally evidence by exchanged bonds. <u>Most recent status:</u> There has been no material additional corrective action taken by the District from what was provided in the prior response. The District continues to work with all interested parties to provide a resolution to this matter. Also, it is important to note that the District continues to collect sufficient annual assessments to fully fund the operating expense and debt service payments on the Series 2015 Bonds and Series 2015A Bonds and does not require any financial assistance from the State.	Yes

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Reunion East Community Development District (Continued)	Osceola County (Continued)	<u>13-02 - Failure to Meet Reserve Account Requirement:</u> The District did not meet the reserve requirement on the Series 2005 Bonds at fiscal year-end. The District had to use amounts in the reserve account to pay debt service since the Prior Developer has not paid the special assessments to the District. The auditors recommend that the District utilize all legal remedies available to collect delinquent assessments and replenish the Reserve account. (See PDF Page 38)	N/A	2019 (FY 2016-17)	See response to Finding #13-01 above.	Yes
River Glen Community Development District	Nassau County	<u>15-02 - Failure to Make Debt Service Payments When Due:</u> The Developer did not pay debt service assessments owed to the District. As a result, in the current and prior years, the District did not pay all of the principal and interest due on the Series 2006 Bonds. At fiscal year-end, the District was not in compliance with the requirements of the Bond Indenture and has met a financial emergency condition as described in Section 218.503(1), Florida Statutes. The auditors recommend that the District utilize all remedies available to bring debt service payments current. (See PDF Page 37)	N/A	2019 (FY 2016-17)	A special purpose entity (SPE) was created by the District and the Trustee to hold, manage, and dispose of the property on behalf of the Bondholders. The SPE took title to the Developer property through foreclosure. Due to the foreclosure, the assessment lien on the property was released. The District, SPE, and a homebuilder have entered into an agreement to sell the SPE-owned lands. The proceeds from the sale will go to the Bondholders as payment toward the outstanding bond debt. The District's position is that corrective action, to the extent it can be at this time, has been taken.	Yes
		<u>16-01 - Debt Administration:</u> Failure to Meet Debt Service Reserve Account Requirement: The Debt Service Reserve Account was deficient at fiscal year-end. The balance in the Debt Service Reserve Account was used to pay debt service expenditures. The auditors recommend that the District utilize all remedies available to replenish the Debt Service Reserve Account. (See PDF Page 37)	N/A	N/A	N/A	Yes

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River Glen Community Development District (Continued)	Nassau County (Continued)	<u>15-01 - Land Held for Resale Not Recorded:</u> Due to lack of funding, no appraisal was performed on the land held for resale by the Special Purpose Entity (SPE). As a result, the market value of the land could not be determined at fiscal year-end, and no amount was recorded in the financial statements for this asset. The auditors recommend that an appraisal be performed on the land held for resale to determine its value and that the land be recorded in the financial statements. (See PDF Page 36)	MW	2019 (FY 2016-17)	No appraisal has been performed on the property owned by the SPE due to lack of funding; therefore, no value has been recorded in the financial statements as the market value could not be determined.	Yes
River Place on the St. Lucie Community Development District	St. Lucie County	<u>13-01 - Debt Administration:</u> The Special Assessment Bonds, Series 2001B, matured in 2010 and the principal outstanding balance of \$870,000 was not paid. The Special Assessment Bonds, Series 2001A, principal of \$95,000 was not paid during the current fiscal year. The balance owed at fiscal year-end was \$1,140,000 matured principal and \$276,472 matured interest. The auditors recommend that the District utilize all legal remedies to collect the past due special assessments and pay the outstanding balances due. (See PDF Page 36)	N/A	2019 (FY 2016-17)	The District was successful in its foreclosure lawsuit obtaining ownership of the final 70 lots that were owned by the original developer. The District needed to obtain ownership of these lots in order to resolve the current deteriorating financial condition and correct the finding. The District is working with a buyer of the property and county tax collector to resolve delinquent property tax payments. At the conclusion of this process, all past due assessments owed to the District and past due debt service payments owed to the bondholders will be either repaid or cancelled which will result in the finding being corrected. <u>Most recent status:</u> There has been no material additional corrective action taken by the District from what was provided in the prior year response.	Yes
		<u>13-02 - Debt Administration:</u> The District did not meet the reserve requirement of the Series 2001 Special Assessment Bonds. The auditors again recommend that the District collect the past due special assessments and fund the reserve to the required amount. (See PDF Page 36)	N/A	2019 (FY 2016-17)	See response to Finding #13-01 above.	Yes

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River Place on the St. Lucie Community Development District (Continued)	St. Lucie County (Continued)	<u>2016-01 - Financial Condition Assessment:</u> The District's financial conditions continue to deteriorate, and the future of the project remains uncertain. The Debt Service Fund has reported deficit fund balances at the end of the last four years. Nonpayment of assessments by the former Developer caused there to be insufficient funds available to make the required debt service payments on the Series 2001B Bonds beginning with the scheduled payments due on May 2012. As a result, the outstanding balance of principal and interest portion of the Series 2001B Bonds were not made. The District did pay \$184,831 of the outstanding interest balance last year. Additionally, the District did not make the current year principal or interest payment of Series 2001A Bonds. The failures by the District to pay its debt service are considered events of default. The auditors recommend that the District maintain the necessary steps to improve the deteriorating financial condition. (See PDF Page 36)	N/A	N/A	N/A	Yes

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Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Riverwood Estates Community Development District	Pasco County	<u>12-01 - Failure to Make Debt Service Payments When Due:</u> In the current and prior years, interest and principal were not paid on the Series 2006 Bonds. The Trustee has directed the District not to collect debt service special assessments. The District, therefore, is not receiving debt service assessments due to the Developer's nonpayment and the Special Purpose Entity (SPE) purchase of the land within the District. As of fiscal year-end, the District was not in compliance with the requirements of the bond indenture and has met a financial emergency condition as described in Section 218.503(1), Florida Statutes. The auditors recommend that the District utilize all remedies available to bring debt service payments current. (See PDF Page 32)	N/A	2019 (FY 2016-17)	The Trustee formed a SPE to hold, manage, and dispose of the property on behalf of the Bondholders. During a prior year, the SPE took title of the Developer property through a credit bid sale. The SPE has assumed responsibility for the operations and maintenance payments, and the SPE representatives serve as the Board of Supervisors for the District. The past due and future debt service payments will be held in abeyance until the Trustee notifies the District to the contrary. (Note: Letter states this finding as #15-01)	Yes
		<u>12-02 - Debt Administration:</u> The District was not in compliance with certain provisions of the Bond Indentures in that the District did not maintain the required reserve requirement. Reserve funds were utilized in a prior year to make certain debt service payments at the request of the bondholders. (See PDF Page 31)	N/A	2019 (FY 2016-17)	The SPE has assumed responsibility for the operations and maintenance assessments. The Trustee on behalf of the Bondholders is funding the SPE using bond proceeds, which is in turn, funding the District. This has resulted in the deficiency in the Debt Service Reserve Account. The deficiency will remain until the Trustee instructs the District otherwise. (Note: Letter states this finding # as 15-02)	Yes

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Riverwood Estates Community Development District (Continued)	Pasco County (Continued)	<u>12-03 - Failure to Include Component Unit Financial Statement in the Financial Report:</u> The Special Purpose Entity (SPE) is not included as a component unit in the District's financial report as required by generally accepted accounting principles. Due to the lack of control by the District and that the SPE's primary beneficiary is the bondholders, the District's position is that the SPE is not a component unit of the District. The auditors recommend that the District include the SPE as a discretely-presented component unit in the District's government-wide financial statements. (See PDF Page 33)	N/A	2019 (FY 2016-17)	Management does not agree that the SPEs should be included as blended component units on the government-wide financial statements. [Committee staff note: The auditor recommended, both in the 2016-17 and 2017-18 fiscal year audit reports, that the District include the SPE as a discretely presented component unit, not a blended component unit.] In summary, management feels that it would be misleading to the users of the financial statements to include the SPEs as component units for the following reasons: (1) The District has no ownership and/or control over the SPEs and in no way can it impose its will on the SPEs; (2) The District will not benefit from the activities of the SPEs; (3) When the land held by the SPEs is sold, the proceeds will be paid to the Bondholders to satisfy the Bond debt; and (4) The District will not be responsible for any deficiency between the net proceeds of the sale of the SPE-owned land and the associated Bond debt not satisfied or secured by assessments. (Note: Letter states this finding # as 15-03)	Yes

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Six Mile Creek Community Development District	St. Johns County	<u>2017-01 - Debt Administration</u> : The debt service fund has a deficit fund balance at fiscal year-end. Due to the Developer's failure to pay debt assessments securing its Series 2007 Bonds in the prior and current years, the District did not have sufficient funds to make certain scheduled debt service payments in the past and current years, and, as a result the payments were not made. The District's failures to make its scheduled debt service payments when due are considered events of default. In addition, the District was not in compliance with the reserve requirement. The auditors recommend that the District take the necessary steps to alleviate the financial condition and to comply with the reserve requirement. (See PDF Page 37)	N/A	2019 (FY 2016-17)	Prior years' correspondence described the history and status of the District: In April 2016, the District issued Capital Improvement Revenue Bonds, Series 2016, and in December 2017 the District issued its Capital Improvement Revenue Bonds, Series 2017. In connection with the issuance of the Series 2016 Bonds, a portion of the defaulted Series 2007 Bonds in the principal amount of \$24.5 million were cancelled. As a result of such cancellation, a portion of the defaulted assessments securing the Series 2007 Bonds levied over 545.46 acres were cancelled and have been replaced with new assessments securing the Bonds. All debt assessments securing the Bonds are current. A portion of the Series 2007 Bonds remain outstanding and in default after the issuance of the Series 2016 Bonds. <u>Most recent status</u> : The District continues to make progress towards full correction of the finding. A portion of the Series 2007 Bonds remain outstanding and in default. The District anticipates that, as the project further develops, the remaining Series 2007 Bonds and the assessments securing those bonds will be restructured in a manner similar to the Series 2015 Bonds and Series 2016 Bonds such that all of the District's bonds are performing. The District will continue to work with all interested parties to resolve this matter and is optimistic that it will be successful. At this time, it is the District's position that it does not need state assistance to resolve the identified conditions, and operating expenses continue to be funded on a monthly basis.	Yes

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South Central Regional Wastewater Treatment and Disposal Board	Palm Beach County	<u>2018-01 - Payroll and related:</u> During audit procedures, the auditors noted the following deficiencies: (1) Hours reported on the timecards for Board employees did not match the hours reported and paid per the payroll registers. The cause for the discrepancy resulted from the timecards being incorrectly read; (2) Payout of accrued vacation time to an employee that terminated during the year was above the max threshold in the Personnel Policy; (3) An employee's vacation payout after termination was less than it should be as a result of an incorrect calculation of hours accrued; (4) Certain personnel files were not updated with changes in employee rates for the current year; (5) Certain timesheets were not approved by supervisors; and (6) An employee was overpaid four hours of overtime as a result of an incorrect calculation of the timesheet. The auditors recommend that management provide appropriate training to the individual processing payroll to ensure that all payroll policies and procedures are followed. In addition, the auditors recommend that policies regarding carryover vacation time be followed or the policy be revised. (See PDF Page 33)	SD	2019 (FY 2016-17)	The Board has resolved part of this finding, that no employee can exceed the 260-hour vacation limit at the end of the fiscal year. Unfortunately, the FY 2017-18 audit still had a payroll comment, although slightly different problems were found. The problems were directly related to errors made by an inexperienced Administrative Assistant who was subsequently terminated. An administrative assistant experienced in payroll was hired October 2018; with this hire, the Board believes that the issue with payroll discrepancies will be resolved. Additionally, the vacation policy has been revised regarding carryover vacation time as suggested.	Yes

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Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Southern Hills Plantation II Community Development District	Hernando County	<u>2017-01 - Failure to Make Bond Debt Service Payments When Due:</u> In prior years, the District did not pay required debt service on the Series 2004 Bonds. The District was unable to make the required debt service payments due to the nonpayment of debt assessments owed to the District. At fiscal year-end, the District was not in compliance with the requirements of the Bond Indenture and has met a financial emergency condition as described in Section 218.503(1), Florida Statutes. The auditors recommend that the District utilize all legal remedies available to collect delinquent assessments to bring debt service payments current. (See PDF Page 35)	N/A	2019 (FY 2016-17)	The District is currently party to a consolidated action in Hernando County Circuit Court in which the District, as Plaintiff, is seeking to foreclose delinquent special assessment debt related both to its 2004 Bonds and its operations and maintenance (O&M) budget. The case is scheduled to go to trial in October 2019. The District regards the case as probable of success. Special assessments levied on property owners are the only source of payment for the bonds. Until these delinquencies can be resolved through court action, the District does not have the means to make current bond payments.	Yes
		<u>2017-02 - Failure to Meet Debt Service Reserve Requirements:</u> At fiscal year-end, the Series 2004 Debt Service Reserve Accounts were deficient. In prior years, debt service reserves were used to pay debt service on the Bonds due to the Developer's nonpayment of assessments owed. The auditors recommend that the District utilize all legal remedies available to collect delinquent assessments to replenish the Debt Service Reserve Accounts. (See PDF Page 35)	N/A	2019 (FY 2016-17)	See response to Finding #2017-01 above.	Yes
		<u>2017-03 - Failure to Pay Creditors When Due:</u> In the current year, the District did not pay uncontested claims from creditors within 90 days due to lack of funds; therefore, the District meets the financial emergency condition in Section 218.503(1)(b), Florida Statutes. (See PDF Page 36)	N/A	2019 (FY 2016-17)	See response to Finding #2017-01 above.	Yes

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

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Southern Hills Plantation III Community Development District	Hernando County	<u>2016-01 - Fund Equity</u> : The District had a deficit fund balance in the General Fund at fiscal year-end and no available resources to cover the deficit. The deficit has been reduced significantly from the deficits in the past two fiscal years. (See PDF Page 26)	N/A	N/A	N/A	Yes
Sterling Hill Community Development District	Hernando County	<u>12-03 - Failure to Meet Debt Service Reserve Account Requirement</u> : The Debt Service Reserve Accounts were deficient at fiscal year-end. The balances in the Debt Service Reserve Accounts were used to pay prior year debt service on the Bonds. The auditors recommend that the District utilize all remedies available to replenish the Debt Service Reserve Account. (See PDF Page 38)	N/A	2019 (FY 2016-17)	The District and the Bondholders have been working to alleviate this issue. During a prior year, the Trustee formed SPE 1 to own and maintain the property subject to delinquent Series 2006 assessments. In addition, during prior years, the District filed foreclosure against three landowners for failure to pay assessments due on the Series 2003B Bonds, and the Trustee formed SPE 2 to own and maintain the property subject to delinquent Series 2003B assessments upon transfer of ownership to the SPE. Also, in a prior year one landowner conveyed land to the SPE in lieu of foreclosure, and a third SPE was formed to own and control land taken through foreclosure of the assessment lien. The District is taking all necessary and available actions in order to collect both Operations & Maintenance assessments and Debt assessments. In October 2015, one of the SPEs entered into a lot purchase agreement with a builder for development of 52 lots; all outstanding liability for the Series 2003A and 2003B assessments allocated to these lots were satisfied by the SPE. In February 2017, a further lot purchase agreement was approved for 104 lots; likewise the outstanding liability for the Series 2003A and 2003B assessments on those lots were satisfied as part of the sale. In September 2018, one SPE (Sterling Hill CDD Holdings, LLC) was dissolved. Only one SPE remains active. Once all of the outstanding assessments have been collected, the Trustee and the District will need to discuss the status of the debt service reserve funds and determine if they will be replenished to an appropriate level based on the Bond indenture. The District's position is that corrective action, to the extent it can be at this time, has been taken.	Yes

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Sterling Hill Community Development District (Continued)	Hernando County (Continued)	<u>12-04 - Failure to Make Debt Service Payments When Due:</u> In current and prior years, the District did not pay all principal and/or interest due on the Series 2003B and Series 2006 Bonds. The District is not receiving debt service assessments due to landowner nonpayment and Special Purpose Entity purchase of the land within the District. The auditors recommend that the District utilize all remedies available to bring debt service payments current. (See PDF Page 38)	N/A	2019 (FY 2016-17)	The District and the Bondholders have been working to alleviate this issue. During a prior year, the Trustee formed SPE 1 to own and maintain the property subject to delinquent Series 2006 assessments. In addition, during prior years, the District filed foreclosure against three landowners for failure to pay assessments due on the Series 2003B Bonds, and the Trustee formed SPE 2 to own and maintain the property subject to delinquent Series 2003B Bond assessments upon transfer of ownership to the SPE. Also, in a prior year one landowner conveyed land to the SPE in lieu of foreclosure, and a third SPE was formed to own and control land taken through foreclosure of the assessment lien. Currently, only one SPE remains active. The District is taking all necessary and available actions in order to collect both Operations & Maintenance assessments and Debt assessments. The District made its bond payment in May 2017 for the Series 2003A and Series 2003B Bonds, as a result of the lot sale transactions. The District's position is that corrective action, to the extent it can be at this time, has been taken.	Yes
		<u>12-01 - Failure to Include Component Unit Financial Statements in the Financial Report:</u> The District did not include the Special Purpose Entities (SPEs) as blended component units in the District's audited financial report. The auditors recommend that the District include the SPEs as blended component units of the District's government-wide financial statements. (See PDF Page 37)	MW	2019 (FY 2016-17)	Management does not agree that the SPEs should be included as blended component units on the government-wide financial statements. In summary, management feels that it would be misleading to the users of the financial statements to include the non-District owned SPEs as component units for the following reasons: (1) The District has no ownership and/or control over the SPEs and in no way can it impose its will on the SPEs; and (2) The District will not benefit from the activities of the SPEs. Some of the land held by the non-District owned SPEs has been sold to the builders to finish the construction of homes on the remaining vacant lots. Currently, only one SPE remains active.	Yes

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Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Stevens Plantation Community Development District	Osceola County	<u>2018-01 - Financial Condition Assessment:</u> The District's financial conditions continue to deteriorate. The debt service fund had a deficit fund balance at fiscal year-end. In prior, current, and subsequent fiscal years, the District has been unable to make its debt service payments on the Series 2003A and 2003B bonds since November 2012 due to lack of funds. In addition, the District has not met the debt service reserve requirement. The non-payment of interest and principal payments, when due, are considered events of default. The auditors recommend that the District take the necessary steps to alleviate the deteriorating financial condition. (See PDF Page 30)	N/A	2019 (FY 2016-17)	Prior years' correspondence described the history and status of the District and the Stevens Plantation Improvement Project Dependent Special District (DSD), a component unit of the City of St. Cloud (City): The DSD was created by the City as a dependent special district for the purpose of facilitating the development of a mixed use development called Stevens Plantation within the City originally planned to include residential units (for current and future development), commercial use property, and a corporate campus; the DSD served as the initial landowner and master planner of the development. The District was created in 2003 to facilitate the financing and operation of common public facilities and infrastructure in Stevens Plantation and issued two series of bonds (2003A and 2003B) and levied two series of special assessments on all of the lands within Stevens Plantation. In 2003, under a separate bond indenture, the DSD issued bonds, the proceeds of which were applied to pay a portion of the purchase price of the DSD Lands. By 2007, the DSD had sold all of the current residential units to area builders; however, none of the commercial property, the corporate campus, or future residential units were sold. Bond reserve funds were used to pay interest on the Series 2003B Bonds and the DSD bonds until November 2012. The proximate cause of the conditions noted was the failure of the owners of certain parcels of land within the District (Delinquent Land) to pay special assessments. The District, as directed by the bondholders, initiated foreclosure proceedings on several of the District's Series 2003B Bond assessments liens. <u>Most recent status:</u> The unsold commercial portion of the Delinquent Lands is owned by the City, and those properties are currently listed for sale. A number of parcels of the Delinquent Lands are residential lots that are defaulted in their 2003B lump sum bond payment; foreclosure actions have been filed and some have settled, others remain in litigation or a judgment has been granted. The Bond Trustee is cooperating with the District to negotiate a resolution to the issues, and sales of the commercial Delinquent Lands are expected in the next few years.	Yes

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Sun'n Lake of Sebring Improvement District	Highlands County	<u>2018-01 - Failure to Make Debt Service Payments When Due:</u> In current and prior years, the District collections from property owners were insufficient to pay the principal and interest due on the Series 2008 Note; therefore, the District meets one of the criteria specified in Section 218.503(1)(a), Florida Statutes, as a condition of financial emergency. (See PDF Page 49)	N/A	N/A	N/A	Yes
Suwannee Water and Sewer District	Dixie County	<u>2016-005 - Utility Customer Deposits:</u> The auditor noted that the customer deposit list did not agree to the deposit account cash balance. The cash account was treated as dormant except to deposit funds to adequately cover the related liability. All other deposit transactions were accounted for in the District's operating account. From the comparison of utility accounts billed for September 2018 and the number of utility deposits held at fiscal year-end, there was a difference of thirty-four accounts. To ensure that the utility deposit liability is correctly stated and supported by accurate documentation, the auditor recommends that the District reconcile its list of utility deposits to the cash transactions in the deposit account and resulting balance as well as the active customer on a monthly basis. (See PDF Page 53)	N/A	N/A	N/A	Yes
		<u>2016-001 - Controls and Board Oversight:</u> The District has no procedure in place to review and approve bank reconciliation to trial balance amounts. The failure to document the review and approval process was noted during the walk-through of the District's cash reconciliation procedures. The auditor recommends that the bank reconciliation be agreed to the trial balance amounts and noted agreement indicated via a Board member's signature. (See PDF Page 52)	N/A	N/A	N/A	Yes

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Suwannee Water and Sewer District (Continued)	Dixie County (Continued)	<u>2016-003 - Review of Utility Receivables:</u> Utility accounts receivable should be periodically reviewed for possible write-off, filing of liens, and/or remittance to a collection agency for further attempts to collect. The auditors tested forty-eight accounts for subsequent collections, and sixteen were categorized as permanently disconnected, locked meter, or account closed. Approximately 42% of the receivable's dollar value at fiscal year-end was tested, and approximately \$50,400 was from inactive accounts. The auditor recommends that, at least annually, the District Manager present to the Board delinquent accounts receivable for further collection efforts or write-off consideration. (See PDF Page 53)	N/A	N/A	N/A	Yes
Tolomato Community Development District	Duval County, St. Johns County	<u>2018-01 - Reserve Requirement:</u> As a result of unscheduled draws on the Series 2007A-1, 2007A-2, 2007-1, and 2007-3 debt service reserve accounts to make certain scheduled debt service payments, the reserve requirements were not met at fiscal year-end. The auditors recommend that the District take the necessary steps to replenish the reserve account. (See PDF Page 38)	N/A	2019 (FY 2016-17)	The District is near completion of issuing Series 2019, Special Assessment Refunding Bonds to refund two of the four bond issues. The Series 2007A-1 and Series 2007-1 Bonds will be refunded which includes fully funded Reserve Fund Accounts. However, the remaining two bond issues, Series 2017A-2 and Series 2017-3 Bonds remain outstanding with unfunded Reserve Fund Accounts. Therefore, this finding will not be removed from the District's FY 2017-18 audit and may remain for the FY 2018-19 audit.	Yes

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Trails Community Development District	Duval County	<u>18-02 - Failure to Meet Debt Service Reserve Account Requirement:</u> The Debt Service Reserve Accounts were deficient at fiscal year-end. The balance in the Debt Service Reserve Accounts were used to pay prior year debt service on the Bonds. The auditors recommend that the District utilize all remedies available to replenish the Debt Service Reserve Account. (See PDF Page 35)	N/A	2019 (FY 2016-17)	The District and the Bondholders have been working to alleviate this issue. During a prior year, a SPE took title to the land subject to special assessment lien for resale or development. An agreement was entered into between the District and the SPE, whereby debt service assessments on the Series 2007 Bonds would be forborne but continue to constitute a lien on the property. The land held by the SPE has been sold, and the SPE was dissolved in May 2017. The District recently adopted Resolution 2019-01, allowing the landowner to surrender bonds associated with the undeveloped land which will reduce the amount of Series 2007 Assessments imposed on the landowner. Once the new Series 2007 outstanding principal is determined by the Trustee, the Debt Service Reserve requirement will be modified, and the Reserve funded accordingly.	Yes
		<u>14-01 - Financial Condition Assessment:</u> The District's financial condition has deteriorated. In a prior year, the Developer failed to pay debt service assessments, causing the District to be unable to pay certain debt service payments when due. An event of default was declared, and the debt was subsequently restructured with the agreement of the bondholders. The Developer is now assessed on the property they own but the debt has not been restructured. Until then, the overall effect of these actions on the District financial condition cannot be determined at this time. (See PDF Page 36)	N/A	2019 (FY 2016-17)	The deterioration of the District's financial conditions relates to the nonpayment of debt service assessments, which are secured by the land within the District. In lieu of foreclosing on such lands, and in cooperation with the Trustee and the bondholders, the District entered into a settlement agreement which required the developer to convey the property to a special purpose entity (SPE) established on behalf of the Trustee. The SPE has sold its remaining land to a developer to finish the development, and the SPE was dissolved on May 22, 2017. The developer will assume responsibility for the payment of District assessments associated with that land. Accordingly, it is the District's position that it has taken every available measure to comply with the Trust Indenture related to the District's bonds.	Yes

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Treeline Preserve Community Development District	Lee County	<u>15-01 - Failure to Make Debt Service Payments When Due:</u> In the current and prior years, the District did not pay all of the principal and interest due on the Series 2007A Bonds because the Developer did not pay debt service assessments owed to the District. At fiscal year-end, the District was not in compliance with the requirements of the Bond Indenture and has met a financial emergency condition as described in Section 218.503(1), Florida Statutes. The auditors recommend that the District utilize all remedies available to bring debt service payments current. (See PDF Page 37)	N/A	2019 (FY 2016-17)	Prior years' correspondence provided a history and status of the District: The Developer and owner of all the assessable land in the District failed to pay prior years' annual assessments to fund the operations of the District and make annual debt service payments. The District filed a lawsuit seeking to foreclose on all of the land for which there were delinquent assessments. In February 2016, the Court granted the District's Motion for Summary Judgment against the Defendant/Counter-Claimant, as to all claims, and the District obtained an order for summary judgment against all remaining parties. The District obtained an Amended Final Judgment in the foreclosure litigation in December 2017, and the Judgment was assigned to the SPE on January 5, 2018. The Judicial Sale of the property was conducted on January 12, 2018, the winning bid was issued to the SPE, and the Certificate of Title was issued on January 23, 2018, to the SPE. The SPE has clean title of the property and will operate, maintain, and market the property for sale to another developer. <u>Most recent status:</u> The development approvals, clearing permits, and traffic concurrency approvals from applicable parties have been obtained. City infrastructure approvals have also been obtained, but will require some revisions. As of December 31, 2018, the Planned Unit Development is underway, and the initial meeting with the City of Ft. Myers was positive. Certain items (as described in the letter) need to occur in order for the SPE to sell the property to a potential developer in order to collect past due assessments so the continued finding can be corrected.	Yes

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Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Treeline Preserve Community Development District (Continued)	Lee County (Continued)	<u>15-02 - Failure to Meet Debt Service Reserve Account Requirement:</u> The Debt Service Reserve Account was deficient at fiscal year-end. The balance in the Debt Service Reserve Account was used to pay debt service expenditures. The auditors recommend that the District utilize all remedies available to replenish the Debt Service Reserve Account. (See PDF Page 38)	N/A	2019 (FY 2016-17)	See response to Finding #15-01 above.	Yes
Waterford Estates Community Development District	Charlotte County	<u>2018-01 - Financial Condition Assessment:</u> As a result of delinquent assessments for current and prior fiscal years, certain scheduled debt service payments were not made, resulting in events of default. In addition, the debt service funds reported a deficit fund balance at fiscal year-end, and the reserve requirement has not been met. The auditors recommend that the District take the necessary steps to alleviate the deteriorating financial condition. (See PDF Page 31)	N/A	2019 (FY 2016-17)	Prior years' correspondence described brief history and status of the District: A special purpose entity (SPE) was created and deeded the property formerly owned by the developer and major landowner in lieu of foreclosure. The SPE continues to own, maintain, manage and market the property for resale. As of March 1, 2016, the District had sold 97 lots to a builder. However, until all of the property owned by the SPE is sold, the findings will not be corrected. The current majority landowner continues to sell lots to a national homebuilder who is selling homes to future homeowners. The District's overall ending fund balance improved by approximately \$300,000 in FY 2015-16. Unfortunately, this improvement was not sufficient to correct the continued findings by the District's auditor. <u>Most recent status:</u> There has been no material additional corrective action taken by the District from what was provided in the prior year response.	Yes

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Waterstone Community Development District	St. Lucie County	<u>2018-01 - Financial Condition Assessment</u> : The debt service fund had a deficit fund balance at fiscal year-end. The Developer stopped funding the District during FY 2008-09 and did not pay its share of assessments for the prior fiscal years, resulting in significant delinquent assessments. In addition, the reserve requirement has not been met. Furthermore, the District did not have sufficient funds to make certain scheduled debt service payments during fiscal years 2009 to 2018 and, therefore, the payments were not made, resulting in events of default. The auditors recommend that the District continue to take the necessary steps to alleviate the deteriorating financial conditions. (See PDF Page 31)	N/A	2019 (FY 2016-17)	Prior years' correspondence described brief history and status of District: Deteriorating financial conditions were due to the annual assessments not being paid by certain property owners within District. The property was conveyed to a special purpose entity (SPE) in lieu of foreclosure to own, manage, maintain, and dispose of such property. 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, and the timeframe for the sale is unknown. <u>Most recent status</u> : The development project was acquired by a new developer in December 2018, at which time the 2007B Bonds were restructured. The successor developer has also provided funding for the District's general operations. Accordingly, the District anticipates that the FY 2017-18 audit report will take note of these recent events.	Yes
West Villages Improvement District	Sarasota County	<u>2018-01 - Debt Service Reserve Requirements</u> : The debt service reserve requirements for the Series 2005 Unit 2 Bonds were not met as of fiscal year-end. In the prior fiscal year, funds from the debt service reserve accounts were used to cover partial debt obligations. The auditors recommend that the District take the necessary steps to replenish the reserve accounts. (See PDF Page 37)	N/A	2019 (FY 2016-17)	Due to the majority landowners not making timely payments of their annual assessments to the District, the Debt Service Reserve Accounts for one of the units of development of the District (Unit Two - Series 2005) was underfunded. As of September 2017, the Unit Two bonds remain in default due to non-payment on approximately 40% of the property (owned by one landowner). There are on-going discussions about restructuring and/or paying down the debt to bring the bonds current and move forward with the project; however, currently there has been no agreement to restructure the Unit Two bonds, which remain in default. The Debt Service Reserve Requirement has not been resolved. It is unknown when this situation will be resolved, although there are encouraging signs of development activity with the new developers/property owners. Specific details relating to the Unit Two bonds are included in the District's response.	Yes

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SD = Significant Deficiency (see 3. In Legend)

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West Villages Improvement District (Continued)	Sarasota County (Continued)	<u>2018-02 - Financial Condition Assessment</u> : The District had approximately \$1.4 million in delinquent assessments due from a major landowner as of fiscal year-end. Consequently, the District did not make certain scheduled debt service payments in the current and prior fiscal years. The District's failures to make its scheduled debt service payments when due are considered events of default. The auditors recommend that the District take the necessary steps to alleviate the deteriorating financial condition. (See PDF Page 37)	N/A	2019 (FY 2016-17)	Due to the majority landowners not making timely payments of their annual assessments to the District, the District had not made certain scheduled Debt Service payments for one of the units of development of the District (Unit Two - Series 2005); thus a deteriorating financial condition exists. As of September 2017, the Unit Two bonds remain in default due to non-payment on approximately 40% of the property (owned by one landowner). There are on-going discussions about restructuring and/or paying down the debt to bring the bonds current and moving forward with the project; however, currently there has been no agreement to restructure the Unit Two bonds, which remain in default. It is unknown when this situation will be resolved, although there are encouraging signs of development activity with the new developers/property owners.	Yes
Westridge Community Development District	Polk County	<u>13-01 - Failure to Meet Debt Service Reserve Account Requirement</u> : The Debt Service Reserve Account was deficient at fiscal year-end. The balance in the Debt Service Reserve Account was used to pay debt service expenditures. The auditors recommend that the District utilize all remedies available to replenish the Debt Service Reserve Account. (See PDF Page 36)	N/A	2019 (FY 2016-17)	The District, on behalf of the bondholders, created a special purpose entity (SPE) to own, manage and dispose of the land acquired at a foreclosure sale. The special assessment lien has been foreclosed on, and the collateral for the bonds is the land. Once the land is sold, any proceeds will remain in the trust estate for the benefit of the bondholders. The SPE has entered into a lot sale agreement for all the land controlled by the SPE. The closing on the land is expected to take place in the summer of 2019. Consequently, the District's position is that corrective action, to the extent it can be at this time, has been taken.	Yes

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Westridge Community Development District (Continued)	Polk County (Continued)	<u>13-02 - Failure to Make Debt Service Payments When Due:</u> In the current and prior years, the District did not pay all of the principal and interest due on the Series 2005 Bonds because the Developer did not pay debt service assessments owed to the District. At fiscal year-end, the District was not in compliance with the requirements of the Bond Indenture and has met a financial emergency condition as described in Section 218.503(1), Florida Statutes. The auditors recommend that the District utilize all remedies available to bring debt service payments current. (See PDF Page 36)	N/A	2019 (FY 2016-17)	See response to Finding #13-01 above.	Yes
		<u>14-01 - Land Held for Resale Not Recorded:</u> Due to lack of funding, no appraisal was performed on the land held for resale, owned by the Special Purpose Entity (SPE). As a result, the market value of the land could not be determined at fiscal year-end, and no amount was recorded in the financial statements for this asset. The auditors recommend that an appraisal be performed on the land held for resale to determine its value and the land be recorded in the financial statements. (See PDF Page 35)	MW	2019 (FY 2016-17)	Due to a lack of funding, an appraisal was not performed on the land held for resale owned by the SPE. In January 2018, the SPE entered into a new lot sale agreement for all the land controlled by the SPE. The closing on the land is expected to take place in the summer of 2019. Consequently, the District's position is that corrective action, to the extent it can be at this time, has been taken.	Yes

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Westside Community Development District	Osceola County	<u>2011-01 - Debt Administration</u> : The District continues to be unable to make certain scheduled debt service payments and meet debt service reserve requirements on the Series 2005 and Series 2007 Bonds. (See PDF Page 34)	N/A	2019 (FY 2016-17)	Prior years' correspondence stated that Special Purpose Entities were created to own, maintain, and market delinquent assessment properties for resale; fortunately, all litigation/foreclosure cases involving the District have been dismissed or settled, and there have been property sale transactions in the District that have improved the balance sheet of the Series 2005 and Series 2007 Debt Service Funds by approximately \$7M from lot sale proceeds that were utilized to pay past due debt service payments. Unfortunately, the District continues to have an overall deficit ending fund balance in both Funds and does not collect sufficient annual debt service assessments to pay mandatory debt service payments. However, as the economy improves and real estate values continue to increase in the region, the District is optimistic that the deteriorating financial condition of the District will be resolved in the near future. <u>Most recent status</u> : The corrective actions are ongoing, and the District recently bifurcated the Series 2005 and Series 2007 Bonds into four separate bond issues of which two are performing and two are non-performing. There are only two property owners securing the non-performing bonds, and these properties are expected to be developed and/or debt assessments and non-performing bonds cancelled by the end of FY 2018-19. Once these transactions are complete, the continuing audit finding will be corrected and removed from future annual audit reports. The District's operating revenues continue to exceed its operating expenses, and the District does not require any financial assistance from the state.	Yes

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Westside Community Development District (Continued)	Osceola County (Continued)	<u>2012-01 - Financial Condition</u> : The District reported a fund balance deficit in the Series 2005 Debt Service Fund in the current year, and the Series 2007 Debt Service Fund had a fund balance surplus as of fiscal year-end. (See PDF Page 35)	N/A	2019 (FY 2016-17)	See response to Finding #2011-01 above.	Yes
Windemere Special Dependent District	Hillsborough County	<u>2018-01 - Required Website</u> : The District has no official website to post certain required reporting information, as required by Section 189.069, Florida Statutes. The auditors recommend that the District create and maintain a website to comply with this statute. (See PDF Page 24)	N/A	N/A	N/A	Yes
Woodlands Community Development District, The	Sarasota County	<u>13-01 - Failure to Make Debt Service Payments When Due</u> : In the current and prior years, the District did not pay all of the principal and interest due on the Series 2004A Bonds because the District did not receive special assessments from certain landowners. At fiscal year-end, the District was not in compliance with the requirements of the Bond Indenture and has met a financial emergency condition as described in Section 218.503(1), Florida Statutes. The auditors recommend that the District utilize all remedies available to bring debt service payments current. (See PDF Page 36)	N/A	2019 (FY 2016-17)	Prior years' correspondence stated that, in a prior year, the developer defaulted on debt assessment payments owed to the District, and as a consequence the District's financial condition deteriorated because it was economically dependent on the developer who owned the majority of land in the District. Foreclosure of the delinquent operations and maintenance assessments was not financially feasible. With respect to the undeveloped parcels encumbered by the delinquent debt assessments, the developer landowners and the Bond Trustee entered into a Forbearance Agreement in July 2013, in which the Bond Trustee agreed to take no enforcement action and to maintain the status quo until October 31, 2017. Subsequently, the Bond Trustee and the delinquent landowners directed the District to take no enforcement action, and in late 2013 the District became a party to the First Amendment to Forbearance Agreement, in which the District agreed, as directed by the bondholders, not to take enforcement action. During the past several years, new or renewed development in this project had taken hold and continued to improve. The District had also received revenue from tax certificate sales, which significantly improved its financial position. The District's general fund no	Yes

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Woodlands Community Development District, The (Continued)	Sarasota County (Continued)				longer reports a deficit, and all outstanding accounts are current. <u>Most recent status:</u> Since mid-2018 the District has been engaged in litigation filed by certain tax deed holders who acquired approximately 50% of the undeveloped property located in the District. This case was recently resolved adversely to the District, by a judicial decision finding the District's outstanding debt assessments on the undeveloped property are no longer enforceable. In light of this judicial decision, the District is uncertain to what extent corrective action is available to or may be exercised by the District, and how the auditor will respond to the judicial decree. The sole source of funds for payment for the outstanding bond debt consists of the debt assessments to be collected by the District, 50% of which are now judicially extinguished. The District's Board of Supervisors (Board) has taken all corrective actions required or permitted by the Trust Indenture and the Forbearance Agreement to the fullest extent permitted by Chapters 170 and 190, Florida Statutes. The Board is committed to fully restoring the financial condition of the District and will continue to do so within the legal and contractual constraints imposed by law and the Trust Indenture.	
		<u>13-02 - Failure to Meet Debt Service Reserve Account Requirement:</u> The Series 2004A Debt Service Reserve Account was deficient at fiscal year-end. The balance in the Series 2004A Debt Service Reserve Account was used to pay debt service payments. The auditors recommend that the District utilize all remedies available to replenish the Debt Service Reserve Account. (See PDF Page 36)	N/A	2019 (FY 2016-17)	See response to Finding #13-01 above.	Yes

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Wyld Palms Community Development District	Citrus County	<u>2018-01 - Financial Condition Assessment</u> : The District's financial condition continues to deteriorate. The Developer failed to pay assessments during prior fiscal years. As a result, the District foreclosed on the related property which was acquired by the SPE. Due to a lack of sufficient funds, certain scheduled debt service payments were not made in the prior, current, or subsequent fiscal years, resulting in events of default. In addition, the reserve requirements of the Series 2007 Bonds have not been met. Further, the debt service fund reported a deficit fund balance of (\$18,169,918) at fiscal year-end. The auditors recommend that the District take the necessary steps to alleviate the deteriorating financial condition. (See PDF Page 30)	N/A	2019 (FY 2016-17)	The District issued Capital Improvement Revenue Bonds, Series 2007A and 2007B, to fund capital improvements benefitting the District's property owners. Unfortunately, during the economic downturn the former developer of the land within the District encountered financial difficulties and was not able to pay District bond debt service assessments assigned to the developer's property. The inability to collect the developer's bond debt service assessments caused the District to default on its bond debt service obligations. Several years ago, pursuant to the trust indenture the District initiated a foreclosure suit to gain ownership to all developer-owned property located within the District (which served as the sole security for the repayment of the bond debt). Eventually, the foreclosure suit was successful and title to all developer-owned property within the District has now been obtained by a special purpose entity (SPE) controlled by the District for the benefit of the bondholders. The District continues to cooperate with the trustee and bondholders in the marketing of the sale of this property, with the net sale proceeds being provided to the bondholders to satisfy all outstanding bond indebtedness. District staff members consider the District's financial problems to be substantially addressed as a result of the successful foreclosure. Upon the sale of the foreclosed property, the District's balance sheet will improve dramatically. The District has retained a real estate company to market the foreclosed property for sale. However, District staff are still unable to predict with certainty the date on which the relevant audit finding will be corrected.	Yes

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Zephyr Ridge Community Development District	Pasco County	<u>09-01 - Failure to Make Bond Debt Service Payments When Due:</u> In the current and prior years, the District did not pay required debt service on the Series 2006 Bonds due to nonpayment of debt assessments owed to the District. At fiscal year-end, the District was not in compliance with the requirements of the Bond Indenture and has met a financial emergency condition as described in Section 218.503(1), Florida Statutes. The auditors recommend that the District utilize all legal remedies available to collect delinquent assessments to bring debt service payments current. (See PDF Page 36)	N/A	2019 (FY 2016-17)	The District is continuing to work diligently to collect assessments in order to pay the required debt service assessments. The District and the Trustee, on behalf of the bondholders, created a special purpose entity (SPE) to own, manage, and dispose of the property related to the delinquent assessments, which represents 88% of the total property within the District. In May 2016, the SPE entered into a lot sale agreement with a homebuilder for 229 lots. As part of the transaction, the debt service assessments for the land subject to the sale shall be forborne for FY 2016-17 and FY 2017-18.	Yes
		<u>09-02 - Failure to Meet Debt Service Reserve Requirements:</u> The Series 2006 Debt Service Reserve Accounts were deficient at fiscal year-end. In prior years, the Debt Service Reserves were used to pay debt service on the Bonds due to the former Developer's nonpayment of assessments owed. The auditors recommend that the District utilize all legal remedies available to collect delinquent assessments to replenish the Debt Service Reserve Accounts. (See PDF Page 36)	N/A	2019 (FY 2016-17)	The SPE has entered into a lot sale agreement with a homebuilder for 229 lots. As part of the transaction, the debt service assessments for the land subject to the sale shall be forborne for FY 2016-17 and FY 2017-18. It is uncertain when the debt service reserve requirement will be met as direction will come from the Trustee on behalf of the bondholders.	Yes

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Zephyr Ridge Community Development District (Continued)	Pasco County (Continued)	<u>12-01 - Failure to Include Component Unit Financial Statements in the Financial Report:</u> The Special Purpose Entity (SPE) is not included as a component unit in the District's financial report as required by generally accepted accounting principles. Due to lack of control by the District and that the SPE's primary beneficiary is the Bondholders, the District's position is that the SPE is not a component unit of the District. The auditors recommend that the District include the SPE as a discretely-presented component unit of the District's government-wide financial statements. (See PDF Page 35)	MW	2019 (FY 2016-17)	Management does not agree that the SPEs should be included as blended component units on the government-wide financial statements. [Committee staff note: The auditor recommended, both in the 2016-17 and 2017-18 fiscal year audit reports, that the District include the SPE as a discretely presented component unit, not a blended component unit.] In summary, management feels that it would be misleading to the users of the financial statements to include the SPEs as component units for the following reasons: (1) The District has no ownership and/or control over the SPE and in no way can it impose its will on the SPE; (2) The District will not benefit from the activities of the SPE; (3) When the land held by the SPE is sold, the proceeds will be paid to the Bondholders to satisfy the Bond debt; and (4) The District will not be responsible for any deficiency between the net proceeds of the sale of the SPE owned land and the associated Bond debt not satisfied or secured by assessments.	Yes

FOOTNOTE/LEGEND:

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

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

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

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

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Alligator Point Water Resources District	Franklin County	<u>2018-001 - 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 generally accepted accounting principles (GAAP). For the current fiscal year, certain cash to accrual adjustments were required to be made to the accounting records subsequent to the start of the audit process. Since these adjustments resulted in a material misstatement of the financial statements, this deficiency is deemed to be a material weakness. The District lacks an accounting department that is staffed with personnel with the requisite skills and training to perform such functions. The auditors recommend that management select and apply the appropriate accounting principles to prepare the financial statements in accordance with GAAP. (See PDF Page 18)	MW	2017 (FY 2014-15)	While it has been the District's practice to have its Fiscal Administrator prepare monthly financial reports for the Board of Directors and financial reports in preparation of the annual audit, the District has relied on the audit firm to identify and draft the financial statements and related note disclosures. It would be cost prohibitive to engage another accounting firm to draft the financial statements and related disclosures in advance of the year-end audit procedures.	No

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Alligator Point Water Resources District (Continued)	Franklin County (Continued)	2018-002 - Segregation of Duties: Due to the size of the District's accounting and administrative staff, certain internal controls are not in place that would be preferred if staff were large enough to provide optimum segregation of duties. One employee is responsible for billing utility customers, collecting payments, entering deposits into the accounting system, and making deposits at the financial institution. Also, the District is using pre-signed checks, provided by the Board, in order to facilitate daily operations and transactions. This situation dictates that the Board of Directors remains involved in the financial affairs of the District to provide oversight and independent review functions. The auditors recommend that the Board continue to be actively involved in the District's transactions through review of monthly Board packets and financials. The auditors further recommend that the District not use pre-signed checks in its operations and consider alternative methods for payments. (See PDF Page 18)	MW	2017 (FY 2014-15)	The District is aware of this control problem, which is existent due to the lack of staff and funding for additional staff. The District's Board of Directors will remain involved in the financial affairs of the District as legally acceptable and to the benefit of the District's customers.	No

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Aucilla Area Solid Waste Administration	Dixie County, Jefferson County, Madison County, Taylor County	<u>2013-1 - Financial Statement Preparation</u> : The Administration is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles (GAAP). While the auditor can assist with the preparation of the financial statements and related footnotes, the financial statements are the responsibility of management. A deficiency in internal control exists when the government does not have the expertise necessary to prevent, detect, and correct misstatements. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures. (See PDF Page 34)	SD	2017 (FY 2014-15)	The Administration is a small government and has used available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports prepared generally on the cash basis. Both staff and the Governing Board review the annual financial reports prepared by the audit firm utilizing these records and have the opportunity to ask any questions regarding the reports prior to its formal presentation at a scheduled meeting of the Governing Board. At this time, the Administration does not believe it would not be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements.	No
Baker County Development Commission	Baker County	<u>2018-002 - Financial Reporting</u> : As part of the audit process, the auditors proposed material adjustments to the Commission's financial statements and assisted with the preparation of the financial statements. The proposed adjustments were accepted by management, enabling the financial statements to be fairly presented in conformity with generally accepted accounting principles. The auditors recommend that the Commission consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process. By improving this process, the Commission will have an enhanced ability to monitor its budget position on an ongoing basis. (See PDF Page 28)	MW	2017 (FY 2014-15)	Because of limited staff, no one on staff has the education, training, or experience to always prepare the financial statements perfectly. However, with 30 years of business experience, the executive director has the ability to discuss entries and approve corrections when they are suggested by the accounting firm conducting the audits.	No

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Baker County Development Commission (Continued)	Baker County (Continued)	<u>2018-001 - Separation of Duties:</u> Because of a limited number of personnel, it is not always possible to adequately separate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or all phases of a transaction. The Commission has implemented compensating controls to the extent possible, given available staff, to mitigate the risk of unintentional or intentional errors occurring and not being detected. The auditors recommend that, to the extent possible given available personnel, steps be taken to segregate employee duties so that no one individual has access to both physical assets and the related accounting records, or all phases of a transaction. (See PDF Page 28)	MW	2017 (FY 2014-15)	Staff is limited to one full-time employee (the executive director) and two part-time employees. Compensating controls have been implemented, to the extent possible, given the limited number of available staff. All checks require two signatures. An individual independent of the receipting process prepares bank reconciliations. Finally, the Board reviews and approves all expenses before checks are approved.	No
Baker County Hospital District	Baker County	<u>2018-002 - Financial Reporting:</u> As part of the audit process, the auditors proposed material adjustments to the District's financial statements and assisted with the preparation of the financial statements. The proposed adjustments were accepted by management, enabling the financial statements to be fairly presented in conformity with generally accepted accounting principles. The auditors recommend that the District consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process. By improving this process, the District will have an enhanced ability to monitor its budget position on an ongoing basis. (See PDF Page 22)	MW	2017 (FY 2014-15)	Because of limited staff, no one on staff has the education, training, or experience to always prepare the financial statements perfectly. However, with 30 years of business experience, the executive director has the ability to discuss entries and approve corrections when they are suggested by the accounting firm conducting the audits.	No

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Baker County Hospital District (Continued)	Baker County (Continued)	<u>2018-001 - Separation of Duties:</u> Because of a limited number of personnel, it is not always possible to adequately separate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or all phases of a transaction. The District has implemented compensating controls to the extent possible, given available staff, to mitigate the risk of unintentional or intentional errors occurring and not being detected. The auditors recommend that, to the extent possible given available personnel, steps be taken to segregate employee duties so that no one individual has access to both physical assets and the related accounting records, or all phases of a transaction. (See PDF Page 22)	MW	2017 (FY 2014-15)	Staff is limited to one full-time employee (the executive director) and two part-time employees. Compensating controls have been implemented, to the extent possible, given the limited number of available staff. All checks require two signatures of two Board members; administrative staff is not authorized to sign checks. An individual independent of the receipting process prepares bank reconciliations. Finally, the Board reviews and approves all expenses before checks are approved.	No
Beach Mosquito Control District	Bay County	<u>2018-1 - Separation of Duties:</u> The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff was large enough to provide optimum separation of duties. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible. Oversight provided by the Board of Commissioners has been a mitigating factor which prevents this from being a material weakness. The Board of Commissioners and the Director review the deposits and expenditures on a monthly basis and include their approval and comments in the minutes of the Board meetings to help override the lack of segregation of duties. However, the auditors still recommend that the segregation of duties be continuously reviewed and adjusted where possible to strengthen the system of internal control each year. (See PDF Page 50)	SD	2017 (FY 2014-15)	This finding may never be fully resolved due to limited staff. The District is a small government with limited staff and limited funds, and the Board of Commissioners does not believe that it is practical to hire another employee to assist in the separation of duties. Certain procedures have been implemented to address the lack of segregation of duties, such as the Commissioners and Director reviewing the monthly deposits and expenditures and including approval and comments in the minutes of the Board meetings.	No

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Cedar Key Water and Sewer District	Levy County	<p><u>2018-001 - Separation of Duties:</u> Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Consequently, the possibility exists that unintentional errors or irregularities could exist and not be promptly detected. The auditors recommend that, whenever possible and practical, duties be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. The auditors also recommend that the Board continues its practice of providing ongoing oversight to help mitigate this control deficiency. (See PDF Page 21)</p>	MW	2017 (FY 2014-15)	<p>The District is a small governmental entity, and all accounting responsibilities are performed primarily by a single individual. The District understands this situation creates an internal control weakness and has adopted review and control oversight procedures by management and the Board Members, where possible. At this time, the District does not believe it is cost beneficial to hire additional staff, which would be required, to eliminate this finding. Compensating controls have been adopted and are described in the response letter.</p>	No

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Children's Services Council of Okeechobee County	Okeechobee County	<u>2018-1 - Lack of Segregation of Duties:</u> The size of the Council's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum separation of duties. Presently, a single individual is responsible for preparing checks, reconciling the bank account, and maintaining the general ledger. Although the bookkeeper is not an authorized check signer and bookkeeping functions are closely monitored by the executive director, the auditors feel that internal controls could be improved if cash disbursement duties were segregated from cash reconciliation duties. The auditors recommend that management review, on an on-going basis, the assignments of the employees and segregate duties where possible. The auditors also recommend that the Board members remain involved in the financial affairs of the Council to provide oversight and independent review functions. (See PDF Page 27)	SD	2017 (FY 2014-15)	Due to the small size and limited resources of the Council, this issue may never be fully resolved. In an effort to maintain the integrity of the Council's assets, all records are available for review at any time, and the Council members review the financial statements at regularly scheduled meetings.	No

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City-County Public Works Authority	Glades County	<u>2010-003 - Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP):</u> Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S. GAAP. The Authority does not have an internal control policy in place over annual financial reporting and does not have the necessary staff capacity to prepare the annual financial statements and related footnote disclosures in accordance with GAAP. It relies on the audit firm to prepare the annual financial statements and related footnote disclosures; however, management reviews and approves them. The auditors recommend that management continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial. (See PDF Page 19)	MW	2017 (FY 2014-15)	The Authority is located in a small rural community with limited resources. Unfortunately, the Authority is not in a financial position to hire additional staff. The system which has been implemented provides for more than sufficient checks and balances.	No
		<u>2010-002 - Audit Adjustments:</u> The auditors proposed audit adjustments to revise the Authority's books at fiscal year-end. These adjustments involved the recording of accruals. The Authority has a limited number of personnel, and some accounts do not get reconciled properly due to time constraints. The auditors understand that this material weakness is already known to management and represents a conscious decision by management and the Board of Supervisors to accept that degree of risk because of cost or other considerations. (See PDF Page 18)	MW	2017 (FY 2014-15)	The Authority is located in a small rural community with limited resources. Unfortunately, the Authority is not in a financial position to hire additional staff. The system which has been implemented provides for more than sufficient checks and balances.	No

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City-County Public Works Authority (Continued)	Glades County (Continued)	<u>2010-001 - Segregation of Duties:</u> The Authority does not have adequate segregation of the accounting functions due to a limited number of personnel. The auditors understand that this material weakness is already known to management and represents a conscious decision by management and the Board of Supervisors to accept that degree of risk because of cost or other considerations. If additional segregation is not feasible, the auditors recommend that Authority management and the Board of Supervisors continue to implement and perform oversight procedures to help mitigate the lack of segregation of duties as much as possible. (See PDF Page 18)	MW	2017 (FY 2014-15)	The Authority is located in a small rural community with limited resources. Unfortunately, the Authority is not in a financial position to hire additional staff. The system which has been implemented provides for more than sufficient checks and balances.	No
Fellsmere Water Control District	Indian River County	<u>2018-001 - Segregation of Duties:</u> The limited size of the District's staff does not allow for proper segregation of duties in each phase of operations, which is not unusual in an organization of the District's size. Although segregation of duties is necessary for optimum efficiency in internal controls, management does not believe it is cost beneficial for the District. The high degree of involvement by the Board of Supervisors in the financial process provides a degree of compensating control for this weakness. (See PDF Page 37)	SD	2017 (FY 2014-15)	The District has an office staff consisting of two persons, and the limited size of the staff does not allow for segregation of duties in each phase of operations. After this finding by the auditors, the Board has had a higher degree of participation in the financial process because of the limited number of employees. The District operates on a very limited budget making it impossible to reorganize the accounting functions to separate incompatible tasks by hiring another accounting employee. The Board understands the need to consider this as a prudent expense given all of the circumstances, but at this time does not feel it can justify the raising of assessments to achieve this goal.	No

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Flagler Estates Road and Water Control District	St. Johns County	<u>2018-002 - General Accounting Records</u> : As part of the audit process, it was necessary for the auditors to propose material adjustments to the District's financial statements and assist with the preparation of the District's financial statements. The proposed adjustments were accepted by management, enabling the financial statements to be fairly presented in conformity with generally accepted accounting principles. The auditors recommend that the District consider and evaluate the cost and benefits of improving controls relative to the financial reporting process. (See PDF Page 31)	MW	2017 (FY 2014-15)	In general, the proposed audit adjustments related to the presentation of prepaid expenses and inventory in conformity with generally accepted accounting principles. The District's Board, in conjunction with the contracted accounting firm serving as the District's treasurer, have reviewed the entries and discussed the ramifications of implementing procedures to correct this condition. The District will review the recurring adjustments with the auditor and the treasurer in an attempt to alleviate this portion of the finding. However, the District feels that it is in the best interest of the District financially to continue to have the auditor assist in the preparation of the financial statements.	No
		<u>2018-001 - Separation of Duties</u> : Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties, so that no one employee has access to both physical assets and the related accounting records, or all phases of a transaction. The manager receives cash receipts, prepares and is a signor on checks, reconciles bank accounts, and enters general ledger transactions. The auditor recommends that, to the extent possible given available personnel, steps 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 31)	MW	2017 (FY 2014-15)	The District has contracted with an accounting firm to serve as treasurer for the District and perform monthly oversight of financial records. The District feels that this contractual arrangement provides a measure of mitigation to this finding. The District has also employed part-time help in an effort to segregate certain duties. However, with limited staff, the District is unable to fully resolve this finding.	No

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Fred R. Wilson Memorial Law Library	Seminole County	<u>ITEM-1 - Improve Knowledge of Internal Control over Financial Reporting:</u> The person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles (GAAP) in recording the Library's financial transactions or preparing its financial statements. The basis for this control issue is that the auditor cannot be considered part of the Library's internal control (i.e., cannot be substituted for elements within the Library's internal control system). The auditors recognize that this condition requires the Library's assessment of a cost effective solution. Alternative solutions might include training accounting staff, hiring additional staff, or engaging outside consultants, or obtaining assistance from knowledgeable volunteers to prepare financial statements in accordance with GAAP. (See PDF Page 29)	N/A	2017 (FY 2014-15)	The Library is a small entity, has relatively limited financial resources, and has only two full-time employees, both librarians. The Library has a CPA firm that prepares quarterly financial statements, and receives the bank statements prior to preparing these financial statements. Each quarter, all three of the Library's trustees review the bank statements and quarterly reports generated by the CPA firm. Much of the day-to-day financial transactions are administered jointly by the two librarians, both of whom have substantial experience handling the Library's affairs. The training and experience of the two librarians, together with the oversight provided by the Library's trustees (described in the letter), provide a consistent and reliable degree of care in the internal reporting of the Library's finances on a quarterly and annual basis.	No

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Fred R. Wilson Memorial Law Library (Continued)	Seminole County (Continued)	<b>ITEM-2 - Internal Control:</b> 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 segregation of duties are, for all practical purposes, missing in the Library. The auditors recognize that the Library is not large enough to make the employment of additional people cost effective for the purpose of segregating duties and that this condition is quite common in many small organizations. Increased involvement of the Board of Trustees, such as reviewing and signing all disbursement checks, compensates to a degree for the absence of adequate segregation of duties. The auditors also recommend that a Trustee open and review all bank statements, reconciliations, and unfavorable budget variances. (See PDF Page 29)	N/A	2017 (FY 2014-15)	The Library only has two employees, both librarians. Due to limited resources, the Library cannot afford to hire additional employees without incurring a dramatic reduction in services provided to patrons. The librarians do provide joint oversight of the Library's daily financial transactions, which are reported and reviewed by the three Library trustees on a quarterly basis. Given the modest resources, lack of known instances of misuses, and limited transactions of the Library, compensating controls involving Board trustees' oversight (described in the letter) are the most extensive and responsible internal controls available to the Library.	No
Gilchrist Soil and Water Conservation District	Gilchrist County	<b>14-01 - Financial Statement Preparation Knowledge:</b> District personnel's lack of knowledge and familiarity with Governmental Accounting and Financial Accounting Standards prohibits the District from being able to prepare financial statements with adequate and proper disclosures and free of material misstatements. The auditor recommends that District personnel increase their knowledge of these standards sufficiently to allow them to prepare financial statements including the notes in accordance with generally accepted accounting principles. (See PDF Page 23)	MW	2018 (FY 2015-16)	This District is a small governmental unit and cannot afford to hire an accounting professional with specialized knowledge to prepare governmental accounting financial statements. As a result, the auditors are significantly involved in the preparation of the financial statements. The auditors are not involved in the management of the District or in the safeguarding of District assets. The procedures for the handling of these aspects are examined in the audit.	No

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Hendry-La Belle Recreation Board	Hendry County	<u>2011-1 - Internal Control Over Financial Reporting:</u> The Board does not currently have the skills and competencies necessary to prepare the financial statements and to prevent, detect, and correct a material misstatement in its financial statements. The auditors recommend that the Board develop a strategy to address the material weakness in internal control over financial reporting. (See PDF Page 29)	MW	2017 (FY 2014-15)	Due to limited financial resources and fiscal staffing, this finding may not be resolved in the near future. The District does practice separation of duties to the fullest extent possible to minimize the possibility of errors in recording and reporting. The auditors perform a detailed review of the records, District staff reviews all audit adjustments independently, and the auditors answer any and all questions arising from the review prior to the preparation of the financial statements. The District is a simple operation that performs very limited activities, and the governing body has the business and operational insight to detect any material misstatements in the financial records.	No

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Holmes Creek Soil and Water Conservation District	Holmes County	<u>2007-001 - Financial Reporting:</u> The District relies on the external auditor to assist with preparing and explaining financial statements in conformity with generally accepted accounting principles (GAAP). Since the auditor cannot be a part of the system of internal accounting control, the District's system of internal accounting control over the financial reporting is not sufficient by itself to prevent, detect, or correct misstatements in the audited financial statements. The District has a small accounting staff necessitated by its overall small size. The District does not consider it cost effective to develop and maintain a system of internal accounting control sufficient by itself to allow the preparation of financial statements in accordance with GAAP, nor to maintain internal staff with sufficient knowledge to develop and maintain controls to prevent, detect, or correct misstatements in audited financial statements. The auditors recommend that the District continue to consider the effects of the cost of developing and benefits of implementing such a system as compared with understanding that, due to the size of its accounting department, it will continue to need external assistance with the preparation and understanding of financial statements in accordance with GAAP. (See PDF Page 32)	MW	2016 (FY 2013-14)	Due to the District's small size and limited resources, this issue may never be fully resolved. The District considers the cost to implement and maintain a system of internal control to be prohibitive.	No

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Holmes Creek Soil and Water Conservation District (Continued)	Holmes County (Continued)	<u>2003-002 - Separation of Duties:</u> Custody of assets, record keeping, and recording of assets should have adequate separation. Due to the size of the District and its small one-person bookkeeping system, proper separation of duties may not be feasible. The auditors recommend that management remain very active and involved in the day-to-day operations, records be maintained current and up-to-date, and controls be established to provide checks and balances. (See PDF Page 32)	SD	2016 (FY 2013-14)	Due to the District's small size and limited resources, this issue may never be fully resolved. In an effort to maintain the integrity of the District's assets, financial transactions require the signature of two Board members, and staff does not have signature authority on any of the accounts. All records are available for review at any time, and Board members review the financial statements at regularly scheduled meetings.	No
Holt Fire District	Okaloosa County	<u>2018-02 - Financial Statement Preparation, Knowledge and Audit Adjustments:</u> The District is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP) which requires knowledge of the accounting principles affecting the District, including financial statement disclosure requirements, the awareness of changes occurring in the accounting industry that could impact the District's financial statements, and the knowledge of resources for researching accounting issues. Due to its size, 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 34)	MW	2016 (FY 2013-14)	The District is very small, with less than 40 square miles and 2,500 parcels of land, with almost 1,100 vacant. The non-ad valorem budget for 2016 is approximately \$52,000, and all of the firemen are volunteers, as are all members of the Board of Commissioners. For these reasons, the District has elected to rely on an external auditor to propose audit adjustments and prepare for the annual financial statements in accordance with generally accepted accounting principles.	No

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Holt Fire District (Continued)	Okaloosa County (Continued)	<u>2018-01 - Lack of Segregation of Duties:</u> Because of the limited size of available personnel, it is not always possible to adequately segregate certain incompatible duties, so that no one employee has access to all phases of a transaction. (See PDF Page 34)	MW	2019 (FY 2016-17)	The Commission believes that, because of the limited manpower and fiscal constraints that the District has, it will not be able to segregate certain incompatible duties so that no one employee has access to all phases of a transaction. Currently the Board of Commissioners (Board) reviews all monthly expenditures over \$500 and most expenditures below that amount to ensure that all expenses are valid and needed by the District. The District believes this procedure and the yearly audit will mitigate the shortfall in personnel and resources. Everyone in the Fire Department and the Board is a volunteer with only one part-time contractor working as a bookkeeper. The Board will continue to review this write-up yearly and, when possible, begin segregating incompatible duties.	No
Indian River Farms Water Control District	Indian River County	<u>2018-001 - Segregation of Duties:</u> The limited size of the District's staff does not allow for proper segregation of duties in each phase of operations, which is not unusual in an organization of this size. Although segregation of duties is necessary for optimum efficiency in internal controls, management does not believe it is cost beneficial for the District. The high degree of involvement by the Board of Supervisors in the financial process provides a degree of compensating control for this weakness. (See PDF Page 36)	SD	2017 (FY 2014-15)	The District acknowledges the weakness regarding the segregation of duties for optimum efficiency in internal control. The only action that would completely resolve this issue would be to hire an additional employee and reorganize as far as internal control of accounting tasks. Unfortunately, the District does not have the sustainable resources available to afford this additional expense, and it is unclear at this time when these resources will be available. The degree of involvement by the Board members has been increased to compensate for this weakness.	No

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Jackson Soil and Water Conservation District	Jackson County	<u>2007-001 - Financial Reporting:</u> The District relies on the external auditor to assist with preparing and explaining financial statements in conformity with generally accepted accounting principles (GAAP). Since the auditor cannot be a part of the system of internal accounting control, the District's system of internal accounting control over the financial reporting is not sufficient by itself to prevent, detect, or correct misstatements in the audited financial statements. The District has a small accounting staff necessitated by its overall small size. The District does not consider it cost effective to develop and maintain a system of internal accounting control sufficient by itself to allow the preparation of financial statements in accordance with GAAP, nor to maintain internal staff with sufficient knowledge to develop and maintain controls to prevent, detect, or correct misstatements in audited financial statements. The auditors recommend that the District continue to consider the effects of the cost of developing and benefits of implementing such a system as compared with understanding that, due to the size of its accounting department, it will continue to need external assistance with the preparation and understanding of financial statements in accordance with GAAP. (See PDF Page 39)	MW	2017 (FY 2014-15)	The District considers the cost of maintaining a system of internal control to be prohibitive. The small size of the District, as well as the minimal number of staff, precludes the establishment of such a system. The District will make a concerted effort to identify and assess potential risks on a daily basis.	No

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Jackson Soil and Water Conservation District (Continued)	Jackson County (Continued)	<u>2006-001 - Separation of Duties:</u> Custody of assets, record keeping, and recording of assets should have adequate separation. The District has a small one-person bookkeeping system; as a result, proper separation of duties may not be feasible. The auditor recommends that management remain very active and involved in the day-to-day operations, records be maintained current and up-to-date, and controls be established to provide checks and balances. (See PDF Page 39)	SD	2017 (FY 2014-15)	Due to limited staff and resources, this issue may never be completely resolved. The District will make every effort to separate the record keeping duties from the custody of assets as much as possible with its small (one person) administrative staff. The District continues to maintain an active role in the day-to-day operations.	No
Lake Shore Hospital Authority	Columbia County	<u>2011-1 - Financial Statement Preparation:</u> While the auditor can assist with the preparation of the financial statements and related footnotes, the financial statements are the responsibility of management. A deficiency in internal control exists when the government does not have the expertise necessary to prevent, detect, and correct misstatements. The Authority is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures. (See PDF Page 49)	SD	2017 (FY 2014-15)	The Authority is a very small government and has used its available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports prepared generally on the cash basis. Both staff and the Board of Trustees review the annual financial reports prepared by the audit firm utilizing these records and have the opportunity to ask any questions regarding the reports prior to its formal presentation at a scheduled meeting of the Board of Trustees. At this time, the Authority does not believe it would not be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements.	No

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Levy Soil and Water Conservation District	Levy County	<u>13-01 - Financial Statement Preparation Knowledge:</u> District personnel's lack of knowledge and familiarity with Governmental Accounting and Financial Accounting Standards prohibits the District from being able to prepare financial statements with adequate and proper disclosures and free of material misstatements. The auditor recommends that District personnel increase their knowledge of the standards to allow them to prepare financial statements including the notes in accordance with generally accepted accounting principles (GAAP). (See PDF Page 23)	MW	2017 (FY 2014-15)	As a small county it would not be economically feasible to hire an accountant with the skills and knowledge to keep current with accepted accounting principles. The District appreciates the efforts of the auditors in preparing the financial statements and will continue to rely on their expertise in the future.	No
Madison County Soil and Water Conservation District	Madison County	<u>15-01 - Financial Statement Preparation Knowledge:</u> District personnel's lack of knowledge and familiarity with Governmental Accounting and Financial Accounting Standards prohibits the District from being able to prepare financial statements with adequate and proper disclosures and free of material misstatements. The auditor recommends that District personnel increase their knowledge of the standards sufficiently to allow them to prepare financial statements including the notes in accordance with generally accepted accounting principles. (See PDF Page 24)	N/A	2019 (FY 2016-17)	The size and budget of the District does not allow the employment of an experienced accountant. The financials and the audit are reviewed by the District's Board, which includes a local accountant.	No

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Marion County Law Library	Marion County	<u>2018-2 - Financial Reporting</u> : Several adjustments were needed to correct entries related to the reclassification of expenses, revenue classifications, and closeout of prior years, which could have been captured through routine review of financial reports throughout the year. Following the conversion of the accounting records to QuickBooks, no financial reports were presented to the Board of Trustees between January 2018 and January 2019. The financial statements reported to the Board of Trustees in January 2019 by management included an understatement of revenues and expenditures of \$1,890 and \$1,661, respectively, for the year-end reports of September 30, 2018. The auditors recommend that the Library develop procedures for timely and accurate financial reporting, including training in the accounting software and a thorough supervisory review of the financial statements and related reconciliations and support data. In addition, the auditors recommend that the Library consider outsourcing components of the accounting functions to achieve the necessary level of internal control to ensure timely and accurate financial reporting. (See PDF Page 23)	MW	2018 (FY 2015-16)	On October 1, 2017, the Library transferred all of its financial accounting to a single, uniform readily accessible and reviewable system of accounting software. Training in the use of the new accounting program was undertaken by the Library's Librarian. This procedure should eliminate needed corrective entries, requiring reclassification of expenses and revenue, enabling a consistent closeout of each fiscal year's accounting records. It is expected that the single, uniform system of accounting will facilitate external auditors in their review of the entire financial activities that are a part of the day-to-day operations of the Library, and in their presentation of reports to the Board of Trustees of the Library. Finally, the Library's Board of Trustees has under study and consideration the question of periodic, external reconciliation reviews of the new single accounting software records, with a concern for increasing both accuracy and timeliness of financial reporting for the Library.	No

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Marion County Law Library (Continued)	Marion County (Continued)	<u>2018-1 - Segregation of Duties:</u> The accounting function is primarily handled by one employee of the Library, often handling complete accounting cycles and having access to the complete accounting system, including the handling of cash receipts and reporting of cash receipts. In addition, the Library does not employ or engage an individual, either internally or externally, who has the necessary capability, skills, and competencies to prepare the financial statements in accordance with generally accepted accounting principles, as well as prevent, detect, and correct material misstatements. The Library is typical of most small organizations wherein it is not economically feasible to hire all required staff needed to separate duties. The auditors recommend that the Library determine appropriate alternative procedures, for instance incorporating the Senior Circuit Judge and Board of Trustees in the financial operations processes by providing continuous oversight and independent reviews of accounting and administrative staff functions, or contracting with individuals to supplement the needed level of safeguards. (See PDF Page 23)	MW	2017 (FY 2014-15)	The Library is a small entity and lacks the financial resources to hire an accounting or bookkeeping firm to manage or review, other than annually, the routine monetary transactions involved in the daily operations of the Law Library. The letter provides background information on the Library and describes compensating controls implemented.	No

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Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Municipal Service District of Ponte Vedra Beach	St. Johns County	<u>2018-002 - Financial Reporting</u> : As part of the audit process, it was necessary for the auditors to propose material adjustments to the District's financial statements. Prior year audit adjustments were not posted, and certain entries were not made in the proper period. The proposed adjustments were accepted by management, enabling the financial statements to be fairly presented in conformity with generally accepted accounting principles. The auditors recommend that the District consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process. (See PDF Page 27)	MW	2017 (FY 2014-15)	The District evaluated the cost versus benefit of improving internal controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP) and determined that it is in the District's best interest to outsource this task to the auditors. The District believes that it has the controls and reviews in place to safeguard the trust its residents place in it. While it does not have staff to segregate all duties and generate GAAP compliant financial statements, it does have the checks and balances and the accounting system (QuickBooks) in place to strictly control financial records and transactions and generate complete and timely reports.	No
		<u>2018-001 - Separation of Duties</u> : There is an inadequate segregation of duties. Because the District has a limited number of available personnel, it is not always possible to adequately segregate incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. The bookkeeper inputs invoices, prints checks, mails checks, and enters all general ledger transactions. The auditors recommend that, to the extent possible given available personnel, the District take steps to separate employee duties so that no individual has access to both physical assets and the related accounting records, or all phases of a transaction. (See PDF Page 27)	MW	2017 (FY 2014-15)	Due to the limited number of financial staff, it is not always possible to segregate incompatible duties. Whenever possible, incompatible duties are segregated in order to minimize the impact of the control deficiency.	No

**Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation  
Included in the FY 2017-18 Fiscal Year Audit Report and the Two Preceding Audit Reports<sup>1</sup>**

Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
North Okaloosa County Fire District	Okaloosa County	<u>2018-01 - Financial Statement Preparation, Knowledge and Audit Adjustments</u> : The District does not prepare its audited financial statements. Because of the limited number of available personnel, the District engages the auditor in non-attest services, including assistance with the preparation of the financial statements in accordance with generally accepted accounting principles. The District's Board of Commissioners reviews the draft audited financial statements during a monthly Board meeting with the auditor prior to approving the issuance of the statements. The District also signs a management representation letter acknowledging its responsibility for the financial statements. (See PDF Page 36)	MW	2017 (FY 2014-15)	The current year response did not address this finding. The prior year response stated that the District believes the cost in fully correcting the weakness outweighs the benefits derived from additional controls. The District has implemented an internal control of having Board members with years of business experience review and approve the financial statements and all audit adjustments prior to issuance of the audit report.	No
North St. Lucie River Water Control District	St. Lucie County	<u>ML 2018-1 - Lack of Segregation of Duties</u> : The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum separation of duties. This situation dictates that the District implement a system to review and reconcile financial transactions on a regular basis and the Board of Supervisors remain involved in the financial affairs of the District to provide oversight and independent review functions. The auditors recognize that this condition requires staff assessment of a cost effective solution. Alternative solutions might include training accounting staff or hiring additional staff. (See PDF Page 33)	SD	2017 (FY 2014-15)	The District is a very small independent special district with limited resources. Staff includes one Superintendent of Works, five board members, and one bookkeeper. The District feels it has implemented as many controls that are feasibly possible to address these issues. The District does not anticipate receiving any additional funding that would allow for an increase in the number of staff, but plans to continue in its diligence to mitigate as much lack of segregation of duties as possible.	No

**Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation  
Included in the FY 2017-18 Fiscal Year Audit Report and the Two Preceding Audit Reports<sup>1</sup>**

Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Palatka Gas Authority	Putnam County	<p><u>2018-001 - Financial Reporting:</u> As part of the audit process, the auditors proposed material adjustments to the Authority's financial statements and assisted with the preparation of the financial statements in order to ensure that they were presented in conformity with generally accepted accounting principles. Prior year proposed adjustments were not recorded during the year, causing current year net position and multiple asset and liability accounts to be materially misstated. In addition, a credit for gas purchased and overbilled that was received subsequent to fiscal year-end was not recorded. The auditors recommend that the Authority consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process and fiscal year close out process. (See PDF Page 31)</p>	MW	2017 (FY 2014-15)	<p>This Authority is a small organization with limited staff and finds it not financially feasible or responsible to add the level of staff necessary to enable financial statements to be prepared in-house or to outsource the same to another accounting firm. 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. Additionally, an employee who receives monies is prohibited from disbursing monies or persons receiving product inventory are prohibited from relieving product inventory. The Authority also requires two approvals on any monies disbursed, whether in cash, check, or wire transfer. The Authority believes it has implemented sufficient controls to prohibit any one employee from having access to all phases of a transaction.</p>	No

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

**Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation  
Included in the FY 2017-18 Fiscal Year Audit Report and the Two Preceding Audit Reports<sup>1</sup>**

Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Seminole County Port Authority	Seminole County	<u>Item 2 - Improve Knowledge of Internal Control over Financial Reporting:</u> The person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles (GAAP) in recording the Authority's financial transactions or preparing its financial statements and related disclosures. The basis for this control issue is that the auditor cannot be considered part of the Authority's internal control (i.e., cannot be substituted for elements within the Authority's internal control system). The auditors recognize that it requires the Authority's assessment of a cost effective solution. Alternative solutions might include training accounting staff, hiring additional staff, or engaging outside consultants, or obtaining assistance from knowledgeable volunteers to prepare financial statements in accordance with GAAP. (See PDF Page 37)	N/A	2017 (FY 2014-15)	The Authority's Board and management have decided from a cost/benefit analysis, it is not practical to expend funds to employ additional personnel to correct this deficiency. The Authority has engaged the auditors to assist in the preparation of the year-end financial statements and required notes and other information. The only benefit the Authority would realize from having the internal expertise to produce the financial statements would be to remove this finding.	No
		<u>Item 1 - Internal Control:</u> One person has the primary responsibility for most of the accounting and financial duties. As a result, many of those aspects of internal control which rely on adequate segregation of duties are, for all practical purposes, missing in the Authority. The auditors recognize that the Authority is not large enough to make the employment of additional people cost effective for the purpose of segregation of duties and that this condition is quite common in many small organizations. Increased involvement of the Board of Directors mitigates, to a limited degree, for the absence of adequate segregation of duties. (See PDF Page 37)	N/A	2017 (FY 2014-15)	The Authority has limited staff that consists of one executive secretary/assistant and one executive director. The Authority's Board and management have decided from a cost/benefit analysis, it is not practical to expend funds to employ additional personnel to correct this deficiency. Procedures implemented to mitigate the deficiency are described in the response.	No

**Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation  
Included in the FY 2017-18 Fiscal Year Audit Report and the Two Preceding Audit Reports<sup>1</sup>**

Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
South Seminole and North Orange County Wastewater Transmission Authority	Orange County, Seminole County	<u>2018-01 - Lack of Segregation of Duties:</u> The size of the Authority's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. The auditors recommend that management continue to exercise a high level of management review and supervision and the Board of Directors remain involved in the financial affairs of the Authority to provide oversight and independent review functions. (See PDF Page 49)	MW	2017 (FY 2014-15)	This finding relates to an area that may never be fully resolved due to limited staff and resources. The Authority's executive director is the only employee. All other controls/services, such as legal, bookkeeping, engineering, IT, auditing, capital improvements, and maintenance, are performed by private contractors or afforded by the municipal membership. Certain internal controls and procedures that have been implemented to compensate are described in the response.	No
St. Augustine Port, Waterway and Beach District	St. Johns County	<u>2018-001 - Separation of Duties:</u> Because the District has a limited number of available personnel, it is not always possible to adequately separate certain incompatible duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of a transaction. The Treasurer handles incoming checks, prepares the deposit slip, posts receipts to accounts receivable and the general ledger, and receives and reconciles the monthly bank statement. The auditors recommend that, to the extent possible given available personnel, the District take steps to separate duties so that no individual has access to both physical assets and the related accounting records, or all phases of a transaction. (See PDF Page 27)	MW	2017 (FY 2014-15)	The District's size does not require a full-time administrative staff. As a result, it is impossible to have effective internal controls using segregation of duties. Some procedures implemented to compensate are described in the response.	No

**Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation  
Included in the FY 2017-18 Fiscal Year Audit Report and the Two Preceding Audit Reports<sup>1</sup>**

Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
St. Johns Improvement District	Indian River County	<u>ML18-01 - Internal Controls Over the Preparation of Financial Statements:</u> Due to the small size of the District, none of the staff has the necessary qualifications and training to prepare the financial statements. The auditors had to recommend that several adjusting entries be posted, and make several adjustments to capital asset balances, in order for the financial statements to be prepared. The auditors recommend that District staff receive additional training on governmental accounting standards, as well as make all required adjustments to the year-end financial statements. (See PDF Page 42)	SD	2019 (FY 2016-17)	The District has not taken full corrective action, due to the small size and limited resources of the District. The District Assistant to the Administrator has taken additional training courses to obtain additional knowledge of governmental accounting standards to reduce the effect of not having a CPA on staff. The District is also working with the auditors to reduce the number of adjustments made during the audit process. District management is aware of the deficiency and as mitigation measures has an accounting firm with multiple CPAs under contract to assist with financial procedures, as well as a financial committee to review reports generated on a regular basis.	No
Suwannee County Conservation District	Suwannee County	<u>12-01 - Financial Statement Preparation Knowledge:</u> District personnel's lack of knowledge and familiarity with Governmental Accounting and Financial Accounting Standards prohibits the District from being able to prepare financial statements with adequate and proper disclosures and free of material misstatements. The auditor recommends that District personnel increase their knowledge of these standards sufficiently to allow them to prepare financial statements including the notes in accordance with generally accepted accounting principles. (See PDF Page 24)	MW	2017 (FY 2014-15)	As a small entity, it would not be economically feasible to hire an accountant with the skills and knowledge to keep current with generally accepted accounting principles. The District feels the limited funds it receives are better being used to serve its constituents.	No

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

**Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation  
Included in the FY 2017-18 Fiscal Year Audit Report and the Two Preceding Audit Reports<sup>1</sup>**

Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Taylor Coastal Water and Sewer District	Taylor County	2010-1 - Financial Statement Preparation: A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While the auditors can assist with the preparation of the financial statements and related footnotes, the financial statements are the responsibility of management. A deficiency in internal control exists when the government does not have the expertise necessary to prevent, detect, or correct misstatements. The District is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures. (See PDF Page 38)	SD	2017 (FY 2014-15)	The District is a very small government and has used available resources to employ a competent accountant who maintains excellent accounting records and provides accurate monthly financial reports prepared generally on a cash basis. Both staff and the Board of Commissioners review the annual financial reports and have the opportunity to ask the auditor any questions regarding the report prior to its formal presentation. At this time, the District believes it would not be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements.	No

**Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation  
Included in the FY 2017-18 Fiscal Year Audit Report and the Two Preceding Audit Reports<sup>1</sup>**

Special District	County	Audit Finding	MW or SD?	Year Last Response Received (RE: Fiscal Year)	Summary of Entity's Most Recent Response	Recommend Requiring a Written Response this Year?
Tri-County Airport Authority	Holmes County, Jackson County, Washington County	<u>2007-001 - Financial Reporting</u> : The Authority relies on the external auditors to assist with preparing and explaining financial statements in conformity with generally accepted accounting principles (GAAP). The Authority has a small accounting staff necessitated by its overall small size and does not consider it cost effective to develop and maintain a system of internal accounting control sufficient by itself to prepare financial statements in accordance with GAAP, or to maintain internal staff with sufficient knowledge to develop and maintain controls to prevent, detect, or correct misstatements in audited financial statements. The auditors recommend that the Authority continue to consider the effects of the cost of developing and benefits of implementing such a system as compared with understanding that, due to the size of its accounting department, it will continue to need external assistance with the preparation and understanding of financial statements in accordance with GAAP. (See PDF Page 29)	MW	2017 (FY 2014-15)	The Authority's Treasurer monitors the banking account on line, and all checks written on the account are required to be signed by both the Chairman and the Treasurer. A local accounting firm has been hired to assist with the preparation of the monthly statements and providing the required checks and balances needed.	No
		<u>2003-002 - Separation of Duties</u> : Due to size of the Authority and its small bookkeeping system, proper separation of duties may not be feasible. The auditors recommend that the Authority's Board of Directors remain very active and involved in the day-to-day operations. Further, the auditors state that it is essential that records be maintained current and up-to-date and controls be established to provide checks and balances. (See PDF Page 29)	SD	2017 (FY 2014-15)	The Authority' Board will be involved in the day-to-day operations as much as volunteer Board members with full-time jobs can be. The Authority has hired an Airport Manager that helps in the managing of the revenue and records at the airport. The Authority's Board members receive minutes and financial reports at each monthly meeting and are given a detail briefing of the status of all projects. The Authority's financial records will be maintained current and up-to-date by an accounting firm that was hired. Controls are now in place to provide checks and balances.	No

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

**Local Governmental Entities That Failed to Take Full Corrective Action in Response to a Recommendation  
Included in the FY 2017-18 Fiscal Year Audit Report and the Two Preceding Audit Reports<sup>1</sup>**

## FOOTNOTE/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.



Auditor General Notification:  
State universities and Florida College System institutions

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**From:** JAIME HOELSCHER <[JAIMEHOELSCHER@aud.state.fl.us](mailto:JAIMEHOELSCHER@aud.state.fl.us)>  
**Date:** July 29, 2019 at 4:42:55 PM EDT  
**To:** "Dubose, Kathy" <[DUBOSE.KATHY@leg.state.fl.us](mailto:DUBOSE.KATHY@leg.state.fl.us)>  
**Cc:** GREG CENTERS <[GREGCENTERS@AUD.STATE.FL.US](mailto:GREGCENTERS@AUD.STATE.FL.US)>  
**Subject:** Notification pursuant to Section 11.45(7)(j) Florida Statutes

Ms. Dubose,

Section 11.45(7)(j), Florida Statutes, requires the Auditor General to notify the Legislative Auditing Committee of any financial or operational audit report prepared pursuant to Section 11.45, Florida Statutes, which indicates that a State university or Florida College System institution (college) has failed to take full corrective action in response to a recommendation that was included in the two preceding financial or operational audit reports.

This e-mail is to notify you that audit reports issued during the period July 1, 2018, through July 26, 2019, for the 12 State universities and 28 colleges disclosed 4 State universities that failed to take full corrective action in response to one or more recommendations included in the two preceding financial or operational audit reports. Please see the attached document identifying the respective universities, the applicable audit reports, and the recurring findings.

*Jaime Hoelscher, CPA  
Audit Manager  
Florida Auditor General  
111 West Madison Street  
Tallahassee, FL 32399  
(850) 412-2868*

AUDIT REPORTS ISSUED  
 JULY 1, 2018, THROUGH JULY 26, 2019, FOR  
 UNIVERSITIES AND COLLEGES THAT FAILED TO TAKE  
 FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION  
 INCLUDED IN THE TWO PRECEDING AUDIT REPORTS

<u>UNIVERSITY/COLLEGE</u>	<u>REPORT NUMBERS</u>	<u>FINDING NUMBERS</u>
Florida Agricultural and Mechanical University	<a href="#">2019-063</a>	1
	<a href="#">2017-197</a>	1
	<a href="#">2014-108</a>	1
Florida Atlantic University	<a href="#">2019-206</a>	1
	<a href="#">2016-134</a>	1
	<a href="#">2014-045</a>	1
University of Central Florida	<a href="#">2019-095</a>	5
	<a href="#">2017-057</a>	2
	<a href="#">2015-086</a>	1
University of West Florida	<a href="#">2019-007</a>	4
	<a href="#">2017-081</a>	6
	<a href="#">2014-092</a>	5

**From:** MICAH RODGERS <MICAHRODGERS@AUD.STATE.FL.US>  
**Sent:** Monday, July 01, 2019 7:09 AM  
**To:** Dubose, Kathy <DUBOSE.KATHY@leg.state.fl.us>  
**Cc:** GREG CENTERS <GREGCENTERS@AUD.STATE.FL.US>  
**Subject:** Section 11.45(7)(j), Florida Statutes - Notification

Ms. Dubose,

Section 11.45(7)(j), Florida Statutes, requires the Auditor General to notify the Legislative Auditing Committee of any financial or operational audit report prepared pursuant to Section 11.45, Florida Statutes, which indicates that a district school board has failed to take full corrective action in response to a recommendation that was included in the two preceding financial or operational audit reports. Also, pursuant to Section 218.39(8), Florida Statutes, the Auditor General is required to notify the Legislative Auditing Committee of any audit report prepared pursuant to Section 218.39, Florida Statutes, which indicates that a district school board has failed to take full corrective action in response to a recommendation that was included in the two preceding financial audit reports.

This e-mail is to notify you that audit reports issued during the period July 1, 2018, through June 30, 2019, for the 67 district school board disclosed 15 district school boards that failed to take full corrective action in response to one or more recommendations included in the two preceding financial or operational audit reports. Please see the attached document identifying the respective district school boards, the applicable audit reports, and the recurring findings.

Sincerely,

-Micah Rodgers

Micah E. Rodgers, CPA  
Audit Manager, District School Boards  
111 West Madison Street  
Tallahassee, FL 32399-1450  
Telephone: (850) 412-2905

*In the event your response contains information that may be considered sensitive or confidential pursuant to federal or state law, please do not send via e-mail and contact me to make other arrangements to provide such information.*

AUDIT REPORTS ISSUED  
 JULY 1, 2018, THROUGH JUNE 30, 2019, FOR  
 DISTRICT SCHOOL BOARDS THAT FAILED TO TAKE  
 FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION  
 THAT WAS INCLUDED IN TWO PRECEDING AUDIT REPORTS

<u>DISTRICT SCHOOL BOARD</u>	<u>REPORT NUMBERS</u>	<u>FINDING NUMBERS</u>
1. Broward <sup>1</sup>	<a href="#">2019-210</a>	Operational: 4, 8
	<a href="#">2016-180</a>	Fin/Op: 2, 12
	<a href="#">2013-160</a>	Fin/Op: 4, 14
2. Clay <sup>1</sup>	<a href="#">2019-115</a>	Operational: 13
	<a href="#">2017-069</a>	Operational: 8
	<a href="#">2016-157</a>	Fin/Op: 20
3. Columbia <sup>1</sup>	<a href="#">2019-087</a>	Operational: 7
	<a href="#">2016-146</a>	Fin/Op: 9
	<a href="#">2015-067</a>	Fin/Op: 5
4. Dixie <sup>1</sup>	<a href="#">2019-060</a>	Operational: 6
	<a href="#">2016-094</a>	Fin/Op: 5
	<a href="#">2015-094</a>	Fin/Op: 1
5. Gilchrist	<a href="#">2019-181</a>	Financial: 2018-001
	<a href="#">2018-140</a>	Financial: 2017-001
	<a href="#">2017-158</a>	Financial: 2016-001
6. Hernando	<a href="#">2019-202</a>	Operational: 4
	<a href="#">CPA Firm FY 2016-17</a>	Financial: 2017-1
	<a href="#">CPA Firm FY 2015-16</a>	Financial: 2016-1
7. Jefferson <sup>1</sup>	<a href="#">2019-153</a>	Financial: AM 2018-001, AM 2018-002
	<a href="#">2018-177</a>	Financial: AM 2017-001, AM 2017-002
	<a href="#">2017-193</a>	Financial: 2016-003, 2016-001
	<a href="#">2019-208</a>	Operational: 2
	<a href="#">2016-169</a>	Fin/Op: 5
	<a href="#">2015-179</a>	Fin/Op: 11

<sup>1</sup> Pursuant to Section 11.45, Florida Statutes, the Auditor General performs operational audits at least once every 3 years. As such, recurring operational audit findings are listed from the most recent operational audit reports.

AUDIT REPORTS ISSUED  
 JULY 1, 2018, THROUGH JUNE 30, 2019, FOR  
 DISTRICT SCHOOL BOARDS THAT FAILED TO TAKE  
 FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION  
 THAT WAS INCLUDED IN TWO PRECEDING AUDIT REPORTS

<u>DISTRICT SCHOOL BOARD</u>	<u>REPORT NUMBERS</u>	<u>FINDING NUMBERS</u>
8. Lee <sup>1</sup>	<a href="#">2019-026</a>	Operational: 2, 13, 15
	<a href="#">2015-069</a>	Operational: 4, 10, 13
	<a href="#">2012-063</a>	Operational: 1, 12, 11
9. Manatee <sup>1</sup>	<a href="#">2019-205</a>	Operational: 2
	<a href="#">2017-092</a>	Operational: 6
	<a href="#">2014-079</a>	Operational: 17
10. Okaloosa <sup>1</sup>	<a href="#">2019-057</a>	Operational: 11, 13
	<a href="#">2016-129</a>	Fin/Op: 13, 14
	<a href="#">2013-121</a>	Fin/Op: 10, 13
11. Palm Beach <sup>1</sup>	<a href="#">2019-218</a>	Operational: 1, 6 <sup>2</sup>
	<a href="#">2017-042</a> <sup>3</sup>	Operational: 5 <sup>4</sup>
	<a href="#">2017-149</a>	Operational: 3 <sup>5</sup>
	<a href="#">2015-090</a>	Operational: 2, 8
12. Pinellas	<a href="#">CPA Firm FY 2017-18</a>	Financial: 2018-001
	<a href="#">2018-075</a>	Financial: 2017-001
	<a href="#">CPA Firm FY 2015-16</a>	Financial: Summary Schedule of Prior Audit Findings, Finding No. 2014-002
13. Polk <sup>1</sup>	<a href="#">2019-204</a>	Operational: 5
	<a href="#">2016-081</a>	Operational: 1
	<a href="#">2013-071</a>	Operational: 1

<sup>1</sup> See footnote on page 1.

<sup>2</sup> This finding repeated Report No. 2017-149, Finding No. 3.

<sup>3</sup> Transportation operational audit report.

<sup>4</sup> This finding repeated Report No. 2015-090, Finding No. 2.

<sup>5</sup> This finding repeated Report No. 2015-090, Finding No. 8.

AUDIT REPORTS ISSUED  
 JULY 1, 2018, THROUGH JUNE 30, 2019, FOR  
 DISTRICT SCHOOL BOARDS THAT FAILED TO TAKE  
 FULL CORRECTIVE ACTION IN RESPONSE TO A RECOMMENDATION  
 THAT WAS INCLUDED IN TWO PRECEDING AUDIT REPORTS

DISTRICT  
 SCHOOL BOARD

REPORT NUMBERS

FINDING NUMBERS

14. Sarasota <sup>1</sup>	<a href="#">2019-100</a>	Operational: 7
	<a href="#">2016-074</a>	Operational: 11
	<a href="#">2013-068</a>	Operational: 15
15. St. Lucie <sup>1</sup>	<a href="#">2019-213</a>	Operational: 5
	<a href="#">2016-139</a>	Fin/Op: 7
	<a href="#">2013-171</a>	Fin/Op: 9

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<sup>1</sup> See footnote on page 1.

**From:** [DEREK NOONAN](#)  
**To:** [Fischer, Jason](#); [Brandes, Jeff](#)  
**Cc:** [White, Deborah](#); [Dubose, Kathy](#)  
**Subject:** 2017-18 FY Notification Pursuant to Section 218.39(8), Florida Statutes  
**Date:** Friday, April 26, 2019 4:18:40 PM  
**Attachments:** [2018 PPY Findings Notification.xlsb](#)

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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 the 2017-18 fiscal year charter school and charter technical career center audit reports that indicate the audited entity has failed to take full corrective action in response to a recommendation that was included in the two preceding financial audit reports.

Please contact me if you or your staff have any questions about this information.

Derek H. Noonan, Audit Supervisor  
Auditor General, State of Florida  
111 West Madison Street, Rm 401-P  
Tallahassee, FL 32399-1450  
Office (850) 412-2864  
FAX (850) 488-6975

**Note: In the event your response contains information that may be considered sensitive or confidential pursuant to Federal or State law, please do not send that information via e-mail. Please contact me to make alternative arrangements to provide the information.**

Charter School	Finding Category	CY Finding No	PY Finding No	PPY Finding No	PDF page # (1)	Revision or Addendum (2)
<a href="#">Academy of Environmental Science</a>	Separation of Duties	2013-1	2013-1	2013-001	31	No
<a href="#">Bay Haven Charter Academy Elementary School</a>	Records Management	2018-001	2017-001	2016-001	44	No
<a href="#">Bay Haven Charter Academy Middle School</a>	Records Management	2018-001	2017-001	2016-001	42	No
<a href="#">Beacon College Prep Charter School</a>	Miscellaneous	2018-1	2017-1	2016-1	33	No
<a href="#">Ben Gamla Preparatory Academy</a>	Cash Controls	ML 2016-02	ML 2016-02	ML 16-02	38	No
<a href="#">Bridgeprep Academy of Hollywood Hills</a>	Miscellaneous	2018-1	2017-1	2016-1	33	No
<a href="#">Escambia Charter School</a>	Miscellaneous	2016-1	2016-1	2016-1	34	No
	Miscellaneous	2016-2	2016-2	2016-2	35	No
<a href="#">James Madison Preparatory Charter High School</a>	Cash Controls	2015-01	2015-01	2015-01	40	No
<a href="#">Kinder Cub School</a>	Miscellaneous	2018-001	2017-001	2016-002	28	No
<a href="#">Manatee School of Arts and Sciences</a>	Miscellaneous	2018-001	2017-001	2016-003	30	No
<a href="#">McIntosh Area School</a>	Payroll and Personnel	2018-003	2017-004	2016-001	23	No
	Policies and Procedures	2018-001	2017-001	2016-02	23	No
<a href="#">Micanopy Middle School</a>	Payroll and Personnel	2018-002	2017-001	2016-002	28	No
<a href="#">North Bay Haven Charter Career Academy</a>	Records Management	2018-001	2017-001	2016-001	45	No
<a href="#">North Bay Haven Charter Elementary School</a>	Records Management	2018-001	2017-001	2016-001	46	No
<a href="#">North Bay Haven Charter Middle School</a>	Records Management	2018-001	2017-001	2016-001	45	No
<a href="#">Reading Edge Academy</a>	Miscellaneous	2018-2	2017-4	2016-4	22	No
	Records Management	2018-1	2017-1	2016-2	22	No
<a href="#">Rowlett Academy</a>	Budget Administration	2018-01	2017-01	2016-02	49	No
<a href="#">Samsula Academy</a>	Miscellaneous	2018-2	2017-4	2016-4	21	No
	Records Management	2018-1	2017-1	2016-2	21	No
<a href="#">South Broward Montessori Charter School</a>	Miscellaneous	2018-1	2017-1	2016-1	34	No
	Other Expenditures	2018-2	2017-2	2016-2	34	No
<a href="#">True North Classical Academy Charter School</a>	Miscellaneous	2018-1	2017-1	2016-1	33	No

**Notes:**

(1) The page number listed is the PDF document page number, not the report page number.

(2) This column indicates if there is an addendum or revised report on the Auditor General's Web site that is associated with findings from the 2017-18 fiscal year audit report that should also be viewed.

Auditor General Notification:  
County Constitutional Offices, Municipalities, and Special Districts

**From:** [DEREK NOONAN](#)  
**To:** [Fischer, Jason](#); [Brandes, Jeff](#)  
**Cc:** [White, Deborah](#); [Dubose, Kathy](#)  
**Subject:** 2017-18 FY Notification Pursuant to Section 218.39(8), Florida Statutes  
**Date:** Thursday, September 26, 2019 8:51:00 AM  
**Attachments:** [2018 PPY Findings Notification.xlsb](#)

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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 the 2017-18 fiscal year local governmental entity audit reports that indicate the audited entity has failed to take full corrective action in response to a recommendation that was included in the two preceding financial audit reports.

Please contact me if you or your staff have any questions about this information.

Derek H. Noonan, Audit Supervisor  
Auditor General, State of Florida  
111 West Madison Street, Rm 401-P  
Tallahassee, FL 32399-1450  
Office (850) 412-2864  
FAX (850) 488-6975

**Note: In the event your response contains information that may be considered sensitive or confidential pursuant to Federal or State law, please do not send that information via e-mail. Please contact me to make alternative arrangements to provide the information.**

**Local Governmental Entities That Failed To Take Full Corrective Action In Repose To A Recommendation  
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Entity ID	Entity	Constitutional Officer (For Counties)	Finding Category	CY Finding No	PY Finding No	PPY Finding No	PDF page # (1)	Revision or Addendum (2)
<b>COUNTIES</b>								
C00200	<a href="#">Baker County</a>	Board of County Commissioners	Separation of Duties	2018-001	2017-001	2016-001	55	No
		Tax Collector	Separation of Duties	2018-001	2017-001	2016-001	204	No
C00400	<a href="#">Bradford County</a>	Sheriff	Distribution of Funds	ML 2015-01	ML 2015-01	ML 2015-01	144	No
		Sheriff	Cash	ML 2015-02	ML 2015-02	ML 2015-02	145	No
C00600	<a href="#">Broward County</a>	Clerk of the Circuit Court	Revenues/Collections	2016-01	2016-01	2016-01	Part 2, 151	No
C00700	<a href="#">Calhoun County</a>	Sheriff	Separation of Duties	2004-002	2004-002	04-02	160	No
		Supervisor of Elections	Separation of Duties	2004-001	2004-001	04-01	214	No
C01400	<a href="#">DeSoto County</a>	Supervisor of Elections	Separation of Duties	2018-1	2017-1	2016-1	243	No
C01800	<a href="#">Franklin County</a>	Property Appraiser	Financial Reporting	2018-001	2017-001	2016-001	Part 2, 109	No
		Sheriff	General Accounting Records	2018-01	2017-02	2016-02	Part 2, 59	No
		Supervisor of Elections	Separation of Duties	2018-001	2017-001	2016-001	Part 2, 132	No
C01900	<a href="#">Gadsden County</a>	Sheriff	Financial Reporting	2016-1	2016-1	2016-1	170	No
C02000	<a href="#">Gilchrist County</a>	Sheriff	Separation of Duties	2018-001	2017-001	2016-001	134	No
C02100	<a href="#">Glades County</a>	Board of County Commissioners	General Accounting Records	2010-001	2010-001	2010-001	87	No
		Board of County Commissioners	General Accounting Records	2016-002	2016-002	2016-002	88	No
		Board of County Commissioners	Financial Reporting	2016-003	2016-003	2016-003	89	No
		Board of County Commissioners	Revenues/Collections	2016-005	2016-005	2016-005	90	No
		Clerk of the Circuit Court	Distribution of Funds	ML 2010-001	ML 2010-001	ML 2010-001	123	No
C02400	<a href="#">Hardee County</a>	Sheriff	General Accounting Records	2018-001	2017-001	2016-001	181	No
C02900	<a href="#">Holmes County</a>	Board of County Commissioners	Financial Reporting	2010-001	2010-001	2010-001	101	No
		Clerk of the Circuit Court	Financial Reporting	2010-01	2010-01	2010-01	142	No
		Property Appraiser	Financial Reporting	2010-01	2010-01	2010-01	164	No
		Property Appraiser	Expenditures/Expenses	2012-02	2012-02	2012-02	165	No
		Sheriff	Separation of Duties	2010-01	2010-01	2010-01	219	No
		Sheriff	Financial Reporting	2010-02	2010-02	2010-02	220	No
		Supervisor of Elections	Financial Reporting	2010-01	2010-01	2010-01	188	No
		Tax Collector	Financial Reporting	2010-01	2010-01	2010-01	246	No
		Tax Collector	Information Technology	2013-01	2013-01	2013-01	247	No
C03100	<a href="#">Jackson County</a>	Board of County Commissioners	Revenues/Collections	2006-01	2006-01	ML 06-01	120	No
		Sheriff	Separation of Duties	SH2006-01	SH2006-01	SH06-01	212	No
C03300	<a href="#">Lafayette County</a>	Board of County Commissioners	Financial Reporting	12-01	12-01	12-01	63	No
		Clerk of the Circuit Court	Financial Reporting	12-01	12-01	12-01	103	No
		Property Appraiser	Financial Reporting	12-01	12-01	12-01	194	No
		Sheriff	Financial Reporting	12-01	12-01	12-01	134	No
		Supervisor of Elections	Financial Reporting	12-01	12-01	12-01	222	No
		Tax Collector	Financial Reporting	12-01	12-01	12-01	165	No
C03700	<a href="#">Levy County</a>	Sheriff	Separation of Duties	2018-001	2017-001	2016-001	138	No
C03800	<a href="#">Liberty County</a>	Sheriff	General Accounting Records	2016-IC-02	2016-IC-02	2016-IC-02	161	No
		Sheriff	Budget Administration	2016-IC-03	2016-IC-03	2016-IC-03	161	No
C03900	<a href="#">Madison County</a>	Board of County Commissioners	General Accounting Records	2018-001	2017-001	2016-02	95	No
		Tax Collector	Separation of Duties	TC-2018-001	TC 2017-001	TC 2016-01	154	No
C04250	<a href="#">Miami-Dade County</a>	Board of County Commissioners	Information Technology	2018-001	2017-002	2016-02	374	No
C05300	<a href="#">Putnam County</a>	Clerk of the Circuit Court	Other Control Deficiencies and Non	2018-001	2017-001	2016-001	202	No
		Supervisor of Elections	General Accounting Records	2018-001	2017-001	2016-001	280	No
C05900	<a href="#">Sumter County</a>	Sheriff	Separation of Duties	2018-001	2017-001	2016-001	181	No
C06600	<a href="#">Washington County</a>	Board of County Commissioners	Fixed Assets	BCC1997-001	BCC1997-001	BCC1997-001	96	No
		Property Appraiser	Separation of Duties	PA2003-003	PA2003-003	03-03	203	No
		Sheriff	Separation of Duties	SH2003-001	SH2003-001	SH2003-001	177	No
		Supervisor of Elections	Separation of Duties	SOE 2003-003	SOE 2003-003	SOE 2003-03	230	No

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		Tax Collector	Separation of Duties	TC2003-003	TC2003-003	TC03-03	261	No
<b>SPECIAL DISTRICTS</b>								
D01000	<a href="#">Alligator Point Water Resources District</a>		Financial Reporting	2018-001	2017-001	2016-001	18	No
			Separation of Duties	2018-002	2017-002	2016-002	18	No
D01450	<a href="#">Amelia Concourse Community Development District</a>		Debt Administration	2012-01/2013-01/2014-01	2012-01/2013-01/2014-01	2012-01/2013-01/2014-01	35	No
			Financial Condition	2012-02/2013-02/2014-02	2012-02/2013-02/2014-02	2012-02/2013-02/2014-02	36	No
D02700	<a href="#">Aucilla Area Solid Waste Administration</a>		Financial Reporting	2013-1	2013-1	2013-1	34	No
D03000	<a href="#">Baker County Development Commission</a>		Separation of Duties	2018-001	2017-001	2016-001	28	No
			Financial Reporting	2018-002	2017-002	2016-002	28	No
D03100	<a href="#">Baker County Hospital District</a>		Separation of Duties	2018-001	2017-001	2016-01	22	No
			Financial Reporting	2018-002	2017-002	2016-02	22	No
D04900	<a href="#">Beach Mosquito Control District</a>		Separation of Duties	2018-1	2017-1	2016-1	50	No
D08980	<a href="#">Buckeye Park Community Development District</a>		Debt Administration	IC2015-03	IC2015-03	IC2016-02	33	No
			Expenditures/Expenses	IC2016-01	IC2016-01	IC2016-01	33	No
D09200	<a href="#">CFM Community Development District</a>		Debt Administration	IC2010-1	IC2010-1	IC2010-1	32	No
D11100	<a href="#">Cedar Key Water and Sewer District</a>		Separation of Duties	2018-001	2017-001	2016-001	21	No
D11500	<a href="#">Central County Water Control District</a>		Fixed Assets	2016-2	2016-2	2016-2	63	No
			Other Control Deficiencies and Non	2016-14	2016-14	2016-14	64	No
D11970	<a href="#">Chapel Creek Community Development District</a>		Debt Administration	12-01	12-01	12-01	37	No
			Financial Reporting	12-03	12-03	12-03	36	No
			Fixed Assets	12-04	12-04	12-04	36	No
D12800	<a href="#">Children's Services Council of Okeechobee County</a>		Separation of Duties	2018-1	2017-1	2016-2	27	No
D14005	<a href="#">City Center Community Development District</a>		Debt Administration	2015-01	2015-01	2015-01	34	No
			Financial Condition	2015-02	2015-02	2015-02	34	No
D16050	<a href="#">City-County Public Works Authority</a>		Separation of Duties	2010-001	2010-001	2010-001	18	No
			General Accounting Records	2010-002	2010-002	2010-002	18	No
			Financial Reporting	2010-003	2010-003	2010-003	19	No
			Financial Reporting	2017-001	2017-001	ML2016-001	20	No
D18370	<a href="#">Concorde Estates Community Development District</a>		Financial Condition	13-01	13-01	13-01	36	No
D18380	<a href="#">Connerton West Community Development District</a>		Debt Administration	13-02	13-02	13-02	38	No
D18600	<a href="#">Coquina Water Control District</a>		Expenditures/Expenses	2018-01	2017-01	2016-01	27	No
D19630	<a href="#">Creeside Community Development District</a>		Financial Condition	2018-01	2017-01	2016-01	30	No
D19900	<a href="#">Crossings At Fleming Island Community Development District, The</a>		Debt Administration	15-01	15-01	15-01	45	No
			Debt Administration	15-02	15-02	15-02	46	No
D20200	<a href="#">Cypress Cove Community Development District</a>		Fund Equity	2018-01	2017-01	2016-01	28	No
D21500	<a href="#">Daytona Beach Racing and Recreational Facilities District</a>		General Accounting Records	2018-001	2017-001	2016-002	28	No
D22700	<a href="#">Doctors Memorial Hospital</a>		General Accounting Records	2018-002	2017-001	2016-001	Revised ML p. 1	Yes
D23750	<a href="#">Durbin Crossing Community Development District</a>		Debt Administration	18-01	17-01	2011-01	35	No
D27000	<a href="#">Fellsmere Water Control District</a>		Separation of Duties	2018-001	2017-001	2016-001	37	No
D27110	<a href="#">Fiddler's Creek Community Development District Number 2</a>		Debt Administration	2010-01	2010-01	2010-01	37	No
			Debt Administration	2013-01	2013-01	2013-01	37	No
D27400	<a href="#">Flagler Estates Road and Water Control District</a>		Separation of Duties	2018-001	2017-001	2016-001	31	No
			General Accounting Records	2018-002	2017-002	2016-002	31	No
D27850	<a href="#">Florida Keys Mosquito Control District</a>		General Accounting Records	2018-01	2017-01	2016-03	39	No
D29300	<a href="#">Fred R. Wilson Memorial Law Library</a>		Financial Reporting	ITEM-1	ITEM-1	ITEM-1	29	No
			Separation of Duties	ITEM-2	ITEM-2	ITEM-2	29	No
			Expenditures/Expenses	ITEM-3	ITEM-3	ITEM-3	29	No
D30700	<a href="#">Gilchrist Soil and Water Conservation District</a>		Financial Reporting	14-01	14-01	14-01	23	No
D31280	<a href="#">Gramercy Farms Community Development District</a>		Financial Reporting	12-01	12-01	12-01	34	No
			Debt Administration	12-03	12-03	12-03	32	No

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			Financial Condition	12-04	12-04	12-04	35	No
D33900	<a href="#">Hendry-La Belle Recreation Board</a>		Financial Reporting	2011-1	2011-1	2011-1	29	No
D34130	<a href="#">Heritage Isles Community Development District</a>		Debt Administration	2009-01	2009-01	2009-01	45	No
			Financial Condition	2014-01	2014-01	2014-01	46	No
D37100	<a href="#">Holmes Creek Soil and Water Conservation District</a>		Separation of Duties	2003-002	2003-002	2003-002	32	No
			Financial Reporting	2007-001	2007-001	2007-001	32	No
			Expenditures/Expenses	2014-01	2014-01	2014-01	37	No
			Budget Administration	2016-001	2016-001	2016-001	33	No
			Revenues/Collections	2016-01	2016-01	2016-01	37	No
D37200	<a href="#">Holt Fire District</a>		Separation of Duties	2018-01	2017-01	2014-01	34	No
			Financial Reporting	2018-02	2017-02	2014-02	34	No
D37400	<a href="#">Homosassa Special Water District</a>		Financial Condition	ML17-1	ML17-1	ML16-1	49	No
D38800	<a href="#">Indian River Farms Water Control District</a>		Separation of Duties	2018-001	2017-001	2016-001	36	No
D39400	<a href="#">Indian Trail Improvement District</a>		Purchasing/Contract Management	2018-02	2017-01	2016-02	73	No
D39600	<a href="#">Indigo Community Development District</a>		Financial Condition	2018-01	2017-01	2016-01	31	No
D40400	<a href="#">Jackson Soil and Water Conservation District</a>		Separation of Duties	2006-001	06-001	06-001	39	No
			Financial Reporting	2007-001	07-001	07-001	39	No
			Expenditures/Expenses	14-001	14-001	14-001	43	No
D44000	<a href="#">Lake Shore Hospital Authority</a>		Financial Reporting	2011-1	2011-1	2011-1	49	No
D44810	<a href="#">Lakeside Plantation Community Development District</a>		Debt Administration	2018-01	2017-01	2016-01	30	Yes
D47100	<a href="#">Levy Soil and Water Conservation District</a>		Financial Reporting	13-01	13-01	13-01	23	No
D47880	<a href="#">Madeira Community Development District</a>		Debt Administration	16-01	16-01	16-01	36	No
			Debt Administration	16-02	16-02	16-02	36	No
D48000	<a href="#">Madison County Health and Hospital District</a>		Information Technology	2018-001	2017-001	2016-003	33	No
D48100	<a href="#">Madison County Soil and Water Conservation District</a>		Financial Reporting	15-01	15-01	15-01	24	No
D48155	<a href="#">Magnolia Creek Community Development District</a>		Fixed Assets	2018-01	2017-01	14-01	32	No
			Debt Administration	2018-02	2017-02	12-01	32	No
D49500	<a href="#">Marion County Law Library</a>		Separation of Duties	2018-1	2017-1	2016-1	23	No
			General Accounting Records	2018-2	2017-2	2016-2	23	No
D49700	<a href="#">Marion Soil and Water Conservation District</a>		Financial Reporting	16-01	16-01	16-01	24	No
D50407	<a href="#">Meadow Pointe IV Community Development District</a>		Debt Administration	13-01	13-01	13-03	38	No
			Debt Administration	13-02	13-02	13-02	36	No
			Financial Reporting	13-03	13-03	13-03	39	No
D51980	<a href="#">Midtown Miami Community Development District</a>		Fund Equity	2012-01	2012-01	2012-01	41	No
D52675	<a href="#">Montecito Community Development District</a>		Financial Condition	2017-01	2017-01	2016-01	35	No
D67000	<a href="#">Municipal Service District of Ponte Vedra Beach</a>		Separation of Duties	2018-001	2017-001	2016-001	27	No
			Financial Reporting	2018-002	2017-002	2016-002	27	No
D53630	<a href="#">Naturewalk Community Development District</a>		Debt Administration	12-01	12-01	12-01	34	No
			Debt Administration	12-02	12-02	12-02	34	No
			Financial Reporting	15-01	15-01	15-01	33	No
D55400	<a href="#">North Okaloosa County Fire District</a>		Financial Reporting	2018-01	2017-01	2016-01	36	No
D56100	<a href="#">North St. Lucie River Water Control District</a>		Separation of Duties	ML 2018-1	ML 2017-1	ML 2016-1	33	No
D61300	<a href="#">Palatka Gas Authority</a>		Financial Reporting	2018-001	2017-001	2016-001	31	No
D62070	<a href="#">Palm River Community Development District</a>		Debt Administration	18-01	17-01	16-01	36	No
			Debt Administration	18-02	17-02	16-02	36	No
D62570	<a href="#">Parker Road Community Development District</a>		Debt Administration	IC2015-1	IC2015-1	IC2015-1	31	No
D67825	<a href="#">Portofino Isles Community Development District</a>		Financial Condition	2016-01	2016-01	2016-01	34	No
D67835	<a href="#">Portofino Vista Community Development District</a>		Financial Condition	2018-01	2017-01	2016-01	30	No
D68600	<a href="#">Putnam Soil and Water Conservation District</a>		Financial Reporting	16-01	16-01	16-01	23	No
D69450	<a href="#">Reunion East Community Development District</a>		Debt Administration	13-01	13-01	13-01	38	No

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			Debt Administration	13-02	13-02	13-02	38	No
D69806	<a href="#">River Glen Community Development District</a>		Fixed Assets	15-01	15-01	15-01	36	No
			Debt Administration	15-02	15-02	15-02	37	No
			Debt Administration	16-01	16-01	16-01	37	No
D69810	<a href="#">River Place on the St. Lucie Community Development District</a>		Debt Administration	13-02	13-02	13-02	36	No
			Debt Administration	13-01	13-01	13-01	36	No
			Financial Condition	2016-01	2016-01	2016-01	36	No
D70010	<a href="#">Riverwood Estates Community Development District</a>		Debt Administration	12-01	12-01	12-01	32	No
			Debt Administration	12-02	12-02	12-02	31	No
			Financial Reporting	12-03	12-03	12-03	33	No
D72900	<a href="#">Seminole County Port Authority</a>		Separation of Duties	Item 1	ITEM 1	ITEM 1	37	No
			Financial Reporting	Item 2	ITEM 2	ITEM 2	37	No
D73475	<a href="#">Six Mile Creek Community Development District</a>		Debt Administration	2017-01	2017-01	2016-01	37	No
D73900	<a href="#">South Central Regional Wastewater Treatment and Disposal Board</a>		Payroll and Personnel Administration	2018-01	2017-01	2016-01	33	No
D74900	<a href="#">South Seminole and North Orange County Wastewater Transmission Authority</a>		Separation of Duties	2018-01	2017-01	2016-01	49	No
D75480	<a href="#">Southern Hills Plantation II Community Development District</a>		Debt Administration	2017-01	2017-01	2016-01	35	No
			Debt Administration	2017-02	2017-02	2016-02	35	No
			Debt Administration	2017-03	2017-03	2016-03	36	No
D75485	<a href="#">Southern Hills Plantation III Community Development District</a>		Fund Equity	2016-01	2016-01	2016-01	26	No
D76200	<a href="#">St. Augustine Port, Waterway and Beach District</a>		Separation of Duties	2018-001	2017-001	2016-001	27	No
D76700	<a href="#">St. Johns Improvement District</a>		Financial Reporting	ML18-01	ML17-01	ML16-01	42	No
D78210	<a href="#">Sterling Hill Community Development District</a>		Financial Reporting	12-01	12-01	12-01	37	No
			Debt Administration	12-03	12-03	12-03	38	No
			Debt Administration	12-04	12-04	12-04	38	No
D78220	<a href="#">Stevens Plantation Community Development District</a>		Debt Administration	2018-01	2017-01	2016-01	30	No
D78800	<a href="#">Sun 'n Lake of Sebring Improvement District</a>		Debt Administration	2018-01	2017-01	2016-02	49	No
D79650	<a href="#">Suwannee County Conservation District</a>		Financial Reporting	12-01	12-01	12-01	24	No
D80200	<a href="#">Suwannee Water and Sewer District</a>		Expenditures/Expenses	2016-001	2016-001	2016-001	52	No
			Revenues/Collections	2016-003	2016-003	2016-003	53	No
			Cash	2016-005	2016-005	2016-005	53	No
D81610	<a href="#">Taylor Coastal Water and Sewer District</a>		Financial Reporting	2010-1	2010-1	2010-1	38	No
D82604	<a href="#">Tolomato Community Development District</a>		Debt Administration	2018-01	2017-02	2015-02	38	No
			Financial Condition	14-01	14-01	14-01	36	No
D82955	<a href="#">Trails Community Development District</a>		Debt Administration	18-02	17-02	16-02	35	No
D82975	<a href="#">Treeline Preserve Community Development District</a>		Debt Administration	15-01	15-01	15-01	37	No
			Debt Administration	15-02	15-02	15-02	38	No
D83000	<a href="#">Tri-County Airport Authority</a>		Separation of Duties	2003-002	2003-002	2003-002	29	No
			Financial Reporting	2007-001	2007-001	2007-01	29	No
D87280	<a href="#">Waterford Estates Community Development District</a>		Financial Condition	2018-01	2017-01	2016-01	31	No
D87340	<a href="#">Waterstone Community Development District</a>		Financial Condition	2018-01	2017-01	2016-01	31	No
D88400	<a href="#">West Villages Improvement District</a>		Debt Administration	2018-01	2017-01	2016-01	37	No
			Debt Administration	2018-02	2017-02	2016-02	37	No
D89000	<a href="#">Westridge Community Development District</a>		Debt Administration	13-01	13-01	13-01	36	No
			Debt Administration	13-02	13-02	13-02	36	No
			Financial Reporting	14-01	14-01	14-01	35	No
D89050	<a href="#">Westside Community Development District</a>		Debt Administration	2011-01	2011-01	2011-01	34	No
			Financial Condition	2012-01	2012-01	2012-01	35	No
D89500	<a href="#">Windemere Special Dependent District</a>		Transparency Requirements	2018-01	2017-01	2016-01	24	No
D89820	<a href="#">Woodlands Community Development District, The</a>		Debt Administration	13-01	13-01	13-01	36	No
			Financial Condition	13-02	13-02	13-02	36	No

**Local Governmental Entities That Failed To Take Full Corrective Action In Repose To A Recommendation  
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Entity ID	Entity	Constitutional Officer (For Counties)	Finding Category	CY Finding No	PY Finding No	PPY Finding No	PDF page # (1)	Revision or Addendum (2)
D89840	<a href="#">Wyld Palms Community Development District</a>		Debt Administration	2018-01	2017-01	14-01	30	No
D90210	<a href="#">Zephyr Ridge Community Development District</a>		Debt Administration	09-01	09-01	09-01	36	No
			Debt Administration	09-02	09-02	09-02	36	No
			Financial Reporting	12-01	12-01	12-01	35	No
<b>MUNICIPALITIES</b>								
M00600	<a href="#">Apalachicola, City of</a>		Separation of Duties	2017-001	2017-001	2016-001	67	No
			General Accounting Records	2017-002	2017-002	2016-002	67	No
			Debt Administration	2017-003	2017-003	2016-003	68	No
M00800	<a href="#">Arcadia, City of</a>		Cash	2018-001	2017-001	2016-001	90	No
			General Accounting Records	2018-002	2017-002	2016-002	91	No
M00900	<a href="#">Archer, City of</a>		Financial Reporting	2012-1	2012-1	2013-1	58	No
M01000	<a href="#">Astatula, Town of</a>		General Accounting Records	2018-001	2017-002	2016-002	36	Yes
M01600	<a href="#">Bal Harbour Village, Town of</a>		General Accounting Records	ML 2016-04	ML 2016-04	ML 2016-04	146	No
M02200	<a href="#">Bell, Town of</a>		Financial Reporting	2009-1	2009-1	2009-1	39	No
M02400	<a href="#">Belle Isle, City of</a>		Separation of Duties	ML 18-01	ML 17-01	ML 2016-01	101	No
M03100	<a href="#">Biscayne Park, Village of</a>		Financial Reporting	2015-01	2015-01	2015-01	68	No
M03500	<a href="#">Bowling Green, City of</a>		General Accounting Records	2018-01	2017-01	2016-01	57	No
M03900	<a href="#">Branford, Town of</a>		Financial Reporting	2010-1	2010-1	2010-1	51	No
M04200	<a href="#">Bronson, Town of</a>		Separation of Duties	2009-1	2009-1	2009-1	33	No
			Fund Equity	ML 2009-4	ML 2009-4	ML 2009-4	38	No
			General Accounting Records	2016-1	2016-1	2016-1	34	No
			Fraud and Other Illegal Acts	ML 2016-1	ML 2016-1	ML 2016-1	39	No
M04600	<a href="#">Bushnell, City of</a>		Separation of Duties	2008-2	2008-2	2008-2	118	No
			Financial Condition	2011-1	2011-1	2011-1	123	No
			Debt Administration	2014-1	2014-1	2014-1	123	No
M04800	<a href="#">Callaway, City of</a>		Separation of Duties	2018-001	2017-001	2016-001	109	No
M04900	<a href="#">Campbellton, Town of</a>		Separation of Duties	04-01	04-01	04-01	45	No
M05200	<a href="#">Carrabelle, City of</a>		Financial Reporting	2018-001	2017-001	2016-001	50	No
			Separation of Duties	2018-002	2017-002	2016-002	50	No
			Fixed Assets	2018-003	2017-003	2016-003	51	No
			Distribution of Funds	2018-005	2017-005	2016-007	51	No
			Budget Administration	2018-006	2017-007	2016-011	54	No
			Budget Administration	2018-007	2017-008	2016-012	55	No
			Policies and Procedures	2018-008	2017-010	2016-009	55	No
			Information Technology	2018-009	2017-011	2016-010	55	No
M05600	<a href="#">Cedar Key, City of</a>		Debt Administration	ML2015-1	ML 2015-1	ML 2015-1	46	No
M05700	<a href="#">Center Hill, City of</a>		Payroll and Personnel Administration	2015-03	2015-03	2015-03	98	No
			Fixed Assets	2015-04	2015-04	2015-04	98	No
M05900	<a href="#">Chattahoochee, City of</a>		Financial Reporting	2018-001	2017-001	2016-01	113	No
			Separation of Duties	2018-002	2017-002	2016-002	113	No
M06500	<a href="#">Clewiston, City of</a>		Financial Reporting	2009-1	2009-1	2009-1	109	No
M07000	<a href="#">Coleman, City of</a>		Financial Reporting	2018-1	2017-1	2016-1	59	No
			Separation of Duties	2018-2	2017-2	2016-2	59	No
M07400	<a href="#">Cottontdale, City of</a>		Separation of Duties	2003-001	2003-001	2003-001	50	No
			Fixed Assets	2004-02	2004-02	2004-02	56	No
			Financial Reporting	2007-001	2007-001	2007-001	50	No
			General Accounting Records	2009-001	2009-001	2009-001	51	No
			General Accounting Records	2016-001	2016-001	2016-001	52	No
			Budget Administration	2016-01	2016-01	2016-01	57	No
			Revenues/Collections	2016-03	2016-03	2016-03	57	No

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			General Accounting Records	2016-05	2016-05	2016-05	57	No
M07700	<a href="#">Cross City, Town of</a>		Separation of Duties	2018-001	2017-001	2016-001	37	No
M07900	<a href="#">Dade City, City of</a>		Separation of Duties	2014-2	2014-2	2014-2	84	No
			Information Technology	2015-2	2015-2	2015-2	88	No
			Expenditures/Expenses	2015-3	2015-3	2015-3	88	No
M08600	<a href="#">Deerfield Beach, City of</a>		Cash	SD 2018-001	2015-001	2015-001	167	No
			Payroll and Personnel Administration	ML 10-2	ML 10-2	ML 10-2	178	No
M08700	<a href="#">DeFuniak Springs, City of</a>		Financial Reporting	2018-001	2017-003	2014-006	93	No
M09100	<a href="#">Destin, City of</a>		Fund Equity	2018-02	2017-04	2017-04	Revised ML p. 2	Yes
M09400	<a href="#">Dunnellon, City of</a>		Financial Condition	2015-02	2015-02	2015-02	82	No
M09600	<a href="#">Eatonville, Town of</a>		Financial Condition	2006-A	2006-A	2006-A	79	No
			Financial Reporting	2018-001	2017-001	2016-002	73	No
M09700	<a href="#">Ebro, Town of</a>		Financial Reporting	2009-02	2009-02	09-02	35	No
			Separation of Duties	2009-03	2009-03	09-03	35	No
			Fixed Assets	2009-04	2009-04	09-04	36	No
			Investments	2009-06	2009-06	09-06	36	No
M10400	<a href="#">Fanning Springs, City of</a>		Financial Reporting	2013-1	2013-1	2013-1	60	No
M11500	<a href="#">Fort White, Town of</a>		Financial Reporting	2011-1	2011-1	2011-1	42	No
M11800	<a href="#">Fruitland Park, City of</a>		Payroll and Personnel Administration	ML 18-1	ML 17-1	ML 16-2	125	No
			Payroll and Personnel Administration	ML 18-2	ML 17-2	ML 16-3	125	No
M12100	<a href="#">Glen Saint Mary, Town of</a>		Separation of Duties	2018-001	2017-001	2016-001	47	No
			Financial Reporting	2018-002	2017-002	2016-002	47	No
M12500	<a href="#">Graceville, City of</a>		Separation of Duties	2006-001	2006-001	2006-001	60	No
			Financial Reporting	2007-001	2007-001	2007-001	60	No
			Fixed Assets	2012-001	2012-001	2012-001	64	No
M12600	<a href="#">Grand Ridge, Town of</a>		Financial Reporting	2018-001	2017-001	2016-001	48	No
M12900	<a href="#">Greensboro, Town of</a>		Separation of Duties	2018-001	2017-002	2016-002	54	No
M13000	<a href="#">Greenville, Town of</a>		Financial Reporting	2018-001	2017-001	2016-001	59	No
			Separation of Duties	2018-002	2017-002	2016-002	59	No
			Budget Administration	2018-003	2017-003	2016-004	62	No
M14000	<a href="#">Hastings, Town of</a>		Separation of Duties	2018-001	2017-001	2016-001	47	No
			General Accounting Records	2018-002	2017-002	2016-002	47	No
M14500	<a href="#">Hialeah, City of</a>		Fund Equity	2015-02	2015-02	2015-02	183	No
M14600	<a href="#">High Springs, City of</a>		Fund Equity	2018-001	2017-001	2016-003	54	No
M15000	<a href="#">Hilliard, Town of</a>		Financial Reporting	2009-1	2009-1	2009-1	74	No
M15600	<a href="#">Horseshoe Beach, Town of</a>		Financial Reporting	2011-1	2011-1	2011-1	44	No
M16600	<a href="#">Interlachen, Town of</a>		Financial Reporting	2018-001	2007-01	2007-01	32	No
M17100	<a href="#">Jacob City, City of</a>		General Accounting Records	2018-001	2017-001	2016-001	30	No
M17200	<a href="#">Jasper, City of</a>		Revenues/Collections	2016-002	2016-002	2016-002	74	No
M17400	<a href="#">Jennings, Town of</a>		Separation of Duties	2018-001	2017-001	2016-001	64	No
			Financial Reporting	2018-002	2017-002	2016-002	64	No
M17600	<a href="#">Jupiter Inlet Colony, Town of</a>		Policies and Procedures	2016-1	2016-1	2016-1	38	No
M18500	<a href="#">LaBelle, City of</a>		Financial Reporting	2009-1	2009-1	2009-1	102	No
M19400	<a href="#">Lake Helen, City of</a>		Separation of Duties	2018-003	2017-002	2016-002	55	No
			Information Technology	2018-004	2017-003	2016-001	55	No
M19700	<a href="#">Lake Placid, Town of</a>		General Accounting Records	2018-001	2017-001	2016-001	63	Yes
M20700	<a href="#">Lawtey, City of</a>		Debt Administration	2018-1	2017-3	2016-6	34	No
			Debt Administration	2018-2	2017-4	2016-5	34	No
M21700	<a href="#">Macclenny, City of</a>		Separation of Duties	2018-001	2017-001	2016-001	59	No
			Financial Reporting	2018-002	2017-002	2016-002	59	No

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M21900	<a href="#">Madison, City of</a>		Financial Reporting	2012-1	2012-1	2012-1	83	No
M22200	<a href="#">Malone, Town of</a>		Separation of Duties	2004-001	2004-001	04-001	45	No
			Financial Reporting	2007-001	2007-001	07-001	45	No
M23000	<a href="#">Mayo, Town of</a>		Financial Reporting	2011-1	2011-1	2011-1	57	No
			Payroll and Personnel Administration	2016-1	2016-1	2016-1	59	No
			Revenues/Collections	2016-2	2016-2	2016-2	59	No
M23200	<a href="#">Medley, Town of</a>		Separation of Duties	2018-01	2017-01	2016-01	87	No
			Fixed Assets	2018-02	2017-02	2016-02	87	No
			Purchasing/Contract Management	2018-03	2017-03	2016-04	88	No
M23500	<a href="#">Melbourne Village, Town of</a>		Financial Reporting	Comment 001	Comment 005	Comment 001	49	Yes
			Investments	Finding 001	Finding 002	Finding 002	43	Yes
M23700	<a href="#">Miami, City of</a>		Information Technology	ML 2014-04	ML 2014-04	ML 2014-04	271	No
			Revenues/Collections	ML 2015-02	ML 2015-02	ML 2015-02	270	No
M24300	<a href="#">Milton, City of</a>		Cash	2018-001	2017-001	2016-01	108	Yes
M24700	<a href="#">Montverde, Town of</a>		Financial Reporting	ML 18-1	ML 17-1	ML 16-1	55	No
M24800	<a href="#">Moore Haven, City of</a>		Financial Reporting	2018-001	2017-001	2016-001	97	No
			General Accounting Records	2018-002	2017-002	2016-002	98	No
M25000	<a href="#">Mulberry, City of</a>		Budget Administration	2014-005	2014-005	2014-005	51	No
M25300	<a href="#">New Port Richey, City of</a>		General Accounting Records	2018-001	2017-001	2016-001	157	Yes
			Cash	2018-002	2017-002	2016-002	158	Yes
M26000	<a href="#">North Miami, City of</a>		Information Technology	ML 2016-02	ML 2016-02	ML 2016-02	256	No
			Information Technology	ML 2016-03	ML 2016-03	ML 2016-03	257	No
M26100	<a href="#">North Miami Beach, City of</a>		General Accounting Records	2015-1	2015-1	2015-1	201	No
M26500	<a href="#">Oak Hill, City of</a>		Separation of Duties	SD01 (2009)	SD01 (2009)	SD01 (2009)	73	No
			Information Technology	ML 2015-03	ML 2015-03	ML 2015-03	78	No
M26600	<a href="#">Oakland, Town of</a>		Revenues/Collections	10-01	10-01	10-01	63	No
			Payroll and Personnel Administration	10-04	10-04	10-04	56	No
			General Accounting Records	10-05	10-05	10-05	63	No
			Revenues/Collections	10-06	10-06	10-06	64	No
			General Accounting Records	11-5	11-5	11-5	64	No
			Fixed Assets	12-3	12-3	12-3	56	No
M27700	<a href="#">Orchid, Town of</a>		Separation of Duties	IC 2018-001	2017-002	2016-002	36	No
M28400	<a href="#">Palm Bay, City of</a>		Federal Awards	IC 2016-002	IC 2016-002	IC 2016-002	218	No
			State Financial Assistance	IC 2016-002	IC 2016-002	IC 2016-002	218	No
M29100	<a href="#">Panama City, City of</a>		Separation of Duties	2007-1	2007-1	2007-1	248	No
M29200	<a href="#">Panama City Beach, City of</a>		Separation of Duties	2018-001	2017-001	2016-001	117	No
M29300	<a href="#">Parker, City of</a>		General Accounting Records	2018-001	2017-001	2016-001	71	No
			Separation of Duties	2018-002	2017-002	2016-002	71	No
M29500	<a href="#">Paxton, City of</a>		Financial Reporting	2018-01	2017-01	2016-01	48	No
			Separation of Duties	2018-02	2017-02	2016-02	48	No
M29800	<a href="#">Penney Farms, Town of</a>		Financial Reporting	2011-1	2011-1	2011-1	50	No
M30100	<a href="#">Pierson, Town of</a>		Financial Reporting	2009-01	2009-01	2009-01	40	No
			Separation of Duties	2009-02	2009-02	2009-02	41	No
			Revenues/Collections	2012-01	2012-01	2012-01	41	No
			Revenues/Collections	2014-01	2014-01	2014-01	44	No
M30700	<a href="#">Pomona Park, Town of</a>		Separation of Duties	2009-IC-1	2009-IC-1	2009-IC-1	55	No
M32500	<a href="#">San Antonio, City of</a>		Fixed Assets	2015-1	2015-1	2015-1	68	No
M33600	<a href="#">Sneads, Town of</a>		Fixed Assets	2000-001	2000-001	2000-001	61	No
			Financial Reporting	2007-001	2007-001	2007-001	61	No
M33900	<a href="#">South Daytona, City of</a>		Fund Equity	2013-1	2013-1	2013-1	139	No

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			Fund Equity	2015-2	2015-2	2015-2	140	No
M34100	<a href="#">South Palm Beach, Town of</a>		Policies and Procedures	2018-02	2017-03	2015-2	97	No
			Cash	2018-04	2017-06	2016-4	98	No
M34600	<a href="#">St. Cloud, City of</a>		Debt Administration	2018-1	2017-1	2016-1	163	No
			Revenues/Collections	2018-2	2017-2	2016-2	167	No
M34900	<a href="#">St. Marks, City of</a>		Separation of Duties	2018-001	2017-001	2016-001	37	No
M35700	<a href="#">Tallahassee, City of</a>		Payroll and Personnel Administration	2018-003	2017-005	2016-003	233	No
M36100	<a href="#">Tavares, City of</a>		Financial Condition	ML 18-01	ML 17-01	ML 16-01	172	No
M36200	<a href="#">Temple Terrace, City of</a>		General Accounting Records	2017-001	2017-001	2016-001	165	Yes
M36600	<a href="#">Trenton, City of</a>		Financial Reporting	2009-1	2009-1	2009-1	62	No
M37500	<a href="#">Wausau, Town of</a>		Separation of Duties	2010-01	2010-01	2010-01	57	No
			Financial Reporting	2010-02	2010-02	2010-02	57	No
			Information Technology	2015-01	2015-01	2015-01	58	No
M37600	<a href="#">Webster, City of</a>		Separation of Duties	2015-001	2015-001	2015-001	57	No
			General Accounting Records	2015-002	2015-002	2015-002	59	No
			Revenues/Collections	2015-007	2015-007	2015-007	63	No
M38200	<a href="#">West Palm Beach, City of</a>		Payroll and Personnel Administration	ML 2018-001	ML2017-01	ML2016-01	Single Audit p.46	No
			Information Technology	ML 2018-002	ML2017-02	2016-06	Single Audit p.47	No
			Information Technology	ML 2018-003	ML2017-03	2016-07	Single Audit p.48	No
M39000	<a href="#">Windermere, Town of</a>		Financial Reporting	18-01	17-01	16-01	41	No

**Notes:**

- (1) The page number listed is the PDF document page number, not the report page number.
- (2) This column indicates if there is an addendum or revised report on the Auditor General's Web site that is associated with findings from the 2017-18 fiscal year audit report that should be viewed.

**Additional Information:**

**Daytona Beach Racing and Recreation Facilities Authority (entity ID D21500)** has one finding (2018-001) that we identified as an uncorrected finding in the 2017-18 audit report. However, in the audit report, the auditor did not note that the finding was uncorrected in the two previous audit reports. We attempted to contact the auditor on multiple occasions for clarification; however, as of the date of this notification, the auditor had not provided written or verbal clarification.

**8 Recommendations  
Related to Government  
Accountability**

There are no materials for this agenda item.

**9 Local Governmental  
Entities: Financial  
Emergency Condition(s)**

**Local Governmental Entities that Met One or More Condition of a Financial Emergency and Failed to Respond to the Governor's Office Request for Further Information in a Timely Manner**

	<b>Entity (County)</b>	<b>Date Governor's Office Notified Committee</b>	<b>Financial Emergency Condition(s) Identified in the 2017-18 Fiscal Year Audit Report</b>	<b>Staff Recommendation</b>
<b>MUNICIPALITIES</b>				
1	<a href="#">Town of Century</a> (Escambia)	11/12/2019	The Town: 1. Did not make required debt service payments when due. 2. Did not transfer payroll taxes in a timely manner. 3. Issued payroll checks without sufficient funds in the payroll bank account.	Take action if not received by January 31, 2020
2	<a href="#">City of Midway</a> (Gadsden)	10/1/2019	1. The City failed to pay uncontested claims from creditors within 90 days after the claim was presented, as a result of a lack of funds.	
<b>SPECIAL DISTRICTS</b>				
1	<a href="#">Creekside Community Development District (CDD)</a> (St. Lucie)	10/1/2019	1. The District failed to make certain scheduled debt service payments when due on its Series 2006 Bonds, as a result of a lack of funds.	Take action if not received by January 31, 2020
2	<a href="#">Palm River CDD</a> (Hillsborough)	10/1/2019	1. The District did not pay the principal and interest due on the Series 2007 Bonds, as a result of a lack of funds.	
3	<a href="#">Portofino Isles CDD</a> (St. Lucie)	10/1/2019	1. The District did not make certain scheduled debt service payments and did not meet debt service reserve requirements.	
4	<a href="#">River Place on the St. Lucie CDD</a> (St. Lucie)	10/2/2019	The District: 1. Did not pay the principal on the Special Assessment Bonds, Series 2001B and the Special Assessment Bond Series 2001A, when due. 2. Did not meet the reserve requirement of the Series 2001 Special Assessment Bonds.	
5	<a href="#">Southern Hills Plantation II CDD</a> (Hernando)	10/1/2019	The District: 1. Did not pay required debt service on the Series 2004 Bonds as a result of the lack of funds. 2. Did not pay uncontested claims from creditors within 90 days due to lack of funds.	
6	<a href="#">Stevens Plantation CDD</a> (Osceola)	10/2/2019	The District: 1. Has been unable to make its debt service payments on the Series 2003A and Series 2003B bonds since November 2012 due to lack of funds. 2. Has not met the debt service reserve requirement.	
7	<a href="#">Treeline Preserve CDD</a> (Lee)	10/1/2019	1. In the current and prior years, the District did not pay all of the principal and interest due on the Series 2007A Bonds due to lack of funds.	

**Local Governmental Entities that Met One or More Condition of a Financial Emergency and Failed to Respond to the Governor's Office Request for Further Information in a Timely Manner**

	<b>Entity (County)</b>	<b>Date Governor's Office Notified Committee</b>	<b>Financial Emergency Condition(s) Identified in the 2017-18 Fiscal Year Audit Report</b>	<b>Staff Recommendation</b>
<b>SPECIAL DISTRICTS (Continued)</b>				
8	<a href="#">Villages of Avignon CDD</a> (Manatee)	11/12/2019	The District: 1. In the current and prior years, did not pay principal and interest due on the Series 2007 Bonds as a result of lack of funds. 2. At the fiscal-year end, the District had payables due to creditors that were greater than 90 days old due to lack of funds.	Take action if not received by January 31, 2020
9	<a href="#">Waterstone CDD</a> (St. Lucie)	10/2/2019	1. The District failed to make its scheduled debt service payments due on the Series 2007B Bonds in the current and prior fiscal years, as a result of a lack of funds.	

## Excerpt of Florida Statutes (2019) related to Financial Emergencies

### **218.503 Determination of financial emergency.—**

(1) Local governmental entities, charter schools, charter technical career centers, and district school boards shall be subject to review and oversight by the Governor, the charter school sponsor, the charter technical career center sponsor, or the Commissioner of Education, as appropriate, when any one of the following conditions occurs:

(a) Failure within the same fiscal year in which due to pay short-term loans or failure to make bond debt service or other long-term debt payments when due, as a result of a lack of funds.

(b) Failure to pay uncontested claims from creditors within 90 days after the claim is presented, as a result of a lack of funds.

(c) Failure to transfer at the appropriate time, due to lack of funds:

1. Taxes withheld on the income of employees; or
2. Employer and employee contributions for:
  - a. Federal social security; or
  - b. Any pension, retirement, or benefit plan of an employee.

(d) Failure for one pay period to pay, due to lack of funds:

1. Wages and salaries owed to employees; or
2. Retirement benefits owed to former employees.

(2) A local governmental entity shall notify the Governor and the Legislative Auditing Committee; a charter school shall notify the charter school sponsor, the Commissioner of Education, and the Legislative Auditing Committee; a charter technical career center shall notify the charter technical career center sponsor, the Commissioner of Education, and the Legislative Auditing Committee; and a district school board shall notify the Commissioner of Education and the Legislative Auditing Committee, when one or more of the conditions specified in subsection (1) have occurred or will occur if action is not taken to assist the local governmental entity, charter school, charter technical career center, or district school board. In addition, any state agency must, within 30 days after a determination that one or more of the conditions specified in subsection (1) have occurred or will occur if action is not taken to assist the local governmental entity, charter school, charter technical career center, or district school board, notify the Governor, charter school sponsor, charter technical career center sponsor, or the Commissioner of Education, as appropriate, and the Legislative Auditing Committee.

(3) Upon notification that one or more of the conditions in subsection (1) have occurred or will occur if action is not taken to assist the local governmental entity or district school board, the Governor or his or her designee shall contact the local governmental entity or the Commissioner of Education or his or her designee shall contact the district school board, as appropriate, to determine what actions have been taken by the local governmental entity or the district school board to resolve or prevent the condition. The information requested must be provided within 45 days after the date of the request. If the local governmental entity or the district school board does not comply with the request, the Governor or his or her designee or the Commissioner of Education or his or her designee shall

notify the Legislative Auditing Committee, which may take action pursuant to s. 11.40(2). The Governor or the Commissioner of Education, as appropriate, shall determine whether the local governmental entity or the district school board needs state assistance to resolve or prevent the condition. If state assistance is needed, the local governmental entity or district school board is considered to be in a state of financial emergency. The Governor or the Commissioner of Education, as appropriate, has the authority to implement measures as set forth in ss. 218.50-218.504 to assist the local governmental entity or district school board in resolving the financial emergency. Such measures may include, but are not limited to:

(a) Requiring approval of the local governmental entity's budget by the Governor or approval of the district school board's budget by the Commissioner of Education.

(b) Authorizing a state loan to a local governmental entity and providing for repayment of same.

(c) Prohibiting a local governmental entity or district school board from issuing bonds, notes, certificates of indebtedness, or any other form of debt until such time as it is no longer subject to this section.

(d) Making such inspections and reviews of records, information, reports, and assets of the local governmental entity or district school board as are needed. The appropriate local officials shall cooperate in such inspections and reviews.

(e) Consulting with officials and auditors of the local governmental entity or the district school board and the appropriate state officials regarding any steps necessary to bring the books of account, accounting systems, financial procedures, and reports into compliance with state requirements.

(f) Providing technical assistance to the local governmental entity or the district school board.

(g)1. Establishing a financial emergency board to oversee the activities of the local governmental entity or the district school board. If a financial emergency board is established for a local governmental entity, the Governor shall appoint board members and select a chair. If a financial emergency board is established for a district school board, the State Board of Education shall appoint board members and select a chair. The financial emergency board shall adopt such rules as are necessary for conducting board business. The board may:

a. Make such reviews of records, reports, and assets of the local governmental entity or the district school board as are needed.

b. Consult with officials and auditors of the local governmental entity or the district school board and the appropriate state officials regarding any steps necessary to bring the books of account, accounting systems, financial procedures, and reports of the local governmental entity or the district school board into compliance with state requirements.

c. Review the operations, management, efficiency, productivity, and financing of functions and operations of the local governmental entity or the district school board.

d. Consult with other governmental entities for the consolidation of all administrative direction and support services, including, but not limited to, services for asset sales, economic and community development, building inspections, parks and recreation, facilities management, engineering and construction, insurance coverage, risk management, planning and zoning, information systems, fleet management, and purchasing.

2. The recommendations and reports made by the financial emergency board must be submitted to the Governor for local governmental entities or to the Commissioner of Education and the State Board of Education for district school boards for appropriate action.

(h) Requiring and approving a plan, to be prepared by officials of the local governmental entity or the district school board in consultation with the appropriate state officials, prescribing actions that will cause the local governmental entity or district school board to no longer be subject to this section. The plan must include, but need not be limited to:

1. Provision for payment in full of obligations outlined in subsection (1), designated as priority items, which are currently due or will come due.

2. Establishment of priority budgeting or zero-based budgeting in order to eliminate items that are not affordable.

3. The prohibition of a level of operations which can be sustained only with nonrecurring revenues.

4. Provisions implementing the consolidation, sourcing, or discontinuance of all administrative direction and support services, including, but not limited to, services for asset sales, economic and community development, building inspections, parks and recreation, facilities management, engineering and construction, insurance coverage, risk management, planning and zoning, information systems, fleet management, and purchasing.

**10 Lobbying Firm  
Compensation Report  
Audits**

## **Lobbying Firm Compensation Report Audits – Materials Provided**

- 1. Overview:** Audits of Lobbying Firm Compensation Reports
- 2. Results of Audits of 2018 Compensation:** Packet presented to the Speaker and the President  
*(Note: The packet to the Chair of the Commission on Ethics was identical except for the cover letter)*
- 3. Draft Revisions to Guidelines:** For the Committee's consideration

# Audits of Lobbying Firm Compensation Reports Joint Legislative Auditing Committee

## Summary

The Joint Legislative Auditing Committee (Committee) has statutorily assigned responsibilities related to the audits of lobbying firm compensation reports. Lobbying firms are required to file quarterly compensation reports, and a specified percentage of these firms are required to be audited annually to determine the accuracy of their reporting. The audits are required to be conducted by independent contract auditors<sup>1</sup> selected by the lobbying firms from a list of qualified auditors maintained by the Committee. The auditors are required to follow procedures specified by the Committee during the course of the audit. The implementation efforts in 2007 and 2008 were not resolved, and no audits were conducted initially. During late 2013 and early 2014, the Committee proceeded with the statutory requirements to ensure that audits of compensation reports filed for the 2014 calendar year could begin in 2015. Audits have now been performed on randomly selected executive branch and legislative branch lobbying firms for compensation reported in the 2014 through 2018 calendar years.

## Overview

Bill: Senate Bill 6-B (Ch. 2005-359, *Laws of Florida*) is often referred to as the “gift ban.” Prior to its enactment, lobbyists were required to file periodic expenditure reports. Once the gift ban became effective, lobbyists were no longer required to file expenditure reports, but instead were required to file quarterly compensation reports.

Requirements: Section 11.40(3)(b), F.S., requires an audit of the quarterly compensation reports of 3% of all legislative branch and 3% of all executive branch lobbying firms by independent contract auditors (auditors). Various provisions in s. 11.40(3), F.S., require the Committee to: (1) develop a system to randomly select lobbying firms for audit, (2) develop procedures for the selection of auditors, (3) create and maintain a list of not less than 10 auditors approved to conduct the audits, and (4) develop guidelines to conduct the audits.<sup>2</sup>

Scope of Audits: On a quarterly basis, lobbying firms are required to report the compensation they receive from each principal<sup>3</sup> and the total they receive from all principals, in accordance with ss. 11.045(3)(a)1. and 112.3215(5)(a)1., F.S. (for legislative branch and executive branch lobbyists, respectively). The following reporting categories are required:

Total Compensation Provided or Owed to the Lobbying Firm from <b>Each</b> Principal	Total Compensation Provided or Owed to the Lobbying Firm from <b>All</b> Principals
\$0	\$0
\$1 - \$9,999	\$1 - \$49,999
\$10,000 - \$19,999	\$50,000 - \$99,999
\$20,000 - \$29,999	\$100,000 - \$249,999
\$30,000 - \$39,999	\$250,000 - \$499,999
\$40,000 - \$49,999	\$500,000 - \$999,999
\$50,000 or more ( <i>specific amount reported, rounded to the nearest \$1,000</i> )	\$1 million or more

<sup>1</sup> See definition of “independent contract auditors” in s. 11.40(3)(a), F.S. (page 3 of this document).

<sup>2</sup> Although the law states that an audit is to be conducted, the type of work to be performed does not meet the definition of an audit under the American Institute of Certified Public Accountants (AICPA) professional standards. In 2008, the Committee recommended an agreed-upon procedures engagement conducted in accordance with the attestation standards established by the AICPA. This recommendation was developed in cooperation with the Florida Board of Accountancy.

<sup>3</sup> “Principal” is defined as the person, firm, corporation, or other entity which has employed or retained a lobbyist.

The filed quarterly compensation reports are available for viewing on Online Sunshine by selecting “Legislative & Executive Branch Lobbyists” in the left column.

The auditors perform procedures, specified by the Committee, on specified records of the lobbying firms selected for an audit and issue a report in accordance with professional standards describing the procedures performed and any findings.

Cost: The cost of the audits is required to be paid by the Legislature.

Selection of the Auditor: The Committee is required to maintain a list of not less than 10 auditors approved to conduct audits of the compensation reports. Once a lobbying firm has been notified by the Committee that it has been selected for an audit, it is required to select an auditor from the Committee’s list. If the lobbying firm fails to make a selection within 30 days, the Committee is required to select the auditor to conduct the audit.

Auditor Independence: The law has a strict definition of independence for the auditors who conduct an audit of a lobbying firm’s compensation reports. They cannot ever have had a direct personal relationship or a professional accounting, auditing, tax advisory, or tax preparing relationship with each other. The additional independence restriction provided in law relates to certain attest and nonattest services that may currently be allowed under the independence standards adopted by the Florida Board of Accountancy.

Status: The Committee adopted guidelines which include the procedures the auditors will follow during the engagement and provide examples of the types of records that lobbying firms may use to document compensation. The Committee also approved procedures for the selection of the auditors and the lobbying firms.

In 2018, a RFP process was used, for the second time, to solicit CPAs / CPA firms who were qualified and interested in conducting the audits. Six audit firms responded to the RFP and were approved to conduct the audits. The contracts are renewable for up to three additional years.

For each year, a random number generator was used to determine the lobbying firms that were selected for an audit. In 2019, 24 lobbying firms (11 executive branch firms; 13 legislative branch firms) were selected for an audit of their 2018 compensation. For each audit, a maximum number of billable hours was authorized, based on the number of principals the lobbying firm was registered to represent. In addition, a maximum travel allowance was authorized for audits in which the audit firm and lobbying firm were not located in the same vicinity. Audit firms were authorized to request an increase in either or both of these amounts if they determined the authorized amounts were insufficient to complete the engagement.

All audits of 2018 compensation were completed by September 19, 2019. The audit firms billed the Legislature a total of \$100,989.50 for all 24 audits.<sup>4</sup>

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<sup>4</sup> These costs also include billable hours for audit firms related to two additional lobbying firms. Although these lobbying firms were selected for an audit, it was later determined that they did not meet the criteria for an audit as they were not lobbying firms in 2018. In both instances, the organizations filed one or more compensation reports for the year that were not required.

## Statutory Language

### Section 11.40, *Florida Statutes*

(3)(a) As used in this subsection, “independent contract auditor” means a state-licensed certified public accountant or firm with which a state-licensed certified public accountant is currently employed or associated who is actively engaged in the accounting profession.

(b) Audits specified in this subsection cover the quarterly compensation reports for the previous calendar year for a random sample of 3 percent of all legislative branch lobbying firms and a random sample of 3 percent of all executive branch lobbying firms calculated using as the total number of such lobbying firms those filing a compensation report for the preceding calendar year. The committee shall provide for a system of random selection of the lobbying firms to be audited.

(c) The committee shall create and maintain a list of not less than 10 independent contract auditors approved to conduct the required audits. Each lobbying firm selected for audit in the random audit process may designate one of the independent contract auditors from the committee’s approved list. Upon failure for any reason of a lobbying firm selected in the random selection process to designate an independent contract auditor from the committee’s list within 30 calendar days after being notified by the committee of its selection, the committee shall assign one of the available independent contract auditors from the approved list to perform the required audit. No independent contract auditor, whether designated by the lobbying firm or by the committee, may perform the audit of a lobbying firm where the auditor and lobbying firm have ever had a direct personal relationship or any professional accounting, auditing, tax advisory, or tax preparing relationship with each other. The committee shall obtain a written, sworn certification subject to s. 837.06, both from the randomly selected lobbying firm and from the proposed independent contract auditor that no such relationship has ever existed.

(d) Each independent contract auditor shall be engaged by and compensated solely by the state for the work performed in accomplishing an audit under this subsection.

(e) Any violations of law, deficiencies, or material misstatements discovered and noted in an audit report shall be clearly identified in the audit report and be determined under the rules of either house of the Legislature or under the joint rules, as applicable.

(f) If any lobbying firm fails to give full, frank, and prompt cooperation and access to books, records, and associated backup documents as requested in writing by the auditor, that failure shall be clearly noted by the independent contract auditor in the report of audit.

(g) The committee shall establish procedures for the selection of independent contract auditors desiring to enter into audit contracts pursuant to this subsection. Such procedures shall include, but not be limited to, a rating system that takes into account pertinent information, including the independent contract auditor’s fee proposals for participating in the process. All contracts under this subsection between an independent contract auditor and the Speaker of the House of Representatives and the President of the Senate shall be terminable by either party at any time upon written notice to the other, and such contracts may contain such other terms and conditions as the Speaker of the House of Representatives and the President of the Senate deem appropriate under the circumstances.

(h) The committee shall adopt guidelines that govern random audits and field investigations conducted pursuant to this subsection. The guidelines shall ensure that similarly situated compensation reports are audited in a uniform manner. The guidelines shall also be formulated to encourage compliance and detect violations of the legislative and executive lobbying compensation reporting requirements in ss. 11.045 and 112.3215 and to ensure that each audit is conducted with maximum efficiency in a cost-effective manner. In adopting the guidelines, the committee shall consider relevant guidelines and standards of the American Institute of Certified Public Accountants to the extent that such guidelines and standards are applicable and consistent with the purposes set forth in this subsection.

(i) All audit reports of legislative lobbying firms shall, upon completion by an independent contract auditor, be delivered to the President of the Senate and the Speaker of the House of Representatives for their respective review and handling. All audit reports of executive branch lobbyists, upon completion by an independent contract auditor, shall be delivered by the auditor to the Commission on Ethics.

**BILL GALVANO**  
President of the Senate



Senator Dennis Baxley  
Senator Tom Lee  
Senator Bill Montford  
Senator Kevin Rader

**THE FLORIDA LEGISLATURE**  
**JOINT LEGISLATIVE AUDITING COMMITTEE**

**JOSE OLIVA**  
Speaker of the House



Representative Michael Caruso  
Representative Chip LaMarca  
Representative Sharon Pritchett  
Representative Bob Rommel  
Representative Jackie Toledo  
Representative Patricia Williams

**Representative Jason Fischer, Chair**  
**Senator Jeff Brandes, Vice Chair**

October 30, 2019

The Honorable Bill Galvano, President  
The Florida Senate  
409 The Capitol  
Tallahassee, Florida 32399-1100

The Honorable Jose R. Oliva, Speaker  
The Florida House of Representatives  
420 The Capitol  
Tallahassee, Florida 32399-1300

Dear President Galvano and Speaker Oliva:

As required by s. 11.40(3), *Florida Statutes*, the Joint Legislative Auditing Committee (Committee) is pleased to provide you with the results of the agreed-upon procedures (AUP) engagements performed on the 2018 Quarterly Lobbying Firm Compensation Reports filed by randomly selected lobbying firms.

Enclosed for your review are bound copies of the AUP reports for the 13 engagements performed related to legislative branch compensation reporting. Although the Commission on Ethics is responsible for enforcing any non-compliance related to executive branch compensation reporting, copies of the AUP reports related to executive branch compensation reporting are also provided for your review. In addition, all reports are provided in an electronic format.

For your convenience, the following summary information is provided:

- A one-page summary of all 24 AUP engagements, listed in order by the size of the lobbying firm, which includes the type of compensation audited (executive or legislative branch), the audit firm selected, the cost of each engagement, and whether any findings were reported.
- A one-page summary of the 11 executive branch AUP engagements, listed in alphabetical order.
- A one-page summary of the 13 legislative branch AUP engagements, listed in alphabetical order.
- A summary, with the findings reported in 11 of the AUP reports.

The Honorable Bill Galvano, President  
The Honorable Jose R. Oliva, Speaker  
October 30, 2019  
Page 2

The sole lobbyist for one lobbying firm selected for an AUP engagement of legislative branch compensation, KSF and Associates, was reported by the audit firm for failing to fully, voluntarily, and promptly participate in the engagement process and for failing to provide reasonably relevant documentation requested by the audit firm. This notification is required by Section 11.40(3)(f), *Florida Statutes*, and the guidelines adopted by the Committee that specify the procedures that the audit firms must follow.

Excluding Legislative member and staff time, the total cost of this year's AUP engagements was \$100,989.50. Of this amount, \$46,537.50 will be paid by the Executive Branch Lobbyist Registration Trust Fund for the audits of executive branch compensation, and \$54,452.00 will be paid by the Legislative Branch Lobbyist Registration Trust Fund for audits of legislative branch compensation.

We thank you and your staff for the guidance provided during this process.

Best regards,



Representative Jason Fischer  
Chair



Senator Jeff Brandes  
Vice Chair

cc (w/o reports):      Members of the Joint Legislative Auditing Committee  
                                 Jacqui Peters, President's Office  
                                 Tom Hamby, Speaker's Office  
                                 Karen Chandler, Office of Legislative Services

Enclosures:            Bound Agreed-Upon Procedures Reports for Legislative Branch Engagements  
                                 Copies of Agreed-Upon Procedures Reports for Executive Branch Engagements (Binder)  
                                 Electronic Copy (CD) of Agreed-Upon Procedures Reports for Legislative and Executive  
                                 Branch Engagements  
                                 Summary of All 24 Engagements; Sorted by Size of Lobbying Firm  
                                 Summary of Executive Branch Engagements; Listed in Alphabetical Order  
                                 Summary of Legislative Branch Engagements; Listed in Alphabetical Order  
                                 Summary of Agreed-Upon Procedures (AUP) Findings Reported

2018 Lobbying Firm Compensation Audits  
Summary of All 24 Engagements  
Sorted by Size of Lobbying Firm

	Lobbying Firm	Number of Lobbyists	Number of Principals												Compensation Audited	Audit Firm Selected	Cost of Engagement	Exceptions (Findings) Reported?	
			1	2	3	5	6	7	11	12	15	34							
1	All Florida Solutions Inc	1	X												Executive	Carr, Riggs & Ingram	\$ 2,625.00	Yes	
2	bg & associates international inc		X													Legislative	Carroll & Company	\$ 1,720.00	No
3	Glenn A. Bedonie CPA, P.A.		X													Executive	Carroll & Company	\$ 1,300.00	No
4	Gray Fox Strategies, LLC		X													Legislative	Carr, Riggs & Ingram	\$ 2,625.00	No
5	Horton & Associates LLC		X													Legislative	Carr, Riggs & Ingram	\$ 2,625.00	No
6	Mary Jean Yon		X													Legislative	Carroll & Company	\$ 1,260.00	No
7	Nancy A. Daniels		X													Executive	Carroll & Company	\$ 1,860.00	No
8	Peggy H. Mathews		X													Legislative	RMJ Financial	\$ 1,425.00	No
9	Pelican State Strategic Solutions, LLC		X													Executive	Warren Averett	\$ 1,963.50	No
10	Pyle & Associates		X													Executive	RMJ Financial	\$ 1,805.00	Yes
11	Thomas L. Singleton Consulting Inc		X													Executive	Carroll & Company	\$ 1,300.00	No
12	CS Consulting Group, LLC			X												Executive	Carr, Riggs & Ingram	\$ 3,325.00	No
13	Curva and Associates LLC			X												Legislative	Carr, Riggs & Ingram	\$ 3,325.00	Yes
14	KSF and Associates			X												Legislative	CliftonLarsenAllen	\$ 5,000.00	Yes
15	Carr Allison				X											Executive	Carroll & Company	\$ 4,600.00	Yes
16	DeLisi, Inc.				X											Legislative	Carroll & Company	\$ 3,320.00	Yes
17	Asztalos and Associates					X										Legislative	Carr, Riggs & Ingram	\$ 5,425.00	No
18	Chamber Consultants, LLC					X										Legislative	CALAS Group	\$ 4,693.50	Yes
19	Capital Strategies Inc							X								Executive	Warren Averett	\$ 1,904.00	No
20	Nancy Black Stewart PA								X							Executive	Carroll & Company	\$ 4,760.00	Yes
21	James A. Naff & Associates LLC	2				X									Legislative	Carroll & Company	\$ 1,780.00	No	
22	Nortelus Roberts Group									X						Legislative	Carr, Riggs & Ingram	\$ 10,325.00	Yes
23	CAS Governmental Services LLC	3									X				Legislative	Carr, Riggs & Ingram	\$ 10,325.00	Yes	
24	Dean Mead	7										X			Executive	Carr, Riggs & Ingram	\$ 20,475.00	Yes	
<b>Total Hours</b>																	\$ 99,766.00		

Note: Engagements were completed for the lobbying firms listed above. Two additional firms were originally selected; however, based on information provided by the audit firms, it was determined that they did not meet the parameters for an audit. Alternate firms were used in lieu of these firms. The total of the invoices submitted for work related to all 26 firms was \$100,989.50.

**2018 Lobbying Firm Compensation Audits**  
**Summary of Executive Branch Engagements**  
*Listed in Alphabetical Order*

	Lobbying Firm (Location)	Audit Firm Selected	Location of Audit Firm	Cost of Engagement	Exceptions (Findings) Reported?
1	All Florida Solutions Inc (Boca Raton)	Carr, Riggs & Ingram	Tallahassee	\$ 2,625.00	Yes
2	Capital Strategies Inc (Tallahassee)	Warren Averett	Destin	\$ 1,904.00	No
3	Carr Allison (Tallahassee)	Carroll & Company	Tallahassee	\$ 4,600.00	Yes
4	CS Consulting Group, LLC (Pompano Beach)	Carr, Riggs & Ingram	Tallahassee	\$ 3,325.00	No
5	Dean Mead (Tallahassee)	Carr, Riggs & Ingram	Tallahassee	\$ 20,475.00	Yes
6	Glenn A. Bedonie CPA, P.A. (Tallahassee)	Carroll & Company	Tallahassee	\$ 1,300.00	No
7	Nancy A. Daniels (Tallahassee)	Carroll & Company	Tallahassee	\$ 1,860.00	No
8	Nancy Black Stewart PA (Tallahassee)	Carroll & Company	Tallahassee	\$ 4,760.00	Yes
9	Pelican State Strategic Solutions, LLC (Ponchatoula, LA)	Warren Averett	Destin	\$ 1,963.50	No
10	Pyle & Associates (Washington, D.C.)	RMJ Financial	Davie	\$ 1,805.00	Yes
11	Thomas L. Singleton Consulting Inc (Monticello)	Carroll & Company	Tallahassee	\$ 1,300.00	No
<b>Total Cost</b>				<b>\$ 45,917.50</b>	

Note: One additional firm, Giffords, was originally selected. However, based on information provided by the audit firm, it was determined that it did not meet the parameters for an audit, therefore an alternate firm was used. The audit firm submitted an invoice for \$620.00 for the work performed related to Giffords, which brings the total for Executive Branch engagements to \$46,537.50.

**2018 Lobbying Firm Compensation Audits**  
**Summary of Legislative Branch Engagements**  
*Listed in Alphabetical Order*

	Lobbying Firm (Location)	Audit Firm Selected	Location of Audit Firm	Cost of Engagement	Exceptions (Findings) Reported?
1	Asztalos and Associates (Tallahassee)	Carr, Riggs & Ingram	Tallahassee	\$ 5,425.00	No
2	bg & associates international inc (Tallahassee)	Carroll & Company	Tallahassee	\$ 1,720.00	No
3	CAS Governmental Services LLC (Canal Point)	Carr, Riggs & Ingram	Tallahassee	\$ 10,325.00	Yes
4	Chamber Consultants, LLC (Tallahassee)	CALAS Group	Miami	\$ 4,693.50	Yes
5	Curva and Associates LLC (Tallahassee)	Carr, Riggs & Ingram	Tallahassee	\$ 3,325.00	Yes
6	DeLisi, Inc. (West Palm Beach)	Carroll & Company	Tallahassee	\$ 3,320.00	Yes
7	Gray Fox Strategies, LLC (Tallahassee)	Carr, Riggs & Ingram	Tallahassee	\$ 2,625.00	No
8	Horton & Associates LLC (Tallahassee)	Carr, Riggs & Ingram	Tallahassee	\$ 2,625.00	No
9	James A. Naff & Associates LLC (Tallahassee)	Carroll & Company	Tallahassee	\$ 1,780.00	No
10	KSF and Associates (Pembroke Pines)	CliftonLarsonAllen	Lakeland	\$ 5,000.00	Yes
11	Mary Jean Yon (Tallahassee)	Carroll & Company	Tallahassee	\$ 1,260.00	No
12	Nortelus Roberts Group (Tallahassee)	Carr, Riggs & Ingram	Tallahassee	\$ 10,325.00	Yes
13	Peggy H. Mathews (Tallahassee)	RMJ Financial	Davie	\$ 1,425.00	No
<b>Total Cost</b>				<b>\$ 53,848.50</b>	

Note: One additional firm, Capitol Insight, was originally selected. However, based on information provided by the audit firm, it was determined that it did not meet the parameters for an audit, therefore an alternate firm was used. The audit firm submitted an invoice for \$603.50 for the work performed related to Capitol Insight, which brings the total for Legislative Branch engagements to \$54,452.00.

## Summary of Agreed-Upon Procedures (AUP) Findings Reported

*Note: Only engagements in which one or more exceptions (findings) were noted are listed below.*

### **Executive Summary**

In November 2013, the Joint Legislative Auditing Committee (Committee) adopted *Guidelines for Attestation Services Relating to Quarterly Lobbying Firm Compensation Reports (Guidelines)*. The *Guidelines* were revised in November 2015. In February 2019, Committee staff, following procedures approved by the Committee, and with assistance from the Auditor General's Office, randomly selected 3% of the executive branch lobbying firms and 3% of the legislative branch lobbying firms for an audit.<sup>1</sup> The 11 and 13 lobbying firms selected, respectively, were provided 30 days from the date of the Committee's notification of their selection to choose one of six audit firms approved to perform the AUP engagements. Two of the organizations selected were determined to not meet the parameters for an AUP engagement. One organization was a principal, not a lobbying firm. The other organization had been a lobbying firm in prior years, and, although it was still a registered corporation with the Department of State, it was no longer functioning as a lobbying firm. Two alternate lobbying firms were selected in lieu of these organizations. The *Guidelines* provided the audit firms with specific steps (procedures) to follow during each AUP engagement. These procedures include comparisons of documents filed with the Legislature's Division of Law Revision and Information, comparisons of documents filed with lobbying firm records, and the receipt of a representation letter from the lobbying firm. Instances in which any discrepancies were noted were required to be reported as a finding or exception by the audit firm. Engagements were performed between March and September 2019 on the 2018 Quarterly Lobbying Firm Compensation Reports filed.

Of the 24 AUP engagements performed, exceptions (findings) were reported for 11 lobbying firms (46%). Findings were reported for 5 of the 11 AUP engagements (45%) performed related to executive branch compensation and for 6 of the 13 AUP engagements (46%) performed related to legislative branch compensation.

Compensation was overstated by eight lobbying firms for one or more quarters for one or more principals. Compensation was understated by three lobbying firms for one or more quarters for one or more principals. Of these, two lobbying firms both overstated and understated compensation for one or two quarters for one or two principals.

Exceptions noted that did not relate to the compensation amounts reported during 2018 include:

- One lobbying firm was not registered to represent a principal during the year, but received and reported compensation from this principal for each quarter.
- One lobbying firm listed a principal on one quarterly report with compensation of \$0; however, the firm's sole lobbyist was not registered to represent the principal that quarter.
- Two lobbying firms' compensation reports each listed two duplicate principals, due to minor typographical differences when the respective firms' lobbyists registered to represent these principals. However, each lobbying firm reported compensation only for one of each duplicate principal and no over-reporting of compensation occurred.

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<sup>1</sup> Although Section 11.40(3), *Florida Statutes*, refers to an audit, the type of work performed does not meet the definition of an audit under professional auditing standards. An agreed-upon procedures engagement is a type of attestation engagement; the use of this type of engagement in lieu of an audit was worked out in cooperation with the Florida Board of Accountancy.

- One lobbying firm submitted invoice(s) to a principal for reimbursement of registration fees and business meals. These amounts were not included in the contracted amounts for lobbying services. Although the fees were not included in the contract, they were correctly reported in the compensation report.
- For one lobbying firm, the compensation received and reported for one principal did not agree with the contract amount. Documentation of a verbal agreement to increase lobbying services was not provided prior to the audit firm’s inquiry as required. The same lobbying firm did not provide payment records for the amounts reported on the compensation reports for another principal. Also, the lobbyist did not timely provide the audit firm with the required written representation. As required by the *Guidelines* and *Florida Statutes*, the audit firm reported the lobbying firm’s sole lobbyist for failing to “fully, voluntarily, and promptly participate in the attestation engagement process, or to provide any reasonably relevant documentation requested by the CPA or CPA firm in the course of conducting the attestation engagement.”

For details of the exceptions and other information summarized above, please refer to the exceptions reported for the applicable lobbying firms that follow.

### **Reports on 2018 Executive Branch Compensation**

*(Listed in alphabetical order)*

#### **1. All Florida Solutions Inc**

Compensation for one principal was incorrectly reported for all quarters of 2018, as noted below:

<b>Time Period / Principal</b>	<b>Range Reported by Lobbying Firm</b>	<b>Correct Range as Determined by CPA Firm</b>	<b>Result</b>
<b>1<sup>st</sup> Quarter</b>			
Palm Beach County Sheriff’s Office	\$30,000.00-\$39,999.00	\$10,000.00-\$19,999.00	Overstated
<b>2<sup>nd</sup> Quarter</b>			
Palm Beach County Sheriff’s Office	\$30,000.00-\$39,999.00	\$10,000.00-\$19,999.00	Overstated
<b>3<sup>rd</sup> Quarter</b>			
Palm Beach County Sheriff’s Office	\$30,000.00-\$39,999.00	\$10,000.00-\$19,999.00	Overstated
<b>4<sup>th</sup> Quarter</b>			
Palm Beach County Sheriff’s Office	\$30,000.00-\$39,999.00	\$10,000.00-\$19,999.00	Overstated

Per the audit firm, “the quarterly reports double count the amount of compensation contracted and received from the principal during each applicable period, both allocating the full amount of compensation to each branch [executive and legislative], and therefore overstating the compensation amounts...The differences were determined to be an unintentional clerical error on the part of the lobbying firm. As soon as this error was identified and discussed with the lobbying firm, the firm took corrective action to amend the report filings and appropriately report the compensation allocated to each branch [equally split].”

Number of Registered Lobbyists: 1; Number of Registered Principals: 1

Audit Firm: Carr, Riggs & Ingram, LLC

**2. Carr Allison**

Compensation for two or more quarters of 2018 for two principals was overstated. The following table shows the amount of compensation that was reported for these principals and the amount of compensation that should have been reported based on a review of supporting documentation:

Time Period / Principal	Range Reported by Lobbying Firm	Correct Range as Determined by CPA Firm	Result
<b>2<sup>nd</sup> Quarter</b>			
Florida Automobile Joint Underwriting Association	\$10,000.00-\$19,999.00	\$1.00-\$9,999.00	Overstated
<b>3<sup>rd</sup> Quarter</b>			
Florida Automobile Joint Underwriting Association	\$10,000.00-\$19,999.00	\$1.00-\$9,999.00	Overstated
The Variable Annuity Live Insurance Company (VALIC)	\$10,000.00-\$19,999.00	\$1.00-\$9,999.00	Overstated
<b>4<sup>th</sup> Quarter</b>			
Florida Automobile Joint Underwriting Association	\$10,000.00-\$19,999.00	\$1.00-\$9,999.00	Overstated
The Variable Annuity Live Insurance Company (VALIC)	\$10,000.00-\$19,999.00	\$1.00-\$9,999.00	Overstated

The lobbying firm did not wish to provide a written statement of explanation or rebuttal concerning the findings noted. Amended reports reflecting the correct compensation ranges were filed on July 12, 2019, for each applicable quarter for each principal.

Number of Registered Lobbyists: 1; Number of Registered Principals: 3  
 Audit Firm: Carroll and Company, CPAs

**3. Dean Mead**

Quarterly executive branch compensation reports for 2018 list the following duplicate principals:

- Florida Outdoor Advertising Association and Florida Outdoor Advertising Association, Inc.
- Real Property, Probate & Trust Law Section and Real Property, Probate & Trust Law Section of the Florida Bar

In each case, compensation was consistently reported under only one of the principal names each quarter; therefore, compensation was not duplicated.

One observation<sup>2</sup> was reported: The principal “City of Indian Harbour Beach” appears on the second quarter compensation report for the lobbying firm. This is in line with the contract effective beginning June 1, 2018. The effective registration date, however, for the lobbyists related to the principal reflect July 16, 2018, which is in the third quarter.

<sup>2</sup> An observation is not a finding and is not an indication that the lobbying firm did anything incorrectly. Rather, it provides additional information regarding anomalies found by the audit firms.

Number of Registered Lobbyists: 7; Number of Registered Principals: 34  
Audit Firm: Carr, Riggs & Ingram, LLC

#### **4. Nancy Black Stewart PA**

The compensation report for the fourth quarter lists Capital Insurance Agency, Inc. as a principal with \$0.00 compensation for the quarter. The firm's sole lobbyist was not registered for this principal for this quarter for the Executive Branch.

Response from Nancy Black Stewart: "I have encouraged clients to have me register for both Legislative and Executive branches in an abundance of caution. Very often, the need to speak with or work with the Executive branch it is not a planned event and my goal has been to be able to move quickly, as necessary, and be in compliance with lobbying requirements. In October 2018, I registered to represent Capital Insurance Agency for Legislative Branch. They believed Executive branch registration was unnecessary...When I filed my Executive branch 4<sup>th</sup> Quarter Report, I reached the question whether there were other Principals not listed. Without thinking it through, I added Capital to the list. I declared \$0.00 as compensation from Capital...which is accurate... because I did know compensation was for Legislative only. What I forgot was that I had not registered Executive (as I usually do). My mistake was reporting at all for Executive for Capital...thinking in the moment I had registered for Executive. I immediately called and spoke with....Lobbyist Registration and she explained that an amendment to the Report to remove the entry is not possible. I regret my error but there is no means to correct the Report."

Compensation for the principal Eckerd Connects was overstated for the third quarter of 2018. Compensation for the quarter for this principal should have been reported as \$0.00 instead of \$10,000.00-\$19,999.00. An amended report reflecting \$0.00 for this principal, for this quarter, was filed on June 6, 2019.

Response from Nancy Black Stewart: "Eckerd Connects gave me notice that my contract would not be renewed after June 30. However, they stated they would pay me an amount equal to contract terms for 3 months: July; August; and September, to wrap up my 23+ years with them. I disclosed this compensation from client for both Legislative and Executive in error. Since I was no longer lobbying I should not have reported this in the 3rd Quarter Reports. I have since corrected the Reports and I regret my error. I was concentrating on reporting compensation from a client."

Number of Registered Lobbyists: 1; Number of Registered Principals: 11  
Audit Firm: Carroll and Company, CPAs

#### **5. Pyle & Associates**

Pyle & Associates received compensation from the principal The Kraft Heinz Company for all four quarters of 2018; however, the lobbying firm's only lobbyist was not registered to represent this principal during the year. In addition, the lobbying firm did not report the compensation received from The Kraft Heinz Company for the first and third quarters. Amended compensation reports for these two quarters were filed on July 17, 2019. For each quarter, the compensation was reported in the correct range of \$1.00 - \$9,999.00

Response included in report: “As a result of a change in administrative staff who typically completes the required registration form, the 2018 registration form for Kraft was not completed. Pyle & Associates agrees with the finding and has coordinated with Kraft to complete the required registration for 2019 and to resolve the noted discrepancy.”

Status included in report: “Currently, Kraft completed the required registration in accordance with...Florida Statute 112.3215(3) and Rule 34-12.200 of the Commission on Ethics’ Executive Branch Lobbyist Registration Requirements, however the Office of Lobbyist Registration [said] that Kraft has not authorized the lobbyist to register, and continues to have the status of “Pending Authorization.”

Committee staff note: As of October 29, 2019, the lobbyist is not registered to represent The Kraft Heinz Company for Florida’s Executive Branch. The report disclosed that, under the contract with Kraft, Pyle & Associates provides lobbying services to the Florida executive branch, the federal government, all other states, and territories. This includes 34 Independent Tribal Organizations and seven Federal territories, for a total of 91 entities.

Number of Registered Lobbyists: 1; Number of Registered Principals: 1  
 Audit Firm: RMJ Financial LLC

**Reports on 2018 Legislative Branch Compensation**

*(Listed in alphabetical order)*

**1. CAS Governmental Services LLC**

Compensation for three quarters of 2018 for the following two principals was either overstated or understated. The following table shows the amount of compensation that was reported for these principals and the amount of compensation that should have been reported based on a review of supporting documentation:

<b>Time Period / Principal</b>	<b>Range Reported by Lobbying Firm</b>	<b>Correct Range as Determined by CPA Firm</b>	<b>Result</b>
<b>1<sup>st</sup> Quarter</b>			
City of Bartow	\$1.00-\$9,999.00	\$10,000.00-\$19,999.00	Understated
<b>2<sup>nd</sup> Quarter</b>			
Okeechobee Utility Authority	\$0.00	\$1.00-\$9,999.00	Understated
<b>4<sup>th</sup> Quarter</b>			
City of Bartow	\$1.00-\$9,999.00	\$0.00	Overstated
Okeechobee Utility Authority	\$1.00-\$9,999.00	\$0.00	Overstated

Per the audit firm: “After discussion with the lobbying firm, these reporting exceptions were considered unintentional and a result of a difference between technical language in the contract and internal billing practices. After communicating these exceptions, the lobbying firm took action to have the relevant quarterly reports amended to reflect the correct compensation ranges.” Amended compensation reports were filed for each of these quarters on June 26, 2019.

Quarterly legislative branch compensation reports for 2018 list the following duplicate principals:

- City County Public Works Authority and City-County Public Works Authority
- Glades County Board of Commissioners and Glades County Board of County Commissioners

In each case, compensation was consistently reported under only one of the principal names each quarter; therefore, compensation was not duplicated.

Number of Registered Lobbyists: 3; Number of Registered Principals: 15

Audit Firm: Carr, Riggs & Ingram, LLC

## 2. Chamber Consultants, LLC

The principal R Street Institute was invoiced for reimbursements of the registration fees and business meals in addition to the contracted amounts for lobbying services. Although these fees were not included in the contract, they were correctly reported in the compensation report.

### Observations:

There are discrepancies in the contract with the principal Anfield Consulting regarding the lobbying firm's total compensation. It reads "Six Thousand," but shows "\$6,020." It also reads that the first payment shall be \$1,000 with an additional five payments of \$1,020. This totals \$6,100. The lobbying firm confirmed that the total compensation should have read "Six Thousand and Twenty," with the first payment of \$1,020 and five additional payments of \$1,000. These amounts tied into the invoices and deposit records reviewed.

In addition, there is a discrepancy between the contract and a separate payment schedule for the principal Institute for Justice regarding the required monthly payment amounts, as shown in the following table:

Monthly Fees/Payment	Contract	Payment Schedule
November 2018	\$3,000	\$0
December 2018	\$7,000	\$0
January 2019	\$7,000	\$9,990.67
February 2019	\$7,000	\$9,990.67
March 2019	\$7,000	\$9,990.67
April 2019	\$7,000	\$9,990.67
May 2019	\$7,000	\$5,037.31
Total	<u>\$45,000</u>	<u>\$44,999.99</u>

The principal paid the lobbying firm in accordance with the payment schedule rather than the written contract terms. Therefore, the lobbying firm correctly reported the fourth quarter 2018 revenue as zero.

Number of Registered Lobbyists: 1; Number of Registered Principals: 5

Audit Firm: CALAS Group

**3. Curva and Associates LLC**

Compensation for one principal was incorrectly reported for three quarters of 2018, as noted below:

Time Period / Principal	Range Reported by Lobbying Firm	Correct Range as Determined by CPA Firm	Result
<b>1<sup>st</sup> Quarter</b>			
SHAPE FL	\$1.00-\$9,999.00	\$10,000.00-\$19,999.00	Understated
<b>2<sup>nd</sup> Quarter</b>			
SHAPE FL	\$10,000.00-\$19,999.00	\$1.00-\$9,999.00	Overstated
<b>3<sup>rd</sup> Quarter</b>			
SHAPE FL	\$1.00-\$9,999.00	\$0.00	Overstated

Per the audit firm: “Based on discussions with the lobbying firm, these discrepancies were unintentional and were due to the specific timing of invoicing requested by the principal in the contract. Once these items were brought to the attention of the lobbying firm, amended reports were immediately filed to reflect the correct compensation ranges according to the contract.”

Number of Registered Lobbyists: 1; Number of Registered Principals: 2

Audit Firm: Carr, Riggs & Ingram, LLC

**4. DeLisi, Inc.**

Compensation for the principal Lee County Board of County Commissioners was overstated for the second and third quarters of 2018. Compensation for the second quarter for this principal should have been reported as \$0.00 instead of \$10,000.00-\$19,999.00. Compensation for the third quarter for this principal should have been reported as \$0.00 instead of \$1.00-\$9,999.00. Amended reports reflecting \$0.00 for this principal, for these quarters, was filed on June 24, 2019.

Response from Daniel DeLisi: “The contract with Lee County contains multiple tasks, billed on an hourly basis. Some of the tasks under this contract include activities that would qualify as Legislative Branch lobbying, others do not. During Legislative Session and the preceding Committee Weeks, the vast majority of work under this contract involves Legislative Branch lobbying activities, and historically my work for Lee County started entirely as a contract lobbying the Florida Legislature.

As the scope of my work with Lee County has changed and expanded, I continue to work with the County outside of Legislative Session on other water policy activities. These include dealing with the South Florida Water Management District or other local, State or Federal agencies on water issues. When I filed my report, I mistakenly used the total sum of my invoices to Lee County for those quarters as the amount to disclose in my reporting, rather than just the amount for the Florida Legislative Branch lobbying that was performed. As a result, I over reported compensation for Legislative Branch Lobbying for those quarters.”

Number of Registered Lobbyists: 1; Number of Registered Principals: 3

Audit Firm: Carroll and Company, CPAs

**5. KSF and Associates**

Compensation reported for the principal Florida Beer Wholesalers Association did not agree with the contract amount. After inquiry, the lobbying firm’s sole lobbyist provided written confirmation from the principal that a verbal agreement had been made for additional lobbying services. This is considered an exception as the information related to the verbal agreement was provided subsequent to the audit firm’s inquiry, and was dated June 27, 2019.

Compensation for the principal Florida Beer Wholesalers Association was overstated for the fourth quarter of 2018. Compensation for the quarter for this principal, based on the written and oral contract was \$5,040. Therefore, it should have been reported as \$1.00-\$9,999.00 instead of \$10,000.00-\$19,999.00.

The lobbyist did not provide payment records for the amounts reported on the compensation reports for the principal League of Woman Voters.

The lobbyist did not provide the required written representation from the lobbyist in a timely manner. Although requested on July 22, 2019, it was not received until August 22, 2019. Committee staff note: This delayed the issuance of the AUP report.

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

Excerpt of Appendix C: Schedule of Individuals Who Failed to Provide Documentation Requested:

Name	Title	Information Not Provided
Katia Saint Fleur	Lobbyist	(1) Supporting documentation for amounts received from the League of Woman Voters was requested formally via email on June 19, 2019 after several failed phone call attempts to obtain the information, with no response; (2) After multiple requests were made for the required signed representation letter, the lobbying firm provided the signed letter on August 22, 2019.

Number of Registered Lobbyists: 1; Number of Registered Principals: 2  
Audit Firm: CliftonLarsonAllen LLP

## **6. Nortelus Roberts Group**

Compensation for the principal AMOAF was overstated for the second quarter of 2018. Compensation for this quarter for this principal should have been reported as \$1.00-\$9,999.00 instead of \$10,000.00-\$19,999.00.

Compensation for the principal National Home Service Contract Association was overstated for the second quarter of 2018. Compensation for this quarter for this principal should have been reported as \$0.00 instead of \$1.00-\$9,999.00.

Regarding each of the above noted exceptions, the auditors stated: “after discussion with the lobbying firm, this error was considered to be unintentional, and the firm took corrective action to have the quarterly report amended to reflect the correct compensation range.” An amended report reflecting the correct compensation for both principals was filed for this quarter on September 17, 2019.

Number of Registered Lobbyists: 2; Number of Registered Principals: 12

Audit Firm: Carr, Riggs & Ingram, LLC

~~ANDY GARDINER~~  
~~BILL GALVANO~~  
President



~~STEVE CRISAFULLI~~  
~~JOSE OLIVA~~  
Speaker



DRAFT

**GUIDELINES**

**FOR**

**ATTESTATION SERVICES**

**RELATING TO**

**QUARTERLY LOBBYING FIRM**

**COMPENSATION REPORTS**

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

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## Joint Legislative Auditing Committee

~~Senator Joseph Abruzzo, Chair~~  
~~Representative Daniel D. "Dan" Raulerson, Vice Chair~~

~~Senator Lizbeth Benacquisto~~  
~~Senator Rob Bradley~~  
~~Senator Audrey Gibson~~  
~~Senator Wilton Simpson~~

~~Representative Debbie Mayfield~~  
~~Representative Amanda Murphy~~  
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Representative Jason Fischer, Chair  
Senator Jeff Brandes, Vice Chair

Senator Dennis Baxley  
Senator Tom Lee  
Senator Bill Montford  
Senator Kevin Rader

Representative Michael Caruso  
Representative Chip LaMarca  
Representative Sharon Pritchett  
Representative Bob Rommel  
Representative Jackie Toledo  
Representative Patricia Williams

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## ~~Substantive Changes Made to the Guidelines on November 2, 2015~~

**Commented [DK1]:** If revisions are approved by the Committee, this will be updated to summarize the substantive changes.

- ~~Addresses amended compensation reports:~~
  - ~~If a lobbying firm amends any compensation report(s) subsequent to the time the Committee obtained them from the Lobbyist Registration Office, but prior to audit fieldwork, the auditor is required to obtain the amended report(s) from the Division of Law Revision and Information's website. (Page 8 (F.2.a))~~
  - ~~If a lobbying firm files an amended compensation report as a result of a finding, the auditor is required to include such a statement in the agreed upon procedures report. (Pages 8 (F.2.b) and 10 (F.2.c))~~
- ~~Requires the auditor to include a finding in the agreed upon procedures report if a lobbyist or principal is included in a compensation report, but was not registered. (Page 8 (F.2.b))~~
- ~~Addresses lobbying firms' documentation:~~
  - ~~Authorizes the shipment of lobbying firms' original documentation in lieu of some or all travel. (Page 8 (F.2.e))~~
  - ~~Authorizes the review of lobbying firms' original documentation on site at the lobbying firms' offices in lieu of providing copies of such documentation to the auditors for their workpapers. (Page 8 (F.2.e))~~
- ~~Authorizes lobbying firms to provide a written statement of explanation or rebuttal concerning any or all of the auditor's findings for inclusion in the agreed upon procedures report. (Pages 12 (F.2.f) and 17 (Appendix 2))~~
- ~~Revises the distribution of the agreed upon procedures reports. Audit firms are required to submit: (1) an electronic copy of each report to the lobbying firm and the Committee, and (2) a specified number of bound copies to the Committee. (Pages 12-13 (F.2.h)).~~

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**Commented [WD2]:** We suggest renumbering the Guideline sections for easier reading. "A"- "G" will be changed to "I"- "VII." The next level will have capital letters (A, B, C...), followed by numbers (1, 2, 3...).

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

**A. Introduction**

**1. Purpose**

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

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

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

These guidelines govern attestation services relating to quarterly compensation reports ~~filed after January 1, 2015~~. The ~~attestation services described in these guidelines will begin after the deadline for filing the final compensation reports for calendar year 2015, and the~~ procedures described in section F.23. below will be performed on each quarterly compensation report filed by the randomly selected lobbying firm for the preceding calendar year.

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<sup>1</sup> Sections 11.045, 11.40, and 112.3215, *Florida Statutes*

**JOINT LEGISLATIVE AUDITING COMMITTEE  
GUIDELINES FOR ATTESTATION SERVICES RELATING TO  
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**2. Responsible Parties**

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

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

**3. Committee Contact**

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

Telephone: (850) 487-4110  
Email: [jlac@leg.state.fl.us](mailto:jlac@leg.state.fl.us)  
~~FAX: (850) 922-5667~~

**4. Questions**

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

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

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

**B. Definitions**

The following are definitions of terms used throughout these guidelines:

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

Compensation<sup>2</sup> - a payment, distribution, loan, advance, reimbursement, deposit, salary, fee, retainer, or anything of value provided or owed to a lobbying firm, directly or indirectly, by a principal for any lobbying activity. [Sections 11.045(1)(b), and 112.3215(1)(c), *Florida Statutes*]

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

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

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

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

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

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

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

**JOINT LEGISLATIVE AUDITING COMMITTEE  
GUIDELINES FOR ATTESTATION SERVICES RELATING TO  
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obtained, and conclusions reached by the CPA. It may include letters of confirmation and representation, schedules, copies of relevant documents, and correspondence concerning issues and questions that arise during the engagement. The workpapers are governed by standards adopted by the Florida Board of Accountancy. Ownership of such workpapers and the CPA's responsibilities related to communications with clients<sup>3</sup> and confidential client information are set forth in Sections 473.316 and 473.318, *Florida Statutes*, and Chapter 61H1-23, *Florida Administrative Code* (Rules of the Florida Board of Accountancy). Additionally, such workpapers are confidential and exempt from disclosure pursuant to Sections 112.3215(8)(d) and 11.0431(2)(a) and (i), *Florida Statutes*.

**C. Compensation-Related Records to be Maintained**

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

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

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

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

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

4. Payment records by principal, including original receipts documentation. Such payment records should include: principal name, date of each payment, amount of each payment, and any amounts billed but not yet received. Original receipts documentation should include: receipts, invoices, or copies of the payment check; and deposit slips or other bank records that indicate that payments received from principals were deposited.
5. If the compensation reported includes any reimbursements received, then documentation to substantiate the reimbursement must be maintained. Such documentation could include receipts or invoices describing the goods or services for which reimbursement was requested, cancelled checks, and credit card receipts.
6. Records to document any allocation of compensation from a principal.

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

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

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

- a) Lobbying services versus non-lobbying services
- b) Florida legislative branch lobbying versus executive branch lobbying
- c) Florida legislative or executive branch lobbying versus lobbying any level or branch of a local, other state, or federal government.

The lobbying firm may choose to keep records of all Florida legislative or executive branch lobbying activities separate from the records of all other such lobbying and non-lobbying activities. If this is the case, then the lobbying firm is not required to make any documents related to any other lobbying or non-lobbying activities available as part of the attestation engagement. However, if the lobbying firm has chosen to keep records and accounts which ordinarily and customarily integrate both Florida legislative and/or executive branch lobbying activities and all other such lobbying and non-lobbying activities, then such integrated records must be made available during the attestation engagement if they are necessary to document all or a portion of the compensation amounts included on the quarterly compensation reports.

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

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

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

**D. Record Redaction**

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

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

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**E. Records Retention**

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

**F. Objectives and Requirements for Attestation Services**

**1. Objectives**

The legislative objective of the process mandated in Section 11.40(3), *Florida Statutes*, is to obtain a timely attestation report from a CPA or CPA firm, licensed by the Florida Board of Accountancy. The attestation engagement is to be conducted and the attestation report is to be prepared in accordance with the applicable attestation standards promulgated by the American Institute of Certified Public Accountants as adopted by the Florida Board of Accountancy in Chapter 61H1-20, *Florida Administrative Code*. The specific procedures performed on the randomly selected lobbying firm’s quarterly compensation reports will be as agreed upon between the Legislature and the CPA or CPA firm selected to perform such procedures. Such procedures are described in section F.23, below and have been adopted by the Committee as authorized by Section 11.40(3)(h), *Florida Statutes*.

**2. Confidentiality of Records and Other Matters**

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

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

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

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

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

**2.3. Agreed-Upon Procedures to be Performed**

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

a) Documentation to be Obtained

Obtain the following documentation from the Committee office:

- 1) all of the quarterly lobbying firm compensation reports (~~original and amended~~) for the calendar year that the lobbying firm filed with the ~~Division Office~~.<sup>5</sup>
- 2) ~~documentation to support the lobbyists registered and associated with the lobbying firm's authorization to represent each principal~~ the registration form and the authorization form filed with the Division by each lobbyist of the lobbying firm for the calendar year; and
- 3) ~~documentation to support the lobbying firm's authorization to represent each principal~~ any change of address forms or cancellation forms filed with the Division by each lobbyist of the lobbying firm for the calendar year.

Note: If the lobbying firm filed an amended compensation report subsequent to the time the Committee office obtained the above-noted compensation reports from the Division, but prior to the start of audit fieldwork, then such amended compensation reports must be obtained directly from the Division's Office's website to verify that the amended compensation report was properly filed.

<sup>5</sup> The quarterly compensation reports are also available on the Division's Office's website (<http://olerpublic.leg.state.fl.us/>) (<https://www.floridalobbyist.gov/CompensationReportSearch/>).

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b) Comparison of Documents Filed with the ~~Division~~Office

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

A finding must be included in the AUP report if the explanations are not sufficiently documented, or if a lobbyist or principal was included on a compensation report, but the lobbyist was not registered or the authorization was not obtained from the principal. In addition, a statement should be included in the AUP report if the lobbying firm filed an amended compensation report as a result of a finding.

c) Comparison of Documents Filed with Lobbying Firm Records

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

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

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or other documentation provided by the lobbying firm which outline the payment terms of any verbal agreement(s)/contract(s).

- 2) Review the agreements/contracts obtained in section F.23.c1 above and verify that none are contingency fee based,<sup>6</sup> unless an exception is provided in law (i.e., related to a claim bill (both legislative and executive); compensation or commission of a salesperson as part of a bona fide contractual relationship with company paying the compensation or commission (executive only)). A finding must be included in the AUP report if it is determined that an agreement or contract was based on a contingency fee in violation of law.
- 3) Using the above-noted agreements and/or contracts, prepare (or obtain from the lobbying firm, if available) a schedule of the contracted compensation by principal, noting the payment schedule for such compensation (i.e., as services are rendered and billed, monthly, quarterly, lump sum at beginning of contract period, lump sum at end of contract period, etc.).

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

- 4) Compare the principals per the schedule in section F.23.c3 above to the principals noted in (F.3.b) above. Resolve any differences, documenting the explanations provided by the lobbying firm in the workpapers.
- 5) Compare all of the compensation reported as provided or owed to the lobbying firm from each principal per the quarterly lobbying firm compensation reports to the schedule in section F.23.c3 above. Resolve any differences, documenting the explanations provided by the lobbying firms (e.g., timing, etc.) in the workpapers.
- 6) In order to verify the reported amounts, compare all of the compensation amounts provided or owed to the lobbying firm by each principal to the applicable client (principal) payment records and original receipts documentation, as described in section C.4. above. Prepare a schedule to document the results and notes to describe the procedures performed and the records utilized.

Any differences noted while performing the procedures specified in this section (F.23.c) must be discussed with the lobbying firm, and explanations obtained

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<sup>6</sup> See Sections 11.047 and 112.3217, *Florida Statutes*, relating to contingency fees.

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and documented. A finding must be included in the AUP report if the explanations are not sufficiently documented, unless an exception noted below applies. In addition, a statement should be included in the AUP report if the lobbying firm filed an amended compensation report as a result of a finding. [Note: If, during the course of the AUP engagement, questions arise as to whether an unusual item noted should be included as a finding in the AUP report, please contact the Committee Coordinator for assistance.]

Exceptions:

- More than one lobbyist in a lobbying firm registers for the same principal; however, there are inconsistencies in how each lobbyist entered the principal's name in the Lobbyist Registration System (i.e., one lobbyist entered "Inc." in association with the principal's name and another lobbyist did not). Providing that all compensation was correctly reported under only one occurrence of the principal's name, and any other occurrences of the principal's name report \$0 compensation, this will be reported as an observation rather than a finding. The observation must explain what occurred.
- A lobbying firm receives and accurately reports as compensation an amount of \$250 or less for reimbursement-type expenses; however, the contract does not contemplate such expenses. This will be reported as an observation rather than a finding. The observation must provide the amount and purpose of the reimbursement.
- A lobbying firm receives payment from a third-party vendor that the principal has contracted with to provide bill-paying services rather than directly from the principal. As long as the lobbying firm has a contract or other documentation that adequately supports this contractual arrangement, neither a finding nor an observation needs to be included in the AUP report.

d) Allocation of Compensation

Documentation, as discussed in section C.6. above, must be maintained to support both the method and any percentages used to determine any amounts allocated.

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

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- 1) Verify that the explanation(s) and documentation provided by the lobbying firm for each allocation is in accordance with either the allocation determined and documented by the lobbying firm or the default methodology described below for each applicable category.
- 2) Using the schedule in section F.23.c3 above, verify that the allocated compensation amounts were correctly included or omitted from the quarterly lobbying firm compensation reports in order to verify the reported amounts.
- 3) Prepare a schedule to document the results and include any documentation provided by the lobbying firm in the workpapers. As described below, certain findings must be included in the AUP report. Any finding must include a description of the amount allocated and any explanation provided by the lobbying firm as to why the allocation method was not documented.

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

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

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

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

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

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

If the lobbying firm has not utilized and documented a reasonable allocation method between compensation for such legislative branch versus executive branch lobbying services rendered, then the assumption will be that the

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compensation should be equally split (50-50) between the two categories of lobbying services.

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

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

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

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

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

e) Representation Letter from Lobbying Firm

1) Obtain a representation letter from the lobbying firm as the responsible party, indicating that the lobbying firm has provided full and complete records to the CPA or CPA firm, including all pertinent contracts and/or agreements for lobbying services provided during the calendar year and related supporting documentation. A sample representation letter is included as Appendix 1. Request that the lobbying firm provide the signed representation letter within seven (7) days of audit request. If the signed representation letter is not received within the timeframe requested, include a finding in the AUP report regarding such and contact the Committee Coordinator for assistance.

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~~1)2)~~ Obtain a representation letter from the Committee as the engaging party. An example of the representation letter is included as Appendix 2.

f) Written Statement of Explanation or Rebuttal from the Lobbying Firm

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

g) Preparation of Agreed-Upon Procedures (AUP) Report

Prepare an ~~agreed-upon procedures~~AUP report in accordance with attestation standards promulgated by the American Institute of Certified Public Accountants as adopted by the Florida Board of Accountancy. A sample report shell is included as Appendix 23.

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

h) Distribution of Agreed-Upon Procedures (AUP) Report

The ~~agreed-upon procedures~~AUP report, which includes copies of the quarterly lobbying firm compensation reports (original and amended, if any) as an appendix, and the schedule prepared in F.3.(f) above must be distributed as follows:

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

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If the [AUP](#) report is of an executive branch lobbying firm, as soon as the engagement is completed, provide an electronic copy of the [AUP](#) report to the Committee and to the lobbying firm. In addition, once all engagements have been completed, provide two bound copies of each [AUP](#) report to the Committee. The Committee will provide the [AUP](#) reports to the Florida Commission on Ethics.

**3.1 Confidentiality of Records and Other Matters**

~~Workpapers developed by the CPA or CPA firm during the course of the attestation engagement as a basis for, and in support of, the agreed upon procedures report, are governed by standards adopted by the Florida Board of Accountancy. Ownership of such workpapers and the CPA's responsibilities related to communications with clients and confidential client information are set forth in Sections 472.316 and 472.318, *Florida Statutes*, and Chapter 61H1-23, *Florida Administrative Code* (Rules of the Florida Board of Accountancy).<sup>2</sup> Such workpapers and draft reports of a CPA or CPA firm are confidential, but a final report submitted by a CPA or CPA firm to a client is not. Therefore, the agreed-upon procedures report is confidential until the report is issued.~~

~~Records of a lobbying firm that are associated with the attestation engagements relating to the quarterly compensation reports are confidential and exempt from public record disclosure requirements, unless there is a finding of probable cause that the audit reflects as a violation of the reporting laws. (See Sections 112.3215(8)(d) and 11.0431(2)(a) and (i), *Florida Statutes*)~~

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

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<sup>2</sup> A CPA may not disclose any confidential information in the course of a professional engagement, except with the consent of the client.

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**APPENDIX 1 – SAMPLE REPRESENTATION LETTER**

**[Date]**

To **[CPA/CPA Firm Name]**

We are providing this letter in connection with your attestation engagement relating to the **[20\_\_]** calendar year **[legislative branch/executive branch]** quarterly compensation reports of the **[Name of Lobbying Firm]**. We confirm that we are responsible for the accuracy of the information included in these quarterly compensation reports.

We confirm, to the best of our knowledge and belief, as of **[date of CPA's report]** the following representation made to you during your attestation engagement.

We have made available to you all –

1. Contracts and/or agreements with principals for lobbying services provided during the **[20\_\_]** calendar year.
2. Contracts and/or agreements with other lobbying firms or lobbyists that are working on a subcontractor basis with **[me/us]** for the purpose of lobbying during the **[20\_\_]** calendar year.
3. All related documentation necessary to support the total amount of compensation for lobbying activities on each quarterly compensation report and all allocations of compensation received from principals for lobbying activities, including payment records and original receipts documentation.

**[Name of Lobbying Firm Executive Officer and Title]**

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**APPENDIX 2 – EXAMPLE OF REPRESENTATION  
LETTER FROM COMMITTEE**

**[Date]**

**To [CPA/CPA Firm Name]**

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

1. We acknowledge that **[Name of Lobbying Firm]** is responsible for the presentation of the Quarterly Compensation Reports in accordance with **[if legislative branch compensation: Section 11.045, Florida Statutes, Lobbying before the Legislature; registration and reporting; exemptions; penalties] or if executive branch compensation: Section 112.3215, Florida Statutes, Lobbying before the executive branch or the Constitution Revision Commission; registration and reporting; investigation by commission]**.
2. We are responsible for selecting the criteria and for determining that such criteria are appropriate for our purposes.
3. We have disclosed to you all information of which we are aware, including events occurring subsequent to December 31, **[20 ]**, that would have a material effect on the Joint Legislative Auditing Committee's *Guidelines for Attestation Services Relating to Quarterly Lobbying Firm Compensation Reports*.
4. We have responded fully to all inquiries made to us by you during the engagement.
5. We understand that your report is intended solely for the information and use of the **Legislature (or the Commission on Ethics for executive branch compensation)** and is not intended to be, and should not be, used by anyone other than these specified parties.

Signature: \_\_\_\_\_ Title: \_\_\_\_\_

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**APPENDIX 23 – SAMPLE AGREED-UPON PROCEDURES REPORT**

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

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

**or**

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

[Introductory Paragraphs]

We have performed the procedures enumerated below, which were agreed to by the Joint Legislative Auditing Committee, solely to assist in evaluating the **[Name of Lobbying Firm]**’s compliance with the requirements set forth in the *Florida Statutes* relating to the **[20\_\_]** calendar year **[legislative branch/executive branch]** quarterly lobbying firm compensation reports. Management of the **[Name of Lobbying Firm]** is responsible for compliance with those requirements.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. -Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Legislature (or the Commission on Ethics for executive branch compensation) and is not intended to be, and should not be, used by anyone other than these specified parties.

~~*[Include paragraphs to enumerate procedures and findings.]*~~

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The procedures that we performed and our findings are as follows:

~~1. (Describe procedure performed.)~~

~~No exceptions were found as a result of performing this procedure.  
(or add description of exceptions and any written statement of explanation or  
rebuttal from the lobbying firm regarding such (or reference the appendix  
containing the written statement))~~

~~2. (Describe procedure performed.) [NOTE: Repeat as needed to address all procedures  
performed.]~~

~~No exceptions were found as a result of performing this procedure.  
(or add description of exceptions and any written statement of explanation or  
rebuttal from the lobbying firm regarding such (or reference the appendix  
containing the written statement))~~

~~3.1. [Add if applicable] Pursuant to the requirements of Section 11.40(3)(f), *Florida  
Statutes*, we were required to prepare a schedule and include such as an appendix to  
this report that states the name, address, and title, if any, of any individual in the  
lobbying firm or associated with a principal of the lobbying firm who failed to fully,  
voluntarily, and promptly participate in the attestation engagement process, or to  
provide any reasonably relevant documentation requested by the CPA or CPA firm in  
the course of conducting the attestation engagement. Such schedule is included as  
Appendix A to this report.~~

~~[Concluding Paragraphs]~~

~~We were not engaged to, and did not, conduct an examination, the objective of which would  
be the expression of an opinion on compliance. Accordingly, we do not express such an  
opinion. Had we performed additional procedures, other matters might have come to our  
attention that would have been reported to you.~~

~~This report is intended solely for the information and use of the Legislature (or the  
Commission on Ethics for executive branch compensation) and is not intended to be, and  
should not be, used by anyone other than these specified parties.~~

~~[Signature of CPA or CPA Firm]~~

~~[Date]~~

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<u>PROCEDURE PERFORMED</u>	<u>RESULT</u>
<p><u>A. Documentation to be Obtained</u></p> <p><u>Obtain the following documentation from the Committee office:</u></p> <ol style="list-style-type: none"> <li><u>1) all of the quarterly lobbying firm compensation reports for the calendar year that the lobbying firm filed with the Office;</u></li> <li><u>2) documentation to support the lobbyists registered and associated with the lobbying firm; and</u></li> <li><u>3) documentation to support the lobbying firm's authorization to represent each principal.</u></li> </ol>	<p><u>We noted no exceptions as a result of performing this procedure (or add description of exceptions and any written statement of explanation or rebuttal from the lobbying firm regarding such (or reference the appendix containing the written statement)).</u></p>
<p><u>B. Comparison of Documents Filed with the <del>Division</del>Office:</u></p> <ol style="list-style-type: none"> <li><u>1) Compare the lobbyist(s) registered for the lobbying firm per the registration documentation obtained in A) above to the lobbyists listed on the quarterly lobbying firm compensation reports, noting any differences. Obtain a detailed explanation from the lobbying firm for any differences and document the explanation in the workpapers.</u></li> <li><u>2) Compare the principal(s) listed for each lobbyist of the lobbying firm per the authorization documentation obtained in A) above to the principal(s) listed on the quarterly lobbying firm compensation reports, noting any</u></li> </ol>	<p><u>We noted no exceptions as a result of performing this procedure (or add description of exceptions and any written statement of explanation or rebuttal from the lobbying firm regarding such (or reference the appendix containing the written statement)).</u></p> <p><u>We noted no exceptions as a result of performing this procedure (or add description of exceptions and any written statement of explanation or rebuttal from the lobbying firm regarding such (or reference the appendix containing the written statement)).</u></p>

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<u>differences. Obtain a detailed explanation from the lobbying firm for any differences and document the explanation(s) in the workpapers.</u>	
<u>Continue through with procedures C-F.</u>	

